大華銀行

UNITED OVERSEAS BANK LIMITED

Annual Report 2011

Contents

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

***Sweet Rambutans* by Georgette Chen**
Oil on canvas

This painting by Georgette Chen is one of the most acclaimed pieces in UOB's art collection. The Group started its collection in the 1970s as a way to support the local arts scene. Through this programme, UOB has collected more than 1,500 artworks which are displayed at the Group's offices worldwide.

As UOB is acknowledged as one of the pioneer banks in Singapore, so too is Chen recognised as a forerunner of the visual arts scene in the country. The rambutan fruit is a signature element of Chen's still-life paintings. Chen who is known for her Post-Impressionist style has blended western and eastern elements in this artwork.

Chen has forged a reputation for her portraits, landscape and still-life paintings. She was conferred the Cultural Medallion in 1982. A national arts scholarship has been established in her name.

About United Overseas Bank Limited

77 years of strength and growth

United Overseas Bank Limited (UOB) was incorporated in Singapore on 6 August 1935 as the United Chinese Bank. Founded by Datuk Wee Kheng Chiang, the Bank catered mainly to the Fujian community in its early years. In 1965, the Bank changed its name to United Overseas Bank to reflect its ambition to become a premier bank in the Asia Pacific region.

Over the past 77 years, UOB has grown through a series of strategic acquisitions and organic growth. UOB's major banking subsidiaries in the region now include United Overseas Bank (Malaysia), United Overseas Bank (Thai), PT Bank UOB Indonesia and United Overseas Bank (China). UOB's portfolio also includes Far Eastern Bank.

Today, UOB has a global network of more than 500 branches and offices in 19 countries and territories in Asia Pacific, Western Europe and North America.

UOB provides a wide range of financial services through its global network including personal financial services, wealth management, private banking, commercial and corporate banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management, insurance and stockbroking services. UOB also has diversified interests in travel and property management.

In Singapore, UOB is a market leader in the credit card and private residential home loans businesses. It is also a key player in loans to small and medium enterprises. Its fund management arm, UOB Asset Management, is one of Singapore's most awarded fund managers with a growing regional presence.

UOB is rated among the world's top banks, with a rating of Aa1 from Moody's and AA- from Standard & Poor's respectively.

UOB plays an active role in the community, focusing its corporate responsibility efforts on the arts, promoting education and helping children. For three decades, UOB has organised the annual UOB Painting Of The Year Competition which promotes the works of budding Asian artists. UOB also encourages its employees across the region to be involved in its corporate responsibility programme through regular volunteer activities. This includes UOB's Heartbeat Run/Walk which is held in Singapore, Indonesia, Malaysia and Thailand.

For more information, please visit www.UOBGroup.com.

Our extensive network of more than 500 branches and offices in 19 countries and territories worldwide

WESTERN EUROPE

1	France
1	United Kingdom

ASIA PACIFIC

75	Singapore	14	China	3	Taiwan	1	Philippines
214	Indonesia	6	Hong Kong	2	Japan	1	South Korea
156	Thailand	3	Australia	1	India	1	Vietnam
47	Malaysia	3	Brunei	1	Myanmar		

NORTH AMERICA

1	Canada
3	USA

Our Awards & Accolades in 2011

Alpha Southeast Asia
Most Innovative Deal/Innovative Islamic Deal of the Year in Southeast Asia

Best Structured Loan Deal of the Year in Southeast Asia

Asia Asset Management
Best of the Best Awards
Best Retail House (Singapore)

AsianInvestor
Investment Performance Awards
Best Onshore Fund House (Singapore)

Asia Pacific Loan Market Association
Asia Pacific Syndicated Loan Awards
Syndicated Corporate Deal of the Year

Syndicated Deal of the Year

American Society for Training and Development
BEST Award

Asiamoney Awards
Best Local Cash Management Bank in Singapore (Small Corporates)

Top 2 Best Foreign Cash Management Bank in Thailand (Small Corporates)

Association of Banks in Singapore
SPRING Excellent Service Awards (EXSA)
ABS Service Excellence Champion Award
317 Star Awards
221 Gold Awards
156 Silver Awards

Community Chest Awards
Special Events Platinum Award

Global Finance: Best Developed Market Banks
Best Bank in Singapore

Islamic Finance News
Deals of the Year Awards
IPO Deal of the Year

Real Estate Deal of the Year

National Arts Council
Distinguished Patron of the Arts Award

SPRING Singapore
Singapore Quality Class "Star" Award

The Asian Banker
Excellence in Retail Financial Services Awards
Best Retail Bank in Singapore

Best SME Banking

The Asset
Triple A Regional Deal Awards
Best Syndicated Loan

Triple A Transaction Banking Awards
Rising Star Cash Management Bank in Thailand

Rising Star Trade Finance Bank in Thailand

Triple A Transaction Banking Awards
Rising Star Cash Management Bank (Malaysia)

Five-Year Group Financial Summary

	2007	2008	2009	2010 [1]	**2011**
Selected income statement items ($ million)					
Total income	4,872	5,250	5,405	5,507	**5,699**
Total expenses	2,018	2,050	2,074	2,258	**2,450**
Operating profit	2,854	3,200	3,331	3,249	**3,248**
Net profit after tax [2]	2,109	1,937	1,902	2,426	**2,327**
Selected balance sheet items ($ million)					
Total assets	174,950	182,941	185,578	213,778	**236,958**
Customer loans (net)	92,669	99,840	99,201	112,440	**141,191**
Customer deposits	106,967	118,171	121,502	142,299	**169,460**
Shareholders' equity [2]	17,329	15,573	18,986	21,473	**22,967**
Financial indicators (%)					
Return on average ordinary shareholders' equity	12.6	12.2	11.9	12.9	**11.1**
Return on average total assets	1.24	1.07	1.06	1.24	**1.06**
Expense/Income ratio	41.4	39.0	38.4	41.0	**43.0**
Non-performing loans ratio	1.8	2.0	2.2	1.8	**1.4**
Capital adequacy ratios ("CAR") [3]					
Core Tier 1	9.3	9.0	11.9	13.3	**11.9**
Tier 1	10.0	10.9	14.0	15.3	**13.5**
Total	14.5	15.3	19.0	19.8	**16.7**
Per ordinary share					
Basic earnings ($)	1.36	1.25	1.19	1.52	**1.43**
Net asset value ($)	10.91	8.90	11.17	12.51	**13.23**
Net dividend (¢) [4]	73.7	60.0	60.0	70.0	**60.0**
Dividend cover (times) [4]	1.90	2.14	2.10	2.25	**2.46**

Notes:

1 Excluded one-time gain on sale of UOB Life Assurance Limited and United Industrial Corporation Limited.

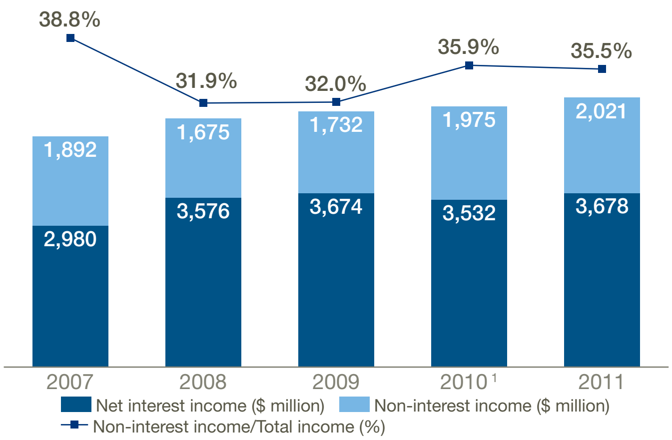
2 Attributable to equity holders of the Bank.

3 The Group adopted Basel II framework for its capital adequacy ratio computation in accordance with the revised MAS Notice 637 which took effect on January 2008. Prior to that, the Group adopted Basel I framework.

4 2007 and 2010 included special dividends of 12.3 cents and 10.0 cents respectively.

Financial Highlights

Total income	$5,699 million	▲	3.5%

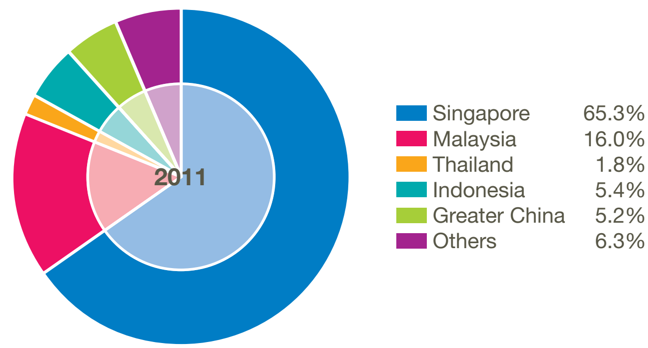


Core business was resilient. Income growth was underpinned by strong fee and commission income as well as net interest income.

Fee income rose 13.3% year-on-year with increased cross-selling across geographies and products, leveraging on the Group's pan-regional franchise. Loan-related fee income reached a new yearly high of $370 million, an increase of 29.9%.

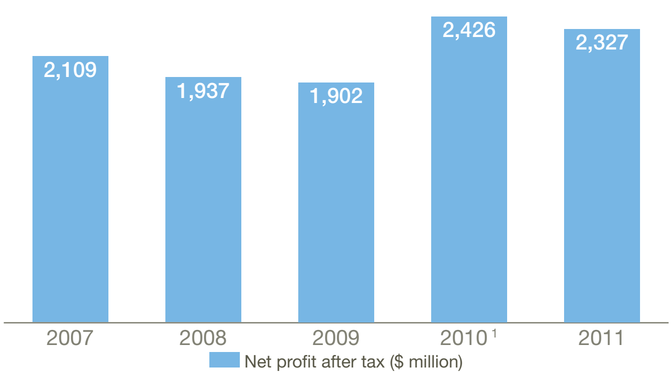
Net interest income grew 4.1% supported by robust loans growth.

Overseas profit contribution	34.7%	▲	3.2%pt



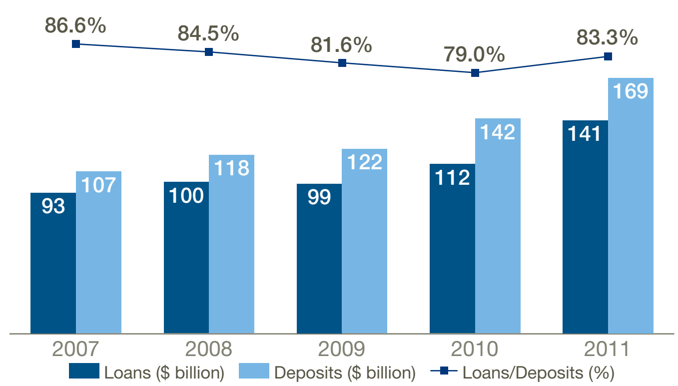
Overseas contributed 34.7% to the Group's net profit before tax, while Singapore's contribution was 65.3%.

Net profit after tax	$2,327 million	▼	(4.1%)



Net profit for the year 2011 was $2.3 billion, 4.1% lower than a year ago. The increase in total income was offset by higher expenses, coupled with higher collective impairment charges set aside due to strong loans growth.

Customer loans	$141 billion	▲	25.6%
Customer deposits	$169 billion	▲	19.1%
Loans/Deposits	83.3%	▲	4.3%pt



Note: Net loans were net of cumulative impairment.

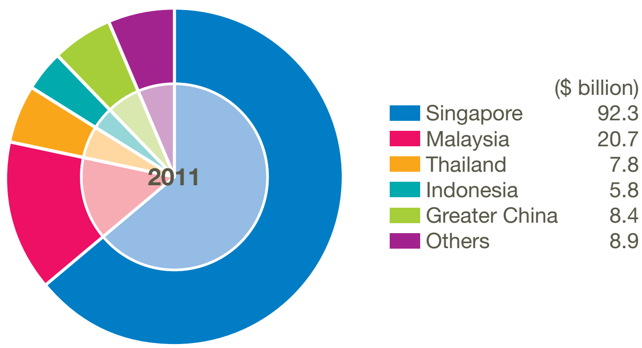
Net loans grew 25.6% for the year to $141 billion. The increase was broad based across geographies and industries as the Group's regionalisation strategy and cross-selling efforts continued to deliver results.

The Group's funding capabilities continued to be strong. Customer deposits rose 19.1% to $169 billion across the entire global network. Singapore grew 12.9% while the regional franchise delivered a significant increase of 38.1%. In addition, deposits from the rest of the world rose 20.6% supported by the Group's strong credit rating.

Consequently, the loans-to-deposits ratio was healthy at 83.3%.

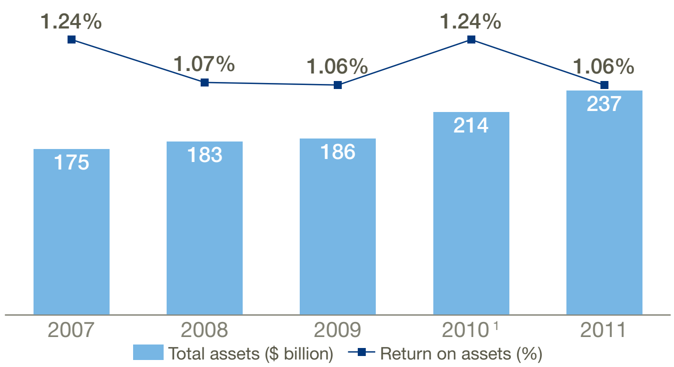
[1] Excluded one-time gain on sale of UOB Life Assurance Limited and United Industrial Corporation Limited.

Loans by geography	**$144 billion**	▲	25.0%



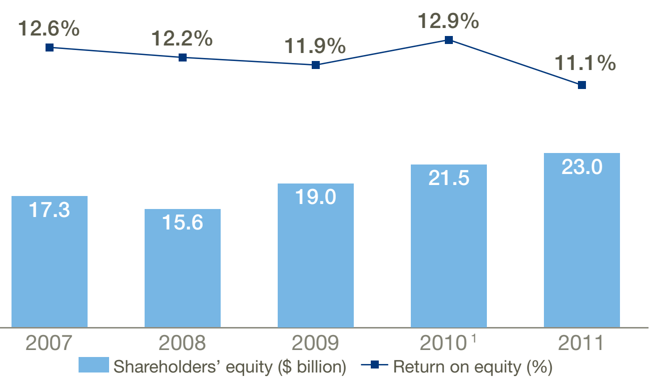
Loans from the regional countries rose 35.2%, while loans growth from Singapore was also strong at 22.2%.

Total assets	**$237 billion**	▲	10.8%
Return on assets	**1.06%**	▼	(0.18%pt)



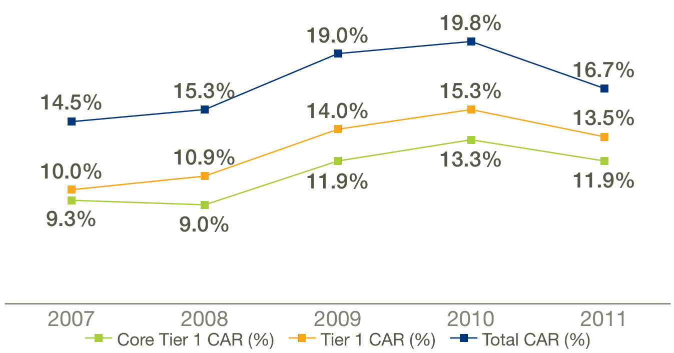
The Group's total assets expanded 10.8% in 2011 to a new high of $237 billion as Singapore and the regional countries continued to grow. Return on assets for 2011 was 1.06%.

Shareholders' equity	**$23 billion**	▲	7.0%
Return on equity	**11.1%**	▼	(1.8%pt)



Shareholders' equity rose 7.0% for the year to $23 billion. This was mainly contributed by higher retained earnings and the issuance of new ordinary shares pursuant to the scrip dividend scheme. Return on equity in 2011 was 11.1%, lower by 1.8% points mainly due to the enlarged shareholders' equity.

Core Tier 1 CAR	**11.9%**	▼	(1.4%pt)
Tier 1 CAR	**13.5%**	▼	(1.8%pt)
Total CAR	**16.7%**	▼	(3.1%pt)



Note: The Group adopted Basel II framework for its capital adequacy ratio computation in accordance with the revised MAS Notice 637 with effect from January 2008.

The Group's capital position remained strong. As at 31 December 2011, Group Tier 1 and total capital adequacy ratios at 13.5% and 16.7% respectively were well above the regulatory requirements. These ratios were lower than a year ago due to higher risk-weighted assets arising from the significant loans growth, partly offset by higher retained earnings.

[1] Excluded one-time gain on sale of UOB Life Assurance Limited and United Industrial Corporation Limited.

Chairman's Statement

2011 Review

The global economy was on a roller coaster ride in 2011, raising widespread fears of derailment as one European Union country after another verged on the brink of financial collapse. Thankfully a total meltdown was averted but financial markets and world trade were battered.

Confronted by shrinking orders and volatile capital markets, the Singapore economy decelerated. From a high Gross Domestic Product (GDP) growth of 14.5% in 2010, it closed 2011 with a modest GDP growth of 4.9%.

UOB Group's Performance & Dividend

The liquidity crises of the Eurozone, coupled with interest margin compression in Singapore resulted in a drop in the Group's after-tax profit. Despite a 25.6% increase in non-bank loans and a rise of 19.1% in deposits, the Group's after-tax profit (excluding 2010's extraordinary gains) decreased by 4.1% to $2.327 billion (2010: $2.426 billion).

On the positive side, we saw improved earnings among our regional subsidiaries. The operating profit contributions from our overseas network increased from 34.6% to 38.2% in 2011, propelled by Malaysia and Greater China.

The Board has transferred $300 million to general reserve. It recommends a final one-tier tax exempt dividend of 40 cents per ordinary share. Together with the interim dividend of 20 cents, total dividends for 2011 would amount to 60 cents per ordinary share.

Corporate Developments

In line with our ongoing efforts to achieve an efficient mix of capital, the Bank successfully raised S$1 billion 3.45% 10-year subordinated notes due in 2021 with a call option after five years. These notes which qualify as Tier-2 regulatory capital, were used to partially finance the redemption of the $1.3 billion 4.95% 10-year subordinated notes in September 2011.

During the year, the Vietnamese authorities raised the ceiling for foreign investments in their local banks. We see good growth potential in Vietnam and seized the opportunity to increase our stake in Vietnam's Southern Bank from 14.92% to 19.99%. PT Bank UOB Buana has been renamed PT UOB Indonesia to be consistent with the names of our other regional subsidiaries.

In January this year, the Board welcomed a new Director, Mr Hsieh Fu Hua, who has extensive experience in the financial sector.

"In anticipation of a more challenging business environment, capital and cost management and improving productivity will be the Group's top priorities. Business profitability and not business volume must be the rule of the day."

2012 Outlook

The World Bank has slashed its 2012 forecast for global economic growth from 3.6% to 2.5% while the International Monetary Fund has adjusted it to 3.3% from the earlier forecast of 4%. The Singapore Government has cautioned against high growth expectations, forecasting GDP growth this year to be between 1% and 3%.

Amid constant threats of sovereign defaults in the Eurozone, and attendant pressures on liquidity and embattled financial institutions, the only certainty is that the world economy will continue to witness greater volatilities and uncertainties. Even if the rescue measures work, full recovery and stability will take some time.

In anticipation of a more challenging business environment, capital and cost management and improving productivity will be the Group's top priorities. Business profitability and not business volume must be the rule of the day.

At the same time, we will continue to build upon the growth momentum of our regional subsidiaries. With our wide regional coverage we believe the Group is well placed to ride on the crest of intra-Asia trade and investments.

In the uncertain and volatile business environment, the Board will continue to closely monitor and ensure that the Group has a robust risk management structure and culture in place. The central plank of our risk management platform is that long-term interests should never be sacrificed for short-term gains.

Acknowledgement

Messrs Ngiam Tong Dow and Philip Yeo Liat Kok have decided not to seek re-election at the forthcoming annual general meeting to facilitate the renewal of the Board. The Board would like to record our deep appreciation to them for their guidance and invaluable contributions in the past decade.

I also want to express my appreciation to the other Board Directors for their wise counsel during the past year. Credit is also due to Management and staff for their commitment and hard work in a difficult business environment. Last but not least important, I thank all our shareholders and our customers for their loyal support.

Wee Cho Yaw
Chairman
February 2012

Deputy Chairman & CEO's Report

We began 2011 cautiously optimistic that our core markets in Asia would prove resilient in the face of global turbulence. True to our expectations, Asian economies by and large fared better than their Western counterparts.

In 2011, we stayed true to our philosophy of balancing growth with stability, building a long-term customer franchise and creating sustainable value for our shareholders.

We are confident that our approach and the initiatives we have underway will stand us in good stead to strengthen and to grow our business for the long haul.

Strengthening our core business

Even as events in the West continued to cast a shadow over Asia in 2011, we held steadfast in our strategy to deepen and to extend our regional franchise. Our emphasis remains on the fundamentals of banking – ensuring balance sheet strength which ultimately determines our ability to support customers and to ride out credit cycles.

Today, the banking industry is being redefined. With capital and funding increasingly scarce, we must be all the more strategic and selective in where we invest our resources. We will grow where we can make a meaningful difference for our stakeholders, and not just for the sake of growing.

Our priorities and performance in 2011 continued to reflect this commitment. Ever mindful that liabilities are increasingly a bank's greatest asset, our focus during the year was to strengthen our funding capabilities, while staying selective and disciplined in growing our business.

Our extensive regional network and strong credit ratings allowed us to tap diversified and stable sources of funding. We increased the proportion of customer deposits in our funding mix. We also paced our assets growth such that our Group's loans-to-deposits ratio was well managed at 83% and our US$ loans-to-deposits ratio now stands at less than 100%.

We diversified our funding base by relying less on interbank borrowings and more on longer-dated debt instruments. Our interbank funding declined from 17% of our liabilities base in 2010 to 9% in 2011. We also set up a US$5 billion US Commercial Paper programme last year, in addition to the $5 billion Euro-Medium Term Notes programme we have had in place since 2010.

Assets-wise, we used our balance sheet to strengthen our customer franchise across Asia. Our loans grew robustly by 25%, well ahead of the 13% growth we achieved in 2010. We have built a diversified, quality loans portfolio of $144 billion spread across countries and industry segments. We sharpened our focus on our target segments and risk-adjusted returns.

"Today, the banking industry is being redefined. With capital and funding increasingly scarce, we must be all the more strategic and selective in where we invest our resources. We will grow where we can make a meaningful difference for our stakeholders, and not just for the sake of growing."

We improved our asset quality, lowering our non-performing loans ratio from 1.8% in 2010 to 1.4% in 2011. Our impairment coverage is among the industry's highest. In light of uncertainties in the Eurozone and the upcoming Basel III requirements, we pared down our European bank debt securities. This resulted in some investment losses but we took the stand to lower market risks at the expense of short-term profitability. It is also in line with our strategy to rebalance our portfolio towards Asia and our core franchise.

Our capital ratios remained strong, with core Tier 1 at 11.9%, Tier 1 at 13.5% and total CAR at 16.7% as of 31 December 2011.

Overall, we delivered a full-year core net profit after tax of $2.3 billion, 4.1% lower than the previous year, as higher total income was offset by operating expenses and collective impairment charges. Total income rose 3.5% year-on-year to $5.7 billion, driven by momentum in our core business.

Net interest income grew 4.1% as strong loans growth more than offset the impact of lower loan yields and rising funding costs. It reached a record high in the fourth quarter coupled with a rebound in net interest margin. Fee and commission income grew robustly by 13.3% during the year, as we intensified cross-selling efforts across our regional franchise. Trading and investment income was lower due to weaker global market sentiments in the second half of the year.

We continued to invest in building capabilities, which saw expenses rise 8.5%, bringing our cost-to-income ratio to 43% in 2011. We will continue to increase our productivity and operational efficiency through initiatives such as streamlining processes and integrating our global functions.

We ended the year with a stronger balance sheet, more diversified revenue streams and deeper customer relationships.

Our sensible, steady approach to managing our business and balance sheet has maintained our Aa1 rating by Moody's. In 2011, Standard and Poor's raised our rating by one level to AA-. Combined, these ratings place us among the world's top-rated banks.

Regionalisation on track

Our focus remains on transforming UOB into a premier regional bank. Our strategy is delivering results, with growth in regional operating profit, fees, loans and deposits outpacing that of Singapore. Overall, overseas operating profit rose 11% in 2011 to $1.24 billion and the contribution from overseas markets to Group net profit before tax increased from 31.5% in 2010 to 34.7% in 2011. This progress illustrates how we are seizing opportunities created by rising intra-regional trade and consumer affluence in Asia.

Deputy Chairman & CEO's Report

Our integrated regional platform enables better customer acquisition and retention, faster speed-to-market, higher operational efficiency and stronger risk management. This benefits both the customer and the Bank through seamless customer experience, higher productivity and stronger controls.

Our full ownership of regional subsidiaries allows us to integrate our operations faster and more effectively. We are running full-steam ahead in this regard and will be completing our integrated platform by the end of 2013. The standardisation of core systems and functions globally has resulted in lower processing costs and better risk management. To boost productivity, we have started off-shoring some back-office processes through our centres of excellence, the first of which is in Malaysia. We are also streamlining workflows through technology in areas such as mortgage approval. Such enhancements can be readily replicated across our network with our integrated platform.

Deepening customer relationships

Over the years, our disciplined approach has enabled us to seize the right opportunities at the right time, and to build an unrivalled network in Southeast Asia.

We have improved our ability to offer comprehensive solutions to serve our growing customer base. We have done this through matching the right products and solutions to the customer's circumstances. As a result, we have improved the penetration of our loans, investment and deposits products across our customer segments.

For example, our partnership with Prudential has proven successful through the marriage of our distribution channels across the region to their products. We extended our international home loans scheme to financing properties in London for our customers. Our fund management joint venture with Ping An Trust Co. Ltd in China was recognised as the fund company having the 'most potential' in China by *Moneyweek China*. Its inaugural fund launched in 2011 was ranked among the top five equity fund launches in terms of funds raised in China. We were also the first foreign Asian bank to be allowed to trade gold on the Shanghai Gold Exchange. This licence enables us to strengthen our presence in the international gold market and expand our gold-related products and services for our customers in one of the world's major gold trading centres.

Our commitment to providing superior customer service was again recognised in 2011, most notably during the Excellent Service Awards (EXSA) in Singapore. For the third consecutive year UOB won the most EXSA awards over any other bank in Singapore and for the second consecutive year we produced The Association of Banks in Singapore's (ABS) Service Excellence Champion – the highest individual honour given for superior service in the banking and financial sector.

We also sought new ways to serve and to connect with our customers.

In Singapore, we launched the industry's first mobile banking application that enables people to make cardless cash withdrawals. The UOB Mobile Cash feature makes it possible to send money quickly and securely to a list of preregistered recipients who can then withdraw cash without cards at any of our UOB ATMs across the island.

In 2012, we will build on our successes and look for opportunities to deliver more to our customers, and in doing so, not lose sight of the fact that we must uphold fair dealing principles in our approach and through our behavior. What is not right for the customer is not right for us.

Redefining wealth management

Asia is now second only to North America as the place with the largest number of high net worth individuals (HNWI). The rise of the Asian HNWIs has brought with it many opportunities for those looking to meet the needs of this growing customer base.

UOB is in a unique position to understand and to serve Asia's rising rich. Driving the rise in wealth are two factors – an entrepreneurial spirit in those generating wealth and for those who have already made their money, wealth enhancement. Both of these factors are inherent in our own growth story as 77 years ago our founders' entrepreneurial spirit gave rise to the company we are today. Since then, we have built a fully-owned franchise without peer in Southeast Asia. We believe this gives us a perspective, position and experience that no other Asian commercial bank can offer and one which existing and potential customers seek in a banking partner.

In 2010, we created new definitions of wealth in the Asian context through our deep understanding of customers and their life stages and life goals, socio-economic demographics and wealth drivers. All this came together in our refined customer segmentation approach and wealth management strategy. This year, we advanced our strategy with Privilege Reserve, Privilege and Wealth Banking customer segment propositions. We have also brought together our extensive network and product capability to ensure we provide holistic solutions in response to what Asia's increasingly affluent consumers want.

In support of this strategy, we expanded our wealth management footprint by opening 13 new centres in 2001, including our first Privilege Banking Centre in Shanghai's Xin Tian Di district. We now have 41 dedicated wealth management centres across Asia and aim to have 65 by 2015. We see significant upside in terms of assets under management and customer acquisition through these new centres.

Helping customers grow their businesses

The rise of Asia as the world's economic engine of growth has brought with it increasing demand from companies in the region which are looking for faster and better ways of managing their businesses as they expand beyond their home markets.

With our capabilities and long-standing presence in Southeast Asia, UOB is best placed to deliver unmatched services to small, medium, large and multi-national corporates looking to seize new market opportunities across the region. We also sharpened our focus on transaction banking, structured trade, treasury and investment banking services. Demand for these activities has grown as customers expand regionally. In these areas, we grew our fees from our overseas markets by 30% to 80% over last year. Group trade assets doubled year-on-year with Indonesia and China growing five-fold and thirteen-fold respectively.

To help businesses capitalise more fully on intra-regional trade flows, we also set up a dedicated Foreign Direct Investment (FDI) advisory unit. This unit, a first for a Singapore bank, supports businesses in setting up in Singapore and expansion into the region. The FDI unit provides assistance ranging from company incorporation, access to UOB's full suite of corporate and personal banking products to borderless financial services through the Bank's long established regional network.

In 2011, we were named Best SME Banking in *The Asian Banker* Excellence in Retail Financial Services awards. We also won *The Asset's* Rising Star Award for our trade and cash management services in Malaysia and Thailand. As a leader in these areas, we look for new ways in which to help businesses grow.

Looking ahead

Asia is holding up well in a time of global uncertainties. Although we remain vigilant to the impact of deeply-rooted issues in the West which will take time to resolve, we know the long-term prospects for Asia remain positive.

We have made solid progress on our regionalisation strategy in 2011 and enter 2012 knowing that our core business remains strong, our balance sheet sound and our customer relationships deepened. We have the right resources in the right markets. We will continue to make investments that will strengthen our position to ride on the rising intra-regional trade flows and growing consumer affluence in the region.

One of our chief investments is in our people, where we remain focused on developing their potential, building bench strength and enhancing our regional talent pool to serve our growing franchise. We have a team that often goes beyond the call of duty. This was illustrated when our people rallied behind our colleagues and customers in Thailand during the Southeast Asian floods to raise funds and to provide relief to the victims. The effort epitomises the culture at UOB – teams working across borders to help one another. This is the foundation upon which our success is built.

We are confident that we are well-positioned to capture new opportunities across Asia.

Our achievements in 2011 were made possible through the invaluable advice and guidance of our Board of Directors and the commitment of our management and staff. I am also grateful to our customers and investors for their continued support of, and belief in, UOB.

Wee Ee Cheong
Deputy Chairman & CEO
February 2012

Board of Directors

Wee Cho Yaw
Chairman
Age 83. A banker with more than 50 years' experience, Dr Wee has been the Chairman and Chief Executive Officer (CEO) of UOB since 1974. He relinquished his CEO position on 27 April 2007. He was appointed to the Board on 14 May 1958 and last re-appointed as Director on 29 April 2011. He is the Chairman of the UOB Executive, Remuneration and Board Risk Management Committees, and a member of the Nominating Committee.

Dr Wee is the Chairman of UOB subsidiaries, Far Eastern Bank, United Overseas Insurance, United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia, and Supervisor of United Overseas Bank (China). He is the Chairman of United International Securities, Haw Par Corporation, UOL Group, Pan Pacific Hotels Group, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. He is also the Chairman of the Wee Foundation.

Dr Wee was conferred the Businessman of the Year award twice at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse-Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community. In 2009, he was conferred the Lifetime Achievement Award by *The Asian Banker*. Dr Wee is the Pro-Chancellor of Nanyang Technological University and Honorary President of the Singapore Chinese Chamber of Commerce & Industry, Singapore Federation of Chinese Clan Associations and Singapore Hokkien Huay Kuan. He received Chinese high school education and was conferred an Honorary Doctor of Letters by National University of Singapore in 2008. He was also conferred the Distinguished Service Order, Singapore's highest National Day Awards in 2011, for his outstanding contributions in community work.

Wee Ee Cheong
Deputy Chairman & Chief Executive Officer
Age 59. Mr Wee was appointed to the Board on 3 January 1990 and last re-elected as Director on 29 April 2011. A career banker, Mr Wee joined UOB in 1979, and has extensive experience handling various functions across the Bank. He served as Deputy Chairman and President of the Bank from 2000 to April 2007 before being appointed as Chief Executive Officer on 27 April 2007. He is a member of the UOB Executive and Board Risk Management Committees.

He also holds directorships in several UOB subsidiaries and affiliates including Far Eastern Bank, United Overseas Insurance, United Overseas Bank (Malaysia), United Overseas Bank (Thai) Public Company and United International Securities. He is the Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

Mr Wee is actively engaged in regional business development through his participation in key industry bodies. He serves as a council member of The Association of Banks in Singapore and as a director of The Institute of Banking & Finance and chairs the Financial Industry Competency Standards (FICS) Steering Committee. He is a member of the Board of Governors of Singapore-China Foundation, Visa APCEMEA Senior Client Council and Advisory Board of INSEAD East Asia Council and International Council.

He is a director of the Wee Foundation, as well as the patron of the Nanyang Academy of Fine Arts. Mr Wee is an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He had previously served as Deputy Chairman of the Housing & Development Board, and as a director of the Port of Singapore Authority, UOL Group and Pan Pacific Hotels Group.

He holds a Bachelor of Science (Business Administration) and a Master of Arts (Applied Economics) from The American University, Washington, DC.

Ngiam Tong Dow

Age 74. Mr Ngiam was appointed to the Board on 1 October 2001 and last re-appointed as Director on 29 April 2011. An independent and non-executive director, he is a member of the Bank's Executive, Nominating and Board Risk Management Committees. He is a director of Far Eastern Bank, a UOB subsidiary.

Mr Ngiam is also a director of Singapore Press Holdings and Yeo Hiap Seng. He served as Chairman of the Housing & Development Board from 1998 to 2003 and Surbana Corporation from 2003 to 2008. He has a distinguished public service career, having held the post of Permanent Secretary in the Prime Minister's Office and the Ministries of Finance, Trade and Industry, National Development, and Communications. He is the former Chairman of Central Provident Fund Board, Development Bank of Singapore, Economic Development Board and Telecommunication Authority of Singapore, and former Deputy Chairman of the Board of Commissioners of Currency, Singapore.

He holds a Bachelor of Arts (Economics, Hons) from University of Malaya, Singapore, and a Master of Public Administration from Harvard University, USA.

Cham Tao Soon

Age 72. Prof Cham was appointed to the Board on 4 January 2001 and last re-appointed as Director on 29 April 2011. An independent and non-executive director, he is the Chairman of the Bank's Audit Committee and a member of the Bank's Executive, Nominating, Remuneration and Board Risk Management Committees. Prof Cham is a director of the Bank's subsidiaries, namely, Far Eastern Bank and United Overseas Bank (China). He is the Chairman of NSL Ltd, MFS Technology and the Board of Governors of Singapore-China Foundation, and Deputy Chairman of Singapore Press Holdings. He is a director of Soup Restaurant Group and Singapore International Foundation. He is a former director of Adroit Innovations, Keppel Corporation, Land Transport Authority, TPA Strategic Holdings, Robinson & Company and WBL Corporation, and the former Chairman of Singapore Symphonia Company.

Prof Cham is the Chancellor of SIM University and Chairman of its Board of Trustees, and founding President of Nanyang Technological University from 1981 to 2002.

He holds a Bachelor of Engineering (Civil, Hons) from University of Malaya, a Bachelor of Science (Mathematics, Hons) from University of London and a Doctor of Philosophy (Fluid Mechanics) from University of Cambridge, UK. He is also a Fellow of Institution of Engineers, Singapore, Academy of Engineering, Singapore, Royal Academy of Engineering, UK and Institution of Mechanical Engineers, UK and a foreign member of Royal Swedish Academy of Engineering Sciences, Sweden.

Board of Directors

Wong Meng Meng
Age 63. Mr Wong was appointed to the Board on 14 March 2000 and last re-elected as Director on 30 April 2010. An independent and non-executive director, Mr Wong is the Chairman of the Bank's Nominating Committee. He is also a director of Far Eastern Bank, a UOB subsidiary.

Mr Wong is a lawyer by profession, and a Senior Counsel. He is the founder-consultant of WongPartnership LLP. He is the President of The Law Society of Singapore, a Vice President of Singapore Academy of Law, and a member of the Public Guardian Board. Mr Wong is the Chairman of Mapletree Industrial Trust Management and FSL Trust Management. He had previously served as a member of the Military Court of Appeal and the Advisory Committee of Singapore International Arbitration Centre.

While in active practice, Mr Wong had consistently been acknowledged as one of the world's leading lawyers in leading directories such as *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*, among others.

Yeo Liat Kok Philip
Age 65. Mr Yeo was appointed to the Board on 26 May 2000 and last re-elected as Director on 30 April 2010. An independent and non-executive director, he is a member of the Bank's Executive, Audit and Remuneration Committees. He is a director of Far Eastern Bank, a UOB subsidiary.

Mr Yeo is the Chairman of SPRING Singapore. Recognised for his contributions to Singapore's economic development and pioneering role in promoting and developing the country's information technology, semiconductor, chemical and pharmaceutical industries, Mr Yeo brings to the Bank wide government and private sector experience.

Mr Yeo serves as a member of the United Nations Committee of Experts in Public Administration (CEPA), established by the Economic and Social Council (ECOSOC) from 2010 to 2013 for the promotion and development of public administration and governance among Member States, in connection with the United Nations Development Agenda.

He is the former Chairman of the Agency for Science, Technology & Research (A*STAR) and Economic Development Board, and former Special Advisor for Economic Development in the Prime Minister's Office. He is the Chairman of Accuron Technologies, MTIC Holdings, Singapore Aerospace Manufacturing, Ascendas Property Fund Trustee and Hexagon Development Advisors. Mr Yeo is a director of City Developments and Vallar PLC (UK).

Mr Yeo holds a Bachelor of Applied Science (Industrial Engineering) and an honorary Doctorate in Engineering from University of Toronto, an honorary Doctorate in Medicine from Karolinska Institutet, Sweden, a Master of Science (Systems Engineering) from University of Singapore, a Master of Business Administration from Harvard University, USA, a Doctor of Science from Imperial College London, an honorary Doctor of Letters from National University of Singapore and an honorary Doctor of Law from Monash University of Australia.

Thein Reggie
Age 71. Mr Thein was appointed to the Board on 28 January 2008 and last re-appointed as Director on 29 April 2011. An independent and non-executive director, he is a member of the UOB Audit Committee. In 1999, he retired as Senior Partner, Coopers & Lybrand Singapore, the legacy firm of PricewaterhouseCoopers, after 37 years with the firm. Mr Thein is currently a director and the Chairman of the audit committees of several listed companies, namely, GuocoLand, GuocoLeisure, Haw Par Corporation, FJ Benjamin Holdings, M1 Limited, Keppel Telecommunications & Transportation, and Otto Marine. He is a former director of MFS Technology.

Mr Thein is a Fellow of Institute of Chartered Accountants in England and Wales and a member of Institute of Certified Public Accountants of Singapore. He is the Vice Chairman and a member of the governing council of Singapore Institute of Directors. Mr Thein was awarded the Public Service Medal by the President of Singapore in 1999.

Franklin Leo Lavin
Age 54. Mr Lavin was appointed to the Board on 15 July 2010 and last re-elected as Director on 29 April 2011. An independent and non-executive director, he is a member of the UOB Nominating Committee.

Mr Lavin is the Chairman and Chief Executive Officer of Export Now and serves as Chairman of the Public Affairs Practice for Edelman Asia Pacific. He is a director of Globe Specialty Metals, Consistel (Singapore) and Utex Industries. He served as Chairman of the Steering Committee of the Shanghai 2010 World Expo USA Pavilion.

He has wide experience in government having served as Under Secretary for International Trade at the Department of Commerce (2005-2007) and US Ambassador to Singapore (2001-2005) where he helped to negotiate the landmark US-Singapore Free Trade Agreement. Mr Lavin previously held senior finance and management positions in Citibank and Bank of America.

Mr Lavin has a Bachelor of Science from the School of Foreign Service at Georgetown University, a Master of Science in Chinese Language and History from Georgetown University, a Master of Arts in International Relations and International Economics from the School of Advanced International Studies at the Johns Hopkins University and a Master of Business Administration in Finance at the Wharton School at University of Pennsylvania.

Board of Directors

Cheng Jue Hiang Willie

Age 58. An independent and non-executive director, Mr Cheng was appointed to the Board on 15 July 2010 and last re-elected as Director on 29 April 2011.

He is a director of Singapore Press Holdings, Singapore Health Services, Integrated Health Information Systems and NTUC Fairprice Co-operative. He has a strong background in accounting, finance and infocomm technology. He retired as a managing partner of Accenture after 26 years with the global management and technology consulting firm. He also brings his experience to non-profit organisations, serving as a director of SymAsia Foundation, Singapore Cooperation Enterprise, Council for Third Age, Asia Philanthropic Ventures, Lien Centre for Social Innovation and Caritas Humanitarian Aid & Relief Initiatives, Singapore.

Mr Cheng has a Bachelor of Accountancy (First Class Hons) from University of Singapore. He is a Fellow of Institute of Certified Public Accountants of Singapore and Singapore Institute of Directors, and an Honorary Fellow of Singapore Computer Society.

