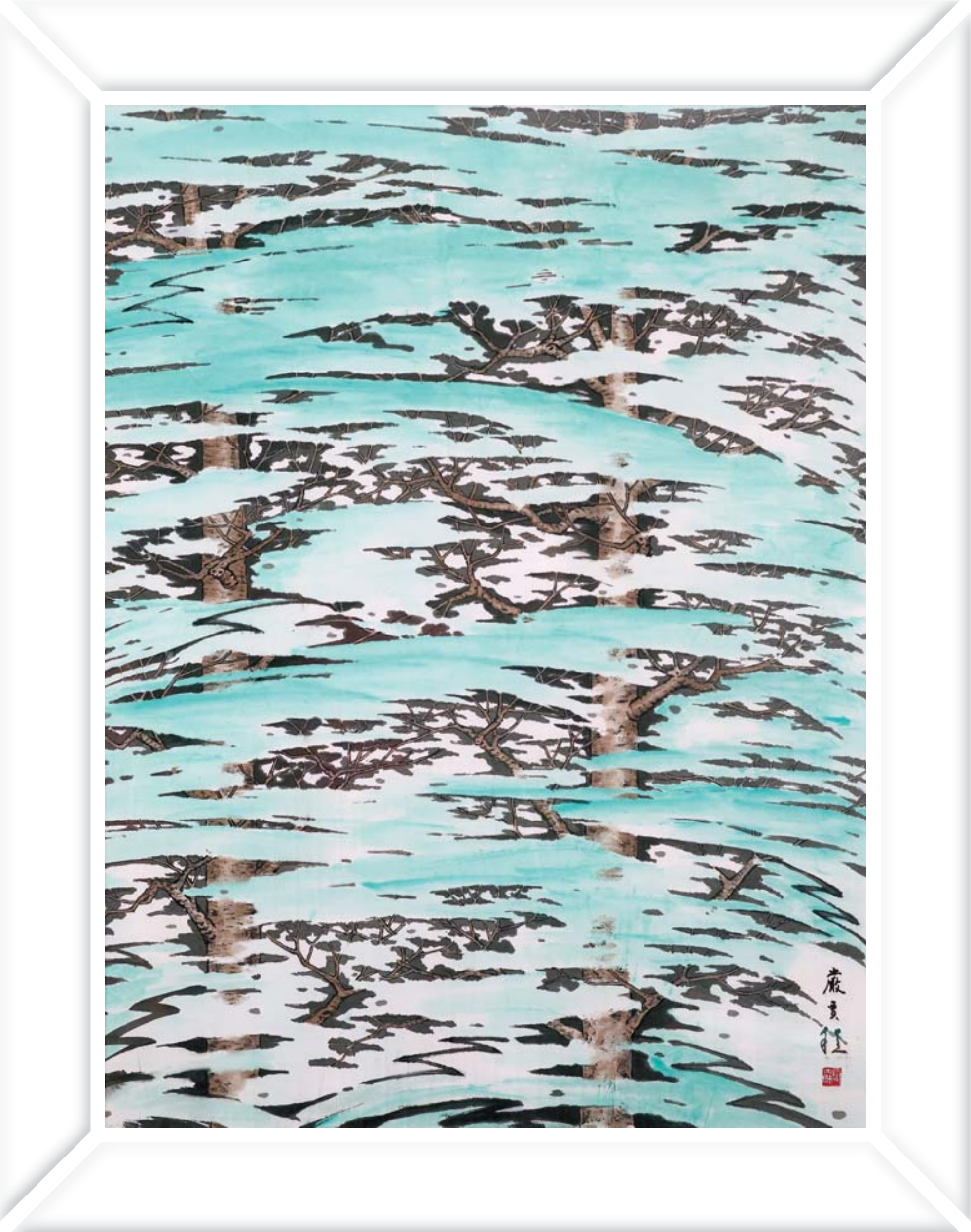
UNITED OVERSEAS BANK LIMITED

Annual Report 2012



Splendour of Rainforests
Ngiam Kiah Seng

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

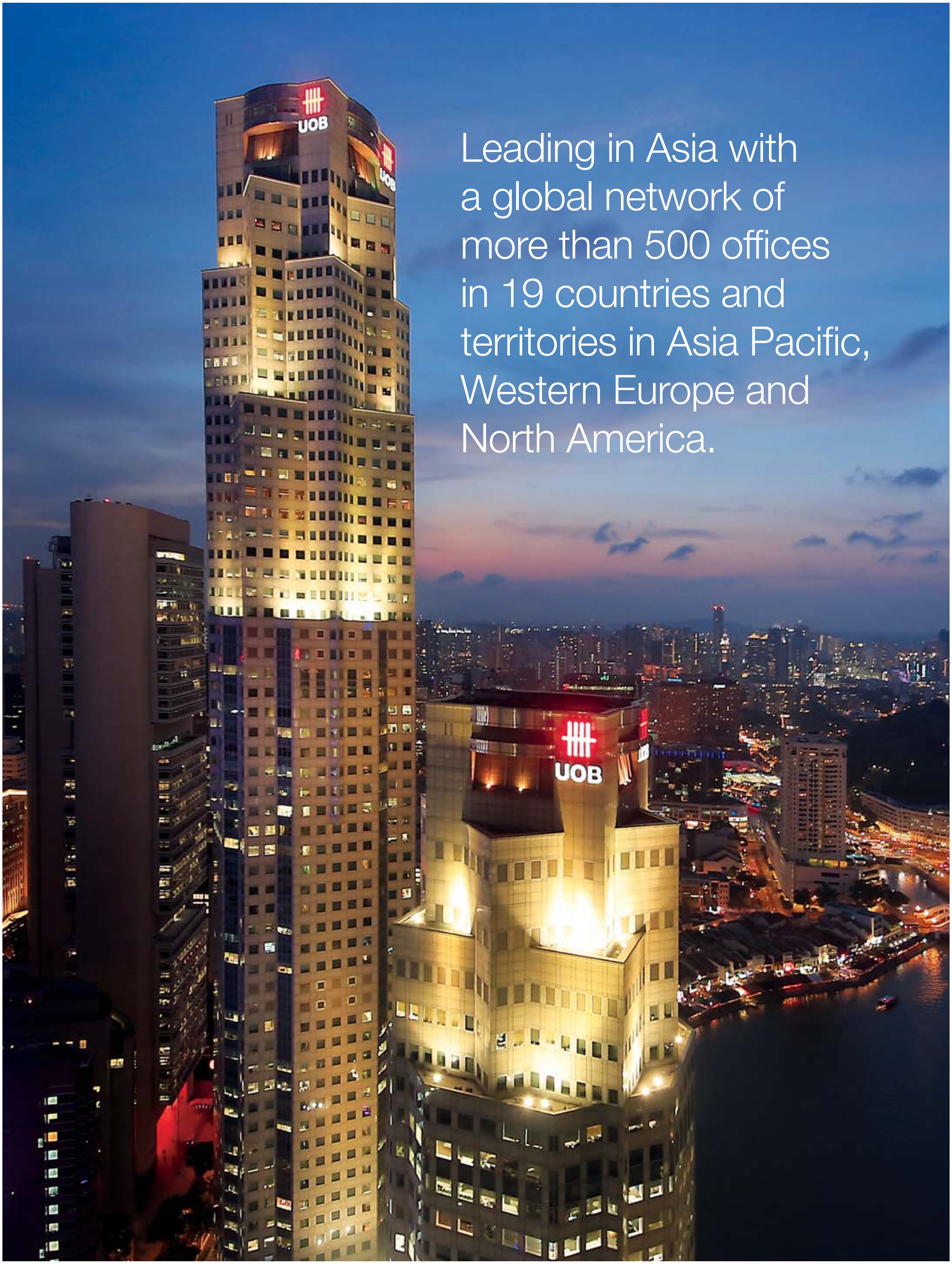
***Splendour of Rainforests* by Ngiam Kiah Seng**

Ink and Colour on Paper

Ngiam Kiah Seng received the Platinum Award in the 2010 UOB Painting Of The Year Competition for this painting. It is the design inspiration behind this year's Annual Report.

Ngiam used a yin-yang stroke technique to represent the interconnectedness and interdependence of the stability of Singapore's financial system to the nation's growth and development through the idea of rainforests. The rainforest trees symbolise longevity, synonymous with UOB's long-term focus on how it manages and operates its businesses across the region.

Ngiam's piece is now one of the works in the UOB Art Collection. The collection began in the 1970s as a way to support the local art scene in Singapore and has grown to include more than 1,700 pieces from around the region. Many of these pieces are on display at the Group's offices worldwide.



Leading in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America.

About United Overseas Bank Limited

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. Today, it operates in Asia through its branches and representative offices as well as banking subsidiaries in China, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

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

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

In Singapore, UOB is a leader in the credit and debit cards business and the private home loans business. 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.

UOB also plays an active role in the community, focusing on the arts, education and children. For three decades UOB has organised the prestigious UOB Painting Of The Year Competition and Exhibition. In recognition of its contributions to the arts, UOB was conferred the National Arts Council's Distinguished Patron of the Arts Award for the eighth consecutive year in 2012. UOB also encourages its employees across the region to be involved in its regular volunteer activities. This includes the annual UOB Heartbeat Run which is held in Singapore, Malaysia, Indonesia, Thailand and mainland China.

For more information about UOB, visit **www.UOBGroup.com**.

OUR GLOBAL NETWORK

Asia Pacific

Australia	**4**
Brunei	**3**
China	**15**
Hong Kong	**3**
India	**1**
Indonesia	**214**
Japan	**2**
Malaysia	**47**
Myanmar	**2**
Philippines	**1**
Singapore	**74**
South Korea	**1**
Taiwan	**3**
Thailand	**164**
Vietnam	**1**

North America

Canada	**2**
USA	**3**

Western Europe

France	**1**
United Kingdom	**1**

Our Awards and Accolades in 2012

10th Hexun.com Awards
Best Fund e-Commerce Platform

2012 Association of Banks Singapore Excellent Service Awards
Service Excellence Champion
435 Star Awards, 119 Gold Awards and 185 Silver Awards

2012 jrj.com China Financial Industry Awards
Fund House with the Greatest Growth Potential

Alpha Southeast Asia – 6th Annual Best Financial Institution Awards 2012 and 2nd Annual Corporate Awards 2012 (Singapore Programme)
Most Consistent Dividend Policy

Asiamoney
Best Overall Cross-Border (Local) Cash Management Services in Singapore as voted by Large-Sized Corporates

Best Local Currency Cash Management Services in SGD as voted by Financial Institutions

Best Leveraged Financing for CVC Asia Pacific

Asian Banking and Finance Retail Banking Awards
Credit Card Initiative of the Year (Singapore)
UOB Privilege Reserve Card for High Net Worth Customers

China-ASEAN Business Council
2012 Top 10 Successful ASEAN Enterprises Entering China Award

Community Chest Awards
Special Events Platinum Award

MasterCard's Hall of Fame Marketing Awards
Best Creative Execution Award

National Arts Council
Distinguished Patron of the Arts Award

SGX Brokers Appreciation and Awards
Top Volume Singapore Exchange Derivatives Trading Member 2012

Taipei Foundation of Finance (TFF) – Bloomberg
TFF-Bloomberg Best Fund Award 2012
Best Fund over 5 and 10 Years – Global Emerging Markets Fixed Income Fund

The Asian Banker
Transaction Banking Awards
Leading Counterparty Bank in Singapore

Excellence in Retail Financial Services International Awards 2012
Best Retail Bank in Singapore