Tan Lip-Bu

Age 52. Mr Tan was appointed to the Board on 15 November 2010 and last re-elected as Director on 29 April 2011. An independent and non-executive director, he is a member of the UOB Board Risk Management Committee.

He is the Founder and Chairman of Walden International, a leading venture capital firm. He concurrently serves as President and Chief Executive Officer of Cadence Design Systems and has been a member of its board since 2004. He also serves on the boards of Flextronics International, SINA Corporation, Semiconductor Manufacturing International Corporation and Inphi Corporation.

He is a member of the Committee of 100, the Dean Advisory Board at the University of California at Berkeley, the School of Engineering Dean's Council and the Board of Trustees at Carnegie Mellon University, and the School of Engineering Dean's Advisory Council at the Massachusetts Institute of Technology.

Mr Tan holds a Bachelor of Science from Nanyang University, Singapore, a Master of Science in Nuclear Engineering from the Massachusetts Institute of Technology, and a Master of Business Administration from the University of San Francisco.

Hsieh Fu Hua
Age 61. Mr Hsieh was appointed to the Board on 16 January 2012. An independent and non-executive director, he will stand for re-election at UOB's annual general meeting on 26 April 2012.

Mr Hsieh is currently an adviser to PrimePartners Group, which he co-founded, and a director of ICAP plc, Fullerton Fund Management Company and Tiger Airways Holdings. He also serves on the boards of a number of non-profit organisations including National University of Singapore (NUS), NUS Business School, National Arts Council, Singapore Indian Development Association, and Stewardship and Corporate Governance Centre.

He had previously served as Chief Executive Officer and a director of Singapore Exchange (2003-2009), and as a board member of Temasek Holdings (2010-2012) and Government of Singapore Investment Corporation (2003-2010).

Mr Hsieh holds a Bachelor of Business Administration (Hons) from University of Singapore.

Principal Officers

MANAGEMENT EXECUTIVE COMMITTEE

Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Chong Kie Cheong
Group Institutional Financial Services
Mr Chong joined UOB in 2005. He leads the Group's Institutional Financial business, focusing on medium enterprises and large corporations. He oversees the Transaction Banking, Structured Trade and Ship Finance businesses. Mr Chong holds a Bachelor of Social Sciences (Hons) in Economics from the University of Singapore. He has more than 30 years of experience in the financial industry.

Mr Chong retired on 1 January 2012.

Lee Chin Yong Francis
Group Retail
Mr Lee joined UOB in 1980. He currently leads the Group's consumer and small business retail divisions. Prior to his appointment in Singapore in 2003, he was the Chief Executive Officer (CEO) of UOB (Malaysia). Between 2003 and 2008, Mr Lee was the head of International and spearheaded the Group's expansion in the region. He was also responsible for the Bank's Consumer Banking business in Singapore and the region. He holds a Malaysia Certificate of Education and has 33 years of experience in the financial industry.

Lee Wai Fai
Group Chief Financial Officer
Mr Lee joined UOB in 1989. He holds a Bachelor of Accountancy (Hons) from the National University of Singapore and a Master of Business Administration in Banking and Finance from the Nanyang Technological University, Singapore. He has more than 20 years of experience in banking.

Ong Sea Eng Terence
Global Markets & Investment Management
Mr Ong joined UOB in 1982. He leads the Group's Global Markets and Investment Management, Asset Management and Financial Institutions Group businesses. He holds a Bachelor of Accountancy from the University of Singapore. Mr Ong has more than 20 years of experience in treasury services and operations.

MANAGEMENT TEAM

Chan Vivien
Group Legal & Secretariat
Mrs Chan joined UOB in 1981. She holds a Bachelor of Law (Hons) from the University of Singapore. She was appointed as Group Secretary and Head of Legal in 1988.

Cheo Chai Hong
Corporate Planning & International Strategy
Mr Cheo joined UOB in 2005. He heads the Group Corporate Planning and International Strategy Department which is responsible for driving the strategy and performance of the overseas banking subsidiaries and branches. Mr Cheo holds a Bachelor of Business Administration (Hons) from the University of Singapore. He has 34 years of experience in corporate and investment banking, project and ship finance and credit management and approvals.

Chew Mei Lee
Group Compliance
Ms Chew joined UOB in 2006 as Group Head of Compliance. She holds a Bachelor of Laws (Hons) degree from the University of Malaya, Malaysia, and was admitted to the Malaysian Bar to practise as an Advocate and Solicitor of the High Court of Malaya in 1979. Since then, she has served as global and regional head in compliance, legal and corporate secretariat capacities in the financial services industry working with international and regional banks.

Chng Seng Hong Ronny
Group Investment Banking
Mr Chng joined UOB in 2008. He oversees Group Investment Banking, comprising Debt Capital Markets, Equity Capital Markets, Mergers and Acquisitions and Leverage Finance businesses. He holds a Bachelor of Business (Hons) and a Master of Business from the Nanyang Technological University, Singapore. He has 14 years of experience in investment banking and related industries.

Foo Moo Tan Peter
Overseas Treasuries
Mr Foo joined UOB in 2011. He heads the Treasury and Global Markets business in the 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 (CFA). He has 25 years of experience in managing banking and financial markets businesses. He served as the Country CEO for a wholesale European bank in Singapore prior to joining UOB.

Hwee Wai Cheng Susan
Group Technology & Operations
Ms Hwee joined UOB in 2001. She is responsible for the provision of both information technology and banking operations services and infrastructure to ensure quality service delivery and operational efficiency. She holds a Bachelor of Science from the National University of Singapore and has 30 years of experience in banking and operations.

Khoo Boo Jin Eddie
Personal Financial Services & Private Banking
Mr Khoo joined UOB in 2005 and is responsible for the Group's consumer and private banking businesses mainly in Singapore, Malaysia, Thailand, Indonesia, Vietnam and China. He has redefined the industry's strategic approach to customer segmentation and wealth management to cater to Asia's new and growing affluent consumers. He holds a Bachelor of Business Administration in Finance and Management from the University of Oregon, USA and has 25 years of experience in consumer banking.

Liew Khiam Soong Peter
Group Credit (Corporate & Financial Institutions Group)
Mr Liew joined UOB in 2000. He oversees the credit approval function for corporations and financial institutions. He holds a Bachelor of Commerce (Hons) in Banking and Finance from the University of Birmingham, England. He has more than 30 years of corporate experience, with stints in foreign banks in a number of countries.

Mok Chek Pfam
Group Management Portfolio
Mr Mok joined UOB in 2000. He is responsible for the management of bank's liquidity, funding and overall balance sheet. He holds a Bachelor of Business Administration from the National University of Singapore. Mr Mok has more than 25 years of treasury and investment experience.

Ngeo Swee Guan Steven
Group Credit (Retail)
Mr Ngeo joined UOB in 1982. He leads the credit approval team for the consumer, high net-worth and small-business segments. Mr Ngeo holds a Bachelor of Arts from the National University of Singapore. He has 29 years of experience and had served in UOB (Malaysia) and UOB (Thai).

Ng Kwan Meng
Group Global Markets
Mr Ng joined UOB in 2001. He is responsible for the Bank's Group Global Treasury business in Singapore and overseas locations. His responsibilities include trading, structuring, corporate sales, margin trading, banknotes, precious metals and financial futures. He holds a Bachelor of Social Science (Hons) from the National University of Singapore. Mr Ng has 28 years of experience in global markets.

Ngo Victor
Group Audit
Mr Ngo joined UOB in 2004. He holds a Bachelor of Applied Science in Computer Science and Operations Management from the University of Technology, Sydney, a Master of Business Administration from Deakin University, Australia, and an Executive Master of Science in Finance from Baruch College, City University of New York, where he was elected to the Beta Gamma Sigma Honor Society. He is a Fellow of Australian Society of Certified Practising Accountants, a Fellow of the Institute of Certified Public Accountants of Singapore and a Certified Information Systems Auditor. He is also a voting member of the International Banking Security Association. He has 25 years of experience in banking and finance.

Nicolette Rappa
Group Brand Performance and Corporate Communications
Ms Rappa joined UOB in 2011. She leads the Group's Brand Performance, Corporate Communications and Customer Advocacy and Service Quality functions across the region. She holds a Bachelor of Social Sciences (Hons) from the National University of Singapore and has more than 20 years of experience in the communications and financial services industries in Singapore and in the Asia Pacific region.

Teo Gim Choo Wendy
Channels
Ms Teo was appointed Head of Group Channels in 2009. Prior to her current appointment she held senior positions in Personal Financial Services heading Sales and Distribution as well as Privilege Banking. She is an Associate with Institute of Bankers, UK and has more than 30 years of banking experience covering credit, consumer and private banking.

Tham Kah Jin Eric
Group Commercial Banking
Mr Tham joined UOB in 2003. He oversees the Group's medium-sized corporates and spearheads the expansion of this segment in Singapore and the region, through the Bank's subsidiaries in Malaysia, Thailand, Indonesia and China. Mr Tham holds a Bachelor of Business Administration from the University of Singapore, and a Master of Business Administration in Accountancy from the Nanyang Technological University, Singapore. He has more than 30 years of experience in the financial industry.

Tham Ming Soong
Chief Risk Officer
Mr Tham joined UOB in 2005. He holds a Master of Applied Finance from Macquarie University, Australia, and is a Fellow of the Financial Services Institute of Australasia. He also has a professorship with the NUS Risk Management Institute. He has more than 25 years of experience in the financial services industry.

Tjuradi Karunia Wirawan
Corporate Banking Regional
Mr Tjuradi joined UOB in 2005. He oversees the Bank's corporate banking business in the Greater China, Malaysia, Thailand and Indonesian subsidiaries, as well as the Bank's overseas branches. He holds a Bachelor of Business Administration (Summa Cum Laude) from the University of Notre Dame, USA. He has more than 23 years of banking experience in corporate and investment banking. He had served as the Country CEO for Indonesia in another Bank prior to joining UOB.

Wee Joo Yeow
Corporate Banking Singapore
Mr Wee joined UOB in 2002. He holds a Bachelor of Business Administration (Hons) from the University of Singapore and a Master of Business Administration from New York University, USA. Mr Wee has more than 30 years of corporate banking experience.

Wong Mei Leng Jenny
Group Human Resources
Ms Wong joined UOB in 2005. 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. She is a seasoned human resource practice leader with many years of experience in managing human resources.

Yeo Eng Cheong
Group Credit (Middle Market & Structured Trade & Commodity Finance)
Mr Yeo joined UOB in 1986. He oversees the credit approval function for middle market corporations and structured commodity financing. He holds a Bachelor of Business Administration (Hons) from the University of Singapore. He has more than 30 years of experience in commercial banking.

MAJOR OVERSEAS BANKING SUBSIDIARIES

Armand B. Arief
President Director, PT Bank UOB Indonesia
Mr Arief was appointed as President Director of UOB Buana in 2007. 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 20 years of experience in the banking industry and ten years in the consumer goods and hospitality industries.

Chan Kok Seong
Chief Executive Officer, United Overseas Bank (Malaysia) Bhd
Mr Chan was appointed as CEO of UOB (Malaysia) in 2003. 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.

Tan Kian Huat
President & Chief Executive Officer,
United Overseas Bank (China) Limited
Mr Tan was appointed as President and CEO of UOB (China) in 2008. He holds a Bachelor of Science (Hons) from the University of Leeds, UK, and a Master of Business Administration from the University of Bradford, UK. He has 28 years of experience in banking.

Wong Kim Choong
President & Chief Executive Officer,
United Overseas Bank (Thai) Public Company Limited
Mr Wong was appointed as President and CEO of UOB (Thai) in 2004. Prior to his current appointment, he served in UOB and UOB (Malaysia). Mr Wong holds a Bachelor of Commerce from the University of Toronto, Canada. He has 27 years of experience in banking.

Riverside Scene **by Tan Kian Por**
Chinese ink and colour on paper

A selection of paintings in the Group's art collection captures the development of UOB and the Singapore skyline over the years. These paintings are a strong reminder of how Singapore's reputation as a financial centre has grown in tandem with our presence. This painting of UOB Plaza 2 by Tan Kian Por in the late 1970s depicts UOB Plaza 2 by the banks of the Singapore River when it was still bustling with bumboats. The tower was designed by international architect Kenzo Tange and completed in 1973.

This riverside scene is an interpretation of the mountain and lakes genre drawn from traditional Chinese ink painting. Instead of conventional mountains and lakes, Tan has focused on Singapore's skyscrapers and the Singapore River.

Tan, a versatile and accomplished brush painter, calligrapher and seal-carver, was awarded the Cultural Medallion in 2001.

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2011

2011 in Review

Asia's strong economic fundamentals remained a bright spot in a year that brought global economic uncertainty. While 2011 started with a focus on Japan and the impact its earthquake and tsunami would have on global growth forecasts, the spotlight soon moved to the US and Europe as wave after wave of negative news hit the headlines.

Policymakers and business leaders in Asia rose to the challenges that the ongoing uncertainty from the West had created and sought opportunities closer to home. The twin trends of strong domestic economies and rising income levels in Asia, plus the increase in intra-regional trade flows within the region, provided the necessary stimuli for Asian economies to maintain positive growth, albeit at moderated levels.

We too focused on the opportunities inherent in Asia and ensured that we invested in the capabilities and markets that would enable us to balance growth with long-term stability. Our disciplined approach was an important factor in our ability to forge new customer relationships across the region and to identify and to seize new opportunities created by the continued rise of Asia.

Today, our growth stems from understanding the needs of Asian consumers and businesses and from using the three core areas of our business – Group Retail, Group Institutional Financial Services, and Global Markets and Investment Management – to create the right solutions for our customers. Each of these business segments played an important role in deepening and extending our regional franchise in 2011 and in preparing us for solid growth in 2012.

RETAIL BANKING

The ongoing rise in income levels across the region has changed consumer demands and expectations. In line with this fundamental change, our Group Retail segment focused on enhancing our existing wealth management services and extending our innovative and market-driven product suite across the region.

Redefining wealth management to meet Asian needs

Our heritage places us in a unique position to be able to draw on insights into Asia's increasingly affluent consumer base. We have extensive experience and history in doing business in some of the world's most dynamic and fastest growing markets and this has created a knowledge base difficult for others to replicate.

We have broadened the traditional definition of wealth to include two new customer segments in 2011 – Privilege Reserve and Wealth Banking. In May, we launched Privilege Reserve, offering those with more than $2 million in investable assets an enhanced wealth management service. Our Privilege Reserve customers are serviced by bankers who have received the UOB-National University of Singapore (NUS) Executive Certificate. This wealth management programme is the first structured certificate to be designed and taught by the NUS Business School. It is also the first in Singapore to receive Financial Industry Competency Standards (FCIS) accreditation offered by the Institute of Banking & Finance for the training of relationship managers in the affluent market. The programme is a key component of UOB's talent development and learning strategy that is specially tailored to equip experienced relationship managers with in-depth and up-to-date financial knowledge and practical advisory skills.

2011 in Review

As part of our wealth management strategy, we opened our flagship Privilege Reserve Suites at the Marina Bay Financial Centre in May 2011.

In November, we launched our Wealth Banking customer segment designed for the sizeable and growing but underserved segment of customers in Singapore we call 'the rising rich'. This segment comprises individuals with investible assets of at least $100,000 and makes up 25% of the working population in Singapore, aged between 30 and 55 years old.

Alongside developing targeted products and services for our wealth segments, we also set up flagship centres in Singapore from which to serve them better. For our Privilege and Privilege Reserve customers, we opened the Privilege Banking Reserve Suites and Privilege Banking Centre at Marina Bay Financial Centre. For Wealth Banking customers, we opened Singapore's first Wealth Banking Centre in the heart of Singapore's shopping district, Orchard Road.

We have increased our assets under management from $48 billion in 2010 to $56 billion in 2011 and opened 13 new wealth management centres across Asia. This included a high-end Privilege Banking Centre in Shanghai's Xin Tian Di district – an affluent and upscale shopping and entertainment hub for the well-heeled. Our Privilege Banking services in China have raised the bar for local and foreign banks and we will increase the breadth and depth of our offering in this strategically important market.

To ensure we are well positioned to capture the opportunities that are being generated as a result of the increase in high net worth individuals in Asia over the last two years, we enhanced our client portfolio management, service offering and internal process management in our Private Banking business. While we have an established private banking presence in Singapore, Hong Kong and Malaysia, we are also exploring expanding further across the region to include new services in China, Indonesia and Thailand.

Using product and network innovations as a competitive advantage

Bancassurance

We entered into an arrangement with Prudential in 2010 to distribute their products. Substantial progress was made in 2011 in distributing their products through our integrated branch network in Singapore, Indonesia, Thailand and Malaysia. We are now one of the largest bancassurance providers in the Singapore and look to replicate this success across the region.

In 2011, we explored new ways to educate customers on the importance of insurance. One initiative we launched was to place UOB insurance sales managers in our branches. Customers were receptive to this as it meant that as they were conducting their banking they could also seek insurance advice in one location.

Our Leadership in Cards

*"**MasterCard** is privileged to be a part of the continuing evolution of the UOB Commercial cards portfolio. UOB has a strong reputation as a leading provider of commercial payment solutions, helping businesses of all sizes optimize their expense management processes, generate practical savings on business purchases and manage cash flow. Commercial cards are central to a compelling expense management solution, and UOB have taken the innovative step of offering their clients the ability to customise their cards with the company's own logo. This enhances the appeal of UOB's already strong Commercial cards portfolio, by offering a natural extension of the customer's brand identity, a source of pride for all business owners."*

Matthew Driver
Division President, South East Asia
MasterCard Worldwide

*"**Visa** is honored to be part of such a long standing and successful partnership with UOB and looks forward to continued, and even greater, success in the future. Over the years, UOB and Visa have been instrumental in introducing innovative payment cards into the Singapore market, not least to the rapidly growing affluent segment. With the number of these high net worth individuals expected to reach 129,000 by 2015, estimated assets of US$616 billion, and growing sophistication and purchasing power, the UOB Visa Infinite card series is ideally placed to capitalize on this prestigious sector. UOB's support and significant market presence, combined with the Visa Infinite card range of exclusive rewards and privileges, offers one of the best payment cards in Singapore – a card specifically designed to meet the discerning tastes of Singapore's most wealthy."*

Elizabeth Buse
Group President, Asia Pacific, Central Europe, Middle East and Africa
Visa

Customer Loans

With 77 years of experience in helping consumers own their own home, we never underestimate the importance of having a robust loans book. In 2011, we helped customers around the region through the provision of more than $64.8 billion in consumer loans. Whether it was loans for first-time home buyers, upgraders, renovators, downsizers or small businesses, we stood side-by-side with our customers as they made, what was for many of them, their biggest financial decision.

We remain a leader in the private residential loans market and, in 2011, our loans performance outpaced that of the industry. In all of our regional markets we reported increases in customer loans demand, with Singapore and Malaysia providing the largest contribution by volume.

We also explored new ways to help our customers expand their property portfolio. Today, UOB is one of the first local banks to offer a financing scheme from Singapore for those looking to purchase residential properties in London and Thailand.

Deposits

In 2011, customers in all segments were faced with a low interest rate environment. To meet our customers' need for increased returns and liquidity, we offered customers savings packages that provided higher interest rates and more incentives when they deposited additional funds with UOB.

This year, with China's economy leading the global charge, UOB responded to strong demand for renminbi-denominated deposit products by offering retail depositors Chinese Renminbi Offshore (CNH) currency for Fixed Deposits. Privilege Banking, Privilege Reserve and Private Banking customers could deposit larger amounts through a tailored CNH Maxiyield product.

Cards and Payments

In 2011, we were again the leader for cards and payments innovation and programmes. We remain Singapore's number one card issuer, are the only bank to issue all five payment brands and hold 40% of the merchant base. We also reinforced our position as the premier card issuer through our exclusive one-year tie-up with Marina Bay Sand's – delivering Southeast Asia's most prestigious card-based dining destination programme.

UOB cards also reinforced its leadership with the creation of the UOB Privilege Banking Card, UOB Privilege Reserve Credit Card and the UOB Customisable Commercial card. Each new programme was designed to meet a specific customer segment need that was underserved in the market. The UOB Customisable Commercial Card for small and medium enterprises (SMEs) enables them to stand out and be identified through their own company's branded card.

2011 in Review

UOB Singapore customers were the first in the market to be able to withdraw cash without a card through our innovative UOB Mobile application.

Mobile Banking

We continued to invest in our service and delivery channels to provide our customers with superior and differentiated banking experience.

In the fourth quarter of 2011, we created a new way for our customers to conduct their banking based on advances in mobile technology. Our customers are now the first in Singapore to be able to withdraw cash without an ATM card through our new UOB Mobile application. UOB Mobile has set a new standard for mobile banking in Singapore as customers can perform a wide range of financial transactions through their mobile devices – from checking accounts and transferring money, to paying bills and checking deposit and foreign exchanges rates, to using calculators to check personal and home equity loans rates.

This significant milestone was well-received by our customers with more than 120,000 downloads of our Apple-based mobile application within the first four weeks of launch. More than half of the customers went on to use the service – a take-up rate well ahead of our targets. We will be extending this innovative service to other mobile technologies and our regional markets.

Business Banking

The decision to create a separate Business Banking segment within Group Retail two years ago has paid dividends for our business banking customers. Every customer interaction begins with the principle that 'Your business is big to us' and that we will provide our customers with dedicated financial services to which they otherwise would not have had access. A strong contributing factor to our business banking success in 2011, and to our reputation across the region as a leading bank for small businesses, is our ability to marry the efficiency of retail banking with the depth of our commercial banking solutions.

The take up of two new product offerings introduced in 2011 once again demonstrated our ability to anticipate the needs of our customers. In 2011, we introduced a new business banking foreign exchange booking hotline which gave customers instant access to preferential trading rates. This helped customers manage cross-border trading arrangements with increased confidence. We also improved our capabilities in the area of insurance and this too was well received by our customers.

Customer Service

The customer is at the heart of all we do at UOB. We believe in building long-term relationships with our customers over many generations. Over the years, we have worked to stand out in the industry by focusing on improving our internal processes and investing in frontline training to deliver a superior customer experience.

As testament to our service delivery model, we once again excelled in the Singapore national Excellent Service Award (EXSA) by receiving the most number of awards for the banking and financial services sector. This is the third year in a row that we have won more EXSA awards that any other bank in Singapore and the second consecutive year that we have produced The Association of Banks in Singapore's (ABS) Service Excellence Champion – the highest individual honour in the industry given for superior banking and financial service.

On 21 November 2011, we launched a new uniform for all frontline service personnel, created by well known local Singapore designer Wykidd Song. He drew inspiration from the UOB logo, which stands for security and unity. The colours, which signify warmth, friendliness and confidence, are qualities that our customers have come to know and appreciate over our 77 years. The new uniform will be worn by all staff across our regional network in 2012.

We also achieved the coveted Singapore Quality Class "Star" Award this year. We are the first bank in Singapore to be given this prestigious award which is conferred upon organisations that demonstrate the highest standards of business excellence, and it is benchmarked against international quality awards.

INSTITUTIONAL BANKING

The resilience of Asia came to the fore in 2011 as Asian corporates sought new opportunities to build and to expand their businesses within the region. As a result, our Commercial and Corporate customers turned to us to realise the opportunities that rising consumer demand and increased intra-regional trade flows were creating in the region.

Deepening our customer relationships

With uncertainty being the only constant, our one-bank approach gave our customers in the region the assurance they needed to focus on running their core business. Our consistency in service, access to diverse markets and our regional branch network give our customers greater convenience in banking. Whether it was in providing a single-market financial solution or borderless banking options across multiple markets, customers were reassured that their needs and ambitions were understood and met regardless of where they were in the region.

We improved our ability to provide financial solutions that delivered flexible and seamless banking experiences. We reviewed our own internal processes to find better ways of connecting with our customers, to provide faster response times to their requests and to deliver improved products and services. These changes enabled us to deepen our relationships with customers beyond transactional products to become an important partner in their business success.

Small and medium enterprises (SMEs) are often the foundation of a nation's economic growth. Our own heritage gives us unique insight into the challenges SMEs face. In 2011, we provided assistance to support their entrepreneurial endeavours. In Singapore alone, 99% of all enterprises are SMEs and they contribute more than 50% of the nation's gross domestic product. Recognising the importance of SMEs to the Singapore economy, we have been the leading provider of government assistance scheme loans to local SMEs in terms of market share and loan volume. The loans have helped local SMEs to expand their operations overseas.

Just as Singapore SMEs have ventured overseas, so too have SMEs in the other markets explored regional opportunities. In line with this, we have established Global Business Development (GBD) units in all of our regional markets. These units manage the complex regulatory, administrative and financing arrangements often associated with doing business across borders. In the last five years, our total overseas financing for local enterprises increased by 151% reinforcing the commonly-held perception that Asia's strength is borne from its generations of successful traders who set out and explored new markets.

Our understanding of the differences and driving forces of Asia's economies led us to enhance our Corporate Banking industry specialisation and expertise across the region in 2011. Our ability

Asia's intra-regional trade flows were a driving force of our growth in 2011.

to anticipate market trends and to create customised solutions for our customers helped to deliver strong growth in top line revenue and higher non-interest income within our Corporate Banking business.

Riding Asia's growth opportunities

One of the most important trends in Asia has been the rise in intra-regional trade – which is estimated to account for almost half of all trade in Asia. Our regional expertise and integrated platform place us in a unique position to support businesses looking to capitalise on new trade flows.

Our Transaction Banking business has been at the forefront of supporting customers as they seized these new opportunities. Our team of dedicated and experienced trade advisers and product specialists helped customers manage operational risks and reduce exposure when conducting trade deals internationally. Our long-term approach and our deep industry knowledge also enabled us to strengthen our customer relationships and to explore new opportunities in cash management and trade services. In 2011, we enhanced and expanded our cash management product suite and as a result won several large regional mandates. In 2012, we expect to strengthen our relationships with our customers even further with the launch of a revamped global e-banking solution and new, innovative and borderless cash management and trade solutions.

The exceptional dynamism of international trade into and across Asia and the demand for commodities in emerging market economies also created new opportunities for our Structured Trade and Commodity Finance (STCF) team. Companies in the energy, metals and agricultural sectors, often sectors that are the lifeblood Asian economies, were the most active in 2011. We have built strong relationships with clients ranging from producers, national oil companies and international trading houses to niche traders.

To take advantage of increasing global foreign direct investment inflows into Asia, we were the first bank in Singapore to set up a specialised Foreign Direct Investment (FDI) Advisory Unit. The FDI unit provides a one-stop shop for foreign enterprises looking to expand in and through Singapore. The FDI unit builds on the success of the GBD unit and offers a range of services for customers wanting to set up in Singapore. It guides customers on the most efficient way to build a new business in Singapore – from company incorporation to borderless corporate and personal banking through our regional network. Among the key responsibilities of the unit is the forging of strategic partnerships with key industry bodies such as the Singapore Economic Development Board.

With the rise of China as an economic powerhouse, we also identified a huge opportunity in providing renminbi (RMB) cross-border settlement services in the region. Following market developments in China, we became one of the first foreign banks authorised by the People's Bank of China to offer cross-border RMB trading accounts, RMB financing solution structure options and hedging of RMB risks and exposures. We put in place the product solutions and matched these with deep-industry expertise to handle, to structure and to finance RMB trade transactions for our customers.

We supported numerous syndicated loans across the Asia Pacific region in 2011.

Tapping capital markets

In 2011, we made solid progress in our Investment Banking business. We delivered our largest increase in market share in the Singapore dollar bond market and were ranked among the top five book runners in Singapore in 2011.

We were lead manager in a number of deals including the UOB $1 billion subordinated tier-2 capital bond issue, the Ascott Capital Pte Ltd $200 million bond issue and the Henderson Land MTN (S) Pte Ltd $200 million bond issue. We were also the sole lead manager for the GuocoLand Ltd $208 million bond issue and jointly lead managed several Singapore Housing and Development Board bond issuances. We have also established expertise to originate and to structure local currency fixed income products in Thailand.

We enjoyed a healthy pipeline of loan syndication deals across Asia Pacific. We also arranged syndicated loans for financial institutions, successfully closing several transactions originating from Malaysia, India and Korea.

We believe that Asia's resilient economic environment will continue to generate more regional trade opportunities. UOB's strong regional presence and expertise in commercial, corporate and transaction banking, cross-border settlement and cash management services, trade financing, together with our long-standing client relationships in China and Southeast Asia, place us in a unique position to capture these business opportunities.

GLOBAL MARKETS AND INVESTMENT MANAGEMENT

Global Markets and Investment Management (GMIM) is involved in managing the bank's liquidity, investment, trading and market making of a wide array of financial instruments, as well as providing financial risk management solutions and investment opportunities for our customers.

In 2011, Global Markets, a division of GMIM, concentrated on providing advisory services to corporate customers and manufacturing structured products for retail customers.

Our Corporate Treasury and Advisory team worked closely with our Group Wholesale team to provide customers with solutions to manage foreign exchange and interest rate risk through spot, forward and derivatives or exotic derivative structuring. In August 2011, we started a new Fixed Income, Currencies and Commodities (FICC) team and expanded our capabilities to enable customers to manage their commodity risk exposure in response to rising customer demands amid market volatilities.

The Structured Products and FICC teams also provided investment ideas and products to sophisticated and retail customers. Our structured products remain a popular choice of investment, recording strong sales growth in the first half of 2011. In the fourth quarter of the year, we were the only local bank offering 100% principal guaranteed structured deposits in the Singapore market despite the low interest rate environment which compressed the profit margins for such products. This reinforced our commitment to providing a comprehensive suite of structured products.

Gold was an attractive investment option for our customers in 2011.

The gold market continued to be active in 2011 as market uncertainties generated increased customer interest in gold products. We remained the only local bank in Singapore to offer a comprehensive range of gold investment products including buying and selling of gold bars and bullion coins, gold certificates and gold savings account.

Through our subsidiary UOB Bullion and Futures Limited (UOBBF) we offered customers access to trading in a wide range of futures and options instruments such as major currencies, interest rates and commodities. In late 2010, UOBBF obtained trading memberships in Eurex, New York Stock Exchange Liffe and Euronext Paris. In 2011, we began providing customers with direct access to these exchanges, reducing latency and allowing greater trading opportunities. UOBBF also became a clearing member with Singapore Mercantile Exchange in 2011 and provides customers the opportunity to arbitrage against other commodity exchanges.

UOB Asset Management (UOBAM) offers global investment management expertise to individuals, institutions and corporations through retail unit trusts, exchange-traded funds and customised portfolio management services. In 2011, UOBAM was named Best Onshore Fund House (Singapore) at the *AsianInvestor* Investment Performance Awards and Best Retail House (Singapore) at the *Asia Asset Management* Best of the Best Awards. This is the second time running we garnered both awards.

In China, Ping An UOB Fund Management Company Limited, a joint venture between UOBAM, China Ping An Trust Co., Ltd. and Sanya Yingwan Tourism Co., Ltd. successfully launched its inaugural fund in August 2011, the Ping An UOB Industry Leaders Equity Fund (the Fund). The fund was ranked among the top five equity fund launches in terms of funds raised among more than 80 equity funds launched in mainland China. The fund was distributed widely in China to mainland Chinese retail and institutional investors as well as qualified foreign institutional investors. It was recognised in *Moneyweekly's* 2011 Most Potential Fund Companies in China and *Hexun.com's* 2011 Most Growth Potential Fund Companies in China.

BUSINESS SUPPORT

From the systems which IT develops and manages, to the people we hire and train to run our business, our commercial success is dependent on our teams working with one other for the benefit of our customers and shareholders.

In 2011, we made progress in several key initiatives that will generate significant improvements to the way we operate.

Group Technology and Operations

Our Group Technology and Operations Division focused on delivering standardised technology and infrastructure for the Group, as well as on building efficient and flexible back-office operations to support our regionalisation strategy. By delivering a common operating platform, we will create better scale, lower costs, facilitate faster time to market, provide consistent service and strengthen our risk controls.

In 2011, UOB received the most number of awards for the banking and financial services sector at the Singapore national Excellent Service Awards. We also produced for the second consecutive year, The Association of Banks in Singapore's Service Excellence Champion – the highest individual honour in the industry given for superior banking and financial service.

We are in the final stage of building our common operating platform across the region. All of our core systems in Malaysia, Indonesia and Thailand are now being standardised. This programme, when completed in 2013, will transform our regional core banking platform and will provide an even stronger foundation for us to compete as a premier regional bank.

Group Human Resources

This year, we continued to build a strong pipeline of talent at all levels in the organisation.

Our International Managers Programme, a unique 12-year programme which grooms talented managers to take on senior leadership roles within the organisation, attracted high calibre candidates from within the Group and across the industry.

Further, we extended our Management Associate Programme across the network to attract outstanding young people in Singapore, Malaysia, Thailand, Indonesia and China. Our ten-week Internship Programme was enhanced to attract young talent from universities and to give them an opportunity to immerse themselves in the Bank and its myriad career opportunities for ambitious and talented people.

Our compensation programmes remain in compliance with the regulations of various international and national financial institutions supervisory bodies. A bonus deferral policy is now in place to align compensation with prudent risk-taking, taking into consideration the time necessary for the outcomes of business activities to be reliably measured. This is in line with the Financial Stability Board Principles for Sound Compensation Practices and Implementation Standards. [1]

Competition for talent in the region will continue to be intense. We believe we have the people, programmes and processes in place to attract new talent and to help existing employees to uncover their potential and to succeed in their careers with us.

Investor Relations

UOB is one of the highest rated banks in the world. In 2011, Standard and Poor's upgraded UOB's credit rating by one notch to AA-. The international rating agency also maintained its long-term stable outlook on the bank, in line with Moody's and Fitch Ratings. UOB was accorded B for financial strength and Aa1 for long-term bank deposits by Moody's, and AA- for long-term issuer default rating by Fitch.

This year, our Investor Relations team held more than 400 investor meetings, underscoring the investment community's interest in UOB. Together with the Investor Relations team, our senior management team also participated in various debt and equity roadshows to US, Europe and Asia, as part of our ongoing efforts to broaden and to deepen our investor base.

[1] For more information on this matter, please refer to the section of this annual report on Pillar 3 disclosure requirements for remuneration.

UOB in the Community

Our formal Corporate Social Responsibility (CSR) programme focuses on three core areas where we feel we can make a positive contribution to the community – arts, children and education.

Arts in the Community

We believe that just as economic advancement is of great importance to a nation, so too can the arts play a vital role in the development of a society. Although the worlds of business and the arts are often seen as separate, we view both as sources of inspiration and ideas that can enrich the lives of people.

Our arts involvement has grown over the years and we are most noted for our flagship programme, the UOB Painting Of The Year Competition (POY). The POY serves to encourage artists in the pursuit of their passion and provides them with the opportunity to showcase their works to a wider section of the community. In 2011 we celebrated the 30th anniversary of POY by extending the competition beyond Singapore and Thailand to Malaysia and Indonesia, allowing more artists in the region to showcase their talents.

UOB Volunteers and the children from the LAA displaying their creations.

(From left to right) UOB Painting Of The Year winners Gong Yao Min (Singapore), Ng Swee Keat (Malaysia), Suwannee Sarakana (Thailand) and Gatot Indrajati (Indonesia) with the winning work from Thailand. This work also won the Special Mention Prize.

Beyond fostering new artistic talent through POY, we are also passionate about preserving the history of Asian art through the UOB Art Collection. We began to acquire art pieces in the early 1970s and are now custodians of more than 1,500 works of art. This annual report includes several pieces from our collection including works from pioneer local artist Georgette Chen, Cultural Medallion winners Tan Kian Por and Ong Kim Seng and POY winner Gong Yao Min. We also share our collection with our customers through displaying the pieces in our branches and offices around the world. Selected UOB branches in Singapore also feature a digital display of POY award-winning entries.

We also invest in arts programmes to bring the arts to those who may otherwise not have an opportunity to create and enjoy art. In 2011, we partnered with The Little Arts Academy (LAA), an arts school for the beneficiaries of The Business Times Budding Artists Fund. Under this programme, we sponsored ten underprivileged children to attend visual arts classes for a year. We also supported NorthLight School through providing bursaries for needy students who excelled in visual arts. In Malaysia, we sponsored the “Pertandingan Seni Lukis & Seni Reka”, a nation-wide painting competition for upper-secondary school students organised by the Malaysian Institute of Art for the second year.

Our long-standing support of local Asian artists was again recognised by the Singapore National Arts Council. This year we were named the Distinguished Patron of the Arts, the seventh year we have been given this honour.

Our Commitment to Children and Education

We believe in helping disadvantaged children to develop their potential through education and rehabilitation using art. In 2007, we launched the UOB Heartbeat Employee Volunteer Programme as a way to raise funds for local charities operating in the areas of arts, children and education. We have donated more than $2.5 million to these charities.

The annual UOB Heartbeat Run/Walk was held for the fifth time in 2011.

In 2011 alone, we raised more than $850,000 in Singapore through the annual UOB Heartbeat Run/Walk. This money was given to four charities – the AWWA School, Fei Yue Early Intervention Programme for Infants and Children (EIPIC), Rainbow Centre EIPIC @ Yishun Park and Very Special Arts Singapore (VSA) – that help children with special needs. UOB was awarded the Community Chest Special Events Platinum Award in 2011 for our contribution towards the community in Singapore.

The UOB National Day Parade contingent standing tall and proud.

Funds raised through the UOB Heartbeat Run/Walk in Indonesia, Malaysia and Thailand were also channeled towards helping children:

- In Indonesia we made donations to the Fostering Foundation for Disabled Children (Yayasan Pembinaan Anak Cacat) in Jakarta. We also sponsored health-related services for more than 100 children from Pesantren YPI Raudhatul Mutaqqin (YPI Raudhatul Mutaqqin Islamic Boarding School) and its surrounding community.

- In Malaysia we supported the Protect and Save The Children Association of Selangor and Kuala Lumpur (P.S. The Children) through various educational programmes such as the "Keeping Me Safe" programme conducted in selected primary schools in Kuala Lumpur. We also supported the StART Society by funding its arts enrichment programme for under-privileged children.

- In Thailand we purchased medical equipment for the Neonatal Intensive Care Unit of the Charoenkrungpracharak Hospital in Bangkok. We also held our annual Royal Katin ceremony (Robe offering ceremony) and a merit-making ceremony at Wat Samuha Pradittharam in Saraburi province, and made donations of THB 1 million to Wat Samuha Pradittharam and THB 100,000 each to Wat Samuha Pradittharam School and Wat Saohiwimolwitayanukul School for educational facilities.

In China, we supported the Right To Play China, a non-profit organisation which helps disadvantaged children to develop their potential through educational programmes, sports and play.

Our Volunteers

Volunteering is something we encourage of all of our people and we grant each employee up to two days each year to participate in volunteer activities.

In Singapore, our employees participated in various activities organised by the Bank in support of our beneficiaries – VSA, LAA and AWWA School. They also volunteered at the beneficiaries' programmes such as VSA's weekly classes, holiday workshops and children's exhibition. Fifty of our volunteers also represented the Bank in this year's Singapore National Day Parade. With finance playing such an important role in Singapore's economic success, UOB was asked to be one of six financial institutions to represent the 'economic defence' of Singapore.

UOB in the Community

Dr Wee Cho Yaw receiving the Distinguished Service Order award from Dr Tony Tan, President of the Republic of Singapore.

Our Chairman Dr Wee Cho Yaw was awarded the Distinguished Service Order at the National Day Awards in 2011 in recognition of his contributions to the community and to education. Dr Wee has served as Chairman or President in various community organisations and he is also Vice-Chancellor of the Nanyang Technological University.

Support in Times of Disaster

Employees from across the UOB network came together under the "Puen-Chuay-Puen" ("Friends-Helping-Friends") campaign to raise more than S$160,000 to help colleagues in Thailand affected by the floods in late 2011. We also provided additional assistance to our Thai employees through such actions as interest-free staff loans, earlier salary payments and staff loans moratoriums.

Despite being affected themselves, our Thai colleagues showed their own kindness and generosity of spirit by helping other flood victims. United Overseas Bank (Thai) employees worked with the Thai Red Cross to donate supplies to help people in the southern part of Thailand. Employees in Thailand also participated in local relief efforts, including blood donation and packing of sand bags.

Customers of United Overseas Bank (Thai) also received help including some fee waivers, special assistance loans and deferred payment schemes. Our SME customers were offered loan extensions of up to six months.

INTRODUCTION

UOB is committed to upholding good corporate governance standards and is guided in this regard by:

- Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers issued by the Monetary Authority of Singapore in 2005 and amended in 2010 ("MAS Guidelines");
- Banking (Corporate Governance) Regulations 2005 as amended in 2007 and 2010 ("Banking Regulations");
- Code of Corporate Governance 2005 ("Code"); and
- Singapore Exchange Securities Trading Limited Listing Manual ("SGX-ST Listing Manual").

CONDUCT OF AFFAIRS

The Board's main duties and responsibilities are:

- providing strategic direction;
- providing entrepreneurial leadership and guidance;
- putting in place an effective management team;
- evaluating the performance of the Chief Executive Officer ("CEO") and senior management;
- approving business plans and annual budgets;
- ensuring true and fair financial statements;
- monitoring the Group's financial performance;
- determining the Bank's capital/debt structure;
- setting dividend policy and declaring dividends;
- approving major acquisitions and divestments;
- reviewing the Bank's risk management framework;
- setting company values and standards; and
- performing succession planning.

The Board has delegated certain functions to five board committees, namely, the Nominating Committee ("NC"), Remuneration Committee ("RC"), Audit Committee ("AC"), Executive Committee ("EXCO") and Board Risk Management Committee ("BRMC"). Membership and details of the board committees are set out on pages 38 to 41.

The Board meets at scheduled quarterly meetings and may also meet whenever there is urgent business to deal with. Directors who are unable to attend a meeting in person may participate via telephonic and/or video conference or communicate his views through another director or the company secretary.

The attendance record of directors at the Board and board committee meetings in 2011 is set out in the table below.

	Number of meetings attended in 2011					
Name of director	**Board of Directors**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**	**Executive Committee**	**Board Risk Management Committee**
Wee Cho Yaw	4	–	3	3	5	4
Wee Ee Cheong	4	–	–	–	5	4
Ngiam Tong Dow	4	–	3	–	5	4
Wong Meng Meng	4	–	3	–	–	–
Yeo Liat Kok Philip	2	3	–	3	3	–
Cham Tao Soon	4	4	3	3	5	4
Lim Pin *(Retired on 29 April 2011)*	1	–	2	1	–	–
Thein Reggie	4	4	–	–	–	–
Franklin Leo Lavin *(Appointed to the Nominating Committee on 6 May 2011)*	2	–	0	–	–	–
Cheng Jue Hiang Willie	4	–	–	–	–	–
Tan Lip-Bu	3	–	–	–	–	3
No. of meetings held in 2011	4	4	3	3	5	4

BOARD COMPOSITION

The Board comprises 11 members whose names are set out below. More information on the directors can be found in the 'Board of Directors' section of this Annual Report.

Wee Cho Yaw *(Chairman)*	Non-executive and non-independent
Wee Ee Cheong *(Deputy Chairman and CEO)*	Executive and non-independent
Ngiam Tong Dow	Non-executive and independent
Cham Tao Soon	Non-executive and independent
Wong Meng Meng	Non-executive and independent
Yeo Liat Kok Philip	Non-executive and independent
Thein Reggie	Non-executive and independent
Franklin Leo Lavin	Non-executive and independent
Cheng Jue Hiang Willie	Non-executive and independent
Tan Lip-Bu	Non-executive and independent
Hsieh Fu Hua *(Appointed on 16 January 2012)*	Non-executive and independent

The NC assesses the independence of directors annually. The process includes the use of a questionnaire. Directors are considered independent if they are independent of management and substantial shareholders and are free from any business relationship that could materially interfere with, or be reasonably perceived to materially interfere with, the exercise of their unfettered and independent judgement. With effect from the 2012 AGM, a director who has served on the Board for nine continuous years will no longer be regarded as independent under the Banking Regulations.

Dr Wee Cho Yaw is a substantial shareholder of the Bank and is not independent. Mr Wee Ee Cheong is a substantial shareholder and the CEO of the Bank, and is not independent. With effect from the 2012 AGM, Messrs Ngiam Tong Dow, Cham Tao Soon, Wong Meng Meng and Yeo Liat Kok Philip will not be regarded as independent as they have each served on the Board for more than nine continuous years. The NC is of the view that their length of service has not compromised these directors' objectivity and commitment in discharging their duties as directors.

Messrs Thein Reggie, Franklin Leo Lavin, Cheng Jue Hiang Willie, Tan Lip-Bu and Hsieh Fu Hua are not substantial shareholders and are independent of the substantial shareholders of the Bank. They have no management and business relationships that would compromise their independence. None of them has served on the Board for nine continuous years. The NC considers them independent because they have met the requirements under the Banking Regulations and have been observed to be independent-minded.

The NC reviews the size and composition of the Board annually. Having considered factors such as the complexity of the Bank's business, its scale of operations and the operating environment, the NC is of the view that a board size of between nine and 11 members would be suitable. Further, the NC has noted that, collectively, the Board possesses the skills, experience and knowledge that are necessary for the discharge of its duties.

The NC also reviews the composition of the board committees annually and recommends the re-constitution of the committees as may be necessary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr Wee Cho Yaw is the non-executive Chairman of the Board. He provides leadership to the Board, sees that meetings are held as needed, and ensures that directors are given timely and comprehensive information to discharge their duties. He also provides guidance and advice to Management drawn from his vast experience acquired over more than 50 years as a banker. Dr Wee Cho Yaw is eligible for re-appointment yearly subject to the approval of the regulatory authority.

Mr Wee Ee Cheong, the son of Dr Wee Cho Yaw, is the CEO of the Bank. He is also the Deputy Chairman of the Board. Mr Wee Ee Cheong, who is assisted by senior management committees, is responsible for the day-to-day running of the Bank. The senior management committees are set out on page 42.

The MAS Guidelines recommend that where the Chairman and CEO are related by close family ties, a bank may appoint an independent non-executive director to be the lead independent director whom shareholders can approach if they have concerns which contact through the normal channels have not resolved or for which such contact is inappropriate. After deliberation, the NC is of the view that it is not necessary to appoint a lead independent director as all the directors may be approached for assistance. Further, the Bank has an established process for receiving and responding to shareholders' feedback and complaints.

NOMINATING COMMITTEE

The NC comprises five members, a majority of whom (including the NC Chairman) are independent directors. The members are Messrs Wong Meng Meng (Chairman), Wee Cho Yaw, Ngiam Tong Dow, Cham Tao Soon and Franklin Leo Lavin. Mr Wee Ee Cheong is the alternate member to Dr Wee Cho Yaw on the NC.

The principal responsibilities of the NC are:

- recommending the appointment and re-election/re-appointment of directors to the Board;
- assessing the performance of the Board and each director;
- assessing the independence of directors;
- developing and implementing a development programme for the continuous education of directors;
- nominating candidates for key appointments such as the CEO, Chief Financial Officer and Chief Risk Officer; and
- performing succession planning.

Appointment of New Directors

The NC identifies and assesses nominations of new directors against a range of criteria including the candidates' background, experience, skills, personal qualities and their ability to commit time to the Board's activities. The NC is responsible for identifying the right balance of independent and non-independent directors and for nominating directors with the right skills, knowledge and experience.

New directors are briefed on the key areas of the Bank's business. Each director is given an induction pack in the form of a Director's Manual which consists of, among other things, articles of directorship, terms of reference of the Board and its committees, codes of conduct, policies, and other director governance matters.

Annual Reviews

The re-appointment and re-election of directors are subject to annual review by the NC. As provided in the Bank's Articles of Association, one-third of the directors retire from office by rotation and are eligible for re-election at each AGM. Directors who are over 70 years of age are subject to annual re-appointment under the Companies Act. New directors appointed by the Board during the financial year submit themselves for re-election at the AGM.

The NC also performs an annual assessment of the performance of each director and the Board as a whole. Directors are individually assessed based on a range of criteria including their attendance record, skills, overall preparedness, participation, candour and clarity in communication, maintenance of relevant expertise, strategic insight, financial literacy, business judgement and sense of accountability. Each NC member recuses himself from the deliberation on his own performance. Factors included in the evaluation of the Board's performance include strategic directions given, quality of oversight of risk management processes and internal controls, and the Bank's performance. The NC also takes into account the feedback received from other directors.

Organisational Structure and Succession

The NC nominates candidates for appointment to key senior management positions with the view to appointing candidates who can contribute to the Bank's ability to maintain its competitive edge and keep pace with an evolving business environment.

The Bank has in place programmes by which candidates with potential are identified, developed and nurtured to fill senior positions. Such development programmes are monitored regularly to ensure that they are relevant and effective in grooming the next generation of UOB bankers.

Training and Development

UOB has established an in-house continuous development programme, which is overseen by the NC, for directors to gain the skills and knowledge to perform their roles effectively. During 2011, directors attended in-house and external programmes. Through these programmes, the directors are kept abreast of knowledge and skills relevant to the business of the Bank, and developments in global finance and best practices in board oversight.

REMUNERATION COMMITTEE

The RC comprises Messrs Wee Cho Yaw (Chairman), Cham Tao Soon and Yeo Liat Kok Philip. Except for an incumbent, the Banking Regulations require the chairman of a remuneration committee to be an independent director. The NC is of the view that Dr Wee Cho Yaw, the incumbent RC Chairman and a non-independent director, is the most appropriate person to chair the RC given his vast experience.

The RC's responsibilities include:

- ensuring that the Group's remuneration principles and framework are aligned with prudent risk-taking and applicable laws, regulations and guidelines;
- establishing a remuneration policy and framework that is in line with the strategic objectives and corporate values of the Group;
- determining a level of remuneration that is reasonable and appropriate to attract, retain and motivate directors and senior executives;
- recommending fees for directors and reviewing the remuneration of senior executives; and
- reviewing and approving employee incentive programmes that encourage overall employee and organisational performance.

The RC administers the UOB Restricted Share Plan and the UOB Share Appreciation Rights Plan. Details of these long-term incentive plans are contained in the 'Directors' Report' section of this Annual Report.

Remuneration Policy

Remuneration for employees is commensurate with their performance and contributions. The Group's remuneration framework is aimed at balancing short-term compensation with sustainable longer-term performance and prudent risk-taking while maintaining pay competitiveness. The remuneration package comprises fixed salaries, variable performance bonuses, benefits and long-term incentives.

Key performance indicators, which are derived from the overall business strategy and applied to all business units, underpin the Group's annual variable bonus plan. The achievement against these performance indicators determines the overall variable bonus pool of the Group. The variable bonus for each business unit is then allocated according to the achievement of Group-wide, business-specific, governance and risk measures. Employees are paid variable bonuses based on the performance of the Bank, the business unit and the individual. The RC reviews and approves the overall variable bonus payable to employees.

Senior executives and employees whose actions have a material impact on the risk exposure of the Group are paid variable bonuses subject to the Group's bonus deferral policy. Deferred bonuses vest equally over three years subject to pre-determined performance conditions. In the event that the performance conditions are not met, unvested deferred bonuses may be fully or partially forfeited. During 2011, no deferred remuneration scheduled for vesting during the year was forfeited due to performance adjustments. Details of the remuneration mix and deferred remuneration for these employee groups can be found in the 'Human Resource' and 'Pillar 3 Disclosure' sections of this Annual Report.

As a recruitment strategy, the Group may offer a one-time sign-on or guaranteed bonus to select key hires during their first year of service. No new senior executive or employee whose actions have a material impact on the risk exposure of the Group received a significant sign-on or guaranteed bonus exceeding 12 months of fixed pay during the financial year. There is also no special retirement plan, golden parachute or special severance package for senior executives or employees.

Disclosure

Directors' fees and remuneration are disclosed in the 'Directors' Report' section. During the year, no director was granted any share option or other equity incentive. Directors' fees are subject to shareholders' approval and are shared among directors. In sharing the fees, directors who have additional responsibilities as chairmen or members of board committees receive more. Each RC member abstains from deliberation on his own remuneration.

While the MAS Guidelines and the Code recommend that the remuneration of the top five key non-director executives be disclosed, the Bank believes that such disclosure is not in its interest because of the highly competitive market for talent. Except for the CEO who is the son of the Chairman, no employee is an immediate family member of a director or the CEO.

More information on the Group's remuneration policy, systems and structures are contained in the 'Human Resource' and 'Pillar 3 Disclosure' sections.

AUDIT COMMITTEE

The members of the AC are Messrs Cham Tao Soon (Chairman), Yeo Liat Kok Philip and Thein Reggie. The AC oversees all matters relating to the:

- integrity of financial statements, internal and external audit plans and audit reports;
- adequacy of internal accounting controls and material internal controls;
- scope and results of internal and external audits;
- quality of and any significant change in accounting policies or practices;
- adequacy of internal audit resources;
- cost-effectiveness, independence and objectivity of external auditors;
- findings of Group Audit investigations which are significant;
- transactions by interested persons; and
- appointment and resignation of the Head of Group Audit.

Accounting Policies and Practices

The AC reviews the financial statements of the Bank prior to the announcements of the Bank's results. The process includes verifying that accounting policies and practices adopted are appropriate and have been consistently applied, and ascertaining whether any applicable accounting policy has been changed and whether judgements which have a significant impact on the financial results had been made during the reporting period.

Investigative Powers

The AC has authority to investigate any matter within its terms of reference. Matters investigated may arise from internal processes of the Bank such as an internal audit, or from a report made pursuant to the Bank's whistle-blowing policy.

In the discharge of its duties, the AC is entitled to the full co-operation of Management, employees and the internal and external auditors. Where necessary, the AC may also obtain professional advice at the Bank's expense.

External Auditors

During the year, the AC reviews the audit process and in particular, the external audit plan, the audit reports submitted by the external auditors and the non-audit services performed by the external auditors. Where appropriate, the AC meets the external auditors in the absence of the internal auditors and Management. The AC assesses the performance, effectiveness, independence and objectivity of the external auditors before recommending the re-appointment of the external auditors to the Board. In assessing the external auditors' performance, the AC obtains feedback on the external auditors' work from the internal auditors and Management and takes into account its own assessment of the external auditors' work. The AC also approves the terms of engagement of the external auditors.

Having reviewed the external auditors' work and non-audit services provided and the fees they have received for non-audit services, the AC is satisfied that the independence of Ernst & Young LLP was not affected. The AC has nominated Ernst & Young LLP for re-appointment as external auditors at the forthcoming AGM.

Internal Auditors

The AC also oversees the internal audit function of the Bank which is performed by Group Audit. This includes reviewing the scope of audit for each year and monitoring the progress of audits. Functionally, the Head of Group Audit reports to the AC which approves his appointment, resignation or removal, while administratively he reports to the CEO. The AC further ensures that Group Audit is adequately resourced to discharge its responsibilities. Further information on the internal audit function is set out below.

EXECUTIVE COMMITTEE

The EXCO comprises five members, a majority of whom are independent directors. They are Messrs Wee Cho Yaw (Chairman), Wee Ee Cheong, Ngiam Tong Dow, Cham Tao Soon and Yeo Liat Kok Philip.

The main responsibilities of the EXCO are:

- assisting the Board to oversee the Bank's performance and review medium and long-term business objectives;
- approving credit facilities, treasury and investment activities, and capital expenditure;
- reviewing and recommending the budget and business plans;
- monitoring the Bank's financial performance and reviewing the capital and debt structure of the Bank; and
- performing such other functions and exercising such other power and authority as may be delegated by the Board.

BOARD RISK MANAGEMENT COMMITTEE

The BRMC comprises five members, a majority of whom (including the BRMC Chairman) are non-executive directors. The members are Messrs Wee Cho Yaw (Chairman), Wee Ee Cheong, Ngiam Tong Dow, Cham Tao Soon and Tan Lip-Bu.

The main responsibilities of the BRMC are:

- overseeing the establishment and operation of a robust and independent risk management system to identify, measure, monitor, control and report risks on an enterprise-wide basis;
- ensuring the risk management function is adequately and appropriately resourced;
- reviewing the current risk profile, risk tolerance level and risk strategy of the Group;
- reviewing the adequacy of risk management practices for material risks of the Group;
- reviewing and approving risk measurement models, approaches and methodologies;
- reviewing the risks related to the Group's remuneration structure; and
- appointing the Chief Risk Officer ("CRO").

INTERNAL CONTROLS

The Bank has in place a comprehensive system of internal controls that safeguards its business. The Board oversees the performance of the internal control systems with the assistance of the board committees.

Group Audit

The primary role of Group Audit is to provide independent assessment of the adequacy and effectiveness of the Bank's system of risk management, controls and governance processes. Group Audit adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors in its audit of the Bank's businesses and operations in Singapore and overseas. It also oversees the internal audit functions of overseas banking subsidiaries.

Group Audit develops its strategic audit plan using a risk-based approach. Audit projects are prioritised and scoped according to Group Audit's assessment of risks and the controls over the risk types. Significant issues are highlighted to the AC through audit reports and during AC meetings. The strategic audit plan is reviewed annually.

The heads of internal audit of overseas banking subsidiaries report functionally to their respective audit committees and administratively to their respective local CEOs. The subsidiaries' internal audit divisions provide monthly reports to the Head of Group Audit who is invited to attend their audit committee meetings.

Group Compliance

Group Compliance provides independent compliance support to business units in Singapore and oversees the compliance teams in countries and territories where UOB has a presence.

Group Compliance works with business units within an established compliance risk management framework to identify, assess, mitigate and monitor regulatory compliance risks. Policies and procedures are put in place to ensure that the Bank conducts its business in compliance with the law and observes industry best practices. Group Compliance also monitors local and international regulatory developments that may have an impact on the Group's operations and advises Management accordingly.

The Board and senior management are kept abreast of compliance issues and regulatory developments through regular reports to the Board and the Risk and Capital Committee (see 'Senior Management Committees' below).

Group Risk Management

Group Risk Management is responsible for putting in place the strategy, policies and processes to identify, measure, control and report risks of the Group. To perform its role effectively, it works with the Risk and Capital Committee (see 'Senior Management Committees' below) and business and support functions to develop appropriate framework, strategies, processes and procedures to manage and monitor risks. It also oversees the risk management functions of overseas banking subsidiaries and branches through a matrix-reporting structure. Details of the Bank's risk management are set out in the 'Risk Management' and 'Pillar 3 Disclosure' sections of this Annual Report.

The CRO, who oversees Group Risk Management, reports functionally to the BRMC and administratively to the CEO.

Senior Management Committees

The following senior management committees assist the CEO in the day-to-day running of the Bank:

- Asset and Liability Committee: oversees the effectiveness of the Group's market and liquidity risk management structure, including approving policies, strategies and limits for the management of market and liquidity risk exposures.
- Credit Committee: oversees the Bank's credit and country risk management structure including the credit risk framework, policies, people, processes, information, infrastructure, methodologies and systems. The Credit Committee approves credit applications, formulates credit policies, reviews credit portfolios and assesses credit risk profiles.
- Fair Dealing Guidelines Committee: oversees the delivery of fair dealing outcomes to customers. It approves action plans, policies, guidelines and practices aimed at achieving the fair dealing outcomes.
- Human Resource ("HR") Committee: oversees the Group's HR strategy including developing the framework of the Group's talent acquisition policies, talent development and management initiatives, compensation and benefits plans, employee engagement programmes and other key people decisions.
- Investment Committee: oversees the asset management, debt and equity capital market activities and the management of the Group's funds.
- Management Executive Committee: oversees the management of the Group, including capital and resource allocation. It reviews and recommends the Group's strategic direction and ensures business activities are in line with strategic direction. It also reviews and approves Group-wide principles, framework and policies.
- Performance Management Committee: oversees the overall performance of the Group, country and business segments, including reviewing and monitoring against set budget/targets and key performance indicators. It approves changes to the performance management policies and framework on income, cost and internal capital allocation.
- Risk and Capital Committee: oversees the overall risk profile and capital requirements of the Group, as well as the implementation of the Bank's Internal Capital Adequacy Assessment Process.
- Technology and Corporate Infrastructure Committee: oversees information technology ("IT") and related infrastructure strategies, including approving the investments and monitoring the progress of major IT initiatives of the Group.

The Board reviews the reports from the AC and BRMC. Having made enquiries and based on its own assessment of the Bank's control environment, the Board, with the concurrence of the AC and BRMC, is of the view that the internal controls, including financial, operational and compliance controls and risk management processes, are generally adequate.

ACCESS TO INFORMATION

Directors have unfettered access to information and Management, and receive timely and detailed financial, risk management and operational reports to facilitate informed discussions during meetings. Directors also have access to the company secretary whose responsibilities include advising the Board on regulatory changes and best practices in corporate governance. In discharging their duties, directors may seek independent professional advice, if necessary, at the Bank's expense.

Company Secretary

The company secretary attends all Board, board committee and general meetings and ensures that Board procedures and applicable regulations are complied with. She also facilitates communications between the Board and Management and the induction of new directors, and generally assists directors in the discharge of their duties.

INTERESTED PERSON TRANSACTIONS

The Bank has in place, a procedure to monitor and disclose interested person transactions as required by the SGX-ST Listing Manual. During the year, the Bank entered into the following interested person transactions within the meaning of Chapter 9 of the SGX-ST Listing Manual:

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)
UOL Group Limited and its subsidiaries ("UOL Group")	UOB Travel Planners Pte Ltd, a wholly-owned subsidiary of UOB, sold travel products and services to and acted as hotel services agent for the UOL Group. The total value of these transactions was $986,371.	Nil
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 $308,010.	Nil

COMMUNICATION WITH SHAREHOLDERS

UOB keeps shareholders informed of corporate developments through announcements posted on SGXNET and the Bank's website at uobgroup.com. Annual reports on the Bank's performance and financial position are sent to shareholders at least 14 days before the AGM. Quarterly financial results are announced within 45 days from the end of each quarter and full-year financial results are announced within 60 days from the financial year-end. Financial results announcements are posted on SGXNET and the Bank's website.

As part of its efforts to use less paper, the Bank will provide the annual report to shareholders in a compact disc as well as give shareholders the option to request a copy of the annual report in print form. The annual report is also available on SGXNET and the UOB website.

Feedback Management

The Board values all feedback from stakeholders and has established clear channels for the receipt of feedback, including complaints. Procedures have been put in place so that all complaints are investigated and dealt with in an appropriate manner.

Shareholders can give feedback and views at the AGM, or through the Bank's Investor Relations unit. Where appropriate, the Bank is also open to meetings with investors and analysts.

SHAREHOLDER PARTICIPATION

All shareholders are entitled to attend the general meetings of the Bank. At each general meeting, shareholders can pose questions and give comments to the Board and Management on relevant matters. A shareholder may appoint a proxy to attend and vote in his place. Investors who hold shares through nominees and CPF investors who hold shares through custodian banks may vote via their nominee companies or custodian banks, or attend the general meetings as observers.

ETHICAL STANDARDS

The core values of UOB are integrity, performance excellence, teamwork, trust and respect. These values are embodied in a general code of conduct for employees. The Board and Management emphasise the need to observe and uphold these values at all times.

Directors and employees are also guided by a code on dealing in securities which prohibits dealings:

- 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
- if they are in possession of price-sensitive information.

The Bank has established a whistle-blowing policy which provides a framework for any person to report any suspected wrongdoing through independent channels without fear of reprisal. All reports received are accorded confidentiality and investigated. The whistle-blowing policy is administered by Group Audit.

Capital Management

Our approach to capital management is to ensure that the Group and its regulated bank subsidiaries maintain strong capital levels to support our businesses and growth, to meet regulatory capital requirements at all times and to maintain a good credit rating.

We achieve these objectives through an Internal Capital Adequacy Assessment Process ("ICAAP") whereby we continually monitor and manage the Group's capital position over a medium-term horizon, involving the following:

- Setting of internal capital targets for the Bank and its regulated bank subsidiaries, taking into account future regulatory changes and stakeholder expectations;
- Forecast of capital demand for material risks based on the Group's risk appetite, and evaluated across business segments and banking entities, including the Group's capital position before and after mitigating actions under adverse but plausible stressed conditions; and
- Availability and composition of different capital components, taking into account market development and regulatory changes.

We have in place a governance and process framework embedded in our capital planning and assessment process. The Board Risk Management Committee assists the Board to oversee the management of risks arising from the business of the Group, while the Risk and Capital Committee oversees the overall risk profile and capital requirement of the Group and ensures that the Bank's ICAAP is in place. The Board and senior management team are updated quarterly 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 entities. The investments made in Group entities are funded mainly by the Bank's own retained earnings and capital issuance. The Group's regulated bank 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. During the year, none of the subsidiaries faced any impediment in the distribution of dividends.

Capital Adequacy Ratios ("CAR")

We are required by the Monetary Authority of Singapore ("MAS") to maintain Tier 1 and Total CAR of 6% and 10% respectively, at Bank and Group levels. Our banking operations outside Singapore are also required to comply with the regulatory requirements in the country of operation.

The table below shows the consolidated capital position of the Group as at 31 December 2011 and 31 December 2010.

	2011 **$ million**	2010 $ million
Tier 1 capital		
Share capital	**3,104**	2,537
Non-cumulative preference shares	**1,317**	1,317
Innovative Tier 1 capital instruments	**832**	832
Disclosed reserves	**17,431**	16,359
Non-controlling interests	**80**	80
Goodwill/others	**(4,329)**	(4,328)
Deductions from Tier 1 capital	**(421)**	(435)
Eligible Tier 1 capital	**18,014**	16,362
Tier 2 capital		
Cumulative collective impairment/others	**950**	936
Subordinated notes	**3,794**	4,343
Deductions from Tier 2 capital	**(421)**	(435)
Eligible total capital	**22,337**	21,206
Risk-weighted assets		
Credit risk	**116,423**	92,326
Market risk	**7,835**	5,611
Operational risk	**9,320**	8,952
	133,578	106,889
Capital adequacy ratios (%)		
Core Tier 1	**11.9**	13.3
Tier 1	**13.5**	15.3
Total	**16.7**	19.8

We have adopted the Basel II framework for the above computation in accordance with the requirements of MAS Notice 637. The approaches for the computation of risk-weighted assets can be found in the 'Risk Management' and 'Basel II Pillar 3 Disclosure' sections.

Our capital is divided into two tiers:

- Eligible Tier 1 Capital comprising paid-up ordinary share capital, disclosed reserves, minority interest, qualifying instruments such as non-cumulative perpetual preference shares and hybrid capital securities, deducted for goodwill, intangible assets and other regulatory adjustments; and

- Tier 2 Capital comprising qualifying subordinated notes and other items, such as cumulative collective impairment and revaluation gains on equity securities held as available-for-sale, deducted for other regulatory adjustments.

To ensure the overall quality of the capital base, MAS Notice 637 prescribes limits on the amount of non-equity capital instruments relative to the Total Capital base. A description of the key terms of the capital instruments included as eligible capital can be found in Notes 12 and 19 of the financial statements. The analysis on Group CAR can be found in the 'Management Discussion and Analysis' section.

The tabulation below shows the CAR of the major regulated bank subsidiaries as at 31 December 2011, computed on a solo basis under the capital adequacy framework of the respective countries.

	2011	
	Tier 1 CAR %	**Total CAR %**
United Overseas Bank (Malaysia) Bhd	10.6	12.9
United Overseas Bank (Thai) Public Company Limited	15.5	16.7
United Overseas Bank (China) Limited	24.2	25.5
PT Bank UOB Indonesia	16.7	17.8

Capital Management Initiatives taken during the Year

Tier 1 Capital

In June 2011, the Bank issued 30.4 million new ordinary shares, representing $546.7 million in ordinary share capital, to shareholders who had elected to receive new shares for the final and special dividends for the financial year ended 31 December 2010, under the UOB scrip dividend scheme.

Tier 2 Capital

In April 2011, the Bank successfully raised $1 billion 3.45% 10-year fixed rate subordinated notes qualifying as lower Tier 2 capital. Net proceeds from this issue were used to partially finance the exercise of redemption call on $1.3 billion upper Tier 2 4.95% subordinated notes in September 2011.

Dividend

Our aim is to continue to pay consistent and sustainable dividends to shareholders by balancing growth with prudent capital management. Dividends are payable at least on a half-yearly basis. For the financial year ended 31 December 2011, the Board has recommended a final one-tier tax-exempt dividend of 40 cents per ordinary share, bringing the full-year dividend to 60 cents per ordinary share. This represents a payout of $944.2 million, representing 41% of the Group's net profit of $2,327.0 million. The UOB scrip dividend scheme was not applied to any dividends paid or declared for this year.

Share Buyback & Treasury Shares

Ordinary shares repurchased by the Bank are held as treasury shares. These are recorded as a deduction against share capital and may be sold, cancelled, distributed as bonus shares, or used to meet the obligations under employee long-term incentive plans.

During the year, we purchased 0.6 million ordinary shares for $8.8 million to meet the obligations under existing employee long-term incentive plans. There was no share buyback conducted in 2010.

Regulatory Changes

The regulation and supervision of financial institutions is undergoing considerable changes after the global financial crisis. The Basel Committee on Banking Supervision ("BCBS") has since December 2009 released a series of proposals and consultation papers ("Basel III") aimed to strengthen the global capital and liquidity standards, with the objective of promoting a more resilient banking sector. Over the last two years, there is greater clarity on Basel III standards and various timelines for implementation, though some proposals are yet to be finalised.

The BCBS has left it to the respective jurisdictions to implement these changes. On 28 December 2011, the MAS issued a consultation paper on the implementation of Basel III Capital Standards for Singapore-incorporated banks. The public consultation closed on 17 February 2012.

The MAS has taken the view that the capital requirements for Singapore-incorporated banks have to be set higher than the Basel III minimum requirements because they are systemically-important and have substantial retail presence. The higher capital requirements will further strengthen the ability of Singapore-incorporated banks to operate under stress conditions and will help protect depositors, reduce risks to the economy and safeguard financial stability. In addition, the MAS will require Singapore-incorporated banks to meet the Basel III minimum capital adequacy requirements from 1 January 2013, two years ahead of the BCBS' proposed 2015 timeline.

We believe the Group is well capitalised, and coupled with the phased-in timeline for implementation, is in a strong capital position to meet the MAS' revised requirements.

Risk Management

RISK MANAGEMENT OVERVIEW

Financial and non-financial risks are integral to the Group's business. Our risk management strategy is targeted at ensuring on-going effective risk discovery and achieving effective capital management. Risks are managed within levels established by the management committees, and approved by the Board and its committees.

The Group's risk management principles are:

- Promotion of sustainable long-term growth through embracing sound risk management principles and business practices;
- Continual improvement of risk discovery capabilities and establishment of appropriate value-creating risk controls; and
- Focus on facilitating business development within a prudent, consistent and efficient risk management framework that balances risks and returns.

The Group has a comprehensive framework of policies and procedures for the identification, measurement, monitoring and control of risks. This framework is governed by the appropriate Board and senior management committees.

RISK MANAGEMENT GOVERNANCE AND FRAMEWORK

An effective governance structure exists to ensure that the Group's business activities are:

- Conducted in a safe and sound manner and in line with high standards of professionalism and sound business practice;
- Consistent with the Group's overall business strategy and risk appetite; and
- Subjected to adequate risk management and internal controls.

The Board of Directors ("the Board") plays a critical role in the successful operation of the Group. The Board is chiefly responsible for setting corporate strategy, reviewing managerial performance and maximising returns for shareholders at an acceptable level of risk, while preventing conflicts of interest and balancing competing demands on the Group.

The Board is supported by the Board Risk Management Committee ("BRMC"), Executive Committee, Audit Committee, Nominating Committee and Remuneration Committee. The BRMC assists the Board in the oversight of risk management policies, process and procedures.

The day-to-day management of the UOB Group is delegated to its senior management (Chief Executive Officer ("CEO") and Senior Executives).

The CEO forms senior management committees to assist in the making of business decisions while balancing risks with return.

The main senior management committees are the Management Executive Committee ("MEC"), Asset & Liability Committee ("ALCO"), Credit Committee ("CC") and the Risk & Capital Committee ("RCC"). These committees assist the BRMC in specific risk areas. Please refer to the Corporate Governance section in the annual report for information on the roles and responsibilities of these committees.

The BRMC is also responsible for setting the overall risk capital and Top-Down Risk Appetite statements for material risks faced by the Group. Senior management and the senior management committees are responsible for delegating risk appetite limits by location, business lines, and/or broad product lines.

BASEL II FRAMEWORK

The Group has adopted the Basel II Framework and is compliant with the Monetary Authority of Singapore Notice to Banks No. 637 – Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore. The Framework aims to ensure the ongoing enhancement of risk management techniques by banks to monitor and manage their risks, and to ensure proper processes are undertaken by banks in determining the adequate amount of capital to be held in relation to their underlying risk profile.

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

The Group has a framework to ensure that there is a process to assess it has sufficient capital to support its activities. This is the Internal Capital Adequacy Assessment Process ("ICAAP") framework. The ICAAP process is reviewed periodically to ensure that the Bank will remain well capitalised after considering all material risks. Stress testing is also conducted to determine capital adequacy in stressed conditions.

The Group has established a Risk Appetite framework. The Risk Appetite is the amount of risk the Group is able and willing to take/tolerate in pursuit of its business objectives. The objective of setting risk appetite is not to limit risk taking but to ensure that the Group's risk profile is aligned to its business strategy. The Risk Appetite is approved by the BRMC, and allocated to the various business units by senior management and senior management committees.

The Group's Pillar 3 Disclosure Policy addresses the disclosure requirements as laid out in MAS Notice 637.

CREDIT RISK

Credit risk policies and processes

Credit policies and processes are in place to manage credit risk in the following key areas:

Credit approval process

To maintain independence and integrity of the credit approval process, the credit approval function is segregated from credit origination. Credit approval authority is delegated through a risk-based Credit Discretionary Limits ("CDL") structure that is tiered according to the borrower's rating. Delegation of CDL follows a stringent process that takes into consideration the experience, seniority and track record of the officer. All credit approval officers are guided by credit policies and credit acceptance guidelines. Approval of consumer and small business loans is guided by product programmes. These credit policies, guidelines and product programmes are periodically reviewed to ensure their continued relevance.

Credit risk concentration

A risk-sensitive process is in place to regularly review, manage and report credit concentrations and portfolio quality. This includes monitoring concentration and exposures by obligors, portfolios, borrowers, industries and countries. Limits are generally set as a percentage of the Group's eligible capital base.

Obligor limits ensure that there is no undue concentration to a group of related borrowers that may potentially pose a risk to the Group.

Portfolio and borrower limits ensure that lending to borrowers with weaker credit ratings is confined to acceptable levels. These limits are generally tiered according to the borrowers' risk ratings.

Industry limits ensure that any adverse effects arising from an industry-specific risk event is confined to acceptable levels.

Country risk

Country risk is managed within an established framework that includes setting of limits for each country. Such limits are based on the country's risk rating, economic potential measured by its GDP, as well as the Group's business strategy.

Credit stress test

Credit stress testing is an integral part of the Group's credit portfolio management process. These are conducted periodically and allow the Group to assess the potential losses arising from exceptional but plausible adverse events. Remedial actions such as exposure reduction, portfolio rebalancing, hedging and review of credit acceptance guidelines are taken when necessary.

Settlement risk

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

Credit exposures from foreign exchange and derivatives

Pre-settlement limits for foreign exchange ("FX") and derivative transactions are established using the Potential Future Exposure ("PFE") approach. This approach takes into consideration the transaction currency and tenor to address the credit risk exposures arising from adverse market movements.

For internal risk management, master agreements such as International Swaps and Derivatives Association ("ISDA") agreements and Credit Support Annex are established with active counterparties to manage credit risk arising from foreign exchange and derivative activities. Such agreements allow the Group to cash-settle transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

As at 31 Dec 2011, in the event of a 2-notch downgrading of UOB's credit rating, UOB would be required to post additional collateral of $42.5 million with its counterparties.

For Internal Ratings-Based ("IRB") purpose, the Group does not recognise ISDA netting. The Current Exposure Method is used to estimate its FX and derivative exposures on a gross basis.

Wrong-way risk

Wrong-way risk is typically defined as a trading exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. Wrong-way risk may be general or specific.

General wrong-way risk arises when the probability of default of a counterparty is positively correlated with general market risk factors. The Bank has processes in place to identify and report transactions that exhibit such characteristics to senior management on a regular basis.

Specific wrong-way risk arises when an exposure to a particular counterparty is positively correlated with its probability of default. In general, transactions with specific wrong-way risk will be rejected at the underwriting stage.

Non-performing accounts management

Delinquency monitoring

All delinquent accounts, including credit limit excesses, are closely monitored and managed through a disciplined process by officers from business units and risk management. Where appropriate, these accounts are also subject to more frequent credit reviews.

Classification and loan loss impairment

The Group classifies its loan portfolios according to the borrower's ability to repay the loan from its normal source of income. All loans and advances to customers are classified into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-performing loans ("NPLs") are further classified as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS 612 Notice to Banks (March 2005).

Upgrading and de-classification of a NPL 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. The Group must also be satisfied that once the account is de-classified, 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 depending on the Group's assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. A restructured account must comply fully with the restructured terms in accordance with MAS 612 Notice to Banks (March 2005) before it can be declassified.

The Group provides for impairment of its 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 MAS's 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 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.

Credit risk mitigation

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 ("SMEs"), personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors. For IRB purpose, the Group does 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, the Group adopts the Probability of Default ("PD") substitution approach whereby an exposure guaranteed by an eligible guarantor will utilise the PD of the guarantor in the computation of its capital requirement.

In general, the following eligibility criteria are considered before collateral can be accepted for IRB purpose:

- **Legal certainty:** The documentation must be legally binding and enforceable (on an on-going basis) in all relevant jurisdictions.
- **No material positive correlation:** The value of the collateral must not be significantly affected by the deterioration of the borrower's credit worthiness.
- **Third-party custodian**: The collateral that is held by a third-party custodian must be segregated from the custodian's own assets.

Credit exposures under Basel II

Under Basel II, credit risk for the various asset classes may be computed using a combination of (i) SA; (ii) FIRB Approach; and (iii) AIRB Approach. The Group has adopted the FIRB Approach for its non-retail exposures and the AIRB Approach for its retail exposures.

Internal Ratings-Based Approach

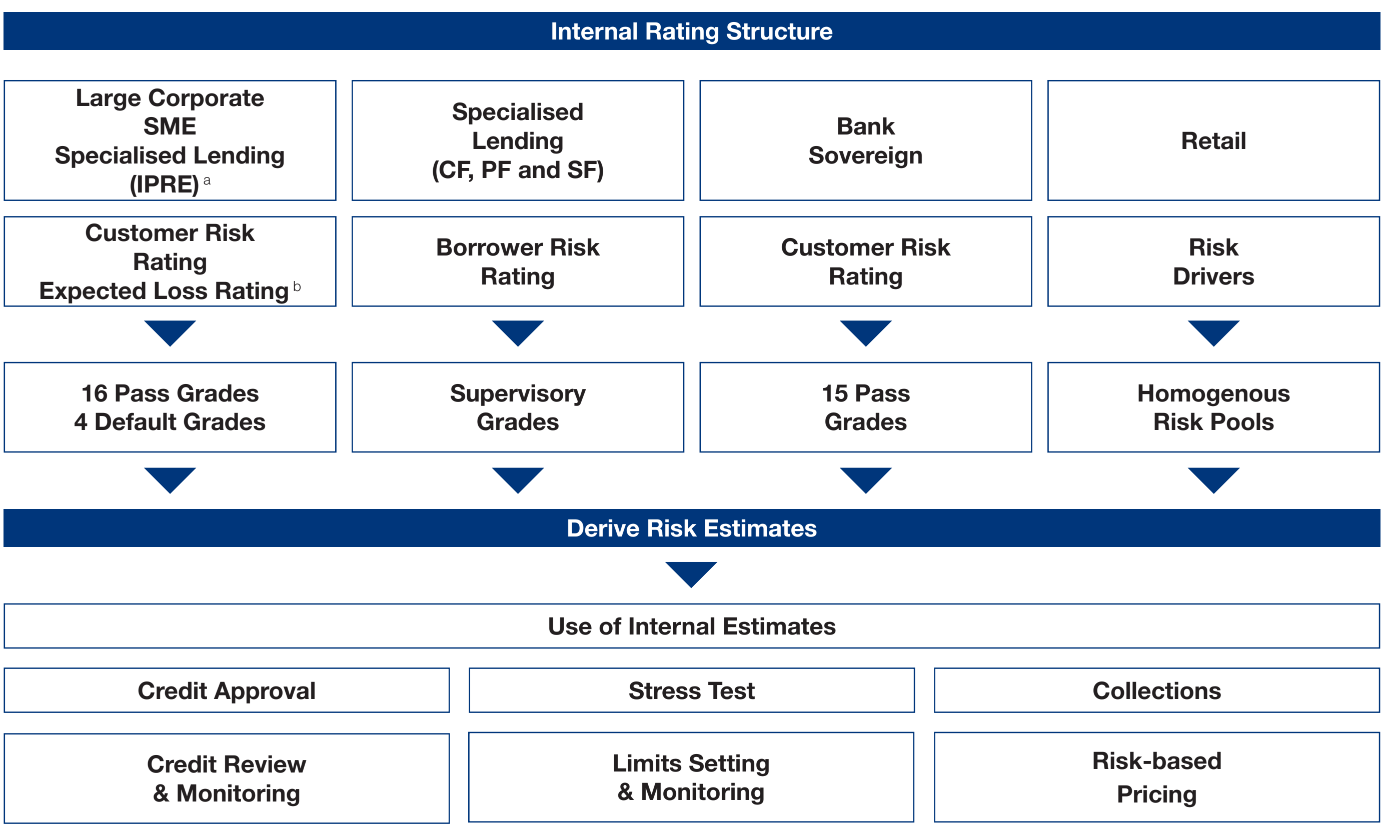
IRB rating system refers to the methods, processes, controls, data collection and information technology systems that support the assessment of credit risk, the assignment of exposures to rating grades or pools, as well as the parameterisation process for the various classes of exposure.

Rating system governance

The Group has established a credit rating governance framework to ensure the reliable and consistent performance of the Group's 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 Internal Audit.

Rating structure

The Group's internal rating structure is illustrated below.



[a] The 20 rating grades structure applies to the Group's IPRE exposures, with the exception of UOB Thailand where the internal risk grades are mapped to five prescribed supervisory grades.

[b] Does not apply to Specialised Lending (IPRE).

Internal rating system

The Group's internal rating system consists of statistical and expert judgement models.

A statistical model is one whereby the risk factors and their risk weights are determined using a statistical method (for example, logistic regression). Such models are developed for portfolios with sufficient internal historical loss data such as the SME portfolio.

An expert judgement model is one whereby the risk factors and their risk weights are determined judgementally by credit experts. Such models are developed for portfolios with limited or no internal historical loss data, such as the Bank and Sovereign asset classes.

All rating models are independently validated before they are implemented for use. They are also subject to annual reviews to ensure that the chosen risk factors appropriately measure the risks in the respective portfolios.