The Asset
Best Financial Institutions Bank in Thailand
Cash Management

Highly Commended Structured Trade Deal in Indonesia
Trade Services

Rising Star Cash Management Bank, Malaysia
Cash Management – Transaction Banking

Rising Star Cash Management Bank, Thailand
Cash Management – Transaction Banking

Rising Star Trade Finance Bank, Malaysia
Trade Finance – Transaction Banking

Rising Star Trade Finance Bank, Thailand
Trade Finance – Transaction Banking

Triple A Country Awards 2012
Best Deal, Philippines

Triple A Regional Awards 2012
Best Bank Bond
Best Leverage Finance

The Edge-Lipper Malaysia Fund Awards 2012
AMB Value Trust Fund
Best Fund over 5 Years – Equity Malaysia

OSK-UOB KidSave
Best Fund over 10 Years – Mixed Assset MYR Balanced Malaysia

The Edge-Lipper Singapore Fund Awards 2012
United Global Capital Fund
Best Fund over 3 and 5 Years – Equity Sector Banks and other Financials

United Global Healthcare Fund
Best Fund over 3 and 10 Years – Equity Sector Pharmaceuticals and Health Care

United Asian Bond Fund
Best Fund over 5 Years – Bond Asia Pacific

United Singapore Bond Fund
Best Fund over 5 Years – Bond Singapore Dollar

United Emerging Markets Bond Fund
Best Fund over 10 Years – Bond Emerging Markets Global

VRL Financial News Private Banker International Global Wealth Awards 2012
Highly Commended Award – Outstanding Wealth Management Service for Affluent Category

World Finance – Investment Management Awards 2012
Best Investment Management Company, Thailand

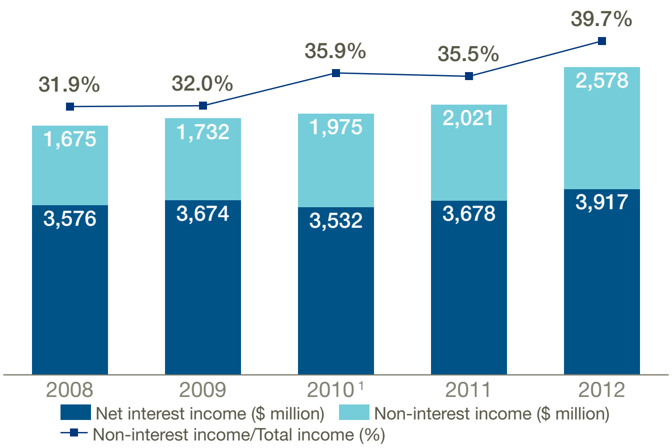
Five-Year Group Financial Summary

	2008	2009	2010 [1]	2011	**2012**
Selected Income Statement Items ($ million)					
Total income	5,250	5,405	5,507	5,699	**6,495**
Total expenses	2,050	2,074	2,258	2,450	**2,747**
Operating profit	3,200	3,331	3,249	3,248	**3,748**
Net profit after tax [2]	1,937	1,902	2,426	2,327	**2,803**
Selected Balance Sheet Items ($ million)					
Total assets	182,941	185,578	213,778	236,958	**252,900**
Customer loans (net)	99,840	99,201	112,440	141,191	**152,930**
Customer deposits	118,171	121,502	142,299	169,460	**182,029**
Shareholders' equity [2]	15,573	18,986	21,473	22,967	**25,080**
Financial Indicators (%)					
Return on average ordinary shareholders' equity	12.2	11.9	12.9	11.1	**12.4**
Return on average total assets	1.07	1.06	1.24	1.06	**1.18**
Expense/Income ratio	39.0	38.4	41.0	43.0	**42.3**
Non-performing loans ratio	2.0	2.2	1.8	1.4	**1.5**
Capital Adequacy Ratios					
Core Tier 1	9.0	11.9	13.3	11.9	**13.1**
Tier 1	10.9	14.0	15.3	13.5	**14.7**
Total	15.3	19.0	19.8	16.7	**19.1**
Per ordinary share					
Basic earnings ($)	1.25	1.19	1.52	1.43	**1.72**
Net asset value ($)	8.90	11.17	12.51	13.23	**14.56**
Net dividend (cents) [3]	60	60	70	60	**70**
Dividend cover (times) [3]	2.14	2.10	2.25	2.47	**2.54**

[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] Included special dividend of 10 cents in 2010 and 2012.

Financial Highlights

Total Income | **$6,495 million ▲ 14.0%**

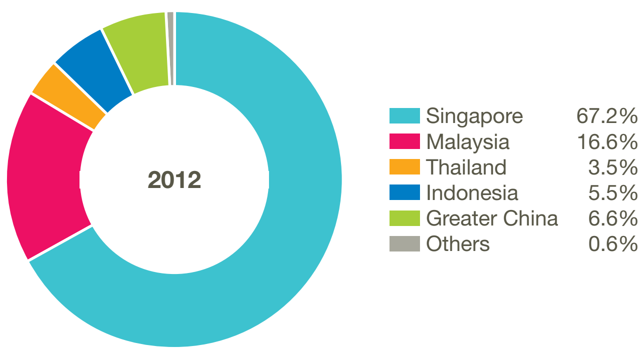


The Group's total income rose 14.0% year-on-year to a record of $6.50 billion. All core income streams in Singapore and the region registered strong performance.

Net interest income grew 6.5% to $3.92 billion as the growth in loans volume outweighed the compression in net interest margin.

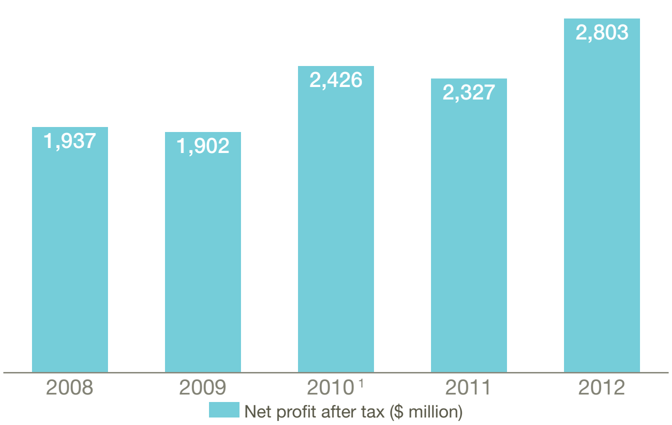
Fee income propelled to a new high of $1.51 billion as business across all activities performed well.

Overseas Profit Contribution | **32.8% ▼ (1.9%pt)**



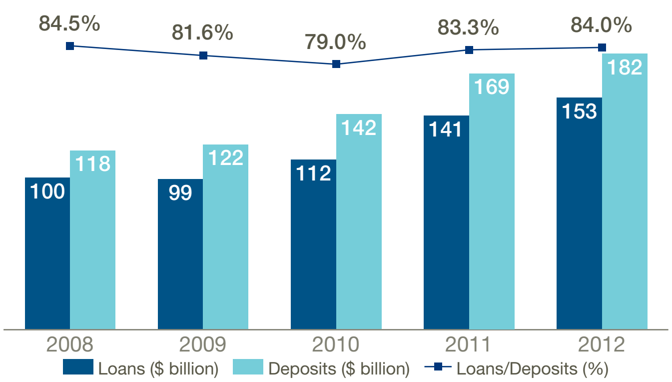
The Group's net profit before tax reached a record high of $3.35 billion. Pre-tax profit from the regional countries surpassed $1 billion for the first time. The growth was 35.5% and outpaced Singapore's 22.6% increase.

Net Profit After Tax | **$2,803 million ▲ 20.5%**



The Group's net profit after tax for 2012 rose 20.5% to a new high of $2.80 billion. The robust results were underpinned by a strong customer franchise and focused cross-selling initiatives to capture intra-regional opportunities.

Customer Loans	**$153 billion ▲**	**8.3%**
Customer Deposits	**$182 billion ▲**	**7.4%**
Loans/Deposits	**84.0% ▲**	**0.7%pt**



Note: Net loans were net of cumulative impairment.

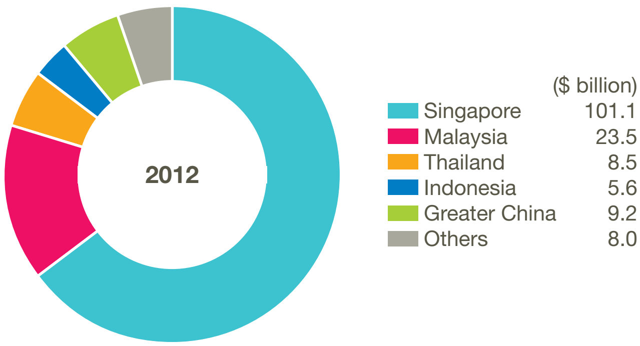
Net loans grew 8.3% to $153 billion in 2012 mainly in Singapore and Malaysia.

Customer deposits rose 7.4% to $182 billion. Fixed deposits grew 6.4% while current and savings accounts increased 8.9%, providing the Group with cheaper funds.

The Group's funding position remained stable with loans-to-deposits ratio at 84.0%.

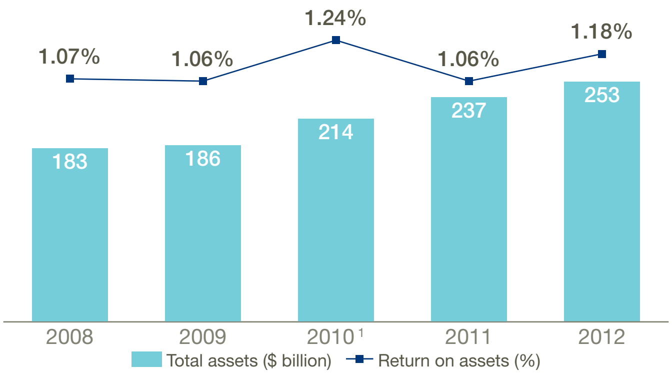
[1] Excluded one-time gain on sale of UOB Life Assurance Limited and United Industrial Corporation Limited.

Loans by Geography	**$156 billion**	▲	**8.3%**



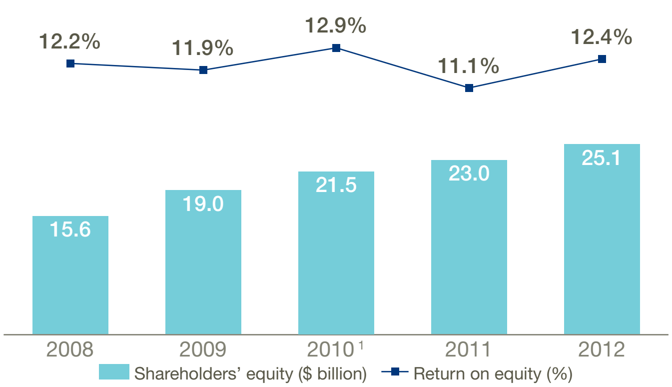
The Group's loans portfolio expanded 8.3% to $156 billion in 2012. Singapore and the regional countries grew at 9.6% and 9.5% respectively.