The PD is an estimate of the likelihood that an obligor will default within the next 12 months. An obligor is considered to have defaulted if:

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

The Group's internal Corporate risk rating process provides a PD-based credit assessment of a borrower over a one-year time horizon.

The rating represents the Group's assessment of the borrower's ability and willingness to contractually perform despite adverse economic conditions or the occurrence of unexpected events. Therefore, the Group uses a longer time horizon in the rating assignment process, although the time horizon used in PD estimation is one year.

While the Group's internal Corporate 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

The Group has developed models to rate exposures in the Large Corporate and SME asset classes. The rating structure consists of two dimensions:

- Risk of borrower default: Customer Risk Rating ("CRR") is the standalone rating of a borrower's credit risk based on financial (quantitative) and non-financial (qualitative) factors. This is derived from a comprehensive assessment of the borrower's financial strength, quality of management, business risks, and the industry it operates in.
- Transaction-specific factors: Expected Loss Rating is the rating of a facility's risk based on the borrower's CRR, facility and collateral-specific factors such as 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 and 4 default 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 sub-class

Within the Corporate asset class, the Bank has four sub-classes for Specialised Lending: Income Producing Real Estate ("IPRE"), Commodities Finance ("CF"), Project Finance ("PF") and Ship Finance ("SF"). Specialised Lending exposures are treated separately from normal Corporate exposures. Such exposures generally possess the following attributes either in legal form or economic substance:

- the exposure is typically to an entity (often a special purpose entity) which is created specifically to finance and/or operate physical assets;
- the borrowing entity has little or no other material assets or activities, and therefore little or no independent capacity to repay the obligation besides the income that it receives from the asset(s) being financed;
- the terms of the obligation give the Group a substantial degree of control over the asset(s) and the income that it generates; and
- the primary source of repayment of the obligation is the income generated by the asset(s), rather than the independent capacity of a broader commercial enterprise.

IPRE

The Group has developed the IPRE model to rate exposures in this asset sub-class. The internal risk grades are derived based on a comprehensive assessment of the project's financial and non-financial risk factors. The rating grade structure follows that of the corporate asset class and consists of 16 pass grades and four default grades.

CF, PF and SF

The Group has developed the CF, PF and SF scorecards to rate exposures in this asset sub-class. The internal risk grades are derived based on financial and non-financial risk factors. The internal risk grades are then mapped to five prescribed supervisory categories, each of which is associated with a specific risk weight. The five categories are 'Strong', 'Good', 'Satisfactory', 'Weak' and 'Default'.

Sovereign asset class

The Group has developed an internal Sovereign scorecard to rate exposures in this asset class. As there were insufficient internal default data, the scorecard took into account external default data from ECAIs. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Bank asset class

The Group has developed an internal Bank scorecard to rate exposures in this asset class. As there were insufficient internal default data, the scorecard took into account external default data from ECAIs. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Equity asset class

The Group adopts the following approaches for its Equity investments:

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

Investment exposures adopting the SRW Method are subjected to the supervisory risk weights, while investment exposures adopting the PD/LGD Method are rated using the Group's internal Bank scorecard.

Retail asset class

For Retail exposures, PD, Loss Given Default ("LGD") and Exposure At Default ("EAD") parameters are estimated using internal loss data covering a mix of economic conditions, including downturns. A key principle of the PD, LGD and EAD models is that the model outputs are calibrated to reflect a long-run, cycle-neutral average. Where internal loss data do not cover an appropriate mix of economic conditions and/or are insufficient to provide robust risk estimates, the PD, LGD and EAD models may incorporate internal and/or external proxies, and where necessary, may be augmented with appropriate margins of conservatism.

Probability of Default

PD is estimated using the long-run average of one-year default rates for obligors in a pool. Where internal default data used for estimation do not cover a mix of economic conditions (including downturns), internal and/or external proxies are used to adjust default rates to reflect a long-run, cycle-neutral average.

Loss Given Default

LGD measures the long-run default-weighted average rate of economic loss associated with a facility/pool should default occur. The definition of default in the LGD model is identical to that of the PD model. Loss rates are estimated from historical workout experiences, taking into account the timing and uncertainty of recovery cash flows, direct and indirect costs associated with workouts, as well as the various post-default outcomes, such as cures, full recoveries and liquidations.

Where there are significant adverse dependencies between default and recovery rates, LGD estimates are calibrated to reflect economic downturns. In the event that internal workout data are insufficient to fully reflect loss rates during economic downturns, internal and/or external proxies are used to adjust the loss rates accordingly.

Exposure At Default

EAD measures the expected gross exposure of a facility upon default. The definition of default in the EAD model is identical to that of the PD model. EAD comprises (i) the amount currently drawn; and (ii) an estimate of future drawings of available but unutilised credit up to and after the time of default, known as the Credit Conversion Factor ("CCF").

Since the amount currently drawn is known, the estimation of EAD involves the estimation of the CCF using realised CCF of all defaulted facilities for a given risk pool, covering a sufficiently long period of time and different economic conditions. Where there are significant adverse dependencies between default rates and CCFs, CCF estimates are calibrated to reflect economic downturns.

Residential Mortgage asset sub-class

Residential Mortgage asset sub-class includes any credit facility (for example, housing loan, term loan and overdraft) secured against a mortgage of a residential property or properties which meet the following criteria stipulated by the MAS:

- the facility is extended to an individual, a group of individuals or a non-individual entity that replicates the risk profile of an individual;
- the facility is managed as part of a pool of similar exposures; and
- the facility is not granted to a corporation, partnership, sole proprietorship or trust engaged in residential building, development or management.

Residential Mortgage exposures are assessed and managed using the Group's framework of credit policies, procedures and the Retail segmentation model that integrates the PD, LGD and CCF models to discriminate exposures according to their borrower and transaction risks.

Qualifying Revolving Retail Exposures asset sub-class

Qualifying Revolving Retail Exposures ("QRRE") asset sub-class includes credit card exposures and unsecured credit lines that meet the following criteria stipulated by the MAS:

- the exposure is revolving, unsecured, and uncommitted both contractually and in practice;
- the facility is managed as part of a pool of similar exposures;
- the exposure is to an individual and the aggregate QRRE exposure to the same individual is not more than $200,000; and
- the volatility of loss rate is lower than that of the Other Retail asset sub-class.

QRRE are assessed and managed using a combination of application and behavioural scorecards, PD, LGD and CCF models, as well as internal credit policies and procedures.

Other Retail asset sub-class

Other Retail asset sub-class includes commercial properties, auto loans, share financing and any other retail exposures not classified as Residential Mortgage or QRRE. These exposures fulfil the following criteria stipulated by the MAS:

- the exposure is to an individual and managed as part of a pool of similar exposures; or
- the exposure is to a small business and the aggregate exposure to the small business is not more than $2 million. In addition, the exposure is not managed individually but rather as part of a pool of similar exposures.

Other Retail exposures are assessed and managed using the Group's framework of credit policies, procedures and the Retail segmentation model which integrates the PD, LGD and CCF models to discriminate exposures according to their borrower and transaction risks.

Use of internal estimates

Internal ratings are used pervasively by the Group in the areas of credit approval, credit review and monitoring, credit stress test, limits setting, pricing and collections.

Credit exposures subject to supervisory risk weight under IRB Approach

The following credit exposures are subject to supervisory risk weight under the IRB Approach:

- Equity investments (under SRW Method);
- Specialised Lending (CF, PF, SF and UOB Thailand's IPRE) exposures; and
- Securitisation exposures.

Securitisation exposures

The Group has investments in collateralised debt obligations ("CDOs") and asset-backed securities ("ABSs") classified under 'available-for-sale' in its investment portfolio. Full provision has been made for the investments in CDOs. For ABSs, the short-fall between market value and carrying costs is deducted from reserves, and no provisions have been made for them. 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. The subsidiary, UOB Asset Management, manages structured finance assets, such as CDOs and ABSs as part of their asset management activities.

Credit exposures subject to Standardised Approach

For exposures subject to the Standardised Approach, approved ECAI ratings and prescribed risk weights based on asset class are used in the computation of regulatory capital.

The ECAI used by the Group 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 Asset and Liability Committee ("ALCO"), which meets twice 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, MEC, 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 and practices, the validation of valuation and risk models, the control structure with appropriate delegation of authority and market risk limits. In addition, a new Product/Service Programme process ensure that market risk issues identified are adequately addressed prior to the launch of products and services. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

Overall market risk appetite is balanced at the Group, Bank and business unit levels with the targeted revenue, and takes into account the capital position of the Group and Bank. This ensures that the Group and 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.

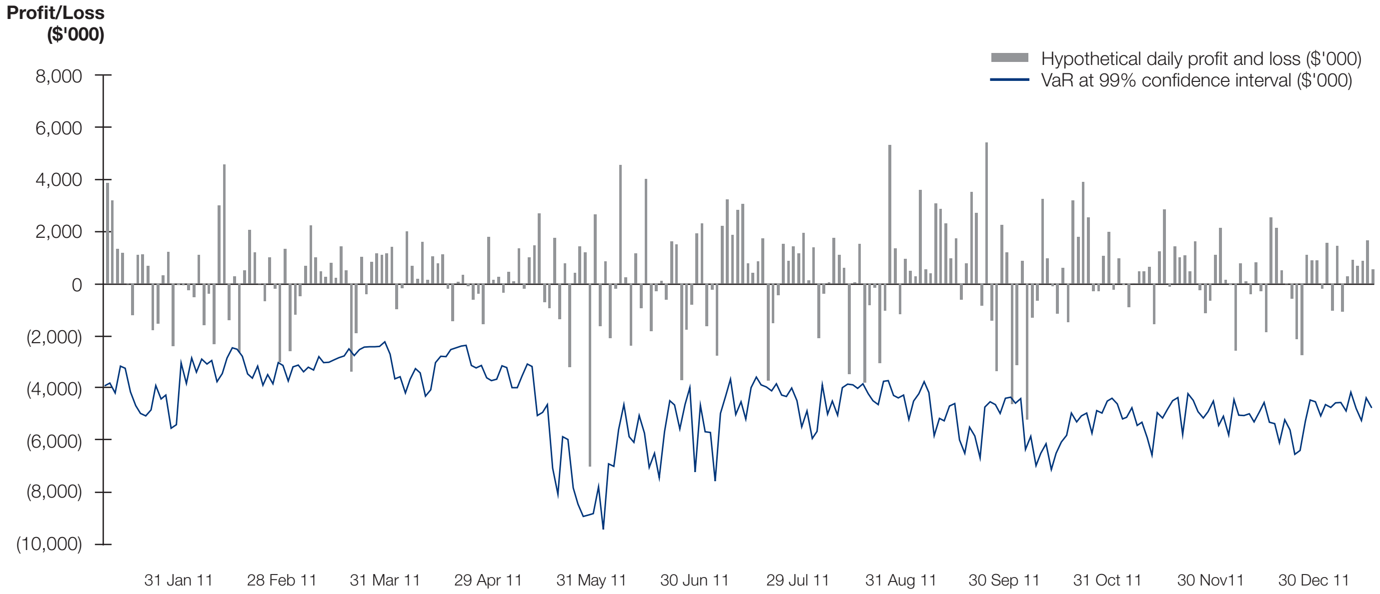
Standardised Approach

The Group currently adopts the Standardised Approach for the calculation of regulatory market risk capital but uses internal models to measure and control trading market risks. The financial products warehoused, measured and controlled with internal models include vanilla FX and FX options, vanilla Interest Rate ("IR") and IR options, government and corporate bonds, equities and equity options, and commodities.

Internal Model Approach

The Group adopts a daily Value-at-Risk ("VaR") to estimate market risk within a 99% confidence interval using the historical simulation method. 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.

Group trading backtesting chart
(Hypothetical daily profit and loss versus VaR at 99% confidence interval)



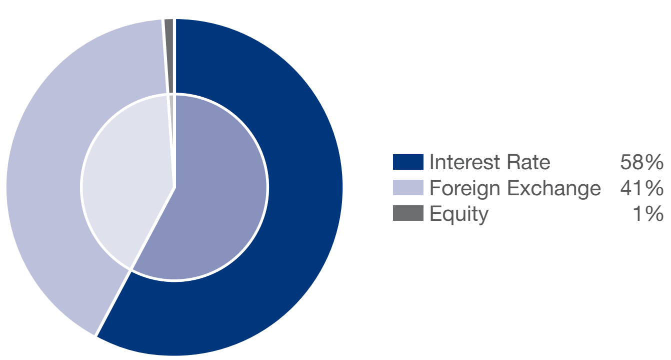
VaR estimates are backtested against profit and loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtest exceptions are tabled at ALCO with recommended actions and resolutions.

The new Basel market risk measures, Stressed VaR and Incremental Risk Charge ("IRC"), have also been implemented as part of the controls and incorporated in the market risk appetite limits in 2011. The Stressed VaR estimates the 10 day holding period 99% confidence level potential loss, using stressed market prices observed during the subprime crisis. The IRC measures the migration and default risks of the corporate bonds warehoused in the trading book at the 99.9% confidence level over a 1-year period.

To complement the VaR measure, stress and scenario tests are performed 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 risks.

The Group's daily VaR on 31 December 2011 was $4.8 million.

Group trading VaR for general market risk by risk class [a]



[a] Contribution from commodity risk is insignificant.

INTEREST RATE RISK IN THE BANKING BOOK

The ALCO, under delegated authority from the Board, 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. At a tactical level, the Management Portfolio unit of the Global Markets and Investment Management ("GMIM") Sector is responsible for the effective management of balance sheet risk in accordance with approved balance sheet risk management policies.

The primary objective of interest rate risk management is to protect and enhance capital or economic net worth through adequate, stable and reliable growth in net interest earnings under a broad range of possible economic conditions.

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, currency and embedded optionality. Mismatches in the longer tenor will experience greater change in the price-value of interest rate positions than similar positions in the shorter tenor.

The table in Note 41(c)(i) to the financial statements on page 153 represents the Group's interest rate risk sensitivity based on repricing mismatches as at 31 December 2011. Note 41(c)(ii) shows the change in Economic Value of Equity ("EVE") at risk sensitivities for 100 basis points ("bp") and 200bp parallel rate shock to the banking book for major currencies (Singapore dollar, US dollar and Malaysian ringgit) from major subsidiaries and branches. The reported figures are based on the worst case of an upward and downward parallel movement of the yield curve. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers. Loan prepayment is generally estimated based on past statistics and trends where possible and material. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

In the dynamic simulation process, both the earnings and EVE approaches are applied to assess interest rate risk. The potential effects of interest rate change on NII are estimated 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, the present values for repricing cash flows are computed, 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.

Stress testing is also performed 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 that is discussed under the 'Market Risk' section.

LIQUIDITY RISK

The Group maintains sufficient liquidity to fund its day-to-day operations, meet deposit withdrawals and loan disbursements, participate in new investments, and 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 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.

The Group takes a conservative stance in its 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. Core deposits are generally stable non-bank deposits, such as current accounts, savings accounts and fixed deposits. The Group monitors the stability of its core deposits by analysing their volatility over time.

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', 'bank specific crisis' and 'general market crisis' scenarios. Behavioural modelling is carried out regularly to ensure that the cash flow requirements for 'business as usual' and crisis scenarios are realistic. Cash flow mismatch limits are established to limit the Group's liquidity exposure. The Group also employs liquidity early warning indicators and trigger points to signal possible contingency situations.

Contingency funding plans are in place to identify liquidity crisis using a series of warning indicators. Crisis escalation processes and various strategies including funding and communication have been developed to minimise the impact of any liquidity crunch.

Overseas banking branches and subsidiaries are required to comply with their local regulatory requirements. In the event that they are unable to source sufficient funds to meet the financial obligation of their operations, the Group's Head Office in Singapore would meet such requirements.

The table in Note 41(d) to the financial statements on page 155 presents the maturity mismatch analysis of the Group's near and long-term time bands relating to the cash inflow and outflows based on contractual maturity arising from the Group's activities. Behavioural adjustments were made on significant balance sheet items that had actual maturity dates that differed substantially from their contractual profile for the operations in Singapore, Malaysia and Thailand.

Behavioural modelling is carried out based on industry-approved methodologies and reviewed regularly. Loans and deposits which do not have maturity dates, and fixed deposits which are rolled over frequently, are generally estimated based on their past statistics or trends. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

OPERATIONAL RISK

Operational risk is managed through a framework of policies, processes and procedures by which business units identify, assess, monitor and mitigate their operational risks.

Operational Risk Self Assessments involve identifying and assessing inherent risks, as well as assessing the effectiveness of controls to mitigate the identified risks. Action plans to address issues are documented and monitored via Operational Risk Action Plans.

Key Operational Risk Indicators are statistical data collected and monitored by business and support units on an on-going basis to facilitate early detection of potential operational control weaknesses. Trend analysis is carried out to identify systemic issues that need to be addressed.

A database of operational risk events and losses has been established and corrective actions, where necessary, will be taken to rectify the underlying root cause. The analysis of loss trends and root causes of loss events helps in strengthening the internal control environment.

A Group Insurance Programme is in place to mitigate the risk of high impact operational losses.

A Product/Service Programme ensures that risks associated with the introduction of new products and services are identified, analysed and addressed prior to launch. The Product Sales Committee also reviews product suitability, product risk disclosures and reputation issues associated with the distribution of retail investment products to individual customers. For online products and services, extra care and precautionary measures are implemented to protect customers' confidentiality and interests.

The Group's Outsourcing Policy and Framework ensures that outsourcing risks are adequately identified and managed prior to entering into any new arrangements and on an on-going basis.

Effective business continuity and crisis management strategies and plans have been developed and tested to ensure prompt recovery of critical business functions in the event of major business and/or system disruptions.

Legal risk is part of operational risk. 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 Group's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

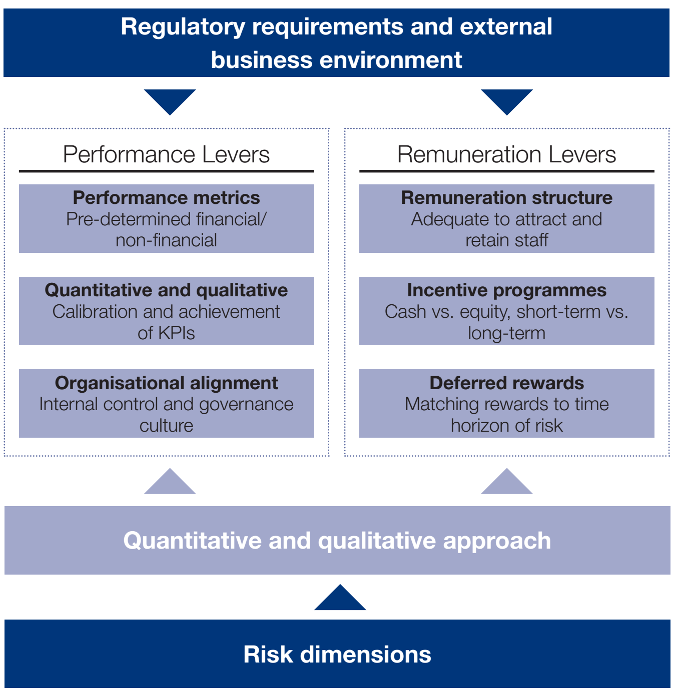
Reputation risk is the adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion on the Group's business practices, activities and financial condition. The Group has a framework for managing reputation risk.

An operational risk management training and awareness programme is in place to facilitate on-going promotion of an effective risk management culture.

REMUNERATION

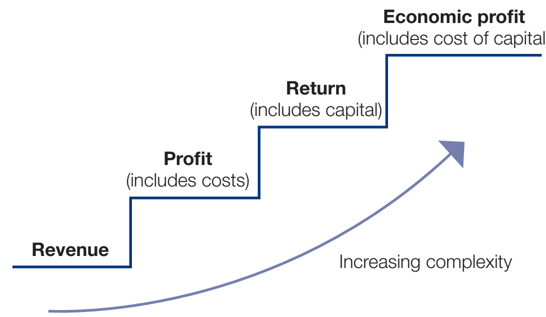
Group risk-reward framework

The Group risk-reward framework broadly sets forth the Group's approach to managing risk and reward, and encapsulates the combined roles and actions of all business groups. The framework allows for a flexible approach with both quantitative and qualitative methods being used to take into account the various risk dimensions and their impact on performance and remuneration levers.



Organisational alignment lays the foundation for a culture of proper internal controls and governance. The Group has historically placed emphasis on prudent risk-taking and the building of robust sustainable businesses. As such, the Group has put in place systems and processes to manage the various types of risk and has cultivated a risk-sensitive culture over the years. Under the risk-reward framework, the Group's key incentive programmes have been designed taking into account both the internal risk dimensions (eg. financial risk, human capital risk, operational risk, etc.) as well as regulatory requirements and the external business environment. The performance and remuneration levers work in tandem to incorporate and address various aspects of risk while being consistent with regulatory and business requirements.

The Group has also taken progressive steps towards risk-adjusted performance metrics that take onto account the costs of capital. The following diagram summarises the application of various classes of performance metrics in the funding and distribution of incentive plans.



	Revenue metrics used in	Profit metrics used in	Return metrics used in	Economic profit metrics used in
Bonus plans	KPIs	KPIs+funding	KPIs	KPIs+funding
Share plans		funding	KPIs	

Remuneration governance

The Remuneration Committee ("RC") comprises three non-executive directors, of which two are independent. The RC members are prominent and highly-experienced members of academia and industry who are familiar with the Group's business, compensation policies and practices. The RC is equipped with the necessary expertise to take into account various factors, including expected future prospects, performance, income stream, and general business outlook in determining compensation practices which are appropriate for the Group. Details of the composition of the RC and a summary of its key roles and responsibilities are contained in the Corporate Governance Report section.

Three meetings of the RC were convened during the year. Directors fees in respect of 2011 totalling $785,000 have been proposed for the three directors of the RC. This amount includes the basic director's retainer fees as well as allowances for the various board committees they serve on.

External consultants were engaged by management in 2009 and 2010 to develop a Group-wide short-term incentive programme applicable to all employees except for commissioned salespeople and employees covered under collective/union pay agreements. Separately, external consultants were also engaged by Group Human Resources to advise on the remuneration model for the Group Chief Executive Officer in 2010. Recommendations by the consultants were presented to and approved by the RC. External consultants have not been engaged to advise on remuneration in respect of performance in 2011.

During the financial year, the Group's remuneration policy and framework were reviewed for compliance with regulatory guidelines by internal auditors.

Remuneration policy and processes

The remuneration policy is applicable Group-wide including overseas subsidiaries and branches. It covers the remuneration of non-executive directors and employees, including senior executives and material risk takers. Senior executives refer to the Principal Officers of the Group. Material risk takers include (i) employees (other than Group Principal Officers) at the corporate grade of Managing Director; (ii) traders/dealers at Group head-office and trading/dealing desk heads of regional subsidiaries; and (iii) high-earning employees whose compensation exceed a pre-determined threshold. There are 29 Group Principal Officers and 57 material risk takers covered under this disclosure.

The objective of the Group's remuneration policy is to specify a remuneration framework to attract, retain and motivate employees by remunerating competitively and appropriately, commensurate with their performance and contributions. The remuneration framework further aims to align rewards to prudent risk-taking and balance short-term remuneration with longer-term performance. The remuneration policy sets out the policies governing fixed salaries, variable performance bonuses, benefits and share-based long-term incentives. The Group remuneration policy was reviewed and approved by the RC in February 2011, with updates on the alignment of group remuneration programmes to Financial Stability Board ("FSB") compensation principles and standards, including deferrals on bonuses.

Employees in risk, compliance and financial control functions are remunerated independently of the performance of any business lines or business units they oversee to avoid conflicts of interest. Recommendations on the remuneration of such employees take into consideration competitive market levels for the respective job roles, overall performance of the Group, achievement of operational KPIs in the respective risk, compliance or financial control functions, as well as on individual performance of the employees.

The Group does not award guaranteed bonuses as part of normal operations. However as an attraction/recruitment strategy, sign-on bonuses and/or guaranteed bonuses may be selectively offered to key hires, but only for the first year. No senior executives or material risk takers hired during the financial year were awarded material sign-on bonuses or guaranteed bonuses exceeding 12 months of fixed pay.

There is no accelerated payment of deferred remuneration for employees leaving the Group other than in exceptional cases, such as death in service. Retiring and retired employees are subject to the same performance conditions on their deferred remuneration as other employees in service. There are also no special retirement plans, golden parachutes or special severance packages for senior executives and material risk takers.

Key remuneration programmes and performance adjustment mechanisms

The major components of variable remuneration in the Group are cash-based variable bonuses under the global short-term incentive ("STI") plan and share-based awards under the long-term incentive ("LTI") programme. While the remuneration mix may differ across different job families and businesses according to established industry norms, the proportion of variable remuneration to total remuneration generally increases with the respective employees' seniority level, function/role, and performance. This ensures that variable remuneration is effective in driving performance while balancing reward with prudent risk-taking.

The Group's global STI plan aims to foster a pay-for-performance culture and reward employees commensurate with the performance and return to shareholders delivered during the year. It is underpinned by a holistic set of key performance indicators within a balanced scorecard framework incorporating key performance indicators ("KPIs") in the perspectives of financials, growth, risk management, processes, customers and employees. Financial KPIs include measures on net profit, economic profit and capital, fee-based income and return on equity. The overall variable bonus pool of the Group is determined by the achievement against these performance indicators, which are also cascaded across all business units. The variable bonus for each business unit is then allocated based on Group-wide performance as well as the achievement of business-specific performance and other qualitative factors. Based on the achievement of these KPIs, the bonus pools of the Group and the business units may be increased up to a maximum of 30% in the event of outperformance, or be reduced to zero in the event of underperformance. Downward adjustments to bonuses can also occur as a result of not meeting corporate outcomes in terms of risk/governance-related measures and standards or in instances of non-compliance with internal protocols and guidelines. The variable bonuses recommended for employees, including senior executives and material risk takers, is based on a combination of the performances of the Group, the business unit and the individual. The RC reviews and approves the overall variable bonus for the Group.

Economic profit has been one of the measures used in remuneration since 2007. With effect from 2010, economic profit has become one of the Group's key determinants of performance. At Group level, economic profit takes into account the Group's beta and market risk premiums; which in turn takes into account various risk factors such as country risk, liquidity risk, equity risk, reputational risk etc. High risk premiums will have the effect of reducing economic profit, thus reducing the performance level and overall variable bonus of the Group. At the business unit level, economic profit takes into account the cost of funds under the bank's funds transfer pricing framework which incorporates liquidity risk premiums. A high liquidity risk premium will reduce economic profit and result in a lower performance level and variable bonus for the business.

The Group's bonus deferral policy covers all employees regardless of role or seniority, with specific focus on the variable bonus of senior executives, material risk takers and high earners. The objective of the bonus deferral policy is to enhance alignment of remuneration payout schedules to the time horizon of risks and focus employees on sustainable longer-term performance. Under the Group's bonus deferral policy, deferrals ranging from 20% to 60% occur when the bonus received by an employee is above a pre-determined threshold, with the proportion of deferral increasing with the amount of bonus received. Deferred bonuses will vest equally over three years subject to pre-determined performance conditions. In the event that such performance conditions are not met, unvested deferred bonuses may be fully or partially forfeited. In the case of the Group Chief Executive Officer who is an associate of a controlling shareholder, half of the bonus deferral is in the form of share-linked performance units that will vest equally over three years subject to the achievement of pre-determined performance conditions.

In addition, for senior executives and selected managers, the Group has in place a share-based LTI programme comprising the UOB Restricted Share Plan and the UOB Share Appreciation Rights Plan. The objective of the LTI programme is to align the interests of management to those of shareholders and focus participants on the sustainable longer-term performance and financial strength of the Group. Under the plan, eligible participants are granted performance-contingent restricted shares and share appreciation rights. Subject to the achievement of future performance targets, 50% of the grants will vest on the second anniversary of the grant while the remainder will vest on the third anniversary. In the event of overachievement of the performance targets, up to 130% of the target number of restricted shares and share appreciation rights granted may be vested to participants. Conversely, in the event of underperformance, the grants may be partially or fully forfeited. The RC is the approval authority for the UOB Restricted Share Plan and the UOB Share Appreciation Rights Plan.

The Group adjusts deferred remuneration (ie. deferred bonuses and LTI) before vesting through performance-based malus arrangements described above. The Group may pursue claw backs of deferred remuneration after vesting in the event of fraud, misconduct or material misstatement of reported performance.

Pillar 3 Disclosure

In compliance with the requirements under Basel II 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 of 'Capital Management', 'Risk Management', 'Human Resource', 'Pillar 3 Disclosure', 'Group Financial Review' and 'Notes to the Financial Statements'. This is 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 eligible Tier 1 and Upper Tier 2 capital.

The transfer of funds or regulatory capital within the Group is subject to minority shareholders' and regulatory approval.

Summary of Risk Weighted Assets ("RWA")

Credit Risk	RWA $ million
IRB Approach	
Corporate	69,259
Sovereign	182
Bank	6,401
Residential Mortgage	6,567
Qualifying Revolving Retail	1,798
Other Retail	1,545
Securitisation	35
Equity	14,426
Total IRB Approach	**100,213**
Standardised Approach	
Corporate	7,006
Sovereign	83
Bank	246
Retail	4,580
Residential Mortgage	414
Fixed Assets	2,215
Other Exposures	1,666
Total Standardised Approach	**16,210**
Total Credit Risk	**116,423**

Market Risk	RWA $ million
Standardised Approach	
Interest rate	4,625
Equity	14
Foreign Exchange	2,801
Commodity	395
Total Standardised Approach	**7,835**

Operational Risk	RWA $ million
Standardised Approach	**9,320**
Total RWA	**133,578**

IRB : Internal Ratings – Based

Based on the Group's Total RWA, the Group's minimum capital requirement as at 31 December 2011 is $13,358 million.

CREDIT RISK EXPOSURES

Counterparty credit risk exposures

	$ million
Gross fair value of contracts	6,744
Netting effects	–
Net fair value	6,744
Collateral held	
Financial Collateral	–
Other	–
Net credit exposure	**6,744**
Analysed as:	
Interest rate contracts	3,911
Foreign exchange contracts and gold	2,648
Equity contracts	152
Credit derivative contracts	18
Precious metals and other commodity contracts	15

Credit derivative exposures

	Notional amounts bought $ million	Notional amounts sold $ million
Own credit portfolio	252	–
Intermediation portfolio	30	30
Total credit default swaps	**282**	**30**

Credit exposures under Basel II

	Standardised[a] $ million	FIRB $ million	AIRB $ million
Corporate	7,733	88,375	–
Sovereign and Bank	2,535	71,235	–
Retail	7,177	NA	62,256
Other (including Equity, Asset Securitisation, Fixed Assets)	5,668	4,724	–
Total	**23,113**	**164,334**	**62,256**

[a] Amount under Standardised Approach refers to credit exposure where IRB approach is not applicable, or portfolios that will eventually adopt IRB Approach.

FIRB : Foundation Internal Ratings – Based

AIRB : Advanced Internal Ratings – Based

NA: Not Applicable

Credit exposures secured by eligible collateral, guarantees and credit derivatives

	$ million Amount by which total exposures are covered by: eligible collateral[a]	credit protection
Standardised		
Corporate	442	19
Sovereign	–	–
Bank	–	–
Retail	400	79
Standardised Total	**842**	**98**
FIRB		
Corporate	9,798	2,004
Sovereign	2,729	–
Bank	434	65
Retail	NA	NA
FIRB Total	**12,961**	**2,069**
Total	**13,803**	**2,167**

[a] The group currently uses supervisory prescribed haircuts for eligible financial collateral

NA: Not Applicable

Credit exposures subject to Standardised Approach

Risk Weights	Net exposures[a] $ million
0% to 35%	5,590
50% to 75%	7,088
100% and above	10,435
Total	**23,113**

[a] Net exposures after credit mitigation and provisions

Credit exposures subject to supervisory risk weight under IRB Approach

Risk Weights	Specialised Lending $ million	Equity $ million
0% to 50%	2,431	–
51% to 100%	2,535	–
101% and above	877	3,074
Total	**5,843**	**3,074**

Risk Weights	Securitisation[a] $ million
0% to 50%	116
51% to 100%	–
101% and above	3
Deducted	112
Total	**231**

[a] Securitisation exposures purchased

CREDIT RISK PROFILE

The following tables show the breakdown of exposures by RWA and exposure at default ("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	Credit RWA $ million	EAD $ million	Exposure-weighted average risk weights %
1 – 9	46,703	69,674	67
10 – 16	18,231	11,746	155
Default	–	1,067	–
Total	**64,934**	**82,488**	**79**

SME : Small and Medium Enterprises
IPRE : Income Producing Real Estate
CRR : Customer Risk Rating

Specialised Lending (CF, PF, SF and UOB Thailand's IPRE) Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted average risk weights %
Strong	1,578	2,676	59
Good	1,589	1,780	89
Satisfactory	994	815	122
Weak	164	62	265
Default	–	511	–
Total	**4,325**	**5,843**	**74**

CF : Commodities Finance
PF : Project Finance
SF : Ship Finance

Sovereign Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted average risk weights %
1 – 9	–	40,954	–
10 – 15	182	439	41
Default	–	–	NA
Total	**182**	**41,393**	**–**

Bank Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted average risk weights %
1 – 9	5,230	28,041	19
10 – 15	1,171	1,801	65
Default	–	–	NA
Total	**6,401**	**29,842**	**21**

Equity (PD/LGD Method) Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted average risk weights %
1 – 9	1,818	1,174	155
10 – 16	981	246	399
Default	–	–	NA
Total	**2,799**	**1,420**	**197**

PD : Probability of Default
LGD : Loss given Default

Retail (Residential Mortgage) Exposures

PD Band	Credit RWA $ million	EAD $ million	Exposure-weighted average risk weights %	Exposure-weighted average LGD %	Undrawn $ million
0.00% to 1.00%	2,646	33,782	8	11	2,255
1.01% to 2.00%	931	5,483	17	10	44
2.01 to 99.99%	2,878	8,834	33	11	101
Default	113	227	50	15	–
Total	**6,567**	**48,326**	**14**	**11**	**2,400**

Retail (QRRE) Exposures

PD Band	Credit RWA $ million	EAD $ million	Exposure-weighted average risk weights %	Exposure-weighted average LGD %	Undrawn $ million
0.00% to 1.00%	268	2,204	12	44	642
1.01% to 2.00%	119	456	26	44	171
2.01 to 99.99%	1,376	1,395	99	64	144
Default	35	31	114	73	–
Total	**1,798**	**4,086**	**44**	**51**	**957**

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
0.00% to 1.00%	449	5,370	8	12	886
1.01% to 2.00%	125	895	14	12	167
2.01 to 99.99%	901	3,469	26	16	388
Default	70	110	64	35	–
Total	**1,545**	**9,844**	**16**	**14**	**1,440**

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 2011.

Asset Class	Actual loss $ million	Expected Loss[a] (as at 31 December 2010) $ million
Corporate	53	491
Sovereign	–	–
Bank	–	17
Retail	42	192
Total	**95**	**700**

[a] Excludes defaulted exposures.

In 2011, we observed higher recoveries and write-backs in the credit portfolio which resulted in lower actual loss in 2011 compared to 2010.

Comparison of actual loss and expected loss by asset class

Expected Loss ("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 2010 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.
- 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.

Equity Exposures In The Banking Book

The following table shows the value of the Equity exposures in the banking book:

	IRB Approach (SRW)		IRB Approach (PD/LGD)	
	EAD $ million	Average risk weights %	EAD $ million	Average risk weights %
Listed securities	1,328	300	1,073	177
Other equity holdings	1,746	400	347	213
Total	**3,074**		**1,420**	

Total Equity exposures that were deducted from capital amounted to $686 million.

Gains and losses

	Revaluation gains on equity eligible as Tier 2 capital $ million	Realised gains/ (losses) during the period $ million
Total	**152**	**(56)**

REMUNERATION DISCLOSURES

For the year ending 31 December 2011, 29 senior executives and 49 material risk takers have received variable remuneration.

Breakdown of remuneration awarded to senior executives in the current financial year

Category of remuneration		Senior executives Unrestricted %	Senior executives Deferred %
Fixed	Cash-based	32	–
	Shares and share-linked instruments	–	–
	Other forms of remuneration	–	–
Variable	Cash-based	36	8
	Shares and share-linked instruments	–	24
	Other forms of remuneration	–	–
Total		**100**	

Breakdown of remuneration awarded to material risk takers in the current financial year

Category of remuneration		Material risk takers Unrestricted %	Material risk takers Deferred %
Fixed	Cash-based	54	–
	Shares and share-linked instruments	–	–
	Other forms of remuneration	–	–
Variable	Cash-based	28	1
	Shares and share-linked instruments	–	17
	Other forms of remuneration	–	–
Total		**100**	

Breakdown of long-term remuneration awards

Category	Senior executives %	Material risk takers %
Change in deferred remuneration paid out in the current financial year	+67	+113
Change in amount of outstanding deferred remuneration from the previous financial year	+29	+14
Outstanding deferred remuneration (breakdown)		
Cash	16	2
Shares and share-linked instruments	84	98
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])	15	14
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.

UOB Cityscape **by Ong Kim Seng**
Watercolour on canvas

This commissioned painting shows UOB's headquarters after the completion of UOB Plaza 1 in 1992, and the renovation of UOB Plaza 2 in 1995. This is one of Ong Kim Seng's largest pieces, and is displayed at UOB Plaza 1 which is one of the tallest buildings in Singapore.

Ong captures the unique octagonal design of the UOB towers on a clear sunny day. The riverside scene in the earlier painting (on page 23) has also evolved from a bustling river to a thriving financial district.

Ong received the Cultural Medallion in 1990. Largely self-taught, the artist is known for his travel paintings as well as depictions of local landmarks. A multiple-award winner, Ong was conferred the Dolphin Fellowship by the American Watercolour Society.

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2011

Management Discussion and Analysis

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.

Overview

	2011	2010	+/(–) %
Summarised income statement ($ million)			
Net interest income	**3,678**	3,532	4.1
Fee and commission income	**1,318**	1,163	13.3
Other non-interest income	**703**	811	(13.4)
Total income	**5,699**	5,507	3.5
Less: Total expenses	**2,450**	2,258	8.5
Operating profit	**3,248**	3,249	–
Less: Amortisation/impairment charges	**534**	485	10.1
Add: Share of profit of associates	**93**	139	(33.0)
Less: Tax and non-controlling interests	**481**	478	0.7
Core net profit after tax	**2,327**	2,426	(4.1)
Add: One-time gain [1]	**–**	270	NM
Net profit after tax [2]	**2,327**	2,696	(13.7)
Financial indicators (based on core earnings)			
Non-interest income/Total income (%)	**35.5**	35.9	(0.4)% point
Overseas net profit before tax contribution (%)	**34.7**	31.5	3.2% points
Earnings per ordinary share ($) [3]			
Basic	**1.43**	1.52	(5.9)
Diluted	**1.42**	1.52	(6.6)
Return on average ordinary shareholders' equity (%) [3]	**11.1**	12.9	(1.8)% points
Return on average total assets (%)	**1.06**	1.24	(0.18)% point
Net interest margin (%)	**1.92**	2.09	(0.17)% point
Expense/Income ratio (%)	**43.0**	41.0	2.0% points
Loan charge off rate (bp)			
Exclude collective impairment	**12**	18	(6) bp
Include collective impairment	**30**	35	(5) bp
Net dividend per ordinary share (¢)			
Interim	**20.0**	20.0	–
Final	**40.0**	40.0	–
Special	**–**	10.0	NM
Total	**60.0**	70.0	(14.3)

1 Refer to the gains on sale of UOB Life Assurance Limited and United Industrial Corporation Limited.
2 Refer to profit attributable to equity holders of the Bank.
3 Calculated based on profit attributable to equity holders of the Bank net of preference share dividends.

Management Discussion and Analysis

Overview (continued)

	2011	2010	+/(–) %
Financial indicators (continued)			
Customer loans (net) ($ million)	**141,191**	112,440	25.6
Customer deposits ($ million)	**169,460**	142,299	19.1
Loans/Deposits ratio (%) [1]	**83.3**	79.0	4.3% points
Non-performing loans ratio (%) [2]	**1.4**	1.8	(0.4)% point
Total assets ($ million)	**236,958**	213,778	10.8
Shareholders' equity ($ million) [3]	**22,967**	21,473	7.0
Net asset value ("NAV") per ordinary share ($) [4]	**13.23**	12.51	5.8
Revalued NAV per ordinary share ($) [4]	**15.28**	14.34	6.6
Capital adequacy ratios (%)			
Core Tier 1	**11.9**	13.3	(1.4)% points
Tier 1	**13.5**	15.3	(1.8)% points
Total	**16.7**	19.8	(3.1)% points

1 Refer to net customer loans and customer deposits.
2 Refer to non-performing loans as a percentage of gross customer loans.
3 Refer to equity attributable to equity holders of the Bank.
4 Preference shares are excluded from the computation.

Performance review

The Group recorded a net profit after tax of $2,327 million for the financial year 2011, 4.1% lower when compared to the previous year. The increase in total income was offset by higher operating expenses, coupled with higher collective impairment set aside mainly due to strong loans growth. Share of associates' profits were lower due to weaker performance in the second half of 2011.

Total income increased 3.5% to $5,699 million for the year, contributed by higher net interest income and fee and commission income. Net interest income grew 4.1% to $3,678 million as strong loans growth for the year more than offset the impact of lower loan yields and rising funding costs. Fee and commission income rose 13.3% to $1,318 million across Singapore and the regional countries. Loan-related fee income rose 29.9% to $370 million while fee income from trade-related, credit card and investment-related businesses also increased. Trading and investment income was lower at $392 million due to weaker global market sentiments in the second half of the year.

Costs continued to be managed. Total operating expenses for the year increased 8.5% to $2,450 million on higher staff costs, occupancy and revenue-related expenses. Staff costs rose 13.0% on increased headcount to support business growth. Expense-to-income ratio stood at 43.0%.

Credit quality of loans remained sound. Individual impairment on loans declined to $163 million, mainly from Singapore and the regional countries. Loans charge off improved 5 basis points to 30 basis points while non-performing loans ratio improved 40 basis points to 1.4%. Total impairment charges were $523 million due to collective impairment arising from loans growth.

Net customer loans rose 25.6% to $141.2 billion as at 31 December 2011. The increase was broad based across geographies and industries. Loans from the regional countries escalated 35.2%, higher than Singapore which grew 22.2% as the Group's regional franchise gained further traction.

The Group's liquidity and funding position continued to be strong. Reliance on interbank funding was reduced considerably by $12.1 billion, 38.0% to $19.8 billion as at 31 December 2011. Instead, customer deposits were built up significantly.

Customer deposits rose 19.1% for the year to reach $169.5 billion as at 31 December 2011. The growth was broad based across territories and mostly in fixed deposits. Loans-to-deposits ratio stood at 83.3%. To further entrench the Group's funding position, S$1 billion fixed rate subordinated notes, A$350 million senior unsecured floating rate notes, as well as US commercial papers were raised during the year.

Shareholders' equity grew 7.0% to $23.0 billion mainly contributed by higher retained earnings and the issuance of new ordinary shares pursuant to the scrip dividend scheme.

Group Tier 1 and total capital adequacy ratios of 13.5% and 16.7% respectively as at 31 December 2011 were well above the regulatory requirements. The capital adequacy ratios were lower compared to the previous year largely due to higher risk-weighted assets on strong loans growth.

Management Discussion and Analysis

Net interest income

Net interest margin

	2011			2010		
	Average balance $ million	**Interest $ million**	**Average rate %**	Average balance $ million	Interest $ million	Average rate %
Interest bearing assets						
Customer loans	**126,583**	**4,311**	**3.41**	102,303	3,806	3.72
Interbank balances	**33,306**	**547**	**1.64**	33,353	417	1.25
Securities	**32,021**	**782**	**2.44**	33,615	770	2.29
Total	**191,910**	**5,641**	**2.94**	169,270	4,994	2.95
Interest bearing liabilities						
Customer deposits	**151,197**	**1,514**	**1.00**	130,683	1,101	0.84
Interbank balances/others	**35,877**	**449**	**1.25**	33,993	361	1.06
Total	**187,074**	**1,963**	**1.05**	164,677	1,462	0.89
Net interest margin [1]			**1.92**			2.09

[1] Net interest margin represents net interest income as a percentage of total interest bearing assets.

Volume and rate analysis

	2011 vs 2010			2010 vs 2009		
	Volume change $ million	**Rate change $ million**	**Net change $ million**	Volume change $ million	Rate change $ million	Net change $ million
Interest income						
Customer loans	**903**	**(399)**	**505**	126	(241)	(115)
Interbank balances	**(1)**	**130**	**130**	148	(141)	7
Securities	**(37)**	**49**	**13**	40	(98)	(57)
Total	**866**	**(219)**	**647**	314	(480)	(166)
Interest expense						
Customer deposits	**173**	**241**	**413**	101	(131)	(30)
Interbank balances/others	**48**	**40**	**88**	21	(16)	6
Total	**221**	**280**	**501**	123	(147)	(24)
Net interest income	**646**	**(500)**	**146**	191	(333)	(142)

Net interest income grew 4.1% to $3,678 million as strong loans growth for the year more than offset the impact of lower loan yields and rising funding costs. Net interest margin was lower at 1.92%.

Non-interest income

	2011 $ million	2010 $ million	+/(–) %
Fee and commission income			
Credit card	**231**	194	18.8
Fund management	**98**	125	(22.2)
Investment-related	**208**	191	8.8
Loan-related	**370**	285	29.9
Service charges	**100**	91	9.6
Trade-related	**249**	210	18.8
Others	**62**	66	(6.4)
	1,318	1,163	13.3
Other non-interest income			
Dividend income	**75**	79	(4.3)
Rental income	**112**	119	(5.5)
Trading income/(loss)	**84**	71	17.7
Non-trading income/(loss)			
Financial instruments at fair value through profit or loss	**106**	173	(38.9)
Available-for-sale assets and others	**202**	271	(25.3)
	392	516	(23.9)
Other income	**123**	98	25.0
Other operating income	**515**	614	(16.1)
	703	811	(13.4)
Core non-interest income	**2,021**	1,975	2.3
Add: One-time gain	**–**	294	NM
Total	**2,021**	2,268	(10.9)

Core non-interest income improved 2.3% to $2,021 million in 2011, led by strong growth in fee and commission income across Singapore and the regional countries. Loan-related fee income rose 29.9% while fee income from trade-related, credit card and investment-related businesses also increased. Trading and investment income was lower at $392 million due to weaker global market sentiments in the second half of the year.

Operating expenses

	2011 $ million	2010 $ million	+/(–) %
Staff costs	**1,403**	1,242	13.0
Other operating expenses			
Revenue-related	**511**	479	6.6
Occupancy-related	**241**	220	9.9
IT-related	**150**	173	(13.2)
Others	**145**	144	0.7
	1,047	1,016	3.1
Total	**2,450**	2,258	8.5

Costs continued to be managed. Total operating expenses for the year increased 8.5% to $2,450 million on higher staff costs, occupancy and revenue-related expenses. Staff costs rose 13.0% on increased headcount to support business growth. Expense-to-income ratio was 2% points higher at 43.0%.

Impairment charges

	2011 $ million	2010 $ million	+/(–) %
Individual impairment on loans [1]			
Singapore	**10**	36	(72.9)
Malaysia	**3**	16	(82.0)
Thailand	**31**	38	(20.5)
Indonesia	**28**	13	>100.0
Greater China [2]	**(3)**	2	(>100.0)
Others	**95**	85	11.0
	163	190	(14.4)
Individual impairment on securities and others	**58**	48	21.1
Collective impairment	**303**	236	28.2
Total	**523**	474	10.4

1 Based on the location where the non-performing loans are booked.
2 Comprise China, Hong Kong and Taiwan.

Credit quality of loans remained sound. Total impairment charges was higher at $523 million. Collective impairment increased 28.2% to $303 million mainly on robust loans growth. Individual impairment on loans declined 14.4% to $163 million, mainly from Singapore and the regional countries. Loans charge off improved 5 basis points to 30 basis points while non-performing loans ratio improved 40 basis points to 1.4%.

Customer loans

	2011 **$ million**	2010 $ million
Gross customer loans	**143,943**	115,122
Less: Individual impairment	**770**	930
Collective impairment	**1,982**	1,752
Net customer loans	**141,191**	112,440
By industry		
Transport, storage and communication	**7,041**	6,710
Building and construction	**17,515**	11,506
Manufacturing	**11,336**	8,617
Financial institutions	**23,966**	18,673
General commerce	**17,597**	15,094
Professionals and private individuals	**18,629**	14,907
Housing loans	**40,615**	33,528
Others	**7,244**	6,086
Total (gross)	**143,943**	115,122
By currency		
Singapore dollar	**78,557**	66,915
US dollar	**19,791**	13,855
Malaysian ringgit	**18,832**	14,282
Thai baht	**7,530**	6,841
Indonesian rupiah	**4,488**	3,213
Others	**14,743**	10,017
Total (gross)	**143,943**	115,122
By maturity		
Within 1 year	**50,384**	44,983
Over 1 year but within 3 years	**23,170**	19,766
Over 3 years but within 5 years	**20,484**	12,575
Over 5 years	**49,904**	37,798
Total (gross)	**143,943**	115,122
By geography [1]		
Singapore	**92,268**	75,534
Malaysia	**20,712**	15,278
Thailand	**7,818**	7,050
Indonesia	**5,765**	3,975
Greater China	**8,430**	5,295
Others	**8,949**	7,990
Total (gross)	**143,943**	115,122

[1] Based on the location where the loans are booked.

Net customer loans rose 25.6% to $141.2 billion, where the increase was broad based across geographies and industries. Loans from the regional countries grew 35.2% while that from Singapore was also strong at 22.2%, crossing $90 billion as at 31 December 2011.

Non-performing assets

	2011 $ million	2010 $ million
Non-performing assets ("NPA")		
Loans ("NPL")	**2,020**	2,155
Debt securities and others [1]	**560**	405
Total	**2,580**	2,560
By grading		
Substandard	**1,652**	1,478
Doubtful	**426**	432
Loss	**502**	650
Total	**2,580**	2,560
By security coverage		
Secured	**998**	1,153
Unsecured	**1,582**	1,407
Total	**2,580**	2,560
By ageing		
Current	**605**	596
Within 90 days	**190**	194
Over 90 to 180 days	**141**	251
Over 180 days	**1,644**	1,519
Total	**2,580**	2,560
Cumulative impairment		
Individual	**1,049**	1,157
Collective	**2,158**	1,888
Total	**3,207**	3,045
As a % of NPA	**124.3%**	118.9%
As a % of unsecured NPA	**202.7%**	216.4%

	2011		2010	
	NPL $ million	NPL ratio %	NPL $ million	NPL ratio %
NPL by industry				
Transport, storage and communication	**534**	**7.6**	361	5.3
Building and construction	**108**	**0.6**	149	1.1
Manufacturing	**401**	**3.5**	524	6.1
Financial institutions	**194**	**0.8**	194	1.0
General commerce	**259**	**1.5**	353	2.3
Professionals and private individuals	**144**	**0.8**	197	1.3
Housing loans	**228**	**0.6**	259	0.8
Others	**152**	**2.1**	118	1.7
Total	**2,020**	**1.4**	2,155	1.8

[1] Included contingent liabilities in 2011.

Non-performing assets (continued)

	NPL	NPL ratio	Total cumulative impairment as a % of NPL	Total cumulative impairment as a % of unsecured NPL
	$ million	%	%	%
NPL by geography [1]				
Singapore				
2011	**714**	**0.8**	**250.1**	**542.9**
2010	845	1.1	213.7	393.5
Malaysia				
2011	**346**	**1.7**	**114.7**	**336.4**
2010	373	2.4	93.6	258.5
Thailand				
2011	**309**	**4.0**	**81.9**	**141.3**
2010	409	5.2	69.4	120.9
Indonesia				
2011	**83**	**1.4**	**83.1**	**1,150.0**
2010	80	2.0	71.3	814.3
Greater China				
2011	**31**	**0.4**	**222.6**	**222.6**
2010	61	1.2	104.9	376.5
Others				
2011	**537**	**6.0**	**33.1**	**36.3**
2010	387	4.8	31.5	56.2
Group				
2011	**2,020**	**1.4**	**136.2**	**238.5**
2010	2,155	1.8	124.5	250.7

[1] Based on the location where the non-performing loans are booked.

Group NPL improved to $2,020 million as at 31 December 2011, with Group NPL ratio lower at 1.4% over the previous year. Impairment coverage against NPL remained strong at 136.2%.

Customer deposits

	2011 $ million	2010 $ million
By product group		
Fixed deposits	**95,168**	77,310
Savings deposits	**39,945**	34,841
Current accounts	**27,993**	27,261
Others	**6,355**	2,888
Total	**169,460**	142,299
By maturity		
Within 1 year	**162,887**	139,129
Over 1 year but within 3 years	**5,185**	1,784
Over 3 years but within 5 years	**1,126**	1,157
Over 5 years	**263**	230
Total	**169,460**	142,299
By currency		
Singapore dollar	**95,720**	86,464
US dollar	**19,818**	17,264
Malaysian ringgit	**20,890**	15,508
Thai baht	**6,874**	6,503
Indonesian rupiah	**4,774**	3,150
Others	**21,384**	13,410
Total	**169,460**	142,299
Loans/Deposits ratio (%)	**83.3**	79.0

The Group's funding and liquidity position continued to be strong. Loans-to-deposits ratio improved to 83.3% as at 31 December 2011. Customer deposits rose 19.1% for the year to reach $169.5 billion as at 31 December 2011. The strong deposits growth were broad based across territories and mostly in fixed deposits.

Debts issued

	2011 $ million	2010 $ million
Subordinated debts		
Due after one year (unsecured)	**5,084**	5,367
Other debts issued		
Due within one year (unsecured)	**5,118**	672
Due after one year (unsecured)	**1,584**	224
	6,702	896
Total	**11,786**	6,263

To further diversify the Group's funding base, longer-term funds were raised by tapping on institutional demands. S$1 billion fixed rate subordinated notes, A$350 million senior unsecured floating rate notes and US commercial papers were issued during the year. As a result, less reliance was placed on interbank funding which dropped 38.0% for the year to $19.8 billion.

Shareholders' equity

	2011 **$ million**	2010 $ million
Shareholders' equity	**22,967**	21,473
Add: Revaluation surplus	**3,225**	2,818
Shareholders' equity including revaluation surplus	**26,192**	24,292

Shareholders' equity grew 7.0% to $23.0 billion mainly contributed by higher retained earnings and the issuance of new ordinary shares pursuant to the scrip dividend scheme.

As at 31 December 2011, revaluation surplus of $3.2 billion on the Group's properties was not recognised in the financial statements.

Management Discussion and Analysis

Performance by operating segment [1]

	GR $ million	GW $ million	GMIM $ million	Other [2] $ million	Elimination [3] $ million	Total $ million
2011						
Operating income	**2,406**	**2,176**	**927**	**580**	**(390)**	**5,699**
Operating expenses	**(1,306)**	**(464)**	**(533)**	**(422)**	**275**	**(2,450)**
Impairment charges	**(71)**	**(170)**	**17**	**(299)**	**–**	**(523)**
Amortisation of intangible assets	**(3)**	**(7)**	**–**	**–**	**–**	**(10)**
Share of profit of associates	**–**	**–**	**(3)**	**96**	**–**	**93**
Profit before tax	**1,026**	**1,535**	**408**	**(45)**	**(116)**	**2,808**
2010						
Operating income	2,245	1,885	1,153	568	(344)	5,507
Operating expenses	(1,157)	(433)	(461)	(460)	253	(2,258)
Impairment charges	(67)	(175)	38	(270)	–	(474)
Amortisation of intangible assets	(3)	(8)	–	–	–	(11)
Share of profit of associates	–	–	3	136	–	139
Profit before tax	1,018	1,269	733	(26)	(91)	2,903

1 Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.
2 Excluded one-time gain on sale of UOB Life Assurance Limited and United Industrial Corporation Limited in 2010.
3 This includes joint income and expenses allocated to business segments in respect of cross-sell activities.
4 Certain prior period comparatives have been restated to reflect the re-alignment of the organisation to be more segment focused.

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 product groups:

Group Retail ("GR")
Segment profit increased by 0.8% to $1,026 million in 2011. Increase in fee and commission income from treasury, investment and credit cards products and higher net interest income were partly negated by higher business volume-related costs and impairment charges.

Group Wholesale ("GW")
Segment profit grew 21.0% to $1,535 million in 2011, with increases registered in net interest income as well as loan-related and trade-related fee income driven by strong loans growth.

Global Markets and Investment Management ("GMIM")
Segment profit declined 44.3% to $408 million in 2011, mainly attributed to lower net interest income on reduced gapping opportunities and higher funding costs, coupled with realised losses from sale of investment securities. Higher operating expenses grew on higher business volumes.

Other
Segment loss increased to $45 million in 2011, mainly due to higher collective impairment set aside and lower share of associates' profits.

Performance by geographical segment[1]

	Total operating income		Profit before tax		Total assets	
	2011	2010	**2011**	2010	**2011**	2010
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Singapore[2]	**3,339**	3,436	**1,840**	1,996	**144,739**	141,970
Malaysia	**797**	706	**450**	395	**29,308**	21,620
Thailand	**431**	408	**50**	87	**11,996**	10,533
Indonesia	**430**	388	**151**	175	**7,767**	5,455
Greater China	**323**	227	**147**	105	**19,133**	11,879
Others	**379**	341	**180**	156	**19,819**	18,111
	5,699	5,507	**2,818**	2,914	**232,762**	209,568
Intangible assets	**–**	–	**(10)**	(11)	**4,196**	4,210
Total	**5,699**	5,507	**2,808**	2,903	**236,958**	213,778

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.

2 Excluded one-time gain on sale of UOB Life Assurance Limited and United Industrial Corporation Limited in 2010.

The Group recorded a 3.5% increase in total operating income for 2011, contributed by the regional countries which rose 14.6% to $2.0 billion for the year. At the pre-tax profit level, the regional countries grew 4.7% in 2011, contributed by Malaysia and Greater China.

Capital adequacy ratios

The Group's capital adequacy ratios continued to be strong with core Tier 1, Tier 1 and total capital adequacy ratios at 11.9%, 13.5% and 16.7% respectively. These ratios were lower than a year ago due to higher risk-weighted assets on strong loans growth, partly offset by higher retained earnings.

***My Dream Land* by Gong Yao Min**

Chinese ink on rice paper

My Dream Land is the Grand Prize winning entry of the 2011 UOB Painting Of The Year (POY) Competition. The Group has supported the development of the local arts scene through its POY Competition since 1982.

This painting offers an alternative view of the hexagonal UOB Plaza 1, now nestled within Singapore's modern and urban cityscape. The flowing Singapore River has also been replaced with an endless stream of traffic. An unusual Chinese ink work, this piece captures the breadth of the city as well as the meticulous details of its architecture. Colonial design is laid alongside modern skyscrapers and crowded traffic junctions. Gong has successfully used Chinese ink in a contemporary way to portray the energy of Singapore as a business hub in Asia.

Gong is a graduate from the An Hui Educational University in China and the Nanyang Academy of Fine Arts in Singapore. He has lived in Singapore for more than ten years and is presently a professional artist and art tutor.

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2011

Financial Statements

Contents

The directors are pleased to present their report 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 2011.

Directors

The directors of the Bank in office at the date of this report are:

Wee Cho Yaw (Chairman)
Wee Ee Cheong (Deputy Chairman and Chief Executive Officer)
Ngiam Tong Dow
Cham Tao Soon
Wong Meng Meng
Yeo Liat Kok Philip
Thein Reggie
Franklin Leo Lavin
Cheng Jue Hiang Willie
Tan Lip-Bu
Hsieh Fu Hua (Appointed on 16 January 2012)

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, other than those issued in connection with the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan as set out in this report.

Directors' interests in shares or debentures

(a) 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, Cap. 50, an interest in shares of the Bank or related corporations as stated below:

	Direct interest		Deemed interest	
	At 31.12.2011	At 1.1.2011	**At 31.12.2011**	At 1.1.2011
The Bank				
Ordinary shares				
Wee Cho Yaw	**17,382,921**	16,913,367	**263,862,980**	256,801,601
Wee Ee Cheong	**3,047,878**	2,965,549	**156,432,870**	152,207,242
Cheng Jue Hiang Willie	**50,467**	50,467	**–**	–
Ngiam Tong Dow	**–**	–	**14,464**	14,074
Cham Tao Soon	**–**	–	**10,003**	10,003
Class E non-cumulative non-convertible preference shares				
Wee Cho Yaw	**–**	–	**167,700**	167,700
Wee Ee Cheong	**20,000**	20,000	**167,700**	167,700
Cheng Jue Hiang Willie	**3,000**	3,000	**–**	–
Ngiam Tong Dow	**2,000**	2,000	**2,000**	2,000
Cham Tao Soon	**–**	–	**1,000**	1,000
Yeo Liat Kok Philip	**–**	–	**1,000**	1,000
Thein Reggie	**1,000**	1,000	**–**	–
United Overseas Insurance Limited				
Ordinary shares				
Wee Cho Yaw	**38,100**	38,100	**–**	–

(b) There was no change in any of the above-mentioned interests in the Bank between the end of the financial year and 21 January 2012.

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

Details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2011 are as follows:

	Chairman's fee %	Directors' fees %	Salary %	Bonus %	Benefits-in-kind and other %	Total %
$6,500,000 to $6,749,999						
Wee Ee Cheong [1]	–	3.1	14.3	80.7	1.9	100.0
$2,750,000 to $2,999,999						
Wee Cho Yaw [2]	80.8	18.7	–	–	0.5	100.0
$250,000 to $499,999						
Cham Tao Soon	–	100.0	–	–	–	100.0
Below $250,000						
Ngiam Tong Dow	–	100.0	–	–	–	100.0
Wong Meng Meng	–	100.0	–	–	–	100.0
Yeo Liat Kok Philip	–	100.0	–	–	–	100.0
Lim Pin (Retired on 29 April 2011)	–	100.0	–	–	–	100.0
Thein Reggie	–	100.0	–	–	–	100.0
Franklin Leo Lavin	–	100.0	–	–	–	100.0
Cheng Jue Hiang Willie	–	100.0	–	–	–	100.0
Tan Lip-Bu	–	100.0	–	–	–	100.0

1 60% of the variable bonus to be received by Mr Wee Ee Cheong will be deferred and vest equally over 3 years subject to the Bank fulfilling pre-determined performance conditions. Of the 60% deferred bonus, half will be issued in the form of performance units which are derived by dividing the amount of deferred bonus by the fair value of a UOB share on the date of issue. After vesting, the performance units may be redeemed, and the amount payable to Mr Wee will be determined by multiplying the number of performance units with the closing price of a UOB share on the date of redemption. The dates of issue and vesting of the performance units shall be determined by the Remuneration committee.

2 The total remuneration of Chairman Wee, which falls within the above-mentioned band, includes a fee of $2.25 million that the Remuneration Committee has proposed to pay to him for providing valuable advice and guidance to Management. The proposed fee is subject to shareholders' approval at the Annual General Meeting to be held on 26 April 2012.

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 38 to the financial statements.

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

Following a review of the remuneration strategy across the Group, the Bank implemented the Plans on 28 September 2007, with a view to aligning the interests of participants 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.

Employees with a minimum of one-year service may be selected to participate in the Plans based on factors such as market-competitive practices, job level, individual performance, leadership skills and potential. Generally granted on an annual basis, the Remuneration Committee will determine the number of Restricted Shares ("RS") and Share Appreciation Rights ("SAR") to be granted, the vesting period and the conditions for vesting.

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.

Subject to the achievement of pre-determined return on equity ("ROE") targets as shown below, 25% of the RS and SAR of the 2008 grant and 50% of the 2009 and subsequent grants, will vest after two years and the remainder after three years from the dates of grant.

2008 grant		2009 grant		2010 and 2011 grant	
Percentage of ROE target achieved	**Percentage of award to be vested**	**Percentage of ROE target achieved**	**Percentage of award to be vested**	**Percentage of ROE target achieved**	**Percentage of award to be vested**
≥ 95%	100%	≥ 95%	100%	≥ 115%	130%
≥ 90%	80%	≥ 90%	90%	≥ 110%	120%
≥ 85%	60%	≥ 85%	80%	≥ 105%	110%
≥ 80%	50%	< 85%	At the discretion of the Remuneration Committee	≥ 95%	100%
< 80%	At the discretion of the Remuneration Committee			≥ 90%	90%
				≥ 85%	80%
				< 85%	At the discretion of the Remuneration Committee

Participants who leave the Group before vesting of the RS and SAR 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.

Audit Committee

The Audit Committee comprises three members, all of whom are non-executive independent directors. The members of the Audit Committee at the date of this report are as follows:

Cham Tao Soon (Chairman)
Yeo Liat Kok Philip
Thein Reggie

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditors' 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 external auditors, the significant findings of internal audit investigations and interested person transaction if any. The reviews were made with the internal and external auditors, the Chief Financial Officer and/or other senior management staff, as appropriate.

The Audit Committee has considered the financial, business and professional relationships between the external auditors and the Bank. It is of the view that the relationships are not incompatible with maintaining the independence of the external auditors.

Auditors

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

On behalf of the Board of Directors,

Wee Cho Yaw	**Wee Ee Cheong**
Chairman	Deputy Chairman & Chief Executive Officer

Singapore
23 February 2012

Statement by Directors
for the financial year ended 31 December 2011

We, Wee Cho Yaw and Wee Ee Cheong, being two of the directors of United Overseas Bank Limited, do hereby state that, in the opinion of the directors:

(a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with 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 2011, 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.

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Singapore
23 February 2012

Independent Auditors' Report

for the financial year ended 31 December 2011

To the members of United Overseas Bank Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of United Overseas Bank Limited (the "Bank") and its subsidiaries (collectively, the "Group") set out on pages 92 to 160, which comprise the balance sheets of the Bank and the Group as at 31 December 2011, the income statements, the statements of comprehensive income and the statements of changes in equity of the Bank and the Group and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by MAS Notice 612 Credit Files, Grading and Provisioning, so as to give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2011, the results of the Bank and of the Group, the changes in equity of the Bank and the changes in equity and cash flows of the Group for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP
Public Accountants and Certified Public Accountants

Singapore
23 February 2012

Income Statements

for the financial year ended 31 December 2011

		The Group		The Bank	
		2011	2010	**2011**	2010
	Note	**$'000**	$'000	**$'000**	$'000
Interest income	3	**5,640,504**	4,993,592	**3,361,260**	3,244,927
Less: Interest expense	4	**1,962,547**	1,461,652	**1,043,512**	913,962
Net interest income		**3,677,957**	3,531,940	**2,317,748**	2,330,965
Fee and commission income	5	**1,318,074**	1,163,290	**847,331**	727,736
Dividend income		**75,265**	78,607	**373,225**	248,898
Rental income		**112,434**	118,933	**94,017**	99,848
Other operating income	6	**515,195**	907,453	**375,586**	866,672
Non-interest income		**2,020,968**	2,268,283	**1,690,159**	1,943,154
Total operating income		**5,698,925**	5,800,223	**4,007,907**	4,274,119
Less: Staff costs	7	**1,403,183**	1,242,084	**748,777**	711,923
Other operating expenses	8	**1,047,284**	1,015,674	**654,259**	666,605
Total operating expenses		**2,450,467**	2,257,758	**1,403,036**	1,378,528
Operating profit before amortisation/ impairment charges		**3,248,458**	3,542,465	**2,604,871**	2,895,591
Less: Amortisation/impairment charges					
Intangible assets	32	**10,469**	10,982	**–**	–
Loans and other assets	9	**523,185**	473,837	**352,163**	329,085
Operating profit after amortisation/ impairment charges		**2,714,804**	3,057,646	**2,252,708**	2,566,506
Share of profit of associates		**93,126**	139,058	**–**	–
Profit before tax		**2,807,930**	3,196,704	**2,252,708**	2,566,506
Less: Tax	10	**467,243**	479,622	**268,392**	265,892
Profit for the financial year		**2,340,687**	2,717,082	**1,984,316**	2,300,614
Attributable to:					
Equity holders of the Bank		**2,327,003**	2,695,851	**1,984,316**	2,300,614
Non-controlling interests		**13,684**	21,231	**–**	–
		2,340,687	2,717,082	**1,984,316**	2,300,614
Earnings per share ($)	11				
Basic		**1.43**	1.70		
Diluted		**1.42**	1.69		

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 2011

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Profit for the financial year	**2,340,687**	2,717,082	**1,984,316**	2,300,614
Currency translation adjustments	**(36,228)**	(112,165)	**1,639**	(11,706)
Change in available-for-sale reserve				
Change in fair value	**(211,004)**	502,252	**(160,002)**	464,660
Transfer to income statement on disposal/impairment	**60,354**	(148,909)	**62,431**	(126,729)
Tax relating to available-for-sale reserve	**36,272**	(39,831)	**29,208**	(38,352)
Change in share of other comprehensive income of associates	**(72,311)**	(36,635)	**–**	–
Other comprehensive income for the financial year, net of tax	**(222,917)**	164,712	**(66,724)**	287,873
Total comprehensive income for the financial year, net of tax	**2,117,770**	2,881,794	**1,917,592**	2,588,487
Attributable to:				
Equity holders of the Bank	**2,112,298**	2,860,809	**1,917,592**	2,588,487
Non-controlling interests	**5,472**	20,985	**–**	–
	2,117,770	2,881,794	**1,917,592**	2,588,487

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

Balance Sheets

as at 31 December 2011

		The Group		The Bank	
		2011	2010	**2011**	2010
	Note	**$'000**	$'000	**$'000**	$'000
Equity					
Share capital	12	**5,253,129**	4,685,480	**4,421,579**	3,853,930
Retained earnings	13	**8,498,587**	7,686,509	**6,894,954**	6,363,116
Other reserves	14	**9,215,382**	9,101,389	**8,965,442**	8,730,389
Equity attributable to equity holders of the Bank		**22,967,098**	21,473,378	**20,281,975**	18,947,435
Non-controlling interests		**176,870**	180,174	**–**	–
Total equity		**23,143,968**	21,653,552	**20,281,975**	18,947,435
Liabilities					
Deposits and balances of:					
Banks		**19,750,231**	31,861,606	**18,427,064**	30,012,069
Non-bank customers	16	**169,460,469**	142,299,454	**128,906,766**	111,726,985
Subsidiaries		**–**	–	**6,873,071**	2,269,153
Bills and drafts payable		**1,729,947**	1,288,494	**273,202**	182,949
Derivative financial liabilities	34	**7,066,549**	5,742,797	**6,513,356**	5,288,776
Other liabilities	17	**3,368,925**	3,937,105	**1,568,574**	2,426,092
Tax payable		**617,503**	706,978	**538,422**	641,882
Deferred tax liabilities	18	**34,215**	25,388	**18,283**	672
Debts issued	19	**11,785,938**	6,263,106	**6,423,880**	6,165,111
Total liabilities		**213,813,777**	192,124,928	**169,542,618**	158,713,689
Total equity and liabilities		**236,957,745**	213,778,480	**189,824,593**	177,661,124
Assets					
Cash, balances and placements with central banks	20	**26,786,261**	30,742,589	**16,278,308**	25,111,794
Singapore Government treasury bills and securities		**9,652,099**	12,208,479	**9,591,069**	12,088,460
Other government treasury bills and securities		**8,187,626**	7,521,047	**4,139,516**	3,278,200
Trading securities	21	**271,335**	137,796	**167,700**	133,535
Placements and balances with banks	22	**16,951,056**	11,454,864	**14,170,486**	9,195,488
Loans to non-bank customers	23	**141,191,285**	112,439,875	**105,850,495**	85,538,201
Placements with and advances to subsidiaries		**–**	–	**5,692,510**	2,869,330
Derivative financial assets	34	**6,256,893**	5,563,030	**5,964,416**	5,300,857
Assets pledged	24	**2,526,169**	6,949,973	**2,526,169**	6,949,973
Investment securities	25	**13,770,398**	15,639,224	**12,219,380**	14,199,914
Other assets	26	**3,566,341**	3,337,476	**2,583,135**	2,475,126
Deferred tax assets	18	**333,847**	231,342	**108,789**	41,098
Investment in associates	27	**1,092,270**	1,198,160	**369,044**	371,493
Investment in subsidiaries	28	**–**	–	**4,762,588**	4,757,008
Investment properties	30	**1,125,929**	1,125,395	**1,457,792**	1,418,669
Fixed assets	31	**1,050,273**	1,019,149	**761,377**	750,159
Intangible assets	32	**4,195,963**	4,210,081	**3,181,819**	3,181,819
Total assets		**236,957,745**	213,778,480	**189,824,593**	177,661,124
Off-balance sheet items					
Contingent liabilities	33	**15,820,723**	15,021,407	**12,159,569**	11,910,308
Financial derivatives	34	**351,224,163**	289,010,803	**304,179,887**	254,775,442
Commitments	36	**54,021,561**	48,993,840	**41,173,777**	37,050,642

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 2011

	The Group					
	Attributable to equity holders of the Bank					
	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2011						
Balance at 1 January	**4,685,480**	**7,686,509**	**9,101,389**	**21,473,378**	**180,174**	**21,653,552**
Profit for the financial year	**–**	**2,327,003**	**–**	**2,327,003**	**13,684**	**2,340,687**
Other comprehensive income for the financial year	**–**	**–**	**(214,705)**	**(214,705)**	**(8,212)**	**(222,917)**
Total comprehensive income for the financial year	**–**	**2,327,003**	**(214,705)**	**2,112,298**	**5,472**	**2,117,770**
Transfers	**–**	**(326,096)**	**326,096**	**–**	**–**	**–**
Change in non-controlling interests	**–**	**–**	**31**	**31**	**(1,342)**	**(1,311)**
Dividends	**–**	**(1,188,829)**	**–**	**(1,188,829)**	**(7,434)**	**(1,196,263)**
Share buyback – held in treasury	**(8,827)**	**–**	**–**	**(8,827)**	**–**	**(8,827)**
Issue of shares under scrip dividend scheme	**546,686**	**–**	**–**	**546,686**	**–**	**546,686**
Share-based compensation	**–**	**–**	**31,567**	**31,567**	**–**	**31,567**
Increase in statutory reserves	**–**	**–**	**794**	**794**	**–**	**794**
Issue of treasury shares under share-based compensation plans	**29,790**	**–**	**(29,790)**	**–**	**–**	**–**
Balance at 31 December	**5,253,129**	**8,498,587**	**9,215,382**	**22,967,098**	**176,870**	**23,143,968**
2010						
Balance at 1 January	4,051,083	6,323,905	8,611,145	18,986,133	169,189	19,155,322
Profit for the financial year	–	2,695,851	–	2,695,851	21,231	2,717,082
Other comprehensive income for the financial year	–	–	164,958	164,958	(246)	164,712
Total comprehensive income for the financial year	–	2,695,851	164,958	2,860,809	20,985	2,881,794
Transfers	–	(318,894)	318,894	–	–	–
Change in non-controlling interests	–	–	138	138	(2,273)	(2,135)
Dividends	–	(1,014,353)	–	(1,014,353)	(7,727)	(1,022,080)
Issue of shares under scrip dividend scheme	621,420	–	–	621,420	–	621,420
Share-based compensation	–	–	19,231	19,231	–	19,231
Issue of treasury shares under share-based compensation plans	12,977	–	(12,977)	–	–	–
Balance at 31 December	4,685,480	7,686,509	9,101,389	21,473,378	180,174	21,653,552
Note	12	13	14			

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 2011

	The Bank			
	Share capital $'000	**Retained earnings $'000**	**Other reserves $'000**	**Total equity $'000**
2011				
Balance at 1 January	**3,853,930**	**6,363,116**	**8,730,389**	**18,947,435**
Profit for the financial year	**–**	**1,984,316**	**–**	**1,984,316**
Other comprehensive income for the financial year	**–**	**–**	**(66,724)**	**(66,724)**
Total comprehensive income for the financial year	**–**	**1,984,316**	**(66,724)**	**1,917,592**
Transfers	**–**	**(300,000)**	**300,000**	**–**
Dividends	**–**	**(1,152,478)**	**–**	**(1,152,478)**
Share buyback – held in treasury	**(8,827)**	**–**	**–**	**(8,827)**
Issue of shares under scrip dividend scheme	**546,686**	**–**	**–**	**546,686**
Share-based compensation	**–**	**–**	**31,567**	**31,567**
Issue of treasury shares under share-based compensation plans	**29,790**	**–**	**(29,790)**	**–**
Balance at 31 December	**4,421,579**	**6,894,954**	**8,965,442**	**20,281,975**
2010				
Balance at 1 January	3,219,533	5,337,469	8,136,262	16,693,264
Profit for the financial year	–	2,300,614	–	2,300,614
Other comprehensive income for the financial year	–	–	287,873	287,873
Total comprehensive income for the financial year	–	2,300,614	287,873	2,588,487
Transfers	–	(300,000)	300,000	–
Dividends	–	(974,967)	–	(974,967)
Issue of shares under scrip dividend scheme	621,420	–	–	621,420
Share-based compensation	–	–	19,231	19,231
Issue of treasury shares under share-based compensation plans	12,977	–	(12,977)	–
Balance at 31 December	3,853,930	6,363,116	8,730,389	18,947,435
Note	12	13	14	

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 2011

	2011 $'000	2010 $'000
Cash flows from operating activities		
Operating profit before amortisation and impairment charges	**3,248,458**	3,542,465
Adjustments for:		
Depreciation of assets	**115,628**	137,067
Net (gain)/loss on disposal of assets	**15,975**	(361,100)
Share-based compensation	**30,983**	19,219
Operating profit before working capital changes	**3,411,044**	3,337,651
Increase/(decrease) in working capital		
Deposits and balances of banks	**(12,111,375)**	4,110,140
Deposits and balances of non-bank customers	**27,161,015**	20,797,354
Bills and drafts payable	**441,453**	(149,125)
Other liabilities	**684,238**	718,887
Restricted balances with central banks	**(790,552)**	(1,279,238)
Government treasury bills and securities	**6,425,885**	(3,900,415)
Trading securities	**(133,539)**	(19,644)
Investment securities	**1,342,115**	696,000
Placements and balances with banks	**(5,311,573)**	656,154
Loans to non-bank customers	**(29,148,735)**	(13,612,706)
Other assets	**(928,410)**	(459,419)
Cash generated from/(used in) operations	**(8,958,434)**	10,895,639
Income tax paid	**(601,036)**	(488,291)
Net cash provided by/(used in) operating activities	**(9,559,470)**	10,407,348
Cash flows from investing activities		
Acquisition of associates	**(14,830)**	(1,674)
Proceeds from disposal of associates	**66**	–
Increase in associates	**–**	(1,068)
Acquisition of properties and other fixed assets	**(187,117)**	(106,027)
Proceeds from disposal of properties and other fixed assets	**60,090**	19,280
Proceeds from disposal of subsidiaries	**–**	488,763
Change in non-controlling interests	**–**	(2,128)
Dividends received from associates	**125,171**	91,532
Net cash provided by/(used in) investing activities	**(16,620)**	488,678
Cash flows from financing activities		
Redemption of subordinated notes	**(1,300,000)**	–
Increase in debts issued	**6,822,832**	219,237
Share buyback	**(8,827)**	–
Change in non-controlling interests	**(1,311)**	(8)
Dividends paid on ordinary shares	**(539,134)**	(286,886)
Dividends paid on preference shares	**(103,716)**	(106,017)
Dividends paid to non-controlling interests	**(7,434)**	(7,727)
Net cash provided by/(used in) financing activities	**4,862,410**	(181,401)
Currency translation adjustments	**(33,200)**	(116,071)
Net increase/(decrease) in cash and cash equivalents	**(4,746,880)**	10,598,554
Cash and cash equivalents at beginning of the financial year	**27,142,636**	16,544,082
Cash and cash equivalents at end of the financial year (Note 37)	**22,395,756**	27,142,636

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 2011

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 28b 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 Monetary Authority of Singapore ("MAS") Notice 612 Credit Files, Grading and Provisioning.

The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial instruments at fair value through profit or loss and all financial derivatives. In addition, the carrying amount of assets and liabilities that are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks.

The financial statements are presented in Singapore dollars and to the nearest thousand unless otherwise indicated.

(b) **Changes in accounting policies**

The Group adopted the following new/revised FRS and Interpretations to FRS ("INT FRS") during the financial year. The adoption of these FRS and INT FRS did not have any significant effect on the financial statements of the Group.

- FRS24 Related Party Disclosures
- INT FRS119 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to FRS issued in 2010

Other than the above changes, 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 2012
- Amendments to FRS12 Deferred Tax – Recovery of Underlying Assets
- Amendments to FRS107 Disclosures – Transfers of Financial Assets

Effective for financial year beginning on or after 1 January 2013
- FRS19 Employee Benefits
- FRS27 Separate Financial Statements
- FRS28 Investments in Associates and Joint Ventures
- FRS110 Consolidated Financial Statements
- FRS111 Joint Arrangements
- FRS112 Disclosure of Interests in Other Entities
- FRS113 Fair Value Measurements
- Amendments to FRS1 – Presentation of Items of Other Comprehensive Income

These pronouncements are not expected to have a significant impact on the financial statements of the Group when adopted.

2. Summary of significant accounting policies (continued)

(c) **Subsidiaries**

Subsidiaries are entities over which the Group has the power to govern their financial and operating policies. The Group generally has such power when it directly or indirectly holds more than 50% of the issued share capital, or controls more than 50% of the voting power or the composition of the board of directors, of the entities.

Subsidiaries are consolidated from the date the Group obtains control until the date such control ceases. Inter-company transactions and balances are eliminated. 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.

Acquisition of subsidiaries and other business combinations are 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 that are equity 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. All other components of non-controlling interests are measured at their acquisition-date fair values. Acquisition-related costs are expensed off when incurred. Goodwill is determined and accounted for in accordance with Note 2j(i).

Prior to 1 January 2010, acquisition of subsidiaries and other business combinations were accounted for using the purchase method. Acquisition-related costs were capitalised. Non-controlling interests were measured at the proportionate share of the acquiree's net identifiable assets. Where business combinations were achieved in stages, fair value adjustments to previously held interests were recognised in equity. Contingent consideration was recognised only if the Group had a present obligation and the economic outflow was more likely than not to occur and could be reliably measured. Goodwill was adjusted for subsequent measurements of the contingent consideration.

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.

(d) **Associates and joint ventures**

Associates are entities, not being subsidiaries or joint ventures, in which the Group has significant influence. This generally coincides with the Group having between 20% and 50% of the voting power or representation on the board of directors. Joint ventures are entities whereby the Group and its joint venture partners enter into a contractual arrangement to undertake an economic activity which is jointly controlled and none of the parties involved unilaterally has control over the entities.

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.

2. Summary of significant accounting policies (continued)

(d) **Associates and joint ventures** (continued)

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.