Total Assets	**$253 billion**	▲	**6.7%**
Return on Assets	**1.18%**	▲	**0.12%pt**



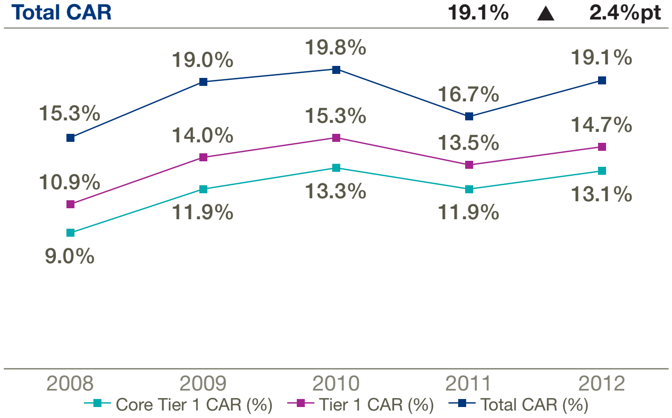
The Group's total assets rose 6.7% to $253 billion in 2012 on continued growth from Singapore and the region. Return on assets for 2012 was higher at 1.18%.

Shareholders' Equity	**$25 billion**	▲	**9.2%**
Return on Equity	**12.4%**	▲	**1.3%pt**



Shareholders' equity rose 9.2% for the year to $25 billion, supported by higher retained earnings and improved investments valuation. Return on equity in 2012 grew 1.3% points to 12.4% on the back of the Group's record earnings.

Core Tier 1 CAR	**13.1%**	▲	**1.2%pt**
Tier 1 CAR	**14.7%**	▲	**1.2%pt**
Total CAR	**19.1%**	▲	**2.4%pt**



The Group remained well capitalised with Tier 1 and Total Capital Adequacy Ratios of 14.7% and 19.1% as at 31 December 2012 respectively. The Group is well positioned to meet the Basel III capital requirements which came into effect in Singapore on 1 January 2013.

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

Chairman's Statement

2012 Performance and Dividend

In 2012, the global economy was wracked by the Eurozone crises, political turmoil in the Middle East and escalating tension over territorial disputes in Asia. The slow pace of the American recovery further impacted Singapore's exports. As a consequence, Singapore closed the year with a GDP growth of 1.3 per cent. Despite the tumultuous business climate, the UOB Group achieved a profit growth of 20.5 per cent, with net after tax profit rising to a record $2.80 billion (2011: $2.33 billion).

The Board recommends a final one-tier tax exempt dividend of 40 cents and a special dividend of 10 cents per ordinary share. Together with the interim dividend of 20 cents per ordinary share paid in the first half of the year, the 2012 total dividend amounts to 70 cents per ordinary share.

Future Outlook

This 2012 statement marks my 38th annual report to shareholders. It is also the last statement I shall be making as Chairman of UOB. As has been announced, Mr Hsieh Fu Hua will be UOB's non-executive Chairman after this year's annual general meeting. I will remain on the Board and as Chairman Emeritus and Adviser, I will continue to provide guidance on the Bank's future growth.

I joined the Bank as a Board Director in 1958 and served as its Managing Director from 1960 to 1974, when I assumed the dual positions of Chairman and CEO. As I believe that a smooth leadership transition is in the best interests of UOB and its shareholders, I gave up the position of CEO in 2007 and will now step aside as Chairman of the Board.

When I presented my first Chairman's report to shareholders in 1974, the total consolidated assets of the Group amounted to $2.80 billion. The Group's total branch network was 75, largely in Singapore, Malaysia and North Asia.

At the end of 2012, the Group's assets totalled $253 billion. Our network now exceeds 500 offices and spans more than 19 countries and territories worldwide.

Due to fortuitous circumstances since 1971, UOB has acquired five banks in Singapore as well as two each in Indonesia and Thailand and one in the Philippines.

I believe shareholders will agree that UOB has not done badly in its first 77 years. However as I have always maintained, the Bank's success is largely due to our good fortune of being in the right place at the right time. For the better part of the Sixties and Seventies, Singapore was Asia's boom city. As a consequence, the Bank grew with Singapore.

However, the global business environment has changed tremendously in the past decade and the world will continue to be hamstrung by the Eurozone problems and the sputtering US economy. And as the Singapore economy matures, it will not be easy to repeat the heady growth rates of the past.

"We will focus on providing the basic commercial and corporate banking services to the business community in the region."

The financial sector has seemingly recovered from the 2008 crisis. But I believe that the banking industry is likely to face greater challenges and pressures in the years ahead. Besides coping with increasing complexities in the financial arena, banks will have to carry higher costs as new regulatory measures are introduced.

I am also gravely concerned about the tendency to achieve short-term gains at the expense of long-term interests. Despite exhortations for more stringent risk management, risk appetite continues to be voracious in the pursuit of higher profits and bonuses. Such unbridled quest for profits is a destabilising factor in the global banking sector.

The path ahead, therefore, is likely to be strewn with many potholes of volatility. Financial institutions need to move nimbly and carefully to avoid stumbling. In the uncertain times before us, UOB will continue to exercise prudence in everything we do.

We will focus on providing the basic commercial and corporate banking services to the business community in the region. For customers who prefer to put their money in investment products, we will adopt a transparent process that highlights the risks involved and ensure that the risk appetites of the investors match the risks embedded in such instruments.

While the immediate outlook of the global economy looks dreary, I am confident that UOB will steer a steady course. We have a strong management team that is committed to the long-term interests of the Bank and its shareholders and dedicated to deliver steady and sustainable growth.

Acknowledgement

I am pleased to welcome two independent Directors to the Board. Mr James Koh Cher Siang, the Chairman of the Housing & Development Board, joined us in 2012 while Mr Ong Yew Huat, former Executive Chairman of Ernst & Young LLP, joined the Board in January 2013.

Mr Reggie Thein, who joined the Board in 2008, has decided not to seek re-election this year. He wants to lessen his corporate commitments so as to spend more time with his family. The Board Directors and I thank Mr Thein for his invaluable service as chairman of the Audit Committee.

I thank all Directors for their advice and guidance during the year under review.

On behalf of the Board I also thank Management and staff for their hard work and dedication and our shareholders and customers for their support and understanding.

Wee Cho Yaw
Chairman
February 2013

Deputy Chairman and CEO's Report

The global economy in 2012 continued to struggle largely due to the uncertainties caused by the Eurozone sovereign debt crisis and slower growth from the world's global economic powerhouses – the United States and China.

Although Asia's economic growth moderated as a result of those conditions, the region's long-term prospects remained sound as increasing intra-regional trade and a growing base of affluent consumers offered a buffer against the global headwinds.

Within Asia itself, Southeast Asia remained a bright spot due to its consistent economic growth and favourable demographics. According to the International Monetary Fund (IMF), ASEAN economies grew 5.4 per cent in 2012, up from 4.5 per cent in 2011 and clearly outpaced the global growth rate of 3.5 per cent over the last two years. Further, the IMF expects ASEAN economies to continue to expand at almost double the rate of global growth for the next few years.

UOB's track record of understanding the opportunities and challenges that Southeast Asia offers speaks for itself. We have taken a measured approach to building our business, understanding that patience, prudence and first-hand experience with local market dynamics are needed to ensure success is sustainable over the long term.

This approach is also a key differentiator in how we manage our business and balance sheet and one that has seen us emerge stronger from each market cycle. A case in point is the global financial crisis in 2008. As the world was responding to the economic and financial issues that emerged, we rebalanced our portfolio and strengthened our funding capabilities, mindful that banking is ultimately a balance sheet business and that only with a strong balance sheet could we support customers through market cycles.

Our judgement then was to take measures based on trust, integrity and commitment to our colleagues, customers and communities. Our philosophy stood us well then and continues to do so today. While others were raising capital, we were preserving it, shifting our portfolio to lower risk, better-rated assets. Rather than cut our workforce and therefore the livelihoods of our people across the region, we cut other costs. Even in the most challenging of times, our people and customers knew that we were focused on supporting them through the ups and downs of market cycles.

"Our commitment to disciplined growth was rewarded in 2012. It was a year in which we achieved record profits, record fee and commission income and record contribution from our key regional markets."

Delivering Sustainable Growth

At UOB, our approach has been to focus on ensuring that capital and resources are managed prudently and that growth is well-paced and risk-adjusted. Such an approach has created a culture in which we are mindful of the long-term implications of everyday activities. Investors in UOB will know that our management team focuses on disciplined growth and that all decisions are made through this lens.

Our commitment to disciplined growth was rewarded in 2012. It was a year in which we achieved record profits, record fee and commission income and record contribution from our key regional markets.

The Group's net profit after tax for 2012 reached a record high of $2.80 billion, a 20.5 per cent increase over 2011. We also reported a record operating profit of $3.75 billion for the year, up 15.4 per cent over 2011. For the first time, our regional markets' profit contribution crossed the $1 billion threshold.

Our net interest income for the year was up 6.5 per cent to $3.92 billion. This was driven by loans growth of 8.3 per cent which more than outweighed the lower net interest margin in a liquid and competitive market. Non-interest income reported strong growth, up 27.6 per cent to $2.58 billion.

Our growing regional customer franchise is the platform from which we were able to increase our fee and commission income. For the first time, we generated more than $1.5 billion in fee and commission income in a financial year. All markets and all lines of business contributed to the milestone achievement. The investments we made in our wealth management, fund management and capital markets capabilities are also paying dividends with these lines of business reporting double-digit increases in fee and commission income.

While we continued to build our regional capabilities to generate strong revenue growth, our expense-to-income ratio was well-paced at 42.3 per cent.

Our performance has been driven by the continued rebalancing of our business towards Asia and the strengthening of our funding capabilities. These two factors underpin our ability to deliver growth with stability. Balance sheet strength remains our key priority.

We remained prudent as we expanded our loans to $156 billion, up from $144 billion the previous year. Credit quality on our overall loans portfolio remains sound and our non-performing loans ratio is low at 1.5 per cent.

Deputy Chairman and CEO's Report

In 2012, our customer deposits base rose 7.4 per cent to reach $182 billion. This increase was across all products and major markets. We continue to pay strict attention to our loans-to-deposits (LDR) ratio which remains well-managed at 84 per cent. Our US dollar LDR stands at 82 per cent and is one of the lowest in the industry.

We continued to pare down our investment portfolio to less than five per cent of total assets, down from nine per cent in 2008, while increasing our holdings of highly liquid but lower yielding government securities.

We also took the opportunity to issue S$1.8 billion fixed rate subordinated notes and S$1.2 billion senior notes under our Euro-Medium Term Note Programme. Investor confidence and trust in UOB were seen when our US$500 million subordinated debt issue in October 2012 achieved the lowest yield for such instruments by a bank globally.

The Group continued to be well capitalised with core Tier 1, Tier 1 and Total Capital Adequacy Ratios at 13.1 per cent, 14.7 per cent and 19.1 per cent as at 31 December 2012 respectively.

Our steady and stable business approach was also recognised by the ratings agencies, where we maintained our position as one of the world's top-rated banks with a rating of Aa1 by Moody's and AA- by Standard & Poor's and Fitch Ratings respectively.

Broadening and Deepening our Customer Relationships

Times may have changed but for us it is the spirit of a handshake that remains. Our principle of doing what is right for our customers puts us in a good position to build a sustainable business – something of critical importance as competition intensifies and the industry faces increased margin pressure and new capital rules.

For our retail customers, we continued to offer suitable products to help them manage their wealth at a pace with which they are comfortable. For some customers this meant working with them to help them preserve their wealth, for others it was to help them accumulate more. Many customers chose both options as they sought ways to protect and grow their wealth.

In 2012, we launched a series of deposit campaigns for customers with a preference for liquidity. We also continued to partner with Prudential to offer our customers access to a comprehensive range of bancassurance products. This partnership is another example of how we use our extensive network to distribute new products across the region efficiently and with speed to market.