(e) **Foreign currencies**

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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.

(f) **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 derivatives are classified as held for trading unless they are designated as hedging instruments.

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

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

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(i) Classification (continued)

Held-to-maturity

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

Loans and receivables

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

Available-for-sale

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

Non-trading liabilities

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

(ii) Measurement

Initial measurement

Financial instruments are initially recognised at their fair value plus transaction costs directly attributable to the acquisition or issuance of the instruments. For financial instruments classified as fair value through profit or loss, transaction costs are expensed off.

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 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 on all non-derivative financial instruments are recognised as interest income/expense and dividend income accordingly.

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.

(iii) Recognition and derecognition

Financial instruments are recognised when the Group becomes a party to the contractual provision 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 risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the accumulated gain or loss that has been recognised in equity are taken to the income statement.

2. Summary of significant accounting policies (continued)

(f) **Financial assets and financial liabilities** (continued)

(iv) Impairment

Individual impairment

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

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

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

For available-for-sale assets, impairment loss is determined as the difference between the assets' cost and the current fair value, less any impairment loss 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 impairment loss is written back to the fair value reserve.

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

Collective impairment

Collective impairment is made for estimated losses inherent in but not currently identifiable to the individual financial assets. The allowance is made based on management's experience and judgement and taking into account country and portfolio risks. A minimum of 1% of credit exposure net of collaterals and individual impairment is maintained by the Group in accordance with the transitional provision set out in MAS Notice 612.

(g) **Financial derivatives**

Financial derivatives with positive and negative fair values are presented as assets and liabilities in the balance sheet respectively. Derivatives embedded in other financial instruments are accounted for separately as derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not carried at fair value through profit or loss.

(h) **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 or no longer meets the hedge accounting criteria.

(ii) 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 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.

2. Summary of significant accounting policies (continued)

(i) Investment properties and fixed assets

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

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 exceeding 99 years tenure 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.

(j) 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.

Prior to 1 January 2010, goodwill in a business combination represented the excess of acquisition cost over net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, 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 40a. 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 loss 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 losses, if any.

For intangible assets with finite useful lives, they are amortised on a straight-line basis over the 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.

2. Summary of significant accounting policies (continued)

(k) **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 are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is provided using the liability method on all significant 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 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. Deferred tax assets are offset against deferred tax liabilities if a legally enforceable right to set off current tax assets against current tax liabilities exists and the deferred taxes relate to the same taxable entity and tax authority.

Deferred tax is not provided for temporary differences arising from initial recognition of goodwill or of an asset or liability that does not affect accounting or taxable profit, and 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 is taken to equity for gains and losses recognised directly in equity.

(l) **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation where an outflow of resources to settle the obligation is probable and a reliable estimate can be made.

Provisions are reviewed at each balance sheet date 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.

(m) **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.

(n) **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. Provision for leave entitlements is made based on contractual terms with adjustment for expected attrition.

Cost of share-based compensation is expensed to the income statement over the vesting period with corresponding increase in the share-based compensation reserve. The estimated number of grants to be ultimately vested and its financial impact are reviewed on the balance sheet date and adjustments made accordingly to reflect changes in the non-market vesting conditions.

2. Summary of significant accounting policies (continued)

(o) 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.

(p) Repurchase and reverse repurchase agreements

Repurchase agreements ("Repo") are treated as collateralised borrowing and the amounts borrowed are reported under deposits and balances of banks and non-bank customers accordingly. The assets sold under Repo are classified as assets pledged in the balance sheet.

Reverse Repo are treated as collateralised lending and the amounts lent are reported under placements and balances with banks and loans to non-bank customers accordingly.

The difference between the amounts received and paid under Repo and reverse Repo are accounted for as interest expense and interest income respectively.

(q) Treasury shares

Ordinary shares reacquired are accounted for as treasury shares and the consideration paid including directly attributable costs are presented as a component within equity until they are cancelled, sold or reissued. Upon cancellation, the cost of treasury shares is deducted against share capital or retained earnings accordingly. Gain or loss from subsequent sale or reissue of treasury shares is recognised in equity.

(r) Significant accounting estimates and judgements

Preparation of the financial statements in conformity with FRS requires certain accounting estimates and judgements to be made. Areas where such estimates and judgements could have significant effects on the financial statements are as follows:

- Individual impairment of financial assets – assessment of the timing and amount of future cash flows and collateral value and determination of prolonged decline in market prices.
- Collective impairment of financial assets – assessment of country, industry and other portfolio risk, historical loss experience and economic indicators.
- Impairment review of goodwill – projection of recoverable amount and determination of growth rates and discount rates.
- Fair valuation of financial instruments – selection of valuation models and data inputs for financial instruments with no active markets.
- Provision of income taxes – interpretation of tax regulations on certain transactions and computations.

3. Interest income

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Loans to non-bank customers	**4,311,273**	3,806,411	**2,432,260**	2,308,678
Placements and balances with banks	**546,812**	417,280	**310,928**	287,993
Government treasury bills and securities	**307,870**	250,455	**195,086**	166,697
Trading and investment securities	**474,549**	519,446	**422,986**	481,559
	5,640,504	4,993,592	**3,361,260**	3,244,927
Of which, interest income on:				
Impaired financial assets	**29,263**	35,822	**21,709**	17,716
Financial assets at fair value through profit or loss	**135,959**	98,112	**59,746**	56,407

4. Interest expense

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Deposits of non-bank customers	**1,513,888**	1,100,532	**654,035**	541,920
Deposits and balances of banks and debts issued	**448,659**	361,120	**389,477**	372,042
	1,962,547	1,461,652	**1,043,512**	913,962
Of which, interest expense on financial liabilities at fair value through profit or loss	**18,274**	14,564	**14,971**	14,360

5. Fee and commission income

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Credit card	**230,987**	194,380	**156,010**	127,403
Fund management	**97,650**	125,462	**3,633**	3,714
Investment-related	**208,117**	191,369	**149,347**	154,600
Loan-related	**370,011**	284,795	**291,133**	227,488
Service charges	**100,043**	91,252	**67,871**	60,528
Trade-related	**249,154**	209,704	**166,275**	140,165
Other	**62,112**	66,328	**13,062**	13,838
	1,318,074	1,163,290	**847,331**	727,736
Of which, fee and commission on financial assets and financial liabilities at fair value through profit or loss	**1,023**	3	**1,023**	3

6. Other operating income

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trading income	**84,056**	71,414	**81,931**	52,804
Non-trading income				
Financial instruments at fair value through profit or loss	**105,865**	173,155	**17,681**	129,223
Available-for-sale assets and other	**202,342**	421,763	**185,208**	368,652
Net gain/(loss) from:				
Disposal of investment properties	**15,962**	15,904	**3,920**	1,523
Disposal of fixed and other assets	**8,110**	6,594	**(850)**	(85)
Disposal/liquidation of subsidiaries/associates	**435**	123,774	**432**	225,106
Other	**98,425**	94,849	**87,264**	89,449
	515,195	907,453	**375,586**	866,672

7. Staff costs

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Salaries, bonus and allowances	**1,117,817**	1,030,583	**607,589**	597,520
Employer's contribution to defined contribution plans	**94,570**	80,536	**56,020**	48,473
Share-based compensation	**30,983**	19,219	**22,595**	14,486
Other	**159,813**	111,746	**62,573**	51,444
	1,403,183	1,242,084	**748,777**	711,923
Of which, directors' remuneration	**18,930**	19,598	**6,361**	8,019

8. Other operating expenses

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Revenue-related	**510,601**	478,891	**265,758**	264,902
Occupancy-related	**241,130**	219,500	**163,486**	151,255
IT-related	**150,082**	172,877	**157,462**	173,563
Other	**145,471**	144,406	**67,553**	76,885
	1,047,284	1,015,674	**654,259**	666,605
Of which:				
Chairman/directors' fees	**5,285**	5,375	**3,927**	3,888
Depreciation of assets	**115,628**	137,067	**68,368**	84,519
Rental expenses	**94,658**	80,269	**68,501**	60,540
Auditors' remuneration paid/payable to:				
Auditors of the Bank	**2,154**	1,971	**1,562**	1,444
Affiliates of auditors of the Bank	**1,961**	2,124	**628**	422
Other auditors	**164**	232	**6**	108
Non-audit fees paid/payable to:				
Auditors of the Bank	**217**	293	**217**	285
Affiliates of auditors of the Bank	**107**	537	**62**	476
Other auditors	**–**	198	**–**	–
Expenses on investment properties	**44,348**	42,508	**30,474**	29,626

9. Impairment charge/(write-back) on loans and other assets

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Individual impairment on:				
Loans	**162,550**	189,858	**108,560**	122,127
Investment securities	**(23,878)**	19,970	**(20,236)**	19,764
Other	**81,998**	28,008	**70,879**	(1,457)
Collective impairment	**302,515**	236,001	**192,960**	188,651
	523,185	473,837	**352,163**	329,085
Included in the impairment charges are the following:				
Bad debts written off	**33,161**	73,706	**33,038**	70,806
Bad debts recovery	**(80,646)**	(102,161)	**(25,835)**	(37,252)

10. Tax

Tax charge to the income statements comprises the following:

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
On profit of the financial year				
Current tax	**568,312**	570,019	**344,346**	367,332
Deferred tax	**(80,245)**	(41,012)	**(7,664)**	(20,467)
	488,067	529,007	**336,682**	346,865
(Over)/under provision of prior year tax				
Current tax	**(55,823)**	(91,338)	**(55,404)**	(87,827)
Deferred tax	**(16,400)**	22,894	**(12,824)**	6,854
Effect of change in tax rate	**36,896**	3	**(62)**	–
Share of tax of associates	**14,503**	19,056	**–**	–
	467,243	479,622	**268,392**	265,892

10. Tax (continued)

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	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Operating profit after amortisation and impairment charges	**2,714,804**	3,057,646	**2,252,708**	2,566,506
Prima facie tax calculated at tax rate of 17% (2010: 17%)	**461,517**	519,800	**382,960**	436,306
Effect of:				
Income taxed at concessionary rates	**(25,896)**	(31,976)	**(24,922)**	(31,062)
Different tax rates in other countries	**73,350**	66,676	**25,062**	2,502
Losses of foreign operations not offset against taxable income of Singapore operations	**1,336**	1,998	**1,336**	1,998
Income not subject to tax	**(63,538)**	(56,451)	**(72,391)**	(84,377)
Expenses not deductible for tax	**36,081**	31,088	**24,353**	22,208
Other	**5,217**	(2,128)	**284**	(710)
Tax expense on profit of the financial year	**488,067**	529,007	**336,682**	346,865

11. Earnings per share

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

	The Group	
	2011	2010
Profit attributable to equity holders of the Bank ($'000)	**2,327,003**	2,695,851
Less: Dividends on preference shares ($'000)	**103,011**	106,046
Adjusted profit ($'000)	**2,223,992**	2,589,805
Weighted average number of ordinary shares ('000)		
In issue	**1,560,559**	1,523,267
Adjustment for potential ordinary shares under share-based compensation plans	**3,568**	4,655
Diluted	**1,564,127**	1,527,922
EPS ($)		
Basic	**1.43**	1.70
Diluted	**1.42**	1.69

12. Share capital

(a)

	2011		2010	
	Number of shares ’000	**Amount $’000**	Number of shares ’000	Amount $’000
Ordinary shares				
Balance at 1 January	**1,560,139**	**2,880,952**	1,524,194	2,259,532
Issue of shares under scrip dividend scheme	**30,355**	**546,686**	35,945	621,420
Balance at 31 December	**1,590,494**	**3,427,638**	1,560,139	2,880,952
Treasury shares				
Balance at 1 January	**(17,515)**	**(344,433)**	(18,175)	(357,410)
Share buyback – held in treasury	**(570)**	**(8,827)**	–	–
Issue of shares under share-based compensation plans	**1,515**	**29,790**	660	12,977
Balance at 31 December	**(16,570)**	**(323,470)**	(17,515)	(344,433)
Ordinary share capital	**1,573,924**	**3,104,168**	1,542,624	2,536,519
Class E non-cumulative non-convertible preference shares as at 1 January and 31 December	**13,200**	**1,317,411**	13,200	1,317,411
Share capital of the Bank		**4,421,579**		3,853,930
Non-cumulative non-convertible guaranteed SPV-A preference shares at 1 January and 31 December	**5**	**831,550**	5	831,550
Share capital of the Group		**5,253,129**		4,685,480
Ordinary shares held by associates of the Group	**12,282**		16,044	

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

During the financial year, the Bank issued 30,355,000 (2010: 35,945,000) ordinary shares to eligible shareholders who had elected to participate in the scrip dividend scheme. All newly issued shares rank *pari passu* in all respects with the previously issued shares.

(c) During the financial year, the Bank purchased 570,000 (2010: nil) UOB ordinary shares in the open market at an average price of $15.48 (2010: nil) per share, amounting to total cash consideration of $8,827,000 (2010: nil). These shares were held in treasury.

(d) During the financial year, the Bank issued 1,515,000 (2010: 660,000) treasury shares to participants of the share-based compensation plans.

12. Share capital (continued)

(e) The Class E non-cumulative non-convertible preference shares with liquidation preference of S$100 per share were issued by the Bank on 15 September 2008. The shares are perpetual securities with no fixed maturity. Subject to the approval of MAS, they may be redeemed at the option of the Bank, in whole but not in part, for cash, (a) on 15 September 2013, 15 September 2018 or on each dividend payment date thereafter, or (b) in the event of certain changes in the tax laws of Singapore, or (c) on the occurrence of certain events.

Dividend is payable semi-annually on 15 March and 15 September of each year at a fixed annual rate of 5.05% of the liquidation preference, subject to declaration by the Board of Directors. In the event any dividend on the Class E preference shares is not paid, the Bank shall not pay, and shall not permit any of its subsidiaries, other than a banking subsidiary, to pay any dividend on or repurchase any of its securities that rank *pari passu* or junior to the Class E preference shares.

(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$0.5 billion subordinated note (Note 19b(v)) 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 2011 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 including 15 March 2016. After 15 March 2016, dividends are payable quarterly at a floating rate per annum equal to the three-month LIBOR plus 1.745%.

(g) The Class E preference shares and SPV-A preference shares qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios.

(h) As at 31 December 2011 and 2010, the Bank has the following unissued non-cumulative non-convertible preference shares:

	Number of shares ’000	**Liquidation preference per share ’000**
Class A	20	US$100
Class B	200	S$10
Class C	40	EUR50

In relation to the issue of the SPV-A preference shares (Note 12f), 5,000 Class A preference shares have been provisionally allotted to the holders of the SPV-A preference shares on a one-for-one basis.

13. Retained earnings

(a)

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**7,686,509**	6,323,905	**6,363,116**	5,337,469
Profit for the financial year attributable to equity holders of the Bank	**2,327,003**	2,695,851	**1,984,316**	2,300,614
Transfer to other reserves	**(326,096)**	(318,894)	**(300,000)**	(300,000)
Dividends				
Ordinary shares				
Final dividend of 40 cents one-tier tax-exempt (2010: 40 cents one-tier tax-exempt) and Special dividend of 10 cents one-tier tax-exempt (2010: nil) per share paid in respect of prior financial year	**(771,212)**	(602,320)	**(771,212)**	(602,320)
Interim dividend of 20 cents one-tier tax-exempt (2010: 20 cents one-tier tax-exempt) per share paid in respect of the financial year	**(314,606)**	(305,987)	**(314,606)**	(305,987)
Semi-annual dividends at 5.796% per annum on non-cumulative non-convertible guaranteed SPV-A preference shares	**(36,351)**	(39,386)	**–**	–
Semi-annual dividends at 5.05% per annum on Class E non-cumulative non-convertible preference shares	**(66,660)**	(66,660)	**(66,660)**	(66,660)
	(1,188,829)	(1,014,353)	**(1,152,478)**	(974,967)
Balance at 31 December	**8,498,587**	7,686,509	**6,894,954**	6,363,116

(b) The retained earnings are distributable reserves except for an amount of $451,765,000 (2010: $498,282,000), being the Group's share of revenue reserves of associates which is distributable only upon realisation by way of dividend from or disposal of investment in the associates.

(c) In respect of the financial year ended 31 December 2011, the directors have proposed a final one-tier tax-exempt dividend of 40 cents per ordinary share amounting to $629,570,000. The proposed dividend will be accounted for in Year 2012 financial statements upon approval of the equity holders of the Bank.

14. 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 $'000	Other $'000	Total $'000
2011									
Balance at 1 January	**125,010**	**(578,738)**	**41,228**	**3,266,744**	**3,178,047**	**3,120,789**	**189,020**	**(240,711)**	**9,101,389**
Other comprehensive income for the financial year attributable to equity holders of the Bank	**(107,395)**	**(34,738)**	**–**	**–**	**–**	**–**	**(72,572)**	**–**	**(214,705)**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**24,371**	**301,725**	**–**	**–**	**326,096**
Change in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31**	**31**
Share-based compensation	**–**	**–**	**31,567**	**–**	**–**	**–**	**–**	**–**	**31,567**
Increase in statutory reserves	**–**	**–**	**–**	**–**	**794**	**–**	**–**	**–**	**794**
Issue of treasury shares under share-based compensation plans	**–**	**–**	**(21,428)**	**–**	**–**	**–**	**–**	**(8,362)**	**(29,790)**
Balance at 31 December	**17,615**	**(613,476)**	**51,367**	**3,266,744**	**3,203,212**	**3,422,514**	**116,448**	**(249,042)**	**9,215,382**
2010									
Balance at 1 January	(193,128)	(462,666)	35,285	3,266,744	3,165,738	2,813,580	226,128	(240,536)	8,611,145
Other comprehensive income for the financial year attributable to equity holders of the Bank	318,138	(116,072)	–	–	–	–	(37,108)	–	164,958
Transfer from/(to) retained earnings	–	–	–	–	12,309	307,209	–	(624)	318,894
Change in non-controlling interests	–	–	–	–	–	–	–	138	138
Share-based compensation	–	–	19,231	–	–	–	–	–	19,231
Issue of treasury shares under share-based compensation plans	–	–	(13,288)	–	–	–	–	311	(12,977)
Balance at 31 December	125,010	(578,738)	41,228	3,266,744	3,178,047	3,120,789	189,020	(240,711)	9,101,389

	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	Other $'000	Total $'000
2011								
Balance at 1 January	**114,616**	**(76,052)**	**41,228**	**3,266,744**	**2,752,922**	**2,630,499**	**432**	**8,730,389**
Other comprehensive income for the financial year	**(68,691)**	**1,967**	**–**	**–**	**–**	**–**	**–**	**(66,724)**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**–**	**300,000**	**–**	**300,000**
Share-based compensation	**–**	**–**	**31,567**	**–**	**–**	**–**	**–**	**31,567**
Issue of treasury shares under share-based compensation plans	**–**	**–**	**(21,428)**	**–**	**–**	**–**	**(8,362)**	**(29,790)**
Balance at 31 December	**45,925**	**(74,085)**	**51,367**	**3,266,744**	**2,752,922**	**2,930,499**	**(7,930)**	**8,965,442**
2010								
Balance at 1 January	(190,394)	(58,915)	35,285	3,266,744	2,752,922	2,330,499	121	8,136,262
Other comprehensive income for the financial year	305,010	(17,137)	–	–	–	–	–	287,873
Transfer from retained earnings	–	–	–	–	–	300,000	–	300,000
Share-based compensation	–	–	19,231	–	–	–	–	19,231
Issue of treasury shares under share-based compensation plans	–	–	(13,288)	–	–	–	311	(12,977)
Balance at 31 December	114,616	(76,052)	41,228	3,266,744	2,752,922	2,630,499	432	8,730,389

14. Other reserves (continued)

(b) Fair value reserve contains cumulative fair value changes of outstanding available-for-sale 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 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.

Under the Banking (Reserve Fund) (Transitional Provision) Regulations 2007, the Bank may distribute or utilise its statutory reserve provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserve as at 30 March 2007.

(g) A certain amount of retained earnings is transferred to general reserve in each financial year. The general reserve has not been earmarked for any specific purpose.

(h) Share of reserves of associates comprises the Group's share of associates' post-acquisition revenue reserve at 1 January 1998 and other reserves, adjusted for goodwill arising from acquisition of associates 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.

The Group's share of profit of associates is included in the retained earnings with effect from 1 January 1998.

(i) Other reserves include amounts transferred from retained earnings pertaining to gains on sale of investments by certain subsidiaries in accordance with their memorandums and articles of association, bonus shares issued by subsidiaries, gains and losses on issue of treasury shares under the share-based compensation plans, as well as the difference between consideration paid and interest acquired from non-controlling interests of subsidiaries.

15. 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
2011					
Cash, balances and placements with central banks	379,304	–	1,741,937	24,665,020	26,786,261
Singapore Government treasury bills and securities	531,287	–	9,120,812	–	9,652,099
Other government treasury bills and securities	2,187,424	–	6,000,202	–	8,187,626
Trading securities	271,335	–	–	–	271,335
Placements and balances with banks	162,677	–	1,263,967	15,524,412	16,951,056
Loans to non-bank customers	–	22,422	63,407	141,105,456	141,191,285
Derivative financial assets	6,256,893	–	–	–	6,256,893
Assets pledged	–	–	2,526,169	–	2,526,169
Investment securities					
Debt	–	939,504	9,683,013	316,410	10,938,927
Equity	–	–	2,831,471	–	2,831,471
Other assets	813,785	–	41,704	2,461,687	3,317,176
Total financial assets	10,602,705	961,926	33,272,682	184,072,985	228,910,298
Non-financial assets					8,047,447
Total assets					236,957,745
Deposits and balances of banks, non-bank customers and subsidiaries	833,587	1,270,281	–	187,106,832	189,210,700
Bills and drafts payable	–	–	–	1,729,947	1,729,947
Derivative financial liabilities	7,066,549	–	–	–	7,066,549
Other liabilities	403,549	–	–	2,508,021	2,911,570
Debts issued	–	20,304	–	11,765,634	11,785,938
Total financial liabilities	8,303,685	1,290,585	–	203,110,434	212,704,704
Non-financial liabilities					1,109,073
Total liabilities					213,813,777

15. Classification of financial assets and financial liabilities (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	Held-to-maturity $'000	Total $'000
2010						
Cash, balances and placements with central banks	679,028	–	1,156,039	28,907,522	–	30,742,589
Singapore Government treasury bills and securities	807,229	–	11,401,250	–	–	12,208,479
Other government treasury bills and securities	2,355,148	26,542	5,139,357	–	–	7,521,047
Trading securities	137,796	–	–	–	–	137,796
Placements and balances with banks	61,398	–	862,301	10,531,165	–	11,454,864
Loans to non-bank customers	–	78,704	8,537	112,352,634	–	112,439,875
Derivative financial assets	5,563,030	–	–	–	–	5,563,030
Assets pledged	36,656	–	6,913,317	–	–	6,949,973
Investment securities						
Debt	–	1,057,609	10,907,463	626,668	20,619	12,612,359
Equity	–	–	3,026,865	–	–	3,026,865
Other assets	–	–	35,714	2,918,869	–	2,954,583
Total financial assets	9,640,285	1,162,855	39,450,843	155,336,858	20,619	205,611,460
Non-financial assets						8,167,020
Total assets						213,778,480
Deposits and balances of banks, non-bank customers and subsidiaries	612,799	862,186	–	172,686,075	–	174,161,060
Bills and drafts payable	–	–	–	1,288,494	–	1,288,494
Derivative financial liabilities	5,742,797	–	–	–	–	5,742,797
Other liabilities	469,610	–	–	3,375,038	–	3,844,648
Debts issued	–	25,639	–	6,237,467	–	6,263,106
Total financial liabilities	6,825,206	887,825	–	183,587,074	–	191,300,105
Non-financial liabilities						824,823
Total liabilities						192,124,928

15. Classification of financial assets and financial liabilities (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
2011					
Cash, balances and placements with central banks	191,824	–	1,136,551	14,949,933	16,278,308
Singapore Government treasury bills and securities	531,287	–	9,059,782	–	9,591,069
Other government treasury bills and securities	618,970	–	3,520,546	–	4,139,516
Trading securities	167,700	–	–	–	167,700
Placements and balances with banks	147,188	–	1,263,967	12,759,331	14,170,486
Loans to non-bank customers	–	22,422	63,407	105,764,666	105,850,495
Placements with and advances to subsidiaries	38,537	–	–	5,653,973	5,692,510
Derivative financial assets	5,964,416	–	–	–	5,964,416
Assets pledged	–	–	2,526,169	–	2,526,169
Investment securities					
Debt	–	725,511	8,639,735	316,410	9,681,656
Equity	–	–	2,537,724	–	2,537,724
Other assets	813,785	–	10,014	1,755,621	2,579,420
Total financial assets	8,473,707	747,933	28,757,895	141,199,934	179,179,469
Non-financial assets					10,645,124
Total assets					189,824,593
Deposits and balances of banks, non-bank customers and subsidiaries	836,323	1,108,456	–	152,262,122	154,206,901
Bills and drafts payable	–	–	–	273,202	273,202
Derivative financial liabilities	6,513,356	–	–	–	6,513,356
Other liabilities	309,765	–	–	1,094,020	1,403,785
Debts issued	–	20,304	–	6,403,576	6,423,880
Total financial liabilities	7,659,444	1,128,760	–	160,032,920	168,821,124
Non-financial liabilities					721,494
Total liabilities					169,542,618

15. Classification of financial assets and financial liabilities (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
2010					
Cash, balances and placements with central banks	501,241	–	715,990	23,894,563	25,111,794
Singapore Government treasury bills and securities	807,229	–	11,281,231	–	12,088,460
Other government treasury bills and securities	919,993	26,542	2,331,665	–	3,278,200
Trading securities	133,535	–	–	–	133,535
Placements and balances with banks	–	–	862,301	8,333,187	9,195,488
Loans to non-bank customers	–	78,704	8,537	85,450,960	85,538,201
Placements with and advances to subsidiaries	–	–	–	2,869,330	2,869,330
Derivative financial assets	5,300,857	–	–	–	5,300,857
Assets pledged	36,656	–	6,913,317	–	6,949,973
Investment securities					
Debt	–	882,928	9,900,879	626,668	11,410,475
Equity	–	–	2,789,439	–	2,789,439
Other assets	–	–	32,301	2,282,561	2,314,862
Total financial assets	7,699,511	988,174	34,835,660	123,457,269	166,980,614
Non-financial assets					10,680,510
Total assets					177,661,124
Deposits and balances of banks, non-bank customers and subsidiaries	614,951	847,169	–	142,546,087	144,008,207
Bills and drafts payable	–	–	–	182,949	182,949
Derivative financial liabilities	5,288,776	–	–	–	5,288,776
Other liabilities	469,572	–	–	1,896,671	2,366,243
Debts issued	–	25,639	–	6,139,472	6,165,111
Total financial liabilities	6,373,299	872,808	–	150,765,179	158,011,286
Non-financial liabilities					702,403
Total liabilities					158,713,689

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 35a.

15. Classification of financial assets and financial liabilities (continued)

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

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Financial assets				
Other government treasury bills and securities	**–**	25,644	**–**	25,644
Loans to non-bank customers	**21,387**	75,543	**21,387**	75,543
Investment debt securities	**946,055**	1,046,445	**741,168**	883,474
	967,442	1,147,632	**762,555**	984,661
Financial liabilities				
Deposits and balances of banks, non-bank customers and subsidiaries	**1,269,849**	882,545	**1,106,689**	865,970
Debts issued	**20,850**	26,499	**20,850**	26,499
	1,290,699	909,044	**1,127,539**	892,469

(d) Included in the available-for-sale assets as at 31 December 2011 were investment equity securities of $860,604,000 (2010: $754,674,000) at the Bank and $894,582,000 (2010: $790,572,000) at the Group that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long-term investment purpose.

(e) Fair values of the financial instruments carried at cost or amortised cost are assessed as follows:

- For cash, balances, placements and deposits of central banks, banks and subsidiaries, deposits of non-bank 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 non-bank customers, non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes or using discounted cash flow method.
- 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**
2011				
Investment debt securities	**316,410**	**327,869**	**316,410**	**327,869**
Debts issued	**11,765,634**	**11,657,079**	**6,403,576**	**6,295,021**
2010				
Investment debt securities	626,668	605,958	626,668	605,958
Debts issued	6,237,467	6,080,913	6,139,472	5,998,183

15. Classification of financial assets and financial liabilities (continued)

(f) 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					
	2011			2010		
	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	**–**	**2,121,241**	**–**	–	1,835,067	–
Singapore Government treasury bills and securities	**9,652,099**	**–**	**–**	12,208,479	–	–
Other government treasury bills and securities	**8,187,626**	**–**	**–**	7,521,047	–	–
Trading securities	**271,335**	**–**	**–**	137,796	–	–
Placements and balances with banks	**–**	**1,426,644**	**–**	–	923,699	–
Loans to non-bank customers	**85,829**	**–**	**–**	87,241	–	–
Derivative financial assets	**1,103,717**	**5,153,176**	**–**	1,060,700	4,502,330	–
Assets pledged	**707,221**	**1,818,948**	**–**	4,946,406	2,003,567	–
Investment securities						
Debt	**8,021,281**	**2,543,039**	**58,197**	8,634,293	3,285,706	45,073
Equity	**1,122,627**	**791,594**	**22,668**	1,549,583	653,308	33,402
Other assets	**836,505**	**18,984**	**–**	35,714	–	–
	29,988,240	**13,873,626**	**80,865**	36,181,259	13,203,677	78,475
Total financial assets carried at fair value			**43,942,731**			49,463,411
Deposits and balances of banks, non-bank customers and subsidiaries	**–**	**2,103,868**	**–**	–	1,474,985	–
Derivative financial liabilities	**1,312,169**	**5,754,380**	**–**	887,959	4,854,838	–
Other liabilities	**309,765**	**93,784**	**–**	469,610	–	–
Debts issued	**–**	**20,304**	**–**	–	25,639	–
	1,621,934	**7,972,336**	**–**	1,357,569	6,355,462	–
Total financial liabilities carried at fair value			**9,594,270**			7,713,031

15. Classification of financial assets and financial liabilities (continued)

	The Bank					
	2011			2010		
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash, balances and placements with central banks	**–**	**1,328,375**	**–**	–	1,217,231	–
Singapore Government treasury bills and securities	**9,591,069**	**–**	**–**	12,088,460	–	–
Other government treasury bills and securities	**4,139,516**	**–**	**–**	3,278,200	–	–
Trading securities	**167,700**	**–**	**–**	133,535	–	–
Placements and balances with banks	**–**	**1,411,155**	**–**	–	862,301	–
Loans to non-bank customers	**85,829**	**–**	**–**	87,241	–	–
Placements with and advances to subsidiaries	**38,537**	**–**	**–**	–	–	–
Derivative financial assets	**990,138**	**4,974,278**	**–**	872,931	4,427,926	–
Assets pledged	**707,221**	**1,818,948**	**–**	4,946,406	2,003,567	–
Investment securities						
Debt	**7,244,604**	**2,081,904**	**38,738**	8,275,877	2,496,030	11,900
Equity	**1,028,689**	**628,632**	**19,799**	1,437,724	568,953	28,088
Other assets	**823,799**	**–**	**–**	32,301	–	–
	24,817,102	**12,243,292**	**58,537**	31,152,675	11,576,008	39,988
Total financial assets carried at fair value			**37,118,931**			42,768,671
Deposits and balances of banks, non-bank customers and subsidiaries	**–**	**1,944,779**	**–**	–	1,462,120	–
Derivative financial liabilities	**1,167,486**	**5,345,870**	**–**	735,151	4,553,625	–
Other liabilities	**309,765**	**–**	**–**	469,572	–	–
Debts issued	**–**	**20,304**	**–**	–	25,639	–
	1,477,251	**7,310,953**	**–**	1,204,723	6,041,384	–
Total financial liabilities carried at fair value			**8,788,204**			7,246,107

(g) There was no material movement for the financial instruments measured at Level 3 during the financial year.

16. Deposits and balances of non-bank customers

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Fixed deposits	**95,167,712**	77,310,061	**66,844,886**	56,928,803
Savings deposits	**39,944,882**	34,840,551	**34,461,077**	29,358,110
Current accounts	**27,992,828**	27,261,301	**22,927,217**	23,060,088
Other	**6,355,047**	2,887,541	**4,673,586**	2,379,984
	169,460,469	142,299,454	**128,906,766**	111,726,985

17. Other liabilities

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Accrued interest payable	**396,894**	268,629	**222,248**	170,543
Accrued operating expenses	**474,299**	526,849	**259,402**	330,362
Sundry creditors	**2,193,987**	2,734,910	**734,987**	1,486,310
Other	**303,745**	406,717	**351,937**	438,877
	3,368,925	3,937,105	**1,568,574**	2,426,092

18. Deferred tax

Deferred tax comprises the following:

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities on:				
Unrealised gain on available-for-sale assets	**5,840**	27,268	**742**	15,679
Accelerated tax depreciation	**54,916**	50,125	**45,080**	41,457
Fair value of depreciable assets acquired in business combination	**44,982**	45,564	**30,333**	30,889
Other	**22,329**	10,681	**20,081**	1,305
	128,067	133,638	**96,236**	89,330
Amount offset against deferred tax assets	**(93,852)**	(108,250)	**(77,953)**	(88,658)
	34,215	25,388	**18,283**	672
Deferred tax assets on:				
Unrealised loss on available-for-sale assets	**14,596**	1,728	**14,273**	3
Allowance for impairment	**261,944**	244,754	**108,583**	98,219
Other	**151,159**	93,110	**63,886**	31,534
	427,699	339,592	**186,742**	129,756
Amount offset against deferred tax liabilities	**(93,852)**	(108,250)	**(77,953)**	(88,658)
	333,847	231,342	**108,789**	41,098
Net deferred tax assets	**299,632**	205,954	**90,506**	40,426

18. Deferred tax (continued)

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

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**205,954**	223,791	**40,426**	62,916
Effect of change in tax rate	**(39,130)**	(3)	**62**	–
Currency translation adjustments	**(4,257)**	2,692	**322**	471
Credit to income statement	**96,645**	18,118	**20,488**	13,613
Credit/(charge) to equity	**40,420**	(38,644)	**29,208**	(36,574)
Balance at 31 December	**299,632**	205,954	**90,506**	40,426

The Group has not recognised deferred tax asset in respect of tax losses of $17,099,000 (2010: $15,906,000) 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 $1,717,000 (2010: $1,830,000) which will expire between the years 2012 and 2030 (2010: 2011 and 2029).

19. Debts issued

(a)

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Subordinated notes				
S$1.3 billion 4.95% subordinated notes due 2016 callable with step-up in 2011	**–**	1,300,000	**–**	1,300,000
S$1 billion 4.100% subordinated notes due 2019 callable with step-up in 2014	**999,347**	999,103	**999,347**	999,103
S$1 billion 3.45% subordinated notes due 2021 callable with step-up in 2016	**1,000,000**	–	**1,000,000**	–
US$1 billion 4.50% subordinated notes due 2013	**1,299,622**	1,282,072	**1,299,622**	1,282,072
US$1 billion 5.375% subordinated notes due 2019 callable with step-up in 2014	**1,299,454**	1,281,867	**1,299,454**	1,281,867
US$0.5 billion 5.796% subordinated note	**–**	–	**649,850**	641,100
RM500 million 4.88% subordinated notes due 2020 with step-up in 2015	**204,183**	207,343	**–**	–
Unamortised expenses relating to issue of subordinated notes	**(3,129)**	(3,767)	**(3,129)**	(3,767)
Total, at amortised cost	**4,799,477**	5,066,618	**5,245,144**	5,500,375
Fair value hedge adjustments	**284,728**	300,240	**284,728**	300,240
	5,084,205	5,366,858	**5,529,872**	5,800,615

19. Debts issued (continued)

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Other debts issued				
Credit-linked notes				
At amortised cost	**9,000**	9,000	**9,000**	9,000
Designated as fair value through profit or loss	**20,304**	9,780	**20,304**	9,780
Interest rate-linked notes, at amortised cost	**2,729**	2,693	**2,729**	2,693
Equity-linked notes				
At amortised cost	**267,185**	208,899	**267,185**	198,944
Designated as fair value through profit or loss	**–**	15,859	**–**	15,859
Floating rate notes	**591,790**	128,220	**591,790**	128,220
US commercial papers	**3,983,907**	–	**–**	–
Other, at amortised cost	**1,826,818**	521,797	**3,000**	–
	6,701,733	896,248	**894,008**	364,496
Total debts issued	**11,785,938**	6,263,106	**6,423,880**	6,165,111

(b) **Subordinated notes**

(i) The S$1 billion 4.100% subordinated notes were issued by the Bank at 99.755% on 24 August 2004 and mature on 3 September 2019. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 3 September 2014 or at any interest payment date in the event of certain changes in the tax laws of Singapore, subject to the approval of MAS and certain other conditions. Interest is payable semi-annually at 4.100% per annum beginning 3 March 2005. From and including 3 September 2014, interest is payable semi-annually at a fixed rate per annum equal to the five-year Singapore Dollar Interest Rate Swap (Offer Rate) plus 1.680%.

(ii) The S$1 billion 3.45% subordinated notes were issued by the Bank at par on 1 April 2011 and 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 at any interest payment date in the event of certain changes in the tax laws of Singapore, subject to the approval of MAS and certain other conditions. Interest is payable semi-annually at 3.45% per annum beginning 1 October 2011. From and including 1 April 2016, interest is payable semi-annually at a fixed rate per annum equal to the five-year Singapore Dollar Swap (Offer Rate) plus 1.475%.

(iii) The US$1 billion 4.50% subordinated notes were issued by the Bank at 99.96% on 30 June 2003 and mature on 2 July 2013. The notes may be redeemed at par at the option of the Bank, in whole, on notice, in the event of certain changes in the tax laws of Singapore, subject to the approval of MAS and certain other conditions. Interest is payable semi-annually at 4.50% per annum beginning 2 January 2004.

(iv) The US$1 billion 5.375% subordinated notes were issued by the Bank at 99.929% on 24 August 2004 and mature on 3 September 2019. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 3 September 2014 or at any interest payment date in the event of certain changes in the tax laws of Singapore, subject to the approval of MAS and certain other conditions. Interest is payable semi-annually at 5.375% per annum beginning 3 March 2005. From and including 3 September 2014, interest is payable semi-annually at a floating rate per annum equal to the six-month LIBOR plus 1.666%.

19. Debts issued (continued)

(b) **Subordinated notes** (continued)

(v) The US$0.5 billion 5.796% subordinated note was issued by the Bank at par to UOB Cayman I Limited on 13 December 2005. It matures on 12 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%.

The S$ and US$ subordinated notes issued by the Bank are unsecured obligations with the US$0.5 billion subordinated note ranking junior to all other S$ and US$ subordinated notes. All other liabilities of the Bank outstanding at the balance sheet date rank senior to all the S$ and US$ subordinated notes. Except for the US$0.5 billion subordinated note, the S$ and US$ subordinated notes qualify for Tier 2 capital.

(vi) The RM500 million 4.88% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd ("UOBM") on 29 March 2010 and mature on 27 March 2020. The notes may be redeemed at par at the option of UOBM, in whole but not in part, on 30 March 2015 or at any interest payment date thereafter. Interest is payable semi-annually at 4.88% per annum beginning 29 September 2010. From and including 30 March 2015, interest is payable semi-annually at 5.88% per annum.

(c) **Other debts issued**

(i) The credit-linked notes, with embedded credit default swaps, were issued at par with maturity ranging from 4 November 2012 to 23 September 2015. The notes will be redeemed at face value on the maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying assets or the market values of the underlying assets in cash term, depending on the terms and conditions of the contracts will be delivered to the holders of the notes.

(ii) The interest rate-linked notes, with embedded interest rate derivatives, were issued at par with remaining maturity on 15 August 2015. The periodic payouts and redemptions of the notes are linked to the interest rate indices.

(iii) The equity-linked notes, with embedded equity derivatives, were issued at par with maturity ranging from 23 January 2012 to 20 January 2015. The periodic payments and payouts of the notes at maturity are linked to the closing value of certain underlying equities or equity indices.

(iv) The floating rate notes comprise mainly notes issued at par with maturity on 5 May 2014. Interest is payable quarterly in arrears equal to the three-month Bank Bill Swap Reference Rate plus 92 basis points (rounded to four decimal places).

(v) The US commercial papers were issued by US Funding LLC at an average discount of 99.88% with maturity ranging from 3 January 2012 to 14 March 2012. Interest rates of the papers ranged from 0.33% to 0.54% per annum (2010: nil).

(vi) Other comprises mainly unsecured fixed-rate debt papers with maturity ranging from 3 January 2012 to 4 November 2014. Interest rates of the papers ranged from 1.25% to 5.00% per annum (2010: 1.00% to 3.21% per annum).