We have used our insights and experience to approach segmentation of wealth management that is specifically for Asian consumers. As part of this, we have created 49 dedicated wealth management centres across the region to cater to our customers' wealth management and lifestyle needs. From a business perspective, we have seen good progress in our assets under management, increasing this from $48 billion in 2010 to $66 billion by the end of 2012 and we are on track to meet our objective of $100 billion by 2015.

UOB has long been known as the bank for small, medium and large Asian businesses. We continue to see that our role is to nurture entrepreneurship and to build the next generation of Asian enterprises. We have used our experience in Singapore to help more Asian businesses seize the opportunities that Asia's intra-regional trade and rising middle class are generating. Such initiatives have delivered solid results in 2012 and our customers and cross-border loans across the region are growing robustly. We also saw an increase in demand for transaction banking, commodity financing and investment banking services as many Asian corporates tapped into the growing intra-regional trade flows and the prevailing low interest rate environment.

Delivering on our Regionalisation Strategy

Our regional strategy is built on our vision of operating as a borderless bank that is supported by strong expertise and experience in each market. Over the years, we have invested in a domestic infrastructure and distribution network to have an embedded presence in each market. Ours is a network that cannot be replicated easily or without large expense and effort.

As we enter 2013, we are in the final stages of our five-year IT transformation project. We have built a shared services centre in Singapore to support our four banking subsidiaries in the region. We are now focused on delivering a common operating platform across all our markets. This will drive scalability, productivity, improved risk management, faster time to market and importantly, customer service that is seamless and consistent. It gives us the ability to replicate best practice across our network and business lines for our customers' local and cross-border needs, to support their long-term growth wherever they may reside.

Investing in our People

Our strong regional franchise, supported by a core of talented professionals, is the basis from which we continue to grow with our customers. It is also a factor in UOB's ability to attract quality talent looking for a long-term career at a bank that is known for its deep appreciation of the region and its people.

At UOB, we place an emphasis on building a culture where respect and trust are the hallmarks of our people. This means equipping our people not only with the necessary technical skills but also with the right soft skills and business acumen to ensure we do what is right for our customers.

This emphasis stretches across all our customer segments so it was heartwarming when we were once again awarded the highest honour from The Association of Banks in Singapore Excellent Service Awards (EXSA) – the Service Excellence Champion. This is the third year in a row we have won this individual award, but we are also pleased that UOB's service culture was acknowledged with a total of 435 EXSA Star awards in 2012. This is testament to the passion with which our people serve our customers.

Another high point for the Group was when we were awarded the Financial Industry Competency Standards Inspire Award from the Institute of Banking and Finance for our dedication and commitment to improving the professional standards and competencies of professionals in the financial sector.

Such awards are reinforcement that the investments we make in our people not only sharpen our own competitive edge and strengthen our effectiveness as practitioners but that we are playing a leading role in raising the standards of the industry.

Looking Ahead

We expect that 2013 will see slower global growth due to the continued uncertainties in the West. World economies and the banking industry continue to undergo structural change and the regulatory rules of engagement are still evolving.

To continue to be successful in the years ahead we must stay focused on growth with stability and on ensuring that we are delivering the right products and solutions to our customers. This involves discipline in pursuing business and customers with the target risk-return profile, setting a balanced risk-reward performance system and culture and equipping our people with the skills and knowledge to do what is right for our customers.

This all ties in well with UOB's philosophy and focus on long-term, sustainable growth through which I am confident that we will seize the opportunities ahead for UOB and serve generations of customers for years to come.

I would like to thank the Board of Directors for their invaluable advice and guidance and the management and team at UOB for delivering a year of solid performance in 2012. My appreciation also goes to our customers and investors for their continued support and belief in UOB.

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer
February 2013

Board of Directors

Wee Cho Yaw
Chairman

Age 84. 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 in 2007. He was first appointed to the Board in May 1958 and last re-appointed as Director on 26 April 2012. 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 named Businessman of the Year 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. *The Asian Banker* conferred the Lifetime Achievement Award on him in 2009. Dr Wee is the Pro-Chancellor of the Nanyang Technological University and the Honorary President of the Singapore Chinese Chamber of Commerce & Industry, the Singapore Federation of Chinese Clan Associations and the Singapore Hokkien Huay Kuan. He received a Chinese high school education and was conferred an Honorary Doctor of Letters by the National University of Singapore in 2008. For his outstanding contributions in community work, he was conferred the Distinguished Service Order, Singapore's highest National Day Award, in 2011.

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Age 60. 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 2007. On 27 April 2007, he was appointed as Chief Executive Officer. He is a member of the UOB Executive and Board Risk Management Committees.

He 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, a director of The Institute of Banking & Finance and chairs the Financial Industry Competency Standards Steering Committee. He is a member of the Board of Governors of the 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.

Cham Tao Soon

Age 73. Prof Cham was appointed to the Board on 4 January 2001 and last re-appointed as Director on 26 April 2012. A non-independent and non-executive director, he is a member of the UOB Audit and Board Risk Management Committees. Prof Cham is a director of the Bank's subsidiaries Far Eastern Bank and United Overseas Bank (China). He is the Chairman of NSL Ltd, MFS Technology, Soup Restaurant and the Board of Governors of Singapore-China Foundation and Deputy Chairman of Singapore Press Holdings. He is also a director of 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 was the Chancellor of SIM University and Chairman of its Board of Trustees. He was also the founding President of Nanyang Technological University from 1981 to 2002.

He holds a Bachelor of Engineering (Civil, Hons) from the University of Malaya, a Bachelor of Science (Mathematics, Hons) from the University of London and a Doctor of Philosophy (Fluid Mechanics) from the University of Cambridge, UK. He is also a Fellow of the 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.

Wong Meng Meng

Age 64. Mr Wong was appointed to the Board on 14 March 2000 and last re-elected as Director on 26 April 2012. A non-independent and non-executive director, Mr Wong is the Chairman of the UOB 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 also a council member of The Law Society of Singapore 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 the President of The Law Society of Singapore, the Vice President of the Singapore Academy of Law and as a member of the Military Court of Appeal and the Advisory Committee of Singapore International Arbitration Centre.

While in active practice, Mr Wong was consistently acknowledged as one of the world's leading lawyers in premier 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*.

Board of Directors

Reggie Thein

Age 72. Mr Thein was appointed to the Board on 28 January 2008 and last re-appointed as Director on 26 April 2012. An independent and non-executive director, he is the Chairman of the UOB Audit Committee and a member of the UOB Remuneration Committee. In 1999, he retired as Senior Partner of Coopers & Lybrand Singapore, the legacy firm of PricewaterhouseCoopers, after 37 years with the firm. Mr Thein is currently a director and Chairman of the audit committees of several listed companies, including GuocoLand, GuocoLeisure, Haw Par Corporation, FJ Benjamin Holdings, Keppel Telecommunications & Transportation, M1 Limited and Otto Marine. He has previously served as director of MFS Technology and Vice Chairman and member of the governing council of Singapore Institute of Directors.

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

Franklin Leo Lavin

Age 55. 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 Executive and Nominating Committees. He is also a director of Far Eastern Bank, a UOB subsidiary.

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 extensive 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 at 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 the University of Pennsylvania.

Board of Directors

Willie Cheng Jue Hiang

Age 59. Mr Cheng was appointed to the Board on 15 July 2010 and last re-elected as Director on 26 April 2012. An independent and non-executive director, he is a member of the UOB Audit and Nominating Committees.

He is a director of Singapore Press Holdings, FEO Hospitality Asset Management, Singapore Health Services and Integrated Health Information Systems. He retired as a managing partner of Accenture after 26 years with the firm. He also serves as a director of non-profit organisations including SymAsia Foundation, Council for Third Age, ApVentures and Caritas Humanitarian Aid & Relief Initiatives, Singapore and is the Vice Chairman of Singapore Institute of Directors. He is a former director of NTUC Fairprice Co-operative, Singapore Cooperation Enterprise and Lien Centre for Social Innovation.

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

Tan Lip-Bu

Age 53. 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 Executive and Board Risk Management Committees.

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 Ambarella, Inc, SINA Corporation and Semiconductor Manufacturing International Corporation. He is a former director of Flextronics International and Inphi Corporation.

He is a member of the Committee of 100, the Dean's Advisory Board at the University of California at Berkeley, the School of Engineering Dean's Council, 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.

Board of Directors

Hsieh Fu Hua

Age 62. Mr Hsieh was appointed to the Board on 16 January 2012 and last re-elected as Director on 26 April 2012. An independent and non-executive director, he is a member of the UOB Executive, Nominating, Remuneration and Board Risk Management Committees. He is also a director of Far Eastern Bank, a UOB subsidiary.

Mr Hsieh co-founded and is currently an adviser to PrimePartners Group and is a director of Government of Singapore Investment Corporation, ICAP plc, Fullerton Fund Management Company and Tiger Airways Holdings. He also serves on the boards of a number of non-profit organisations including NUS Business School, The National Art Gallery, National Council of Social Services, Singapore Indian Development Association, Stewardship and Corporate Governance Centre and Securities Investors Association (Singapore).

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).

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

James Koh Cher Siang

Age 67. Mr Koh was appointed to the Board on 1 September 2012. An independent and non-executive director, he has offered himself for re-election at UOB's annual general meeting on 25 April 2013.

Mr Koh retired from the Singapore Civil Service as Controller of Income Tax after 35 years of service. In that capacity, he was both Commissioner of Inland Revenue and Commissioner of Charities. Prior to these appointments, he was the Permanent Secretary in the Ministries of National Development, Community Development and Education. He has extensive experience in public administration, having also served in the Ministry of Finance and the Prime Minister's Office. Mr Koh is currently the Chairman of the Housing & Development Board, the MechanoBiology Institute, Singapore Island Country Club and CapitaMall Trust Management. He is also a director of CapitaLand, CapitaLand Hope Foundation and Pan Pacific Hotels Group. He is a former director of Singapore Airlines and UOL Group.

Mr Koh graduated from Oxford University, UK with a Bachelor of Arts (Hons) in Philosophy, Political Science and Economics. He also holds a Master of Arts from Oxford University, UK and a Master in Public Administration from Harvard University, USA. He was awarded the Public Administration Medal (Gold) in 1983 and the Meritorious Service Medal in 2002.

Ong Yew Huat

Age 57. Mr Ong was appointed to the Board on 2 January 2013. A non-independent and non-executive director, he has offered himself for re-election at UOB's annual general meeting on 25 April 2013. He is also a director of United Overseas Bank (Malaysia).

Mr Ong is a director of Singapore Power. He is also the Chairman of the National Heritage Board and a board member of the Accounting and Corporate Regulatory Authority. He retired in December 2012 as the Executive Chairman of Ernst & Young Singapore after serving 33 years with the firm.

He has previously served on the board of The National Art Gallery, Singapore. In 2011, he was awarded the Public Service Medal for his contribution to the arts in Singapore.

Mr Ong holds a Bachelor of Accounting (Hons) from the University of Kent at Canterbury. He is a member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Singapore.

Principal Officers

MANAGEMENT EXECUTIVE COMMITTEE

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

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

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

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

MANAGEMENT TEAM

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

Vivien Chan
Group Legal and Secretariat
Mrs Chan joined UOB in 1981. She is the Head of Group Legal and Secretariat and holds a Bachelor of Law (Hons) from the University of Singapore. She was appointed Group Secretary and Head of Legal in 1988. Mrs Chan has more than 30 years of experience in legal and corporate secretarial aspects of banking.