20. Cash, balances and placements with central banks

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash on hand	**1,403,995**	1,463,739	**1,171,070**	1,220,969
Balances with central banks				
Restricted balances	**4,390,505**	3,599,953	**2,953,029**	2,608,101
Non-restricted balances	**20,991,761**	25,678,897	**12,154,209**	21,282,724
	26,786,261	30,742,589	**16,278,308**	25,111,794

21. Trading securities

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Quoted securities				
Debt	**214,902**	2,715	**111,267**	2,715
Equity	**21,136**	130,820	**21,136**	130,820
Unquoted securities				
Debt	**35,297**	4,261	**35,297**	–
	271,335	137,796	**167,700**	133,535

22. Placements and balances with banks

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Placements and balances with banks	**18,770,004**	13,458,431	**15,989,434**	11,199,055
Less: Amount sold under Repo	**(1,818,948)**	(2,003,567)	**(1,818,948)**	(2,003,567)
	16,951,056	11,454,864	**14,170,486**	9,195,488

23. Loans to non-bank customers

(a)

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Loans to non-bank customers (gross)	**143,942,663**	115,122,230	**107,791,476**	87,440,489
Individual impairment (Note 23d)	**(769,560)**	(930,007)	**(411,505)**	(505,322)
Collective impairment (Note 23d)	**(1,981,818)**	(1,752,348)	**(1,529,476)**	(1,396,966)
Loans to non-bank customers (net)	**141,191,285**	112,439,875	**105,850,495**	85,538,201
Comprising:				
Trade bills	**5,858,313**	7,059,998	**336,596**	2,022,169
Advances to customers	**135,332,972**	105,379,877	**105,513,899**	83,516,032
	141,191,285	112,439,875	**105,850,495**	85,538,201

23. Loans to non-bank customers (continued)

(b) Gross loans to non-bank customers analysed by industry

	The Group		The Bank	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Transport, storage and communication	**7,041,060**	6,709,527	**5,819,785**	5,981,722
Building and construction	**17,515,443**	11,506,288	**14,481,904**	9,723,863
Manufacturing	**11,336,373**	8,617,106	**5,125,790**	3,194,684
Financial institutions	**23,965,836**	18,673,490	**21,587,631**	16,868,753
General commerce	**17,596,878**	15,094,360	**11,151,050**	10,172,441
Professionals and private individuals	**18,628,690**	14,907,364	**13,558,732**	11,036,891
Housing loans	**40,614,854**	33,527,779	**30,135,602**	25,242,203
Other	**7,243,529**	6,086,316	**5,930,982**	5,219,932
	143,942,663	115,122,230	**107,791,476**	87,440,489

(c) Gross loans to non-bank customers analysed by currency

	The Group		The Bank	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Singapore dollar	**78,557,373**	66,914,936	**78,362,710**	66,750,280
US dollar	**19,791,430**	13,854,567	**16,875,428**	11,908,553
Malaysian ringgit	**18,832,456**	14,282,487	**4,956**	–
Thai baht	**7,529,907**	6,840,741	**608**	88
Indonesian rupiah	**4,488,151**	3,212,959	**–**	–
Other	**14,743,346**	10,016,540	**12,547,774**	8,781,568
	143,942,663	115,122,230	**107,791,476**	87,440,489

(d) Movements of allowance for impairment on loans

	2011		2010	
	Individual impairment $'000	**Collective impairment $'000**	Individual impairment $'000	Collective impairment $'000
The Group				
Balance at 1 January	**930,007**	**1,752,348**	973,048	1,569,655
Currency translation adjustments	**(5,389)**	**(5,305)**	(24,564)	(1,357)
Write-off/disposal	**(355,723)**	**–**	(219,016)	–
Net charge to income statement	**200,665**	**234,775**	200,539	184,050
Balance at 31 December	**769,560**	**1,981,818**	930,007	1,752,348
The Bank				
Balance at 1 January	**505,322**	**1,396,966**	533,968	1,258,483
Currency translation adjustments	**3,637**	**450**	(21,001)	(212)
Write-off/disposal	**(199,053)**	**–**	(100,488)	–
Net charge to income statement	**101,599**	**132,060**	92,843	138,695
Balance at 31 December	**411,505**	**1,529,476**	505,322	1,396,966

24. Assets pledged/received as collateral

Assets pledged/received as collateral whereby the pledgees have the right by contract or custom to sell or repledge the assets and the obligation to return them subsequently are as follows:

(a)

	The Group and The Bank	
	2011	2010
	$'000	$'000
Assets pledged for Repo transactions, at carrying amount		
Singapore Government treasury bills and securities	**58,089**	605,994
Other government treasury bills and securities	**65,543**	4,053,722
Placements and balances with banks		
Negotiable certificates of deposit	**1,668,360**	1,858,589
Bankers' acceptances	**150,588**	144,978
Investment securities	**583,589**	286,690
	2,526,169	6,949,973

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

(b)

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Assets received for reverse Repo transactions, at fair value	**1,595,135**	976,468	**110,842**	432,271
Of which, sold or repledged	**73,907**	157,658	**32,373**	157,658

25. Investment securities

(a)

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Quoted securities				
Debt	**8,801,364**	9,077,257	**8,018,570**	8,712,806
Equity	**1,367,928**	1,775,670	**1,255,878**	1,651,836
Unquoted securities				
Debt	**3,000,206**	4,184,866	**2,514,890**	3,233,746
Equity	**1,771,441**	1,534,005	**1,546,857**	1,383,178
Allowance for impairment (Note 29)	**(586,952)**	(645,884)	**(533,226)**	(494,962)
Investment securities	**14,353,987**	15,925,914	**12,802,969**	14,486,604
Less: Amount sold under Repo	**(583,589)**	(286,690)	**(583,589)**	(286,690)
	13,770,398	15,639,224	**12,219,380**	14,199,914

25. Investment securities (continued)

(b) Investment securities [1] analysed by industry

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Transport, storage and communication	**1,291,268**	1,482,848	**1,187,747**	1,372,546
Building and construction	**950,025**	1,201,174	**897,276**	1,149,121
Manufacturing	**1,187,208**	911,965	**874,306**	885,524
Financial institutions	**8,022,611**	9,286,609	**7,159,082**	8,252,106
General commerce	**441,417**	638,105	**375,775**	571,423
Other	**2,461,458**	2,405,213	**2,308,783**	2,255,884
	14,353,987	15,925,914	**12,802,969**	14,486,604

[1] Include amount sold under Repo.

26. Other assets

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Interest receivable	**638,784**	609,753	**496,628**	480,662
Sundry debtors	**1,750,879**	2,158,216	**1,165,673**	1,736,060
Foreclosed properties	**223,128**	279,572	**–**	3,016
Other	**1,268,138**	531,541	**964,899**	309,027
Allowance for impairment on other assets (Note 29)	**(314,588)**	(241,606)	**(44,065)**	(53,639)
	3,566,341	3,337,476	**2,583,135**	2,475,126

27. Investment in associates

(a)

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Quoted equity securities	**127,053**	127,053	**92,207**	92,207
Unquoted equity securities	**390,353**	377,157	**279,523**	279,523
	517,406	504,210	**371,730**	371,730
Allowance for impairment (Note 29)	**–**	–	**(2,686)**	(237)
Share of post-acquisition reserve	**574,864**	693,950	**–**	–
	1,092,270	1,198,160	**369,044**	371,493
Market value of quoted equity securities at 31 December	**552,049**	643,135	**520,101**	604,853

27. Investment in associates (continued)

(b) The Group's share of the associates' financial statements is as follows:

	The Group	
	2011	2010
	$'000	$'000
Total operating income	**363,549**	467,086
Profit before tax	**93,126**	139,058
Total assets	**2,111,087**	2,620,671
Total liabilities	**1,007,553**	1,425,851
Contingent liabilities	**57,200**	57,200

(c) The carrying amounts of the Group's investment in associates as at 31 December 2011 and 2010 include goodwill amounting to $12,045,000.

(d) Major associates of the Group as at the balance sheet date are as follows:

Name of associate	Principal activities	Country of incorporation	Effective equity interest of the Group 2011 %	Effective equity interest of the Group 2010 %
Quoted associates				
United International Securities Limited	Investment	Singapore	**47**	47
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	**40**	40
Unquoted associates				
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	**33**	33
United Facilities Private Limited	Investment holding	Singapore	**49**	49

28. Investment in subsidiaries

(a)

	The Bank	
	2011	2010
	$'000	$'000
Quoted equity securities	**45,024**	45,024
Unquoted equity securities	**5,033,250**	5,028,064
	5,078,274	5,073,088
Allowance for impairment (Note 29)	**(315,686)**	(316,080)
	4,762,588	4,757,008
Market value of quoted equity securities at 31 December	**113,193**	122,834

28. Investment in subsidiaries (continued)

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

Name of subsidiary	Country of incorporation	Effective equity interest of the Group 2011 %	2010 %
Commercial Banking			
Far Eastern Bank Limited	Singapore	**79**	78
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
Merchant Banking			
UOB Asia (Hong Kong) Limited	Hong Kong	**100**	100
UOB Australia Limited	Australia	**100**	100
Insurance			
United Overseas Insurance Limited	Singapore	**58**	58
UOB Insurance (H.K.) Limited	Hong Kong	**58**	58
Investment			
UOB Capital Investments Pte Ltd	Singapore	**100**	100
UOB Capital Management Pte Ltd	Singapore	**100**	100
UOB Holdings Private Limited	Singapore	**100**	100
UOB International Investment Private Limited	Singapore	**100**	100
UOB Property Investments Pte. Ltd.	Singapore	**100**	100
UOB Venture Management (Shanghai) Co., Ltd [1]	China	**100**	100
UOB Holdings (USA) Inc. [2]	United States	**100**	100
Investment Management			
UOB Asset Management Ltd	Singapore	**100**	100
UOB Venture Management Private Limited	Singapore	**100**	100
UOB-OSK Asset Management Sdn. Bhd.	Malaysia	**70**	70
UOB Asset Management (Thai) Co., Ltd.	Thailand	**99.7**	99.7
UOB Investment Advisor (Taiwan) Ltd	Taiwan	**100**	100
UOB Global Capital LLC [2]	United States	**70**	70
Funding			
UOB Funding LLC [2]	United States	**100**	–
Gold/Futures Dealing			
UOB Bullion and Futures Limited	Singapore	**100**	100
Property			
Industrial & Commercial Property (S) Pte Ltd	Singapore	**100**	100
UOB Developments Private Limited	Singapore	**100**	100
PT UOB Property	Indonesia	**100**	100
UOB Realty (USA) Ltd Partnership [2]	United States	**100**	100
Travel			
UOB Travel Planners Pte Ltd	Singapore	**100**	100

Note: 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.

[1] Audited by other auditors.

[2] Not required to be audited.

29. Movements of allowance for impairment on investments and other assets

	Investment securities		Other assets	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
The Group				
Balance at 1 January	**645,884**	653,904	**241,606**	256,644
Currency translation adjustments	**(4,883)**	(15,207)	**(2,596)**	70
Write-off/disposal	**(5,737)**	(64,734)	**(27,002)**	(38,220)
Reclassification	**(92,174)**	–	**92,174**	–
Net charge to income statement	**43,862**	71,921	**10,406**	23,112
Balance at 31 December	**586,952**	645,884	**314,588**	241,606

	Investment securities $'000	Investment in associates $'000	Investment in subsidiaries $'000	Other assets $'000
The Bank				
2011				
Balance at 1 January	**494,962**	**237**	**316,080**	**53,639**
Currency translation adjustments	**(815)**	**–**	**3**	**(80)**
Write-off/disposal	**(684)**	**–**	**–**	**(10,399)**
Net charge/(write-back) to income statement	**39,763**	**2,449**	**(397)**	**905**
Balance at 31 December	**533,226**	**2,686**	**315,686**	**44,065**
2010				
Balance at 1 January	442,148	528	313,618	53,322
Currency translation adjustments	(15,850)	–	(12)	(672)
Transfers	–	–	4,080	–
Write-off/disposal	(1,056)	–	–	(316)
Net charge/(write-back) to income statement	69,720	(291)	227	(528)
Reclassification	–	–	(1,833)	1,833
Balance at 31 December	494,962	237	316,080	53,639

30. Investment properties

	The Group		The Bank	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**1,125,395**	1,134,168	**1,418,669**	1,424,190
Currency translation adjustments	**(3,396)**	(6,278)	**301**	(869)
Additions	**44,160**	18,019	**42,718**	14,066
Disposals	**(26,428)**	(3,333)	**(3,693)**	(4,944)
Depreciation charge	**(23,286)**	(19,413)	**(18,418)**	(17,869)
(Allowance for)/write-back of impairment	**311**	410	**(312)**	941
Transfers	**9,173**	1,822	**18,527**	3,154
Balance at 31 December	**1,125,929**	1,125,395	**1,457,792**	1,418,669
Represented by:				
Cost	**1,387,761**	1,372,105	**1,650,549**	1,595,129
Accumulated depreciation	**(261,692)**	(246,066)	**(191,564)**	(175,578)
Allowance for impairment	**(140)**	(644)	**(1,193)**	(882)
Net carrying amount	**1,125,929**	1,125,395	**1,457,792**	1,418,669
Freehold property	**679,549**	669,925	**1,009,316**	959,631
Leasehold property	**446,380**	455,470	**448,476**	459,038
	1,125,929	1,125,395	**1,457,792**	1,418,669

Market values of the investment properties of the Bank and the Group as at 31 December 2011 were estimated to be $2,634 million and $2,993 million (2010: $2,461 million and $2,753 million) respectively. The valuation was performed by internal valuers with professional qualifications and experience, taking into account market prices and rental of comparable properties.

31. Fixed assets

	2011			2010		
	Owner-occupied properties $'000	**Other $'000**	**Total $'000**	Owner-occupied properties $'000	Other $'000	Total $'000
The Group						
Balance at 1 January	**656,015**	**363,134**	**1,019,149**	673,505	366,854	1,040,359
Currency translation adjustments	**(1,950)**	**(4,229)**	**(6,179)**	(891)	10,779	9,888
Additions	**1,453**	**141,504**	**142,957**	–	91,966	91,966
Disposals	**–**	**(4,527)**	**(4,527)**	(893)	(4,180)	(5,073)
Depreciation charge	**(10,464)**	**(81,878)**	**(92,342)**	(15,364)	(102,290)	(117,654)
Write-back of impairment	**388**	**–**	**388**	1,485	–	1,485
Transfers	**(9,173)**	**–**	**(9,173)**	(1,827)	5	(1,822)
Balance at 31 December	**636,269**	**414,004**	**1,050,273**	656,015	363,134	1,019,149
Represented by:						
Cost	**813,250**	**1,397,925**	**2,211,175**	824,776	1,356,327	2,181,103
Accumulated depreciation	**(175,232)**	**(983,921)**	**(1,159,153)**	(166,508)	(993,193)	(1,159,701)
Allowance for impairment	**(1,749)**	**–**	**(1,749)**	(2,253)	–	(2,253)
Net carrying amount	**636,269**	**414,004**	**1,050,273**	656,015	363,134	1,019,149
Freehold property	**482,343**			605,583		
Leasehold property	**153,926**			50,432		
	636,269			656,015		
The Bank						
Balance at 1 January	**547,377**	**202,782**	**750,159**	557,816	213,176	770,992
Currency translation adjustments	**155**	**(238)**	**(83)**	(408)	(363)	(771)
Additions	**1,453**	**79,655**	**81,108**	–	50,248	50,248
Disposals	**–**	**(1,173)**	**(1,173)**	–	(978)	(978)
Depreciation charge	**(6,711)**	**(43,239)**	**(49,950)**	(7,349)	(59,301)	(66,650)
(Allowance for)/write-back of impairment	**(157)**	**–**	**(157)**	472	–	472
Transfers	**(18,527)**	**–**	**(18,527)**	(3,154)	–	(3,154)
Balance at 31 December	**523,590**	**237,787**	**761,377**	547,377	202,782	750,159
Represented by:						
Cost	**597,273**	**828,724**	**1,425,997**	615,412	817,833	1,433,245
Accumulated depreciation	**(73,237)**	**(590,937)**	**(664,174)**	(67,745)	(615,051)	(682,796)
Allowance for impairment	**(446)**	**–**	**(446)**	(290)	–	(290)
Net carrying amount	**523,590**	**237,787**	**761,377**	547,377	202,782	750,159
Freehold property	**478,361**			499,428		
Leasehold property	**45,229**			47,949		
	523,590			547,377		

31. Fixed assets (continued)

Market values of the owner-occupied properties of the Bank and the Group as at 31 December 2011 were estimated to be $1,305 million and $1,994 million (2010: $1,170 million and $1,846 million) respectively. The valuation was performed by internal valuers with professional qualifications and experience, taking into account market prices and rental of comparable properties.

Other fixed assets comprise mainly computer equipment, application software and furniture and fittings.

32. Intangible assets

(a)

	The Group			
	Goodwill $'000	**Core deposit base $'000**	**Customer loan base $'000**	**Total $'000**
2011				
Balance at 1 January	**4,191,737**	**10,992**	**7,352**	**4,210,081**
Currency translation adjustments	**(3,556)**	**(55)**	**(38)**	**(3,649)**
Amortisation charge	**–**	**(6,282)**	**(4,187)**	**(10,469)**
Balance at 31 December	**4,188,181**	**4,655**	**3,127**	**4,195,963**
Represented by:				
Cost	**4,188,181**	**43,548**	**29,080**	**4,260,809**
Accumulated amortisation	**–**	**(38,893)**	**(25,953)**	**(64,846)**
Net carrying amount	**4,188,181**	**4,655**	**3,127**	**4,195,963**
2010				
Balance at 1 January	4,198,083	18,615	12,434	4,229,132
Currency translation adjustments	(6,346)	(1,034)	(689)	(8,069)
Amortisation charge	–	(6,589)	(4,393)	(10,982)
Balance at 31 December	4,191,737	10,992	7,352	4,210,081
Represented by:				
Cost	4,191,737	43,996	29,379	4,265,112
Accumulated amortisation	–	(33,004)	(22,027)	(55,031)
Net carrying amount	4,191,737	10,992	7,352	4,210,081

(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. Growth rates are determined based on economic growth forecasts by major countries. Cash flow projections are based on most recent five-year financial budget approved by management, with projected cash flows discounted at rates ranging from 7% to 16% (2010: 7% to 13%) and those beyond the five-year period extrapolated using growth rates ranging from 3% to 6% (2010: 4% to 5%). 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.

(c) The core deposit base and customer loan base intangibles are amortised over their estimated useful lives of seven years.

33. Contingent liabilities

In the normal course of business, the Bank and the Group conduct businesses involving acceptances, 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	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Direct credit substitutes	**4,515,079**	5,612,002	**3,355,938**	4,476,940
Transaction-related contingencies	**5,422,969**	4,686,203	**3,882,868**	3,446,841
Trade-related contingencies	**5,871,671**	4,670,057	**4,919,562**	3,952,004
Other contingent liabilities	**11,004**	53,145	**1,201**	34,523
	15,820,723	15,021,407	**12,159,569**	11,910,308

34. 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 41.

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.

	2011			2010		
	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	**31,645,496**	**211,070**	**155,321**	14,683,473	140,888	151,727
Swaps	**87,367,495**	**884,073**	**1,122,600**	72,087,066	851,002	667,464
Options purchased	**9,126,561**	**100,531**	**–**	3,127,556	32,968	–
Options written	**9,973,907**	**–**	**102,513**	3,330,522	–	37,130
Interest rate contracts						
Swaps	**203,172,949**	**4,128,456**	**4,549,470**	182,739,579	3,063,183	3,249,301
Futures	**175,700**	**55**	**757**	64,133	34	36
Options purchased	**1,050,212**	**7,272**	**–**	1,853,605	4,779	–
Options written	**2,424,872**	**–**	**5,420**	3,987,009	–	3,406
Equity-related contracts						
Swaps	**2,552,665**	**585,515**	**585,383**	3,134,282	811,896	812,797
Futures	**25,596**	**371**	**–**	–	–	–
Options purchased	**978,120**	**329,956**	**–**	1,421,546	635,020	–
Options written	**1,125,006**	**–**	**331,583**	1,421,608	–	637,021
Credit-related contracts						
Swaps	**311,417**	**4,073**	**4,108**	243,968	1,658	2,041
Other						
Forwards	**895,286**	**2,322**	**198,236**	565,726	10,572	180,472
Swaps	**384,829**	**3,084**	**11,043**	343,873	10,740	1,147
Futures	**2,132**	**–**	**–**	3,608	36	–
Options purchased	**5,960**	**115**	**–**	1,621	254	–
Options written	**5,960**	**–**	**115**	1,628	–	255
	351,224,163	**6,256,893**	**7,066,549**	289,010,803	5,563,030	5,742,797

34. Financial derivatives (continued)

	2011			2010		
	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	**28,178,205**	**160,239**	**93,385**	12,928,698	106,047	153,969
Swaps	**79,353,604**	**815,821**	**1,063,036**	65,376,919	753,491	577,573
Options purchased	**8,819,679**	**98,515**	**–**	2,964,338	31,987	–
Options written	**9,837,180**	**–**	**100,476**	3,261,947	–	36,571
Interest rate contracts						
Swaps	**168,556,922**	**3,958,813**	**4,329,252**	157,918,973	2,947,783	3,058,908
Futures	**159,651**	**8**	**716**	39,183	–	–
Options purchased	**1,025,395**	**7,272**	**–**	1,828,359	4,775	–
Options written	**2,400,040**	**–**	**5,420**	3,957,738	–	3,402
Equity-related contracts						
Swaps	**2,083,505**	**574,839**	**571,888**	3,125,212	811,911	812,480
Futures	**25,596**	**371**	**–**	–	–	–
Options purchased	**948,353**	**330,016**	**–**	1,387,008	635,291	–
Options written	**1,094,864**	**–**	**331,680**	1,369,927	–	637,210
Credit-related contracts						
Swaps	**311,417**	**4,073**	**4,108**	243,968	1,658	2,041
Other						
Forwards	**599,452**	**2,662**	**2,586**	126,160	1,048	5,305
Swaps	**784,222**	**11,744**	**10,766**	243,770	6,612	1,063
Options purchased	**901**	**43**	**–**	1,621	254	–
Options written	**901**	**–**	**43**	1,621	–	254
	304,179,887	**5,964,416**	**6,513,356**	254,775,442	5,300,857	5,288,776

35. Hedge accounting

(a) Fair value hedge

Interest rate swaps were contracted to hedge certain of the Bank's loans, investment in debt securities and subordinated notes issued against interest rate risk. As at 31 December 2011, the net fair value of such interest rate swaps was a loss of $134 million (2010: gain of $67 million). During the financial year, fair value loss of $125 million (2010: loss of $24 million) on the swaps was recognised in the Bank's and the Group's income statements which was offset by an equal amount of fair value gain (2010: gain) attributable to the interest rate risk on the hedged items.

As at 31 December 2011, non-bank customer deposits of $967 million (2010: $1,210 million) were designated to hedge the foreign exchange risk arising from certain of the Bank's available-for-sale equity securities and the Group's foreign-currency denominated assets. During the financial year, foreign exchange losses of $55 million (2010: gain of $80 million) and $59 million (2010: gain of $96 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 gains (2010: loss) on the hedged items.

(b) Hedge of net investment in foreign operations

As at 31 December 2011, non-bank customer deposits of $864 million (2010: $777 million) were designated to hedge foreign exchange risk arising from the Bank's foreign operations. During the financial year, no foreign exchange gain or loss (2010: nil) arising from hedge ineffectiveness was recognised in the Bank's and the Group's income statements.

36. Commitments

(a)

	The Group		The Bank	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Undrawn credit facilities	**52,349,181**	45,828,640	**39,909,498**	35,180,341
Spot/forward contracts	**1,262,160**	2,759,659	**975,147**	1,536,163
Capital commitments	**86,667**	76,917	**65,397**	63,449
Operating lease commitments	**118,094**	121,653	**60,851**	73,221
Other	**205,459**	206,971	**162,884**	197,468
	54,021,561	48,993,840	**41,173,777**	37,050,642

(b) Operating lease commitments

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

	The Group		The Bank	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Minimum lease payable				
Within 1 year	**48,786**	51,772	**25,224**	32,499
Over 1 to 5 years	**64,576**	67,029	**35,507**	40,722
Over 5 years	**4,732**	2,852	**120**	–
	118,094	121,653	**60,851**	73,221
Minimum lease receivable				
Within 1 year	**98,413**	100,968	**78,289**	84,771
Over 1 to 5 years	**137,834**	186,257	**104,271**	150,417
Over 5 years	**848**	5,723	**93**	4,818
	237,095	292,948	**182,653**	240,006

37. 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	
	2011	2010
	$'000	$'000
Cash on hand	**1,403,995**	1,463,739
Non-restricted balances with central banks	**20,991,761**	25,678,897
	22,395,756	27,142,636

38. Share-based compensation plans

Share-based compensation plans of the Group comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Description of these plans is set out in the Directors' Report. 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	
	2011	2010
	'000	'000
Balance at 1 January	**3,353**	3,264
Granted	**1,176**	1,195
Forfeited/cancelled	**(178)**	(469)
Vested	**(1,409)**	(637)
Balance at 31 December	**2,942**	3,353

	Share appreciation rights	
	2011	2010
	'000	'000
Balance at 1 January	**8,553**	10,419
Granted	**4,600**	2,651
Forfeited/cancelled	**(451)**	(1,832)
Vested	**(4,404)**	(2,685)
Balance at 31 December	**8,298**	8,553

	Exercisable rights	
	2011	2010
	'000	'000
Balance at 1 January	**3,175**	617
Vested	**4,404**	2,685
Forfeited/lapsed	**(89)**	(55)
Exercised	**(417)**	(72)
Balance at 31 December	**7,073**	3,175

38. Share-based compensation plans (continued)

Year granted	Expiry date	Fair value per grant at grant date $	Number of outstanding grants 2011 '000	2010 '000
Restricted shares				
2008	14 Nov 2010 and 14 Nov 2011	11.16	**–**	805
2009	16 Nov 2011 and 16 Nov 2012	18.55	**639**	1,353
2010	15 Dec 2012 and 15 Dec 2013	16.35	**1,132**	1,195
2011	15 Dec 2013 and 15 Dec 2014	14.53	**1,171**	–
			2,942	3,353
Share appreciation rights				
2008	14 Nov 2014	2.29	**–**	3,352
2009	16 Nov 2015	6.41	**1,204**	2,550
2010	15 Dec 2016	4.87	**2,509**	2,651
2011	15 Dec 2017	2.46	**4,585**	–
			8,298	8,553

Fair values of the restricted shares and share appreciation rights were estimated at the grant date using the Trinomial valuation methodology. The key assumptions were as follows:

	Restricted shares		Share appreciation rights	
	2011	2010	**2011**	2010
Exercise price ($)	Not applicable		**15.67**	18.07
Expected volatility (%) [1]	**22.17**	35.87	**22.17**	35.87
Risk-free interest rate (%)	**0.37 – 0.47**	0.51 – 0.85	**0.96**	1.89
Contractual life (years)	**2 and 3**	2 and 3	**6**	6
Expected dividend yield (%)	Management's forecast in line with dividend policy			

[1] Based on past 3 years historical volatility.

39. Related party transactions

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

Key management personnel refer 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	
		2011	2010	**2011**	2010
		$ million	$ million	**$ million**	$ million
(a)	**Interest income**				
	Subsidiaries	**–**	–	**57**	35
	Associates	**8**	8	**8**	8
	Interest expense				
	Subsidiaries	**–**	–	**21**	17
	Associates	**2**	2	**1**	1
	Dividend income				
	Subsidiaries	**–**	–	**187**	91
	Associates	**–**	–	**119**	86
	Rental income				
	Subsidiaries	**–**	–	**3**	3
	Associates	*****	*	*****	*
	Rental and other expenses				
	Subsidiaries	**–**	–	**90**	78
	Associates	**9**	8	**4**	4
	Fee and commission and other income				
	Subsidiaries	**–**	–	**55**	72
	Associates	**15**	18	**1**	1
	Placements, loans and advances				
	Subsidiaries	**–**	–	**5,693**	2,869
	Associates	**498**	770	**487**	758
	Deposits				
	Subsidiaries	**–**	–	**6,873**	2,269
	Associates	**452**	529	**434**	498
	Off-balance sheet credit facilities				
	Subsidiaries	**–**	–	**113**	*
	Associates	**10**	10	**10**	10
(b)	**Compensation of key management personnel**				
	Short-term employee benefits	**9**	10	**9**	10
	Long-term employee benefits	**4**	6	**4**	6
	Other	**3**	2	**3**	2
		16	18	**16**	18

* Less than $500,000.

40. 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 product groups:

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 ("GW")

GW segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group ("FIG"), Corporate Finance and Debt Capital Markets. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies, and FIG serves financial institutions. Commercial Banking, Corporate Banking and FIG provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, ship finance, trade finance, structured finance, cash management and cross-border payments. Corporate Finance provides services that include lead managing and underwriting equity offerings and corporate advisory 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 treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, gold products, as well as an array of structured products. It is a dominant player in Singapore dollar treasury 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.

Other

Other segment includes property-related activities, insurance businesses and income and expenses not attributable to other operating segments.

40. Segment information (continued)

(a) Operating segments [1] (continued)

	The Group					
	GR $ million	GW $ million	GMIM $ million	Other $ million	Elimination [2] $ million	Total $ million
2011						
Operating income	**2,406**	**2,176**	**927**	**580**	**(390)**	**5,699**
Operating expenses	**(1,306)**	**(464)**	**(533)**	**(422)**	**275**	**(2,450)**
Impairment charges	**(71)**	**(170)**	**17**	**(299)**	**–**	**(523)**
Amortisation of intangible assets	**(3)**	**(7)**	**–**	**–**	**–**	**(10)**
Share of profit of associates	**–**	**–**	**(3)**	**96**	**–**	**93**
Profit before tax	**1,026**	**1,535**	**408**	**(45)**	**(116)**	**2,808**
Segment assets	**65,160**	**86,189**	**77,600**	**8,813**	**(6,092)**	**231,670**
Intangible assets						
Goodwill	**1,333**	**2,109**	**666**	**80**	**–**	**4,188**
Other	**3**	**5**	**–**	**–**	**–**	**8**
Investment in associates	**–**	**–**	**20**	**1,072**	**–**	**1,092**
Total assets	**66,496**	**88,303**	**78,286**	**9,965**	**(6,092)**	**236,958**
Segment liabilities	**85,647**	**77,135**	**43,920**	**13,869**	**(6,757)**	**213,814**
Other information						
Inter-segment operating income	**407**	**(183)**	**(226)**	**392**	**(390)**	**–**
Gross customer loans	**64,796**	**78,741**	**340**	**66**	**–**	**143,943**
Non-performing assets	**474**	**1,813**	**151**	**142**	**–**	**2,580**
Capital expenditure	**14**	**4**	**6**	**163**	**–**	**187**
Depreciation of assets	**8**	**5**	**3**	**100**	**–**	**116**
2010						
Operating income	2,245	1,885	1,153	861	(344)	5,800
Operating expenses	(1,157)	(433)	(461)	(460)	253	(2,258)
Impairment charges	(67)	(175)	38	(270)	–	(474)
Amortisation of intangible assets	(3)	(8)	–	–	–	(11)
Share of profit of associates	–	–	3	136	–	139
Profit before tax	1,018	1,269	733	268	(91)	3,197
Segment assets	52,992	65,764	88,959	6,320	(5,665)	208,370
Intangible assets						
Goodwill	1,334	2,112	666	80	–	4,192
Other	6	12	–	–	–	18
Investment in associates	–	–	5	1,193	–	1,198
Total assets	54,332	67,888	89,630	7,593	(5,665)	213,778
Segment liabilities	76,431	61,029	48,485	12,501	(6,321)	192,125
Other information						
Inter-segment operating income	239	(180)	(16)	301	(344)	–
Gross customer loans	52,716	62,171	165	70	–	115,122
Non-performing assets	577	1,668	192	123	–	2,560
Capital expenditure	9	3	4	90	–	106
Depreciation of assets	9	5	3	120	–	137

Note: No operating income from transactions with a single external customer or counterparty amounted to 10% or more of the Group's operating income in 2011 or 2010.

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

[2] This includes joint income and expenses allocated to business segments in respect of cross-sell activities.

40. 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	
	2011	2010	**2011**	2010	**2011**	2010
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Singapore	**3,339**	3,730	**1,840**	2,290	**144,739**	141,970
Malaysia	**797**	706	**450**	395	**29,308**	21,620
Thailand	**431**	408	**50**	87	**11,996**	10,533
Indonesia	**430**	388	**151**	175	**7,767**	5,455
Greater China	**323**	227	**147**	105	**19,133**	11,879
Other	**379**	341	**180**	156	**19,819**	18,111
	5,699	5,800	**2,818**	3,208	**232,762**	209,568
Intangible assets	**–**	–	**(10)**	(11)	**4,196**	4,210
	5,699	5,800	**2,808**	3,197	**236,958**	213,778

41. 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 delegated authority 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 Board Risk Management Committee.

The 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 Market Risk Control within the Risk Management Sector monitors 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 being managed are set out below:

(a) **Credit risk**

Credit risk is defined as the risk of loss arising from any failure by a borrower or a counterparty to fulfil its financial obligations as and when they 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.

41. Financial risk management (continued)

(a) **Credit risk** (continued)

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 dues 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.

(i) Credit exposure

	The Group			
	Average 2011 $ million	Average 2010 $ million	**2011 $ million**	2010 $ million
Balances and placements with central banks	**27,331**	23,780	**25,382**	29,279
Singapore Government treasury bills and securities	**10,930**	12,386	**9,652**	12,208
Other government treasury bills and securities	**7,855**	6,913	**8,188**	7,521
Trading debt securities	**129**	6	**250**	7
Placements and balances with banks	**14,203**	12,260	**16,951**	11,455
Loans to non-bank customers	**126,816**	105,821	**141,191**	112,440
Derivative financial assets	**5,910**	5,495	**6,257**	5,563
Assets pledged	**4,738**	4,970	**2,526**	6,950
Investment debt securities	**11,776**	12,956	**10,939**	12,612
Other	**2,577**	2,788	**2,390**	2,768
	212,265	187,375	**223,726**	200,803
Contingent liabilities	**15,389**	13,647	**15,810**	14,968
Commitments	**51,099**	47,749	**53,611**	48,588
	278,753	248,771	**293,147**	264,359

Collateral and other credit enhancements such as properties, marketable securities, fixed deposits and credit default swaps were obtained or entered into by the Group to mitigate its credit exposure arising mainly from loans to non-bank customers. The financial effect of the collateral and other credit enhancements amounted to 38% (2010: 34%) of the Group's total credit exposure.

41. Financial risk management (continued)

(a) **Credit risk** (continued)

(ii) Cross-border exposure above 1% of total assets

	The Group					
	Banks $ million	**Non-banks $ million**	**Central banks and governments $ million**	**Investments $ million**	**Total $ million**	**% of total assets**
2011						
China	**3,877**	**2,706**	**16**	**840**	**7,439**	**3.1**
United States	**1,345**	**140**	**66**	**1,589**	**3,140**	**1.3**
Japan	**1,328**	**15**	**1,488**	**307**	**3,138**	**1.3**
United Kingdom	**2,347**	**94**	**1**	**411**	**2,853**	**1.2**
Hong Kong	**916**	**1,213**	**–**	**564**	**2,693**	**1.1**
2010						
United States	468	61	2,774	2,507	5,810	2.7
China	3,266	738	–	610	4,614	2.2
Hong Kong	1,856	288	–	681	2,825	1.3

(iii) Credit quality of gross loans and debt securities

Gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group	
	2011 $ million	2010 $ million
Passed	**141,289**	112,013
Special mention	**634**	1,014
Substandard	**1,403**	1,270
Doubtful	**190**	272
Loss	**427**	553
	143,943	115,122

Gross investment debt securities of the Group as at 31 December 2011 was $11,802 million (2010: $13,262 million) and allowance for impairment of $279 million (2010: $363 million) was made for these securities.

Collateral such as properties, marketable securities and fixed deposits were obtained by the Group to mitigate its credit exposure.

41. Financial risk management (continued)

(a) **Credit risk** (continued)

(iv) Ageing analysis of past due but not impaired and non-performing assets

	The Group			
	2011		2010	
	Past due but not impaired $ million	**Non-performing $ million**	Past due but not impaired $ million	Non-performing $ million
Current	**–**	**605**	–	596
Within 90 days	**3,040**	**190**	2,724	194
Over 90 to 180 days	**–**	**141**	–	251
Over 180 days	**–**	**1,644**	–	1,519
	3,040	**2,580**	2,724	2,560

(v) Past due but not impaired and non-performing assets analysed by geographical segment

	The Group					
	2011			2010		
	Past due but not impaired $ million	**Non-performing $ million**	**Individual impairment $ million**	Past due but not impaired $ million	Non-performing $ million	Individual impairment $ million
Singapore	**1,564**	**1,018**	**426**	1,646	1,059	528
Malaysia	**899**	**351**	**104**	644	373	118
Thailand	**329**	**468**	**281**	256	532	334
Indonesia	**78**	**83**	**35**	157	80	27
Greater China	**123**	**31**	**28**	11	61	32
Other	**47**	**629**	**175**	10	455	118
	3,040	**2,580**	**1,049**	2,724	2,560	1,157

41. Financial risk management (continued)

(a) **Credit risk** (continued)

(vi) Past due but not impaired and non-performing assets analysed by industry

	The Group					
	2011			2010		
	Past due but not impaired $ million	**Non-performing $ million**	**Individual impairment $ million**	Past due but not impaired $ million	Non-performing $ million	Individual impairment $ million
Transport, storage and communication	**108**	**569**	**176**	214	361	89
Building and construction	**230**	**134**	**33**	115	149	43
Manufacturing	**365**	**491**	**279**	382	524	346
Financial institutions	**99**	**537**	**218**	194	575	251
General commerce	**842**	**278**	**121**	520	353	205
Professionals and private individuals	**473**	**144**	**79**	857	197	99
Housing loans	**850**	**228**	**33**	375	259	36
Other	**73**	**199**	**110**	67	142	88
	3,040	**2,580**	**1,049**	2,724	2,560	1,157

(vii) Security coverage of non-performing assets

	The Group	
	2011 $ million	2010 $ million
Non-performing assets secured by:		
Properties	**729**	935
Marketable securities, fixed deposits and other	**269**	218
Unsecured non-performing assets	**1,582**	1,407
	2,580	2,560

(viii) Collateral possessed during the financial year

	The Group	
	2011 $ million	2010 $ million
Properties	**3**	12

Collateral possessed are disposed of in an orderly manner in accordance with target prices set. Proceeds from sale of collateral are used to reduce the outstanding loans.

41. Financial risk management (continued)

(b) **Foreign exchange 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, non-trading and structural foreign exchange exposures. Non-trading foreign exchange exposures are principally derived from customer businesses. Structural foreign currency exposures are represented by the net asset values of overseas branches, share of the net asset values of its overseas subsidiaries and associates, and long-term investment in overseas properties of the Group. The Group utilises mainly spot foreign exchange, foreign currency forwards and swaps to hedge its foreign exchange exposures. Where possible, foreign investments are funded in the functional currencies of the respective locations to mitigate structural foreign currency exposures.

Foreign exchange risk is managed through policies and risk limits approved by the Asset and Liability Committee ("ALCO"). The limits, such as exposure by currency are independently monitored by Market Risk Management and Market Risk Control.

(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	Other $ million	Total $ million
2011							
Cash, balances and placements with central banks	11,438	3,513	5,950	2,222	1,199	2,464	26,786
Securities [1]	12,974	7,571	1,954	1,511	158	8,421	32,589
Placements and balances with banks [1]	201	10,544	45	89	172	7,719	18,770
Loans to non-bank customers	76,900	19,558	18,435	7,280	4,436	14,582	141,191
Investment in associates	997	1	83	*	–	11	1,092
Intangible assets	3,182	–	–	723	291	–	4,196
Derivative financial assets	2,806	2,319	30	168	12	922	6,257
Other	3,104	677	446	448	231	1,171	6,077
Total assets	111,602	44,183	26,943	12,441	6,499	35,290	236,958
Deposits and balances of non-bank customers	95,720	19,818	20,890	6,874	4,774	21,384	169,460
Deposits and balances of banks, and bills and drafts payable	4,562	5,933	1,792	527	96	8,570	21,480
Debts issued	1,610	7,668	204	1,824	–	480	11,786
Derivative financial liabilities	3,135	2,689	56	164	12	1,011	7,067
Other	1,492	1,248	472	243	139	427	4,021
Total liabilities	106,519	37,356	23,414	9,632	5,021	31,872	213,814
On-balance sheet open position	5,083	6,827	3,529	2,809	1,478	3,418	
Off-balance sheet open position	9,528	(9,162)	(49)	(821)	*	505	
Net open position	14,611	(2,335)	3,480	1,988	1,478	3,923	

* Less than $500,000.

[1] Include assets pledged.

41. Financial risk management (continued)

(b) Foreign exchange risk (continued)

(i)

	The Group						
	Singapore dollar $ million	US dollar $ million	Malaysian ringgit $ million	Thai baht $ million	Indonesian rupiah $ million	Other $ million	Total $ million
2010							
Cash, balances and placements with central banks	21,496	2,338	3,445	671	921	1,872	30,743
Securities [1]	16,194	11,897	2,419	2,801	214	6,928	40,453
Placements and balances with banks [1]	285	5,688	69	336	34	7,046	13,458
Loans to non-bank customers	65,329	13,559	13,933	6,559	3,169	9,891	112,440
Investment in associates	1,111	2	77	6	–	2	1,198
Intangible assets	3,182	–	–	725	303	–	4,210
Derivative financial assets	4,988	182	102	140	5	146	5,563
Other	3,627	890	303	303	216	374	5,713
Total assets	116,212	34,556	20,348	11,541	4,862	26,259	213,778
Deposits and balances of non-bank customers	86,464	17,264	15,508	6,503	3,150	13,410	142,299
Deposits and balances of banks, and bills and drafts payable	6,997	13,420	2,034	210	134	10,355	33,150
Debts issued	2,504	3,015	207	532	–	5	6,263
Derivative financial liabilities	4,734	442	111	165	5	286	5,743
Other	2,497	859	241	220	127	726	4,670
Total liabilities	103,196	35,000	18,101	7,630	3,416	24,782	192,125
On-balance sheet open position	13,016	(444)	2,247	3,911	1,446	1,477	
Off-balance sheet open position	1,931	(215)	(208)	(2,036)	11	517	
Net open position	14,947	(659)	2,039	1,875	1,457	1,994	

[1] Include assets pledged.

41. Financial risk management (continued)

(b) **Foreign exchange risk** (continued)

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

	The Group		
	Structural currency exposure		
	Total $ million	Hedged $ million	Unhedged $ million
2011			
Chinese renminbi	**817**	**–**	**817**
Indonesian rupiah	**1,274**	**–**	**1,274**
Malaysian ringgit	**1,918**	**–**	**1,918**
Thai baht	**2,008**	**–**	**2,008**
US dollar	**537**	**407**	**130**
Other	**1,032**	**717**	**315**
	7,586	**1,124**	**6,462**
2010			
Chinese renminbi	727	–	727
Indonesian rupiah	1,240	–	1,240
Malaysian ringgit	1,702	–	1,702
Thai baht	2,059	–	2,059
US dollar	487	383	104
Other	867	575	292
	7,082	958	6,124

41. Financial risk management (continued)

(c) **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.

(i) The table below shows the Group's sensitivity to interest rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits.

	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	Non-interest bearing $ million	Total $ million
2011								
Cash, balances and placements with central banks	6,512	8,761	3,837	1,986	–	–	5,690	26,786
Securities [1]	(486)	2,340	6,283	6,235	4,211	10,642	3,364	32,589
Placements and balances with banks [1]	5,081	3,931	6,818	2,632	1	–	307	18,770
Loans to non-bank customers	26,325	63,512	33,134	11,079	3,986	2,015	1,140	141,191
Investment in associates	–	–	–	–	–	–	1,092	1,092
Intangible assets	–	–	–	–	–	–	4,196	4,196
Derivative financial assets	–	–	–	–	–	–	6,257	6,257
Other	931	74	8	250	354	–	4,460	6,077
Total assets	38,363	78,618	50,080	22,182	8,552	12,657	26,506	236,958
Deposits and balances of non-bank customers	60,631	36,644	22,131	22,858	5,090	1,406	20,700	169,460
Deposits and balances of banks, and bills and drafts payable	2,742	6,954	4,760	1,023	–	–	6,001	21,480
Debts issued	395	1,883	3,325	172	4,525	1,204	282	11,786
Derivative financial liabilities	–	–	–	–	–	–	7,067	7,067
Other	909	1	3	28	40	–	3,040	4,021
Total liabilities	64,677	45,482	30,219	24,081	9,655	2,610	37,090	213,814
Equity attributable to:								
Equity holders of the Bank	–	–	–	–	–	–	22,967	22,967
Non-controlling interests	–	–	–	–	–	–	177	177
Total equity	–	–	–	–	–	–	23,144	23,144
Net on-balance sheet position	(26,314)	33,136	19,861	(1,899)	(1,103)	10,047	(33,728)	
Net off-balance sheet position	1,985	1,889	594	(3,487)	1,235	(2,216)	–	
Net interest rate sensitivity gap	(24,329)	35,025	20,455	(5,386)	132	7,831	(33,728)	

[1] Include assets pledged.

41. Financial risk management (continued)

(c) **Interest rate risk** (continued)

(i)

	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	Non-interest bearing $ million	Total $ million
2010								
Cash, balances and placements with central banks	4,673	8,355	7,538	5,560	–	–	4,617	30,743
Securities [1]	166	1,876	7,117	8,986	8,284	11,251	2,773	40,453
Placements and balances with banks [1]	4,188	3,277	4,574	1,232	33	–	154	13,458
Loans to non-bank customers	21,513	48,000	26,448	9,635	4,158	1,633	1,053	112,440
Investment in associates	–	–	–	–	–	–	1,198	1,198
Intangible assets	–	–	–	–	–	–	4,210	4,210
Derivative financial assets	–	–	–	–	–	–	5,563	5,563
Other	206	13	104	345	546	151	4,348	5,713
Total assets	30,746	61,521	45,781	25,758	13,021	13,035	23,916	213,778
Deposits and balances of non-bank customers	54,761	26,309	19,540	21,767	1,613	1,416	16,893	142,299
Deposits and balances of banks, and bills and drafts payable	12,388	9,424	6,384	821	–	–	4,133	33,150
Debts issued	59	210	351	1,567	1,293	2,490	293	6,263
Derivative financial liabilities	–	–	–	–	–	–	5,743	5,743
Other	945	195	72	395	369	39	2,655	4,670
Total liabilities	68,153	36,138	26,347	24,550	3,275	3,945	29,717	192,125
Equity attributable to:								
Equity holders of the Bank	–	–	–	–	–	–	21,473	21,473
Non-controlling interests	–	–	–	–	–	–	180	180
Total equity	–	–	–	–	–	–	21,654	21,654
Net on-balance sheet position	(37,407)	25,383	19,434	1,208	9,746	9,090	(27,455)	
Net off-balance sheet position [2]	2,389	4,574	(2,984)	(2,194)	18	(1,802)	–	
Net interest rate sensitivity gap	(35,018)	29,957	16,450	(986)	9,764	7,288	(27,455)	

[1] Include assets pledged.

[2] Profiling of undrawn commitments includes only committed credit facilities for Singapore.

(ii) The economic value of equity ("EVE") sensitivity at 100 and 200 basis points parallel interest rate shocks were negative $285 million and $503 million (2010: negative $431 million and $873 million) respectively. This is computed on the banking book for major currencies (Singapore dollar, US dollar and Malaysian ringgit) from major subsidiaries and branches. EVE is the present value of assets less present value of liabilities of the Group. The reported figures are based on the worst case of an upward and downward parallel shift in the yield curve. The repricing profile of loans and deposits that do not have maturity dates is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is generally estimated based on past statistics and trends where possible and material. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

41. Financial risk management (continued)

(d) **Liquidity risk**

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

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

(i) The following table shows the cashflow 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 non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but historically 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
2011								
Cash, balances and placements with central banks	10,314	5,745	3,842	1,993	–	526	4,382	26,802
Securities [1]	(401)	1,693	4,710	6,675	6,631	13,121	3,216	35,645
Placements and balances with banks [1]	4,328	3,504	6,861	4,216	930	1,178	26	21,043
Loans to non-bank customers	3,961	9,557	12,572	17,485	27,052	82,778	2,528	155,933
Investment in associates	–	–	–	–	–	–	1,092	1,092
Intangible assets	–	–	–	–	–	–	4,196	4,196
Derivative financial assets	–	–	–	–	–	–	6,257	6,257
Other	911	218	46	254	352	545	3,266	5,592
Total assets	**19,113**	**20,717**	**28,031**	**30,623**	**34,965**	**98,148**	**24,963**	**256,560**
Deposits and balances of non-bank customers	84,749	32,875	21,981	23,414	5,161	1,492	15	169,687
Deposits and balances of banks, and bills and drafts payable	6,903	7,323	5,318	1,204	244	495	7	21,494
Debts issued	367	1,708	2,827	459	5,591	1,327	281	12,560
Derivative financial liabilities	–	–	–	–	–	–	7,067	7,067
Other	132	146	99	105	62	411	2,890	3,845
Total liabilities	**92,151**	**42,052**	**30,225**	**25,182**	**11,058**	**3,725**	**10,260**	**214,653**
Equity attributable to:								
Equity holders of the Bank	–	–	–	–	–	–	22,967	22,967
Non-controlling interests	–	–	–	–	–	–	177	177
Total equity	–	–	–	–	–	–	**23,144**	**23,144**
Net on-balance sheet position	**(73,038)**	**(21,335)**	**(2,194)**	**5,441**	**23,907**	**94,423**	**(8,441)**	
Net off-balance sheet position	**(42,582)**	**(504)**	**(428)**	**(388)**	**(193)**	**(324)**	**(5,284)**	
Net maturity mismatch	**(115,620)**	**(21,839)**	**(2,622)**	**5,053**	**23,714**	**94,099**	**(13,725)**	

[1] Include assets pledged.

41. Financial risk management (continued)

(d) **Liquidity risk** (continued)

(i)

	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
2010								
Cash, balances and placements with central banks	7,804	6,442	7,548	5,588	–	–	3,406	30,788
Securities [1]	565	864	5,756	9,622	10,431	13,147	3,246	43,631
Placements and balances with banks [1]	4,245	2,757	4,278	1,374	180	598	48	13,480
Loans to non-bank customers	3,645	7,922	10,445	15,223	22,732	57,483	6,816	124,266
Investment in associates	–	–	–	–	–	–	1,198	1,198
Intangible assets	–	–	–	–	–	–	4,210	4,210
Derivative financial assets	–	–	–	–	–	–	5,563	5,563
Other	410	114	31	271	547	151	3,667	5,191
Total assets	16,669	18,099	28,058	32,078	33,890	71,379	28,154	228,327
Deposits and balances of non-bank customers	74,767	23,035	19,655	21,936	1,625	1,452	(14)	142,456
Deposits and balances of banks, and bills and drafts payable	15,491	9,569	6,784	833	2	458	22	33,159
Debts issued	51	94	426	1,784	1,768	2,729	293	7,145
Derivative financial liabilities	–	–	–	–	–	–	5,743	5,743
Other	109	54	157	477	168	24	3,554	4,543
Total liabilities	90,418	32,752	27,022	25,030	3,563	4,663	9,598	193,046
Equity attributable to:								
Equity holders of the Bank	–	–	–	–	–	–	21,473	21,473
Non-controlling interests	–	–	–	–	–	–	180	180
Total equity	–	–	–	–	–	–	21,654	21,654
Net on-balance sheet position	(73,749)	(14,653)	1,036	7,048	30,327	66,716	(3,097)	
Net off-balance sheet position	(30,964)	(1,005)	(775)	(453)	(470)	(116)	(10,174)	
Net maturity mismatch	(104,713)	(15,658)	261	6,595	29,857	66,600	(13,271)	

[1] Include assets pledged.

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 33 and 36a. These have been incorporated in the net off-balance sheet position for year ended 31 December 2011. 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 41d(ii).

41. Financial risk management (continued)

(d) **Liquidity risk** (continued)

(ii) The following table shows the cashflow analysis of the Group's assets and liabilities with behavioural adjustments on significant balance sheet items for Singapore, Malaysia and Thailand 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	Over 1 year $ million	Total $ million
2011						
Cash, balances and placements with central banks	**10,314**	**5,745**	**3,842**	**1,993**	**4,908**	**26,802**
Securities [1]	**326**	**1,681**	**4,840**	**6,493**	**22,305**	**35,645**
Placements and balances with banks [1]	**5,176**	**3,352**	**6,691**	**3,656**	**2,168**	**21,043**
Loans to non-bank customers	**4,427**	**10,916**	**13,988**	**21,560**	**96,260**	**147,151**
Investment in associates	**–**	**–**	**–**	**–**	**1,092**	**1,092**
Intangible assets	**–**	**–**	**–**	**–**	**4,196**	**4,196**
Derivative financial assets	**–**	**–**	**–**	**–**	**6,257**	**6,257**
Other	**911**	**218**	**46**	**254**	**4,163**	**5,592**
Total assets	**21,154**	**21,912**	**29,407**	**33,956**	**141,349**	**247,778**
Deposits and balances of non-bank customers [2]	**12,726**	**14,681**	**10,036**	**4,867**	**127,151**	**169,461**
Deposits and balances of banks, and bills and drafts payable	**6,849**	**7,377**	**5,318**	**1,204**	**746**	**21,494**
Debts issued	**367**	**1,708**	**2,827**	**459**	**7,199**	**12,560**
Derivative financial liabilities	**–**	**–**	**–**	**–**	**7,067**	**7,067**
Other	**127**	**124**	**85**	**84**	**3,425**	**3,845**
Total liabilities	**20,069**	**23,890**	**18,266**	**6,614**	**145,588**	**214,427**
Equity attributable to:						
Equity holders of the Bank	**–**	**–**	**–**	**–**	**22,967**	**22,967**
Non-controlling interests	**–**	**–**	**–**	**–**	**177**	**177**
Total equity	**–**	**–**	**–**	**–**	**23,144**	**23,144**
Net on-balance sheet position	**1,085**	**(1,978)**	**11,141**	**27,342**	**(27,383)**	
Net off-balance sheet position	**(2,115)**	**(2,399)**	**(904)**	**(1,608)**	**(12,215)**	
Net maturity mismatch	**(1,030)**	**(4,377)**	**10,237**	**25,734**	**(39,598)**	

1 Include assets pledged.

2 Excludes interest cashflows for Singapore which are negligible within the time horizon against which the bank manages its liquidity risk.

41. Financial risk management (continued)

(d) **Liquidity risk** (continued)

(ii)

	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 year $ million	Total $ million
2010						
Cash, balances and placements with central banks	7,804	6,442	7,548	5,588	3,406	30,788
Securities [1]	1,679	928	5,350	9,354	26,321	43,632
Placements and balances with banks [1]	4,245	2,757	4,278	1,374	826	13,480
Loans to non-bank customers	4,291	9,721	13,098	22,625	66,128	115,863
Investment in associates	–	–	–	–	1,198	1,198
Intangible assets	–	–	–	–	4,210	4,210
Derivative financial assets	–	–	–	–	5,563	5,563
Other	410	114	31	271	4,365	5,191
Total assets	18,429	19,962	30,305	39,212	112,017	219,925
Deposits and balances of non-bank customers [2]	12,640	11,665	7,106	2,873	108,016	142,300
Deposits and balances of banks, and bills and drafts payable	15,491	9,569	6,784	833	482	33,159
Debts issued	51	94	426	1,784	4,789	7,144
Derivative financial liabilities	–	–	–	–	5,743	5,743
Other	105	35	148	464	3,791	4,543
Total liabilities	28,287	21,363	14,464	5,954	122,821	192,889
Equity attributable to:						
Equity holders of the Bank	–	–	–	–	21,473	21,473
Non-controlling interests	–	–	–	–	180	180
Total equity	–	–	–	–	21,654	21,654
Net on-balance sheet position	(9,858)	(1,401)	15,841	33,258	(32,457)	
Net off-balance sheet position [3]	(472)	(2,472)	(1,548)	(3,064)	(4,139)	
Net maturity mismatch	(10,330)	(3,873)	14,293	30,194	(36,596)	

[1] Include assets pledged.
[2] Excludes interest cashflows for Singapore which are negligible within the time horizon against which the bank manages its liquidity risk.
[3] Profiling of undrawn commitments includes only committed credit facilities for Singapore.

41. Financial risk management (continued)

(e) **Value-at-risk**

The Group adopts a daily Value-at-Risk ("VaR") to estimate market risk within a 99% confidence interval using the historical simulation method. 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 table below shows the VaR profile by risk classes.

	The Group			
	Year end $ million	High $ million	Low $ million	Average $ million
2011				
Interest rate	**4.10**	**6.32**	**1.83**	**3.58**
Foreign exchange	**2.90**	**5.23**	**0.85**	**2.53**
Equity	**0.07**	**1.43**	**0.07**	**0.60**
Commodity	**0.02**	**0.58**	*	**0.06**
Specific risk [1]	**1.35**	**2.07**	**0.18**	**1.07**
Total VaR (general market risk with specific risk)	**4.81**	**9.48**	**2.28**	**4.66**
2010				
Interest rate	2.43	9.42	1.43	3.71
Foreign exchange	1.09	7.03	0.60	1.62
Equity	1.21	2.31	0.69	1.30
Commodity	*	0.16	*	0.01
Specific risk [1]	0.73	2.05	0.63	1.18
Total VaR (general market risk with specific risk)	3.46	9.74	2.07	4.48

* Less than $5,000.

[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.

42. Capital management

The Group's capital management objective is to maintain an optimal level of capital. Policies are set to ensure that the capital maintained is adequate to support business growth, taking into consideration regulatory requirements, the underlying risks of the Group's business and other factors such as rating targets. The policies endorsed by the Board of Directors are overseen by senior management.

The Group computes its capital adequacy ratios in accordance with MAS Notice 637 Risk-Based Capital Adequacy Requirements for Banks Incorporated in Singapore. The Group's Tier 1 capital comprises mainly share capital, reserves and retained earnings, and Tier 2 capital comprises qualifying subordinated notes and collective impairment allowance. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2011	2010
	$ million	$ million
Tier 1 capital		
Share capital	**3,104**	2,537
Preference shares	**2,149**	2,149
Disclosed reserves/other	**17,511**	16,439
Deductions from Tier 1 capital	**(4,750)**	(4,763)
Eligible Tier 1 capital	**18,014**	16,362
Tier 2 capital		
Cumulative collective impairment/other	**950**	936
Subordinated notes	**3,794**	4,343
Deductions from Tier 2 capital	**(421)**	(435)
Eligible total capital	**22,337**	21,206
Risk-weighted assets	**133,578**	106,889
Capital adequacy ratios (%)		
Core Tier 1	**11.9**	13.3
Tier 1	**13.5**	15.3
Total	**16.7**	19.8

43. Authorisation of financial statements

The financial statements were authorised for issue by the Board of Directors on 23 February 2012.

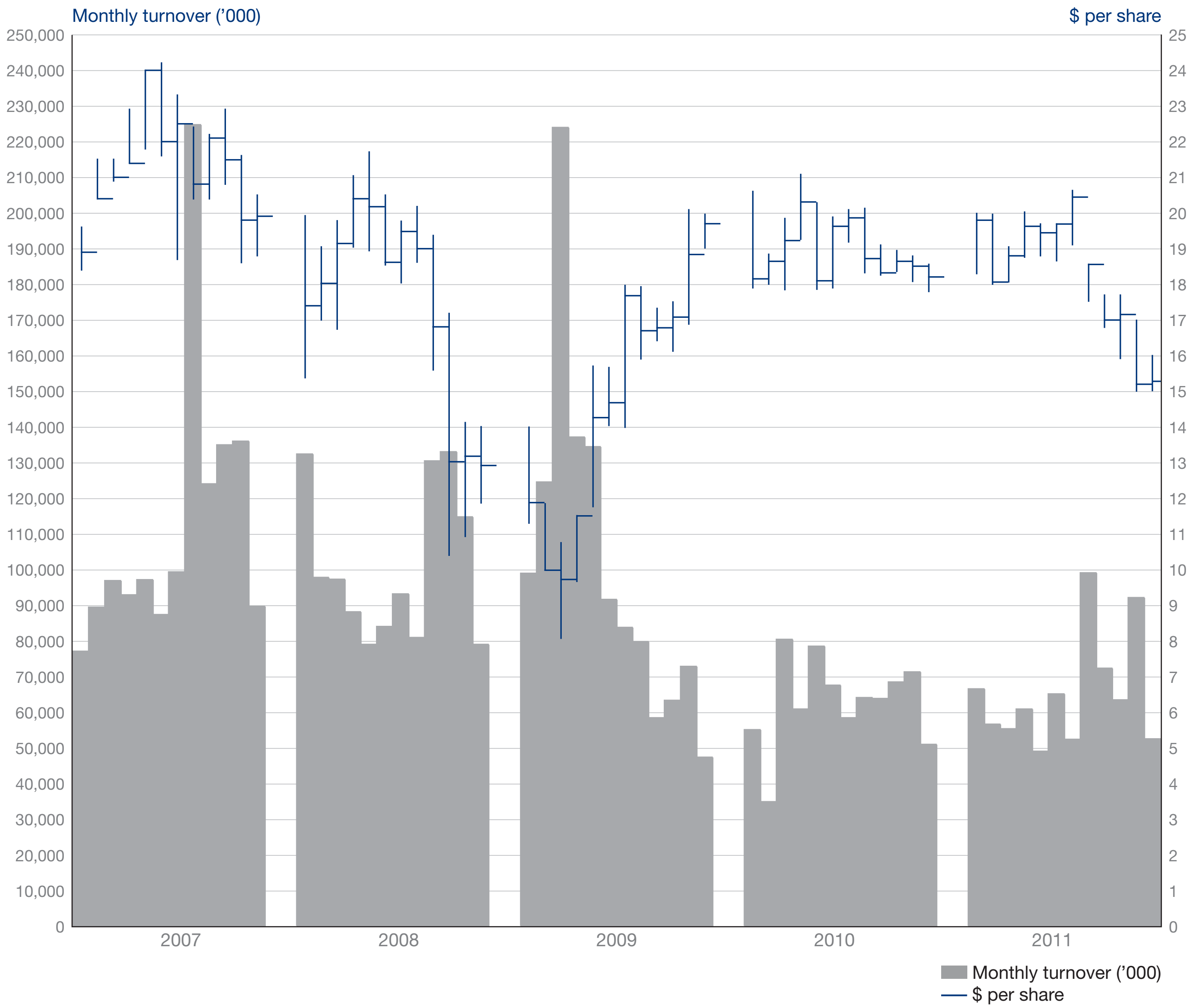
United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2011

Investor Reference

Contents

UOB Share Price and Turnover

for the financial year ended 31 December 2011



	2007	2008	2009	2010	**2011**
Share price ($)					
Highest	24.20	21.70	20.08	21.08	**21.00**
Lowest	18.40	10.40	8.07	17.80	**14.42**
Average	21.30	16.05	14.08	19.44	**17.71**
Last done	19.90	12.92	19.70	18.20	**15.27**
Price/Earning ratio (times) [1, 2]	15.66	12.84	11.83	11.97	**10.68**
Dividend cover (times) [2]	1.90	2.14	2.10	2.25	**2.46**
Net dividend yield (%) [1]	3.46	3.74	4.26	3.60	**3.39**

1 Average share prices are used in computing price/earning ratio and net dividend yield.

2 Excluded one-time gain on sale of UOB Life Assurance Limited and United Industrial Corporation Limited in 2010.

ORDINARY SHARES

Distribution of ordinary shareholdings

Size of shareholdings	No. of ordinary shareholders	%	No. of ordinary shares (excluding treasury shares)	%
1 – 999	7,661	23.65	1,845,359	0.12
1,000 – 10,000	21,521	66.45	57,125,365	3.63
10,001 – 1,000,000	3,145	9.71	131,461,209	8.35
1,000,001 and above	60	0.19	1,382,862,012	87.90
Total:	**32,387**	**100.00**	**1,573,293,945**	**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 9 March 2012, approximately 76% of the issued ordinary shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

Twenty largest ordinary shareholders *(as shown in the Register of Members and Depository Register)*

Name of ordinary shareholders	No. of ordinary shares	% *
Citibank Nominees S'pore Pte Ltd	251,114,166	15.96
DBS Nominees Pte Ltd	227,503,087	14.46
United Overseas Bank Nominees (Pte) Ltd	141,554,758	9.00
DBSN Services Pte Ltd	136,829,067	8.70
Wee Investments Private Ltd	119,995,170	7.63
Wah Hin and Company Private Limited	81,223,402	5.16
HSBC (Singapore) Nominees Pte Ltd	74,778,410	4.75
Tai Tak Estates Sendirian Berhad	67,445,739	4.29
UOB Kay Hian Pte Ltd	37,942,112	2.41
BNP Paribas Securities Services Singapore	36,295,287	2.31
C Y Wee & Co Pte Ltd	34,299,710	2.18
Raffles Nominees Pte Ltd	31,847,070	2.02
UOB Nominees (2006) Pte Ltd	18,075,642	1.15
Wee Cho Yaw	17,382,921	1.10
Tee Teh Sdn Berhad	10,579,419	0.67
Merrill Lynch (S'pore) Pte Ltd	6,944,744	0.44
Estate of Lo Kwang Pheng Deceased	4,369,500	0.28
Ho Sim Guan	4,332,372	0.28
Kota Trading Company Sendirian Berhad	4,069,518	0.26
Tropical Produce Company Pte Ltd	3,928,804	0.25
Total:	**1,310,510,898**	**83.30**

* Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares, of the Bank.

Statistics of Shareholdings

as at 9 March 2012

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 No. of shares	Total interest No. of shares	%
Estate of Lien Ying Chow, deceased	316,516	81,334,262 [1]	81,650,778	5.19
Lien Ying Chow Private Limited	–	81,233,515 [1]	81,233,515	5.16
Wah Hin and Company Private Limited	81,223,402	10,113 [2]	81,233,515	5.16
Sandstone Capital Pte Ltd	10,113	81,223,402 [3]	81,233,515	5.16
Wee Cho Yaw	17,382,921	261,095,414 [4]	278,478,335	17.70
Wee Ee Cheong	3,047,878	156,396,452 [4]	159,444,330	10.13
Wee Ee Chao	150,155	124,243,029 [4]	124,393,184	7.91
Wee Ee Lim	1,760,658	156,348,393 [4]	158,109,051	10.05
Wee Investments Private Ltd	119,995,007	181,913	120,176,920	7.64

* 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 81,233,515 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 81,223,402 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 Private Ltd's total direct and deemed interests of 120,176,920 UOB shares.

UOB CLASS E NON-CUMULATIVE NON-CONVERTIBLE PREFERENCE SHARES

Distribution of preference shareholdings

Size of shareholdings	No. of preference shareholders	%	No. of preference shares	%
1 – 999	8,456	85.47	2,698,760	20.45
1,000 – 10,000	1,381	13.96	3,126,040	23.68
10,001 – 1,000,000	54	0.55	3,502,600	26.53
1,000,001 and above	2	0.02	3,872,600	29.34
Total:	**9,893**	**100.00**	**13,200,000**	**100.00**

Twenty largest preference shareholders *(as shown in the Depository Register)*

Name of preference shareholders	No. of preference shares	%
Citibank Nominees S'pore Pte Ltd	2,472,700	18.73
United Overseas Bank Nominees (Pte) Ltd	1,399,900	10.61
HSBC (Singapore) Nominees Pte Ltd	704,200	5.33
DBS Nominees Pte Ltd	374,000	2.83
Raffles Nominees Pte Ltd	326,200	2.47
Wee Foundation	167,700	1.27
First Capital Insurance Limited – Insurance Fund A/C	160,000	1.21
Tan Ser Kian, Fong Yin Leong & Lim Yin Nee	160,000	1.21
Bank of Singapore Nominees Pte Ltd	108,700	0.82
Singapura Finance Ltd	100,000	0.76
Tan Chong & Sons Motor Company (Singapore) Private Limited	100,000	0.76
Tan Chee Jin	78,800	0.60
HL Bank Nominees (S) Pte Ltd	73,300	0.56
Della Suantio Mrs Della Suantio Lee	59,500	0.45
Institute of Technical Education	50,000	0.38
Sembawang Town Council	50,000	0.38
Singapore Hokkien Huay Kuan	50,000	0.38
Titular Roman Catholic Archbishop Of Singapore	50,000	0.38
BNP Paribas Nominees S'pore Pte Ltd	46,400	0.35
Wilson Yip	45,600	0.35
Total:	**6,577,000**	**49.83**

Five-Year Ordinary Share Capital Summary

		Number of ordinary shares		
Year	Particulars	Issued	Held in treasury	In circulation
2007	Balance at beginning of year	1,523,275,625		
	Exercise of share options	484,000		
	Share buyback and held in treasury		(11,597,000)	
	Balance at end of year	1,523,759,625	(11,597,000)	1,512,162,625
2008	Exercise of share options	171,000		
	Share buyback and held in treasury		(6,723,000)	
	Balance at end of year	1,523,930,625	(18,320,000)	1,505,610,625
2009	Exercise of share options	263,000		
	Issue of shares under share-based compensation plans		145,071	
	Balance at end of year	1,524,193,625	(18,174,929)	1,506,018,696
2010	Issue of shares under share-based compensation plans		659,879	
	Issue of shares under scrip dividend scheme	35,945,762		
	Balance at end of year	1,560,139,387	(17,515,050)	1,542,624,337
2011	**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**		
	Balance at end of year	**1,590,493,941**	**(16,570,334)**	**1,573,923,607**

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Head, Operations & Corporate Services: Yeo Aik Leng Eric

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Head, Operations & Corporate Services: Yeo Aik Leng Eric
State Manager: Geoff Luxton

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Fax: (673) 224 0792
SWIFT: UOVBBNBB
Email: uobbsb@brunet.bn
General Manager: Abdul Razak Abdul Malek

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Website: www.uobchina.com.cn
President & Chief Executive Officer: Tan Kian Huat

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Fax: (852) 2810 5506
Telex: 74581 TYHUA HX
SWIFT: UOVBHKHH
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Chief Executive Officer: Christine Ip
Deputy Chief Executive Officer: Chow Yew Hon
Alternate Chief Executive Officer: Cindy Kwong Hing Shaun

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Deputy Chief Executive Officer: Chow Yew Hon
Alternate Chief Executive Officer: Cindy Kwong Hing Shaun

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Alternate Chief Executive Officer: Cindy Kwong Hing Shaun

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Bandra (East)
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Website: www.uob.co.id
President Director: Armand Bachtiar Arief
Deputy President Director: Wang Lian Khee
Deputy President Director: Iwan Satawidinata

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Chiyoda-Ku
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General Manager: Winston Lai Tak Kong

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Website: www.uob.com.my
Director & Chief Executive Officer: Chan Kok Seong

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1200 Makati City
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Fax: (63)(2) 811 5869
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Email: info@uob.com.ph
President & Chief Executive Officer:
Emmanuel T Mangosing

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Wong Kim Choong
Deputy President & Deputy Chief Executive Officer:
Chua Teng Hui

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Chief Executive Officer: Ng Kwan Meng

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Chief Executive Officer: Ady Ng Lai Wah

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Website: uoi.com.sg
Managing Director: Chan Mun Wai David

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Phone: (852) 3606 9933
Fax: (852) 2810 0225
Director: Chan Mun Wai David

INVESTMENT MANAGEMENT

Singapore
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: uobam.com.sg
Managing Director & Group Chief Investment Officer: Thio Boon Kiat

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)
1st Floor, Unit FF03-FF05
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 Consultancy (Beijing) Limited
(an associate)
8/F Taiji Building
No. 211, Bei Si Huan Middle Road
Haidian District
Beijing 100083
Phone: (86)(10) 5161 6671
Fax: (86)(10) 5161 6700
Email: admin@uobim.com.cn
Contact: Seah Kian Wee

UOB Venture Management (Shanghai) Co., Ltd
(a subsidiary)
Room 3307, United Plaza
1468 Nanjing West Road
Shanghai 200040
Phone: (86)(21) 6247 6228
Fax: (86)(21) 6289 8817
Email: postmaster@uobvm.com.cn
Managing Director: Seah Kian Wee

SZVC-UOB Venture Management Co., Ltd
(an associate)
11/F Investment Building
No. 4009 Shennan Road
Futian Central District
Shenzhen 518026
Phone: (86)(755) 8291 2888
Fax: (86)(755) 8290 4093
Email: master@szvc.com.cn
Deputy General Manager: Tao Alina

France
UOB Global Capital SARL
(a subsidiary)
40 Rue La Perouse
75116 Paris
Phone: (33)(1) 5364 8400
Fax: (33)(1) 5364 8409
Email: mlandau@uobglobal.com
Managing Director: Michael Landau

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: Masashi Ohmatsu

Malaysia
UOB-OSK Asset Management Sdn Bhd
(a subsidiary)
Menara UOB, Level 13
Jalan Raja Laut
50350 Kuala Lumpur
Phone: (60)(3) 2732 1181
Fax: (60)(3) 2732 1100
Email: uob_poms@bloomberg.net
Chief Executive Officer: Lim Suet Ling

Taiwan
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
Email: uobia@uobia.com.tw
General Manager: William Wang

Thailand
UOB Asset Management (Thai) Company Limited
(a subsidiary)
191 South Sathon Road, 11th Floor
Sathon
Bangkok 10120
Phone: (66)(2) 676 7100
Fax: (66)(2) 6767 8807
Website: www.uobam.co.th
Chief Executive Officer: Vana Bulbon

United States Of America
UOB Global Capital LLC
(a subsidiary)
UOB Building
592 Fifth Avenue
Suite 602
New York, NY 10036
Phone: (1)(212) 398 6633
Fax: (1)(212) 398 4030
Email: dgoss@uobglobal.com
Managing Director: David Goss

MERCHANT BANKING

Hong Kong S.A.R.
UOB Asia (Hong Kong) Limited
(a subsidiary)
Suite 601, 6/F AON China Building
29 Queen's Road
Central, Hong Kong S.A.R.
Phone: (852) 2868 2633
Fax: (852) 2840 0438
Email: uobahk@uobahk.com
Chief Executive Officer: Yip Kwok Kwan

MONEY MARKET

Australia
UOB Australia Limited
(a subsidiary)
United Overseas Bank Building
Level 9, 32 Martin Place
Sydney, NSW 2000
Phone: (61)(2) 9221 1924
Fax: (61)(2) 9221 1541
SWIFT: UOVBAU2S
Email: UOB.Sydney@UOBgroup.com
Director & Country Head, Australia & New Zealand: Peter Mackinlay
Director & General Manager, Operations: Yeo Aik Leng Eric

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

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 **Seventieth 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, 26 April 2012, at 3.00 pm to transact the following business:

As Ordinary Business

Resolution 1 To receive the Financial Statements, the Directors' Report and the Auditors' Report for the year ended 31 December 2011.

Resolution 2 To declare a final one-tier tax-exempt dividend of 40 cents per ordinary share for the year ended 31 December 2011.

Resolution 3 To approve Directors' fees of $1,670,000 for 2011 (2010: $1,380,000).

Resolution 4 To approve a fee of $2,250,000 to the Chairman of the Bank, Dr Wee Cho Yaw, for the period from January 2011 to December 2011.

Resolution 5 To re-appoint Ernst & Young LLP as Auditors of the Company and authorise the Directors to fix their remuneration.

To re-elect the following Directors:

Resolution 6 Mr Wong Meng Meng

Resolution 7 Mr Cheng Jue Hiang Willie

Resolution 8 Mr Hsieh Fu Hua

To pass the following resolution under Section 153(6) of the Companies Act, Cap. 50:

"THAT pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr ______________________ be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting of the Company."

In respect of:

Resolution 9 Dr Wee Cho Yaw

Resolution 10 Professor Cham Tao Soon

Resolution 11 Mr Thein Reggie

As Special Business

To consider and, if thought fit, pass the following ordinary resolutions:

Resolution 12 "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) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of ordinary shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 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 20 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 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 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 Articles of Association 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 of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

Resolution 13 "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 14 "THAT

(a) authority be and is hereby given to the Directors to:

(i) allot and issue any of the preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E and/or 7F of the Articles of Association of the Company; and/or

(ii) make or grant offers, agreements or options that might or would require the preference shares referred to in sub-paragraph (i) above to be issued,

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 (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) to issue the preference shares referred to in sub-paragraph (i) above in connection with any offers, agreements or options made or granted by the Directors while this Resolution was in force;

(b) the Directors be authorised to do all such things and execute all such documents as they may consider necessary or appropriate to give effect to this Resolution as they may deem fit; and

(c) (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 of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

Notes to Resolutions

Resolution 2 is to approve the final dividend. The Transfer Books and Register of Members will be closed from 10 May 2012 to 11 May 2012, both dates inclusive, for the preparation of the final dividend. Registrable transfers received up to 5.00 pm on 9 May 2012 will be entitled to the final dividend. If approved, the final dividend will be paid on 22 May 2012.

Resolution 4 is to approve a fee of $2,250,000 for the period from January 2011 to December 2011 to the Chairman of the Bank, Dr Wee Cho Yaw, 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-elect Mr Wong Meng Meng who will, if re-elected, continue as the Chairman of the Nominating Committee.

Resolution 7 is to is re-elect Mr Cheng Jue Hiang Willie who will, if re-elected, be a member of the Audit Committee and Nominating Committee.

Resolution 8 is to re-elect Mr Hsieh Fu Hua who will, if re-elected, be a member of the Executive Committee, Nominating Committee, Remuneration Committee and Board Risk Management Committee.

Resolution 9 is to re-appoint Dr Wee Cho Yaw who will, if re-appointed, remain as the Chairman of the Executive Committee, Remuneration Committee and Board Risk Management Committee and a member of the Nominating Committee.

Resolution 10 is to re-appoint Professor Cham Tao Soon who will, if re-appointed, cease to be the Chairman of the Audit Committee but remain as a member of the Audit Committee and Board Risk Management Committee. He will cease to be a member of the Executive Committee, Nominating Committee and Remuneration Committee.

Resolution 11 is to re-elect Mr Thein Reggie who will, if re-appointed, be the Chairman of the Audit Committee and a member of the Remuneration Committee.

Resolution 12 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 20 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 12 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 12 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary shares.

Resolution 13 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 next AGM.

Resolution 14 is to enable the Directors to issue any of the preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E and/or 7F of the Articles of Association of the Company and/or make or grant offers, agreements or options that might or would require such preference shares to be issued at any time. The Directors will only issue such preference shares under this Resolution if they consider it appropriate and in the interest of the Company to do so.

BY ORDER OF THE BOARD

Chan Vivien
Secretary

Singapore, 5 April 2012

Notes:

(1) A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) 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 Meeting.

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Proxy Form

UOB 大華銀行

UNITED OVERSEAS BANK LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 193500026Z

IMPORTANT
1. The Annual Report 2011 is sent to investors who have used their CPF monies to buy shares of United Overseas Bank Limited, FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We____ (Name), NRIC/Passport No. ____________________

of ____(Address)

being a member/members of United Overseas Bank Limited (the "Company"), hereby appoint

Name		**Proportion of Shareholdings**	
NRIC/Passport No.		**No. of Shares**	**%**
Address			

and/or *

Name		**Proportion of Shareholdings**	
NRIC/Passport No.		**No. of Shares**	**%**
Address			

** Please delete as appropriate.*

or failing him/her, the **Chairman of the Meeting** as my/our proxy, to attend and vote for me/us on my/our behalf at the **Seventieth 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, 26 April 2012 at 3.00 pm and at any adjournment thereof.

(Please indicate with an "X" in the space provided how you wish your proxy to vote. In the absence of specific directions, the proxy will vote as the proxy deems fit.)

No.	**Ordinary Resolutions**	**For**	**Against**
Resolution 1	Financial Statements, Directors' Report and Auditors' Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Chairman's Fee		
Resolution 5	Auditors and their remuneration		
Resolution 6	Re-election (Mr Wong Meng Meng)		
Resolution 7	Re-election (Mr Cheng Jue Hiang Willie)		
Resolution 8	Re-election (Mr Hsieh Fu Hua)		
Resolution 9	Re-appointment (Dr Wee Cho Yaw)		
Resolution 10	Re-appointment (Professor Cham Tao Soon)		
Resolution 11	Re-appointment (Mr Thein Reggie)		
Resolution 12	Authority to issue ordinary shares		
Resolution 13	Authority to issue shares pursuant to the UOB Scrip Dividend Scheme		
Resolution 14	Authority to issue preference shares		

Dated this_______ day of ____________________2012.

Shares in:	No. of Shares
(i) Depository Register	
(ii) Register of Members	
Total	

____
Signature(s) or Common Seal of Shareholder(s)

Notes:

1. Please insert the number of shares held by you and registered in your name in the Register of Members and in the Depository Register of The Central Depository (Pte) Limited. If no number is inserted, the instrument of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a Meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy, to the Meeting.
5. 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 the Meeting.
6. The instrument appointing a proxy or proxies must be signed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or attorney duly authorised.

   Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject the instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. Agent Banks acting on the request of CPF Investors who wish to attend the Meeting as observers are required to submit in writing, a list with details of the investors' name, NRIC/Passport numbers, addresses and numbers of shares held. The list, signed by an authorised signatory of the agent bank, should reach the Company Secretary's office not later than 48 hours before the time appointed for holding the Meeting.

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UOB 大華銀行

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 07399

The Company Secretary
United Overseas Bank Limited
80 Raffles Place #04-20 UOB Plaza 2
Singapore 048624

Fold and glue overleaf. Do not staple.

Corporate Information

Board of Directors
Wee Cho Yaw *(Chairman)*
Wee Ee Cheong *(Deputy Chairman & Chief Executive Officer)*
Ngiam Tong Dow
Cham Tao Soon
Wong Meng Meng
Yeo Liat Kok Philip
Thein Reggie
Franklin Leo Lavin
Cheng Jue Hiang Willie
Tan Lip-Bu
Hsieh Fu Hua *(Appointed on 16 January 2012)*

Executive Committee
Wee Cho Yaw *(Chairman)*
Wee Ee Cheong
Ngiam Tong Dow
Cham Tao Soon
Yeo Liat Kok Philip

Audit Committee
Cham Tao Soon *(Chairman)*
Yeo Liat Kok Philip
Thein Reggie

Nominating Committee
Wong Meng Meng *(Chairman)*
Wee Cho Yaw
Ngiam Tong Dow
Cham Tao Soon
Franklin Leo Lavin
Wee Ee Cheong *(Alternate to Wee Cho Yaw)*

Remuneration Committee
Wee Cho Yaw *(Chairman)*
Cham Tao Soon
Yeo Liat Kok Philip

Board Risk Management Committee
Wee Cho Yaw *(Chairman)*
Wee Ee Cheong
Ngiam Tong Dow
Cham Tao Soon
Tan Lip-Bu

Secretary
Chan Vivien

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

Auditors
Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Wilson Woo *(Appointed on 29 April 2009)*

Registered Office
80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration Number: 193500026Z
Phone: (65) 6533 9898
Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: uobgroup.com

Investor Relations
80 Raffles Place
UOB Plaza
Singapore 048624
Fax: (65) 6538 0270
Email: InvestorRelations@UOBgroup.com

UNITED OVERSEAS BANK LIMITED
Company Registration No.: 193500026Z

Head Office
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Phone: (65) 6533 9898 Fax: (65) 6534 2334

www.UOBGroup.com