Cheo Chai Hong
Corporate Planning and Strategy and Group Credit
Mr Cheo joined UOB in 2005. He heads the Group's corporate planning and strategy division as well as credit approval for middle market corporations, structured trade and ship finance. Mr Cheo holds a Bachelor of Business Administration (Hons) from the University of Singapore and has more than 30 years of experience in corporate and investment banking, project and ship finance and credit management.

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

Ronny Chng Seng Hong
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 Nanyang Technological University, Singapore. He has 15 years of experience in investment banking and related industries.

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

Eddie Khoo Boo Jin
Personal Financial Services and Private Banking
Mr Khoo joined UOB in 2005. He oversees the Group's consumer and private banking businesses. He holds a Bachelor of Business Administration in Finance and Management from the University of Oregon, USA and has more than 25 years of experience in consumer banking.

Victor Lee Meng Teck
Group Business Banking
Mr Lee joined UOB in 2012. He leads the Group's small business division which supports the growth of local enterprises. Mr Lee holds a Bachelor of Applied Science (Materials Engineering) from Nanyang Technological University, Singapore. He has 20 years of experience in retail and commercial banking.

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

Mok Chek Pfam
Group Management Portfolio
Mr Mok joined UOB in 2000. He manages the 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.

Ng Kwan Meng
Global Markets
Mr Ng joined UOB in 2002. He leads the Group's global markets business. He holds a Bachelor of Social Sciences (Hons) from the National University of Singapore. Mr Ng has 30 years of global markets experience.

Victor Ngo
Group Audit
Mr Ngo joined UOB in 2004. He is the Head of Group Audit. 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 the Australian Society of Certified Practising Accountants, a Fellow of the Institute of Certified Public Accountants of Singapore and a Certified Information Systems Auditor. He has 26 years of experience in banking.

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. She holds a Bachelor of Social Sciences (Hons) from the National University of Singapore and has more than 20 years of experience in the Asia Pacific communications and financial services industries.

Tan Choon Hin
Group Credit (Retail)
Mr Tan joined UOB in 2012. He leads the credit approval and credit management divisions for the Group Retail Credit function. Mr Tan holds a Bachelor of Business (Hons) from Nanyang Technological University, Singapore and has more than 16 years of retail banking experience across Asia.

Wendy Teo Gim Choo
Group Channels
Ms Teo joined UOB in 1974. She heads Group Channels and oversees the Bank's distribution channels in Singapore and the region. Ms Teo holds a Diploma from the Associate of Institute of Bankers, London. She has more than 30 years of banking experience in consumer and private banking.

Eric Tham Kah Jin
Group Commercial Banking
Mr Tham joined UOB in 2003. He oversees the Group's medium-sized corporate businesses in Singapore, 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 Nanyang Technological University, Singapore. He has more than 30 years of financial industry experience.

Karunia W. Tjuradi
Corporate Banking Overseas
Mr Tjuradi joined UOB in 2005. He oversees the Bank's corporate banking business for its overseas branches and subsidiaries. He holds a Bachelor of Business Administration (Summa Cum Laude) from the University of Notre Dame, USA. He has 24 years of banking experience in corporate and investment banking.

Wee Joo Yeow
Corporate Banking Singapore
Mr Wee joined UOB in 2002. He oversees the Bank's corporate banking business in Singapore. 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.

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

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

Yeo Eng Cheong
Group Credit (Middle Market and Structured Trade and 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 National University of Singapore. He has more than 30 years of experience in commercial banking.

Mr Yeo retired on 1 January 2013.

MAJOR OVERSEAS BANKING SUBSIDIARIES

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

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

Tan Kian Huat
President and Chief Executive Officer, United Overseas Bank (China) Limited
Mr Tan was appointed 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 banking experience.

Wong Kim Choong
Chief Executive Officer, United Overseas Bank (Malaysia) Bhd
Mr Wong was appointed CEO of UOB (Malaysia) in 2012. Prior to this, Mr Wong served as President and CEO of UOB (Thai) from 2004. Mr Wong holds a Bachelor of Commerce from the University of Toronto, Canada. He has more than 29 years of banking experience.

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2012

2012 in Review

UOB's network has grown to more than 500 branches and offices worldwide.

UOB is organised around three key customer sectors – Group Retail, Group Institutional Financial Services and Global Markets and Investment Management. In 2012, we continued to refine our product and service capabilities for our customers to ensure we delivered relevant and meaningful financial solutions to them, wherever they bank with us.

GROUP RETAIL

Our Group Retail business was built on 77 years of providing customer-centric and market-driven financial products and services. Our innovative product suite is complemented by a Channels network that spans more than 480 branches and 1,300 automated teller machines across the region, as well as online and mobile banking options.

In 2012, our consumer deposits base rose 11.7 per cent. In Singapore we created a deposit product for our new Wealth Banking segment which recognises a customer's total assets under management with the Bank. This product, the Wealth Premium Account, encouraged many customers to consolidate their deposits and investments with us so as to take advantage of the higher interest rates on offer.

Similarly, our consumer loans growth remained strong with an increase of 16 per cent in 2012. Today, UOB is well placed to help our customers grow their wealth and investment portfolio internationally by offering loans for overseas residential property and local commercial property for individual investors. We are the first and only local bank to offer financing of Thai properties from Singapore and are also helping our customers to own their dream homes in global cities such as London.

New technologies were introduced to our loans credit assessment process which helped enhance efficiency. Nevertheless, we continued to exercise prudence and discipline in assessing credit, not least against the backdrop of the ongoing global uncertainties and subsequent risk exposure.

Our Cards and Payments business continued to remain at the forefront of the industry after 25 years. The introduction of Southeast Asia's first 'metal' Visa card, the UOB Privilege Reserve Card, joined a portfolio of industry firsts that makes UOB Cards the most actively used in Singapore. We also extended our cards leadership across the region through the launch of the UOB Visa Infinite Card and UOB Privilege Banking Visa Infinite Card in Malaysia.

In 2012, we created the UOB PRVI Miles Platinum American Express Card. It has proven very attractive to jet-setting Singaporeans who appreciate its value as the card offering the fastest way to earn and redeem air miles from more than 40 airline partners.

UOB has won the Service Excellence Champion, the highest industry award, for three consecutive years (2010, 2011 and 2012).

We also continued to build our Bancassurance business. Our regional franchise has proven a distinct distribution advantage as we have worked with Prudential to offer our customers best-in-breed insurance products. Now in its third year, the arrangement between UOB and Prudential is an example of how our regional distribution network can be used to meet the needs and expectations of customers.

Asian Perspectives for Managing Wealth

UOB redefined its wealth management framework for the new Asian context – the region's rise as a global economic heavyweight, its growing affluent consumer base and higher personal income levels. This framework was built around the lifestyle needs and expectations of an emerging consumer segment we identified as the rising rich – individuals with investible assets of between S$100,000 and S$350,000.

In 2012, we opened three UOB Wealth Banking Centres across Singapore at key, convenient locations for our rising rich customers. Each UOB Wealth Banking Centre has a team of dedicated relationship managers and product specialists to advise on investment opportunities, portfolio management and retirement planning based on our customers' investment needs.

We marked the first year anniversary of our UOB Privilege Reserve segment in 2012. For this exclusive set of customers we created the UOB Privilege Reserve Card. It is the first metal card issued by a local bank in Singapore and it won for UOB the *Asian Banking and Finance's* 2012 Credit Card Initiative of the Year (Singapore) award.

At the pinnacle of UOB's wealth management framework is UOB Private Banking. As many of our Private Banking customers are Asian entrepreneurs and business people, their personal and corporate wealth can be complex in nature and are often intertwined. To address this close interdependency, we bring together our commercial banking, corporate banking, corporate finance and investment banking expertise to provide the best suite of integrated services to our clients.

Helping Small Businesses Realise their Potential

UOB reinforced its support of small businesses when it established a dedicated UOB Business Banking team within its Group Retail sector in 2010. In 2012, that team reported double-digit growth in its loans and deposits book.

This growth was in part due to the development of a 1,000-strong team of qualified business managers and financial product specialists focused on developing the right products for small businesses and the streamlining of internal processes and systems for faster decision making on customers' requests.

Among the new products introduced in 2012 were Keyman Life Insurance and Employee Benefits Life Insurance.

In 2012, we invested $15 million in a new regional credit application tool which halved the loans processing time for our Business Banking customers. We also introduced a Green Lane approval process to expedite the approval time for business property loan applications.

Promoting our Service Excellence Culture

Our innovative product suite and industry-leading customer segmentation and profiling are matched by our highly qualified relationship managers and branch personnel.

Our focus on customer excellence was again recognised at The Association of Banks in Singapore Excellent Service Awards. For the third consecutive year, a UOB employee won the Service Excellence Champion Award, the highest individual award in the industry. A further 435 of our people won Star Awards based on the recommendations of our customers.

In our branches, we deployed new teller assist units that reduced manual cash handling and increased productivity. This generated faster transaction times. A new account opening system was also implemented across all our branches in Singapore, integrating scanners, signature pads and biometric devices for a seamless and paperless customer experience. It reduced the time taken to open an account by up to 25 per cent.

GROUP INSTITUTIONAL FINANCIAL SERVICES

Our experience makes us acutely aware of the important role Asian enterprises play in driving Asia's economic prosperity. This experience and understanding feed into the services we designed for our small, medium and large business customers.

In late 2011, we created the Foreign Direct Investment Advisory Unit to help foreign companies use Singapore as a springboard for their regional ambitions. This unit is an extension of our Global Business Development Unit which for more than a decade has focused on helping Singapore companies identify and take advantage of regional opportunities.

Our trade advisers and product specialists continued to help customers manage the risk exposure inherent in cross-border trade deals. We recorded solid growth in our Transaction Banking business. This was supported by strong growth momentum from outside Singapore through an increase in deposits, trade assets and revenue. Our regional transaction banking capabilities received multiple awards in 2012 including Best Financial Institutions Bank and Highly Commended Structured Trade Deal from *The Asset*, Best Local Currency Cash Management Services and Best Overall Cross-Border Cash Management Services from *Asiamoney* and Leading Counterparty Bank from *The Asian Banker*.

Through our established commodity financing platform, we assumed a larger role in structured trade and commodity financing as European banks retreated from the region. This enhanced our overall profitability for our trade commodity financing business and entrenched our banking relationships with more clients.

Our telecommunications, media and technology, oil and gas and food and agribusiness industry specialists in our overseas Corporate Banking business continued to provide strategic analysis on the trends and opportunities specific to their sectors.

In addition to helping our customers across the region seize opportunities, we helped them break down the barriers to growth. Small and medium enterprises in particular often face challenges such as business planning, productivity issues and employee development. To help them address these issues, we set up the UOB-Singapore Management University (SMU) Asian Enterprise Institute. The partnership with SMU offers businesses subsidised consulting services and practical business tools.

In 2012, we broadened our network of partners across the region. We signed a Memorandum of Understanding with the China Council for the Promotion of International Trade (CCPIT), China's largest institution for the promotion of foreign trade in China which includes representatives from across the country and all industry sectors. UOB and CCPIT will help Chinese companies seize cross-border opportunities in Southeast Asia. CCPIT will also provide access and support to UOB's existing customers as they seek to build their business in China.

Strengthening our Investment Banking Capabilities

The economic environment provided the conditions for our Group Investment Banking team to record another year of strong performance. The year started solidly when UOB was awarded the Syndicated Corporate Deal of the Year accolade from Asia Pacific Loan Markets Association.

UOB was the first Southeast Asian bank to enter into a Memorandum of Understanding with the China Council for the Promotion of International Trade.

In 2012, UOB was ranked the second mandated arranger in the ASEAN syndicated loan markets. For Asia ex-Japan, it was one of the top ten mandated arrangers. The UOB Debt Capital Markets team lead arranged several notable loan syndication transactions across the region. The team continued to be ranked as one of the top five bookrunners in the Singapore dollar bond market in 2012 and successfully lead managed more than 20 issuances in the year.

We also successfully introduced foreign issuers to the Singapore dollar bond market when we acted as the lead manager for Cathay Pacific's S$50 million bond issuance and HendersonLand's S$200 million bond issuance. In the public sector, UOB won several Housing & Development Board bond issuance mandates in the year, jointly lead managing note issuances of S$3.02 billion in aggregate. We also acted as a lead manager in UOB's S$1.2 billion and US$500 million Subordinated Tier-2 Capital Bond issuance, as well as the US$750 million senior unsecured fixed rate notes issuance.

Beyond the Singapore dollar bond market, we also established local currency bond capabilities in Malaysia and Thailand. In Malaysia, UOB was the lead arranger for Sasaran Etika Sdn Bhd.'s MYR220 million fixed rate serial bond issuance, which was a landmark for a private finance initiative project. In Thailand, UOB lead managed 19 Thailand Baht bond issuance for 12 listed companies and was ranked in the top 10 underwriters for Thailand Baht bond issuances in 2012.

Our Corporate Finance team was the international co-lead manager and international co-lead underwriter for the US$1 billion rights issue of BDO Unibank, Inc – the largest-ever equity capital markets transaction by a Philippine issuer. We were also involved as one of the underwriters in Singapore in the S$2.5 billion dual listing of IHH Healthcare Berhad on the Main Market of Bursa Malaysia Securities Berhad and the Main Board of the Singapore Exchange Securities Trading Limited.

Our Mergers and Acquisitions team too had a busy year in 2012 as the financial advisor for the takeovers of Brothers (Holdings) Limited, Hersing Corporation Ltd and Rokko Holdings Ltd. Capping off an eventful 2012, we were also appointed as the financial advisor to TCC Assets Limited for the takeover of Fraser and Neave Limited – Singapore's largest take-over transaction.

GLOBAL MARKETS AND INVESTMENT MANAGEMENT

Global Markets and Investment Management is responsible for managing the Bank's liquidity, investment and market making of a wide array of financial instruments, as well as providing financial risk management solutions and investment opportunities to our customers.

While historically low interest rates resulted in dampened demand for structured deposits in 2012, we reported strong demand in non-principal-guaranteed structured products during the year. In particular, issuance volume jumped almost three-fold for structured notes linked to equities.

With our corporate client base seeking to hedge their exposures in an uncertain market, the Fixed Income, Currencies and Commodities Group provided guidance and pricing for hedging solutions across various asset classes. In 2012, the team successfully completed UOB's first commodity-linked derivatives transaction with several corporate customers in Asia.

UOB Bullion and Futures Limited (UOBBF), a subsidiary of UOB Group, is one of the leading brokerage firms for Asian traders and offers access to major futures exchanges around the world. In 2012, UOBBF collaborated with the Singapore Exchange (SGX) to set up the Professional Traders Development Centre to help build Singapore's pool of professional futures traders. UOBBF was awarded the 'Top Volume SGX Derivatives Trading Member 2012' at the SGX Brokers Appreciation and Awards Night. This award was in recognition of the Bank's strong contribution to the growth of Singapore's derivatives market in 2012.

UOB Asset Management (UOBAM), also a subsidiary of UOB Group, offers global investment management expertise to individuals, institutions and corporations through retail unit trusts, exchange-traded funds and customised portfolio management services. UOBAM's performance in 2012 garnered several industry awards including the Investment Management Awards 2012 by *World Finance*. In Singapore, UOBAM won five fund awards at *The Edge*-Lipper Singapore Fund Awards 2012 while our Malaysia and Taiwan offices won two awards each. In China, Ping An UOB Fund Management Company Limited, a joint venture with China Ping An Trust Co., Ltd and Sanya Yingwan Tourism Co., Ltd, was recognised by China Financial Website as the Fund House with the greatest growth potential. Ping An UOB Fund Management Company's online platform also won the 10th Hexun.com's award for the Best Fund e-Commerce Platform.

UOBAM also took significant steps to grow its regional franchise through a Sale & Purchase Agreement with the ING Group to acquire all the shares in ING Thailand. It has also entered into an agreement with Sumitomo Mitsui Asset Management Co., Ltd to establish a joint venture fund management company in Singapore. Both projects are subject to regulatory approvals.

INVESTING IN OUR PEOPLE

The bedrock of our business lies in the quality of our people. They are our greatest asset and we will continue to invest in them. In 2012, we launched an enhanced leadership competency framework across the organisation. The framework consists of four key leadership competencies, namely: Strategise, Engage, Execute and Develop, also known as SEED.

SEED helps employees understand more clearly what is expected of them, guides each person towards being more effective in what they do and is also the basis from which employee recruitment, performance and development will be driven.

Our Management Associate Programme, now into its eighth intake, continues to attract high calibre young talent. In 2012, we expanded our programme to include Hong Kong, further deepening our entry-level talent pipeline.

INVESTING IN OUR REGIONAL INFRASTRUCTURE

In 2012, we entered the final stages of building our common operating platform across the region. The platform will deliver greater scale and lower costs, facilitate faster time to market, provide consistent service and strengthen risk controls.

A milestone in 2012 was also the completion of the standardisation and centralisation of our core banking systems for Thailand, together with the implementation of a standardised branch teller system for all 160 branches in the country. Standardising our core banking systems in Malaysia and Indonesia is on track.

By the end of 2012, our UOB Centre of Excellence in Malaysia had assumed approximately one-third of UOB's cheque-clearing activities and handled close to half of all our customer hotline calls for our core customer segments. We also piloted several initiatives such as paperless processing, data protection using image snippets and automated validation methods.

UOB in the Community

The UOB POY competition has helped to cultivate generations of artists since the competition was launched 31 years ago. Today, it continues to nurture a new wave of promising artists and is used to elevate the interest and support for the arts across the region.

More than 10,000 UOB employees and their families in five countries took part in the annual UOB Heartbeat Run/Walk to raise more than $830,000 for various children's charities.

Over the past four decades, UOB has been a strong supporter of the arts.

The UOB Art Collection began as an interest in collecting art pieces and has developed into a formal corporate social responsibility (CSR) programme which focuses on three core areas – arts, children and education.

Our CSR programme also includes a strong element of our own people volunteering their time to help local charities use art as a way of bringing people together and developing talent. In 2012, our people volunteered more than 1,900 hours of their time to helping various beneficiaries.

In Singapore, we supported programmes that give children with special needs the opportunity to be involved in the arts through beneficiaries such as Very Special Arts and Little Arts Academy. In Malaysia, we worked with the StART Society's Art Enrichment Programme to give underprivileged children the opportunity to discover and develop their creative talent.

The Bank continues look for opportunities to promote and progress Southeast Asian art. Our flagship programme, the UOB Painting Of The Year (POY) competition is the longest running art competition in Singapore.

Over the last 31 years, the UOB POY competition has launched the careers of many professional artists including Singapore Cultural Medallion winners Goh Beng Kwan and the late Chua Ek Kay and Anthony Poon. In 2011, we extended the competition to include budding artists from Indonesia, Malaysia and Thailand. This year, the winner of the UOB POY competition regional prize was Mr Y. Indra Wahyu of Indonesia.

All 2012 UOB POY competition winning artworks from across the region were exhibited at established art museums such as the Singapore Art Museum and the National Arts Gallery in Bangkok. They were also shared with the public when they were put on display at UOB's office in Singapore and its main branch in Kuala Lumpur.

In recognition of our efforts to cultivate greater awareness and appreciation of the arts, in 2012 UOB was awarded the Community Chest Special Events Platinum Award for the second year running and conferred the National Arts Council's Distinguished Patron of the Arts Award for the eighth consecutive year.

UOB's involvement in supporting the community also extends to its annual UOB Heartbeat Run/Walk. In 2012, we raised more than $830,000 across the region. The funds raised were directed to various beneficiaries in the following countries:

- **China –** The Shanghai Soong Ching Ling Foundation to help improve the welfare and fund the education of underprivileged children;
- **Indonesia –** The Hayandra Foundation to conduct corrective surgery for children with cleft palates, the Sahabat Anak Foundation to aid street children and Kick Andy Hope Foundation to help disadvantaged youth;
- **Malaysia –** The Protect and Save the Children Association of Selangor and Kuala Lumpur, a non-profit non-government organisation that creates awareness to combat child sexual abuse;
- **Singapore –** AWWA School, APSN Katong School, Fei Yue Early Intervention Programme for Infants and Children, Rainbow Centre Early Intervention Programme for Infants and Children at Yishun Park and Very Special Arts Singapore to support education and development programmes; and
- **Thailand –** Art materials were purchased for financially disadvantaged secondary school students participating in the UOB POY competition.

UOB regards good corporate governance as fundamental to sustaining the Bank and its business. This section of the Annual Report describes the Bank's corporate governance practices as guided by the:

- Banking (Corporate Governance) Regulations (Banking Regulations);
- Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers (MAS Guidelines);
- Code of Corporate Governance (Code); and
- Singapore Exchange Securities Trading Limited Listing Manual (SGX-ST Listing Manual).

BOARD OF DIRECTORS

The main responsibilities of the Board are to:

- provide strategic directions;
- provide entrepreneurial leadership and guidance;
- put in place an effective management team;
- evaluate the performance of the chief executive officer (CEO) and senior management;
- approve business plans and annual budgets;
- ensure true and fair financial statements;
- monitor the Group's financial performance;
- determine the Bank's capital/debt structure;
- set dividend policy and declare dividends;
- approve major acquisitions and divestments;
- establish a framework of prudent controls for management of risks;
- set company values and standards; and
- perform succession planning.

The approval of the Board is required for material or strategic transactions including major acquisitions and divestments, capital and dividends.

The Board has delegated certain duties to five board committees. They are the Nominating Committee (NC), Remuneration Committee (RC), Audit Committee (AC), Executive Committee (EXCO) and Board Risk Management Committee (BRMC). Each board committee has written terms of reference which set out its scope of duties. The board committees are described in subsequent pages of this 'Corporate Governance' section.

The Board meets on a quarterly basis and whenever required to deal with urgent business. Directors who are unable to attend a meeting in person may participate via telephone and/or video conference or communicate their views through another director or the Company Secretary. The 2012 attendance record of directors is set out in the table below.

	Number of meetings attended in 2012					
Name of Director	**Board of Directors**	**Nominating Committee**	**Remuneration Committee**	**Audit Committee**	**Executive Committee**	**Board Risk Management Committee**
Wee Cho Yaw	5/5	3/3	2/2	–	4/4	4/4
Wee Ee Cheong	5/5	–	–	–	4/4	4/4
Ngiam Tong Dow *(Retired on 26 April 2012)*	1/1	2/2	–	–	2/2	1/1
Wong Meng Meng	4/5	3/3	–	–	–	–
Philip Yeo Liat Kok *(Retired on 26 April 2012)*	1/1	–	1/1	1/2	2/2	–
Cham Tao Soon *(Stepped down from the Nominating, Remuneration and Executive Committees on 26 April 2012)*	5/5	2/2	1/1	4/4	2/2	4/4
Reggie Thein *(Appointed to the Remuneration Committee on 26 April 2012)*	3/5	–	0/1	4/4	–	–
Franklin Leo Lavin *(Appointed to the Executive Committee on 26 April 2012)*	5/5	2/3	–	–	2/2	–
Willie Cheng Jue Hiang *(Appointed to the Nominating and Audit Committees on 26 April 2012)*	5/5	1/1	–	2/2	–	–
Tan Lip-Bu *(Appointed to the Executive Committee on 26 April 2012)*	5/5	–	–	–	2/2	3/4
Hsieh Fu Hua *(Appointed to the Nominating, Remuneration, Executive and Board Risk Management Committees on 26 April 2012)*	5/5	*0/1	1/1	–	2/2	3/3
James Koh Cher Siang *(Appointed on 1 September 2012)*	1/1	–	–	–	–	–
Ong Yew Huat *(Appointed on 2 January 2013)*	–	–	–	–	–	–
Number of meetings held in 2012	**5**	**3**	**2**	**4**	**4**	**4**

* Recused from meeting.

BOARD COMPOSITION

The Board comprises 11 members, the majority of whom are independent directors. Their profiles can be found in the 'Board of Directors' section of this Annual Report. The Board members are:

Wee Cho Yaw *(Chairman)*	Non-executive and non-independent
Wee Ee Cheong *(Deputy Chairman and CEO)*	Executive and non-independent
Cham Tao Soon	Non-executive and non-independent
Wong Meng Meng	Non-executive and non-independent
Reggie Thein	Non-executive and independent
Franklin Leo Lavin	Non-executive and independent
Willie Cheng Jue Hiang	Non-executive and independent
Tan Lip-Bu	Non-executive and independent
Hsieh Fu Hua	Non-executive and independent
James Koh Cher Siang	Non-executive and independent
Ong Yew Huat *(Appointed on 2 January 2013)*	Non-executive and non-independent

Under the Banking Regulations, a director is considered independent if he is independent from management and business relationships with the Bank and substantial shareholders of the Bank, and has not served on the Board for nine continuous years.

Dr Wee Cho Yaw is a substantial shareholder, and Mr Wee Ee Cheong is a substantial shareholder and the CEO of the Bank. Messrs Cham Tao Soon and Wong Meng Meng have each served on the Board for more than nine continuous years. Messrs Wee Cho Yaw, Wee Ee Cheong, Cham Tao Soon and Wong Meng Meng are not independent under the Banking Regulations.

The NC has determined that Messrs Reggie Thein, Franklin Leo Lavin, Willie Cheng Jue Hiang, Tan Lip-Bu, Hsieh Fu Hua and James Koh Cher Siang are independent directors. They are not substantial shareholders and are independent from the substantial shareholders of the Bank. They also have no management and business relationships with the Bank and its related corporations or officers that would compromise their independent business judgement. None of them has served on the Board for nine continuous years.

Mr Ong Yew Huat was the executive chairman of Ernst & Young LLP up to 31 December 2012. Ernst & Young LLP, the external auditors of the Bank and its subsidiaries in Singapore, received significant fees for auditing services rendered to the Bank and its subsidiaries in 2012. Pursuant to the Banking Regulations and the Code, Mr Ong Yew Huat is not regarded as an independent director.

The NC reviews the size and composition of the Board annually. Having considered the Bank's business, scale of operations and operating environment, the NC is of the opinion that the current size of the Board is appropriate. It is of the view that the Board and board committees comprise directors who have the relevant skills, knowledge and experience as a group for discharging the Board's duties. The NC also reviews the composition of the board committees annually.

CHAIRMAN EMERITUS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr Wee Cho Yaw, a non-independent director, is the non-executive Chairman of the Board. He provides leadership, oversees corporate governance matters and ensures that directors receive timely and comprehensive information for them to discharge their duties. As announced in August 2012, Dr Wee Cho Yaw will relinquish his position as Chairman of the Board and become Chairman Emeritus at the conclusion of the 2013 annual general meeting (AGM). Mr Hsieh Fu Hua will succeed Dr Wee Cho Yaw as the non-executive Chairman of the Board.

Mr Wee Ee Cheong, the son of Dr Wee Cho Yaw, is the CEO of the Bank and the Deputy Chairman of the Board. He is responsible for the day-to-day operations of the Bank.

Where the Chairman and CEO are related by close family ties or where the Chairman is not an independent director, the Code recommends the appointment of an independent director as the lead independent director whom shareholders may approach if they have any concern for which contact through the normal channels has not resolved or is inappropriate. The NC does not consider it necessary to appoint a lead independent director because shareholders may approach any director for assistance. In addition, the Bank has an established process for handling shareholders' feedback including complaints.

NOMINATING COMMITTEE

The NC members are Messrs Wong Meng Meng (Chairman), Wee Cho Yaw, Franklin Leo Lavin, Willie Cheng Jue Hiang and Hsieh Fu Hua. A majority of them are independent directors. The Banking Regulations require the chairman of a nominating committee to be independent but make an exception for an incumbent. The NC has determined that Mr Wong Meng Meng, the incumbent NC Chairman, should continue chairing the NC as he is qualified and experienced for the office. Mr Wong Meng Meng did not take part in the NC's deliberation concerning his appointment. Mr Wee Ee Cheong acts as an alternate member to Dr Wee Cho Yaw on the NC.

The main responsibilities of the NC are to:

- recommend the appointment and re-election/re-appointment of directors;
- assess the performance of the Board, board committees and each director;
- assess the independence of directors;
- review the size and composition of the Board and board committees;

- establish a programme for the continuous development of directors;
- nominate candidates for the key positions of CEO, chief financial officer and chief risk officer (CRO); and
- perform succession planning.

Appointment of New Directors

The NC is responsible for ensuring that the Board has a majority of independent directors and has directors with the right skills, knowledge and experience. It identifies candidates and evaluates nominations for appointment to the Board. In making its assessment and recommendation, the NC considers among other factors, the current composition of the Board, the candidates' qualification for office and their ability to commit time and contribute to the Board's collective skills, knowledge and experience.

Each new director receives an induction package which contains, among others, the articles of directorship, terms of reference of the Board and board committees, codes of conduct, policies and other director governance matters. Briefings on the key areas of the Bank's business and risk management are also organised for new directors.

Annual Reviews

The NC reviews the re-election or re-appointment of directors annually. Under the Bank's Articles of Association, one-third of the directors retire from office by rotation and may offer themselves for re-election at the AGM. New directors submit themselves for re-election at the AGM immediately following their appointment by the Board. Directors who are above 70 years old are subject to annual re-appointment at the AGM.

The NC uses various criteria to assess the performance of each director and his contribution to the Board's effectiveness. The criteria include a director's 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 performance.

The NC's evaluation of the board committees takes into account whether the board committees have discharged their duties and performed the tasks delegated by the Board satisfactorily. In assessing the effectiveness of the Board as a whole, the NC uses qualitative and quantitative criteria including the strategic directions given, quality of oversight of risk management processes and internal controls, and the Bank's performance, among others. The NC also takes into account the feedback received from directors in a self-assessment questionnaire.

The NC is of the view that it is inappropriate to set a limit on the number of directorships that a director may hold. This is because directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities. Instead, the NC will assess each potential or existing director relative to his abilities and known commitments and responsibilities.

Organisational Structure and Succession

The Bank considers employees as its key asset. Employees are encouraged to upgrade themselves through internal and external courses. UOB has also established programmes to identify employees with potential and nurture them for senior management positions. The in-house development programmes are monitored for continuing relevance and effectiveness. Candidates for appointment to key senior management positions are sourced through in-house development programmes and external referrals.

Training and Development

The NC oversees the Bank's continuous development programme under which existing and new directors receive regular training on various aspects of the Bank's business and the ways in which the Bank manages risks and exercises control. Directors may suggest topics for the programme. The topics covered during the year included accounting standards and guidelines, the Basel Accords and risk management practices.

REMUNERATION COMMITTEE

The RC members are Messrs Wee Cho Yaw (Chairman), Reggie Thein and Hsieh Fu Hua, all of whom are non-executive directors. 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 for the RC chairmanship given his depth of experience in the industry and remuneration matters generally.

The responsibilities of the RC 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 are 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
- administering employee incentive programmes, such as the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan, that encourage long-term overall employee and organisational performance.

The details of the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan can be found in the 'Directors' Report' section of this Annual Report.

Remuneration Policy

In recommending the fees for directors, the RC considers factors including the practices of comparable public-listed companies, qualifications and experience of directors, and the level of effective contributions and responsibilities of directors. Each RC member abstains from the deliberation on his remuneration. Directors' fees are subject to shareholders' approval.

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, where applicable, share-based long-term incentives.

The Group's annual variable bonus plan is underpinned by a balanced scorecard framework which incorporates key performance indicators relating to financial performance and growth, risk management, fair dealing and employee management. The key performance indicators are cascaded across all business units. 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 awarded 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 selected managers may participate in a share-based, long-term incentive plan and are granted performance-contingent restricted shares and share appreciation rights where half of the units granted will vest on the second anniversary of the grant while the remainder will vest on the third anniversary. The actual number of shares and rights vested each year is subject to pre-determined performance conditions and may range between zero and 130 per cent of the initial grant. Shares and rights not vested due to under-achievement of the performance conditions are forfeited. During the year, 20 per cent of these share-based long-term incentives were forfeited due to performance adjustments. The plan does not allow for accelerated vesting except under exceptional circumstances such as cessation of employment as a result of serious illness or death.

Variable bonuses of senior executives and employees whose actions have a material impact on the risk exposure of the Group are subject to the Group's bonus deferral policy. Beyond a given threshold, a portion of bonuses is deferred and will vest equally over three years subject to pre-determined performance conditions. In the event that these performance conditions are not met, unvested deferred bonuses may be fully or partially forfeited. During the year, no deferred bonus was forfeited due to performance adjustments.

Select key hires may be offered a one-time sign-on or guaranteed bonus during their first year of service. There is no special retirement plan, golden parachute or special severance package for senior executives or employees.

Disclosure

Directors' fees and other remuneration are disclosed in the 'Directors' Report' section of this Annual Report. In 2012, no director was granted any restricted share under the UOB Restricted Share Plan or any rights under the UOB Share Appreciation Rights Plan.

The MAS Guidelines and the Code recommend that the remuneration of the top five key non-director executives be disclosed. The Bank believes that it is not in its interest to disclose the remuneration of its top five key non-director executives because the market for talent is highly competitive. Except for the CEO who is the son of the Chairman, no employee of the Bank whose remuneration exceeds $50,000 is an immediate family member of a director or the CEO.

More information on the Group's remuneration policy, systems and structures, including details of the remuneration mix and deferred remuneration for senior executives and employees whose actions have a material impact on the risk exposure of the Group, can be found in the 'Human Resource' and 'Pillar 3 Disclosure' sections of this Annual Report.

AUDIT COMMITTEE

The AC members are Messrs Reggie Thein (Chairman), Cham Tao Soon and Willie Cheng Jue Hiang, two of whom (including the AC Chairman) are independent directors. All three AC members are independent from management and business relationships with the Bank. 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 with interested persons; and
- appointment and resignation of the Head of Group Audit.

Through the in-house continuous development programme, updates on the latest accounting standards and guidelines are given to the AC members.

Investigative Power

The AC has authority to investigate any matter within its terms of reference, and is entitled to the full co-operation of Management and the internal and external auditors in the discharge of its duties.

Accounting Policies and Practices

The AC reviews the financial statements of the Bank, the applicable accounting policies and practices, and any judgement made that may have a significant impact on the financial results.

External Auditors

The AC reviews the audit process, external audit plan and audit reports, and the non-audit services performed by the external auditors. It 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 to make its recommendation to the Board on the re-appointment of the external auditors. In the process, the AC considers the feedback received from the internal auditors and Management. The AC also approves the terms of engagement of the external auditors.

Having considered the work and all non-audit services rendered by the external auditors and the fees paid to the external auditors for the non-audit services in 2012, the AC is satisfied that the external auditors were independent and objective in their audit. The AC is also satisfied that the external auditors have the requisite expertise and resources to perform their duties. Accordingly, the AC has nominated Ernst & Young LLP for re-appointment as external auditors at the forthcoming AGM. The Bank has complied with Rules 712 and 715 of the SGX-ST Listing Manual with regard to the appointment of auditing firms for the Bank and its subsidiaries. The fees paid to the external auditors for audit and non-audit services for the financial year are contained in the 'Notes to the Financial Statements' section of this Annual Report.

Internal Auditors

The AC oversees Group Audit, the Bank's internal audit function, and assesses the adequacy and effectiveness of Group Audit. Based on its review of the scope of internal audit for the year under review and the progress and result of the audits, the AC is satisfied that Group Audit is adequately resourced and has carried out its responsibilities effectively.

The Head of Group Audit reports functionally to the AC and administratively to the CEO. More information on the internal audit function is set out below.

EXECUTIVE COMMITTEE

The EXCO members are Messrs Wee Cho Yaw (Chairman), Wee Ee Cheong, Franklin Leo Lavin, Tan Lip-Bu and Hsieh Fu Hua, a majority of whom are independent directors. The main responsibilities of the EXCO are to:

- assist the Board to oversee the Bank's performance in specific business lines and review medium- and long-term business objectives;
- approve certain credit facilities, treasury and investment activities, and capital expenditure;
- review and recommend the budget and business plans;
- monitor the Bank's financial performance and review the Bank's capital and debt structure; and
- perform such other functions and exercise such other power and authority as may be delegated by the Board.

BOARD RISK MANAGEMENT COMMITTEE

The BRMC members are Messrs Wee Cho Yaw (Chairman), Wee Ee Cheong, Cham Tao Soon, Tan Lip-Bu and Hsieh Fu Hua, a majority of whom (including the BRMC Chairman) are non-executive directors. The main responsibilities of the BRMC are to:

- oversee 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;
- ensure that the risk management function is adequately resourced;
- review the overall risk profile, risk limits and tolerance, and risk-return strategy;
- review the adequacy of risk management practices for material risks;
- review and approve risk measurement models and approaches;
- review the risks relating to the remuneration structure; and
- approve the appointment and resignation of the CRO.

During the year, the BRMC accepted the resignation of Mr Tham Ming Soong, the CRO, and approved the appointment of Mr Chan Kok Seong as the new CRO of the Bank.

INTERNAL CONTROLS

Group Audit

An independent function, Group Audit assesses the adequacy of the Bank's system of internal controls, risk management and governance processes. In auditing the Bank's businesses and operations in Singapore and overseas, Group Audit is guided by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. It also oversees the internal audit functions of UOB's overseas banking subsidiaries.

Group Audit uses a risk-based approach to develop its strategic audit plan which is reviewed annually. Audit projects are prioritised and scoped based on Group Audit's assessment of risks and controls over the risk types. Group Audit highlights significant issues to the AC through audit reports and at the AC meetings.

The heads of the overseas banking subsidiaries' internal audit functions 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 support to business units in Singapore and oversees the compliance functions of overseas subsidiaries and branches through a matrix-reporting structure. It works with business and support functions within the compliance risk management framework to identify, assess, mitigate, monitor and manage regulatory compliance risks. Policies and procedures are established to ensure that the UOB Group complies with the law and observes high ethical standards in conducting its business. Group Compliance also monitors regulatory developments which may have an impact on the Group's operations and advises Management where relevant. Compliance issues and regulatory developments are highlighted to the Board and senior management through regular reports. The Head of Group Compliance reports directly to the CEO.

Group Risk Management

Group Risk Management works with the Risk and Capital Committee (see 'Senior Management Committees' below) and business and support functions to develop and implement the appropriate strategies, frameworks, policies and processes for monitoring and managing risks. It also oversees the risk management functions of overseas banking subsidiaries and branches through a matrix-reporting structure. More information on the Bank's risk management can be found in the 'Risk Management' and 'Pillar 3 Disclosure' sections of this Annual Report.

The CRO, who reports functionally to the BRMC and administratively to the CEO, is responsible for the day-to-day function of Group Risk Management.

Senior Management Committees

The CEO is assisted by the following senior management committees in managing 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. It approves certain credit applications and credit risk framework and policies. It also reviews and assesses the Bank's credit portfolios and credit risk profiles.
- Fair Dealing Guidelines Committee: champions fair dealing as an organisational culture and oversees the delivery of fair dealing outcomes to customers. It approves action plans, policies, guidelines, processes and practices aimed at achieving fair dealing outcomes.
- Human Resource (HR) Committee: oversees the Group's HR strategy in support of business objectives and growth, including approving the framework of the Group's talent acquisition policies, talent development and management initiatives, compensation and benefits plans and employee engagement programmes.
- 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. It reviews and recommends the Group's strategic direction and ensures business activities are in line with the strategic direction. It reviews and approves Group-wide principles, frameworks and policies, and key performance indicators to encourage and reward the right behaviour and values.
- 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 discusses changes to the performance management policies and framework on income, cost and internal capital allocation and its related impact to the businesses.
- 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.

Based on the internal controls and risk management processes established and maintained by the Bank, work performed by the internal and external auditors, and reviews performed by the AC, BRMC and the Board, the Board with the concurrence of the AC and BRMC is of the opinion that the internal controls, addressing financial, operational and compliance risks, and risk management processes were generally adequate for the Bank as at 31 December 2012. Further, the Board is of the opinion that no system of internal controls and risk management can provide absolute assurance against material error, loss or fraud. UOB's system of internal controls and risk management provides reasonable but not absolute assurance that the Bank will not be adversely affected by any event that can be reasonably foreseen in the course of its business.

ACCESS TO INFORMATION

Directors have unfettered access to information and Management. They receive timely and comprehensive management reports and any additional information as needed, to facilitate informed discussions and effective decision-making. Directors may seek independent professional advice, if necessary, at the Bank's expense.

Directors also have access to the Company Secretary who assists them in the discharge of their duties. The Company Secretary advises the Board on regulatory changes and best practices in corporate governance, and ensures that board procedures and applicable regulations are complied with. The Company Secretary facilitates communications between the Board and Management, and organises the induction of new directors and the Bank's continuous development programme for directors.

INTERESTED PERSON TRANSACTIONS

The Bank has put in place a procedure for monitoring and disclosing interested person transactions as required by the SGX-ST Listing Manual. In 2012, 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 $796,493.	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 $335,954.	Nil

Related party transactions that may be of interest are disclosed in the 'Notes to the Financial Statements' section of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

UOB discloses to shareholders all pertinent information through announcements on SGXNET and the UOB website at www.UOBGroup.com on a timely basis. Quarterly financial results are announced within 45 days from the end of each quarter and the full-year financial results are announced within 60 days from the financial year-end. When shareholders' consent is required for any matter, the notice of general meeting is sent to shareholders at least 14 days before the meeting.

The Bank provides its Annual Report to shareholders in a compact disc at least 14 days before the AGM. Shareholders may also 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. The Bank has established clear channels for receiving feedback and put in place procedures for investigating and dealing with complaints in an appropriate manner.

Shareholders may provide their views and feedback at the AGM, or through the Bank's Investor Relations unit. The contact details of the Investor Relations unit can be found on the 'Corporate Information' section of this Annual Report. Where appropriate, the Bank meets with investors and research analysts to provide them with a better understanding of the Bank's business and performance.

SHAREHOLDER RIGHTS AND PARTICIPATION

All shareholders are entitled to attend general meetings of the Bank and can give their comment on relevant matters to the Board and Management. A shareholder may appoint up to two proxies to attend a general meeting and vote in his place. An investor who holds shares through a nominee and a CPF investor who holds shares through a custodian bank may vote through his nominee or custodian bank. He may also attend the general meeting as an observer.

The Bank adopts electronic poll-voting at general meetings. Votes cast for or against each resolution will be tallied and displayed at the close of voting.

ETHICAL STANDARDS

UOB has a code of conduct which guides employees on their conduct with stakeholders including customers and co-employees. The principles of the code of conduct are based on the Bank's core values of integrity, performance excellence, teamwork, trust and respect. The Bank is committed to ensuring equal opportunities for employees on the basis of merit and does not tolerate or condone any form of discrimination or harassment in the workplace or cyberspace.

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
- whenever they possess price-sensitive information.

Business and support units have to adhere to relevant guidelines on areas such as the conduct of customer due diligence and reporting of suspicious transactions, which are aimed at combating attempts to use the Bank as a conduit for money-laundering or terrorist-financing activities.

UOB is committed to fair dealing with customers and has taken proactive steps, including stepping up staff awareness and training as well as putting in place policies, guidelines and best practices, towards delivering fair dealing outcomes to customers.

The Bank has a whistle-blowing policy under which an employee can report to Group Audit any suspected wrongdoing without fear of reprisal. An individual may also make a report to the Head of Group Audit, AC Chairman, CEO or Chairman of the Board. All reports received are accorded confidentiality and investigated independently by Group Audit.

Capital Management

Our approach to capital management is to ensure that the Group and its bank subsidiaries maintain strong capital levels necessary 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 the Group's Internal Capital Adequacy Assessment Process (ICAAP) whereby we actively monitor and manage the Group's capital position over a medium-term horizon, involving the following:

- Setting capital targets for the Bank and its bank subsidiaries. As part of this we take into account future regulatory changes and stakeholder expectations;
- Forecasting capital demand for material risks based on the Group's risk appetite. This is evaluated across all business segments and banking entities and includes the Group's capital position before and after mitigation actions under adverse but plausible stressed conditions; and
- Determining the availability and composition of different capital components.

Two committees oversee our capital planning and assessment process. The Board Risk Management Committee assists the Board with the management of risks arising from the business of the Group while the Risk and Capital Committee manages the Group's ICAAP and overall risk profile and capital requirements of the Group. Each quarter, the Board Risk Management Committee and senior management are updated on the Group's capital position. The capital management plan, the contingency capital plan, as well as any capital management actions, are submitted to the senior management team and/or the Board for approval.

The Bank is the primary equity capital provider to the Group's entities. The investments made in Group entities are funded mainly by the Bank's own retained earnings and capital issuance. The Group's 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 six per cent and ten per cent 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 2012 and 31 December 2011. We have adopted the Basel II framework for the 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 "Pillar 3 Disclosure" sections.

	2012 **$ million**	2011 $ million
Tier 1 Capital		
Share capital	**3,123**	3,104
Non-cumulative preference shares	**1,317**	1,317
Innovative Tier 1 capital instruments	**832**	832
Disclosed reserves	**18,964**	17,431
Non-controlling interests	**82**	80
Goodwill/others	**(4,369)**	(4,329)
Deductions from Tier 1 Capital	**(369)**	(421)
Eligible Tier 1 Capital	**19,580**	18,014
Tier 2 Capital		
Cumulative collective impairment/others	**1,022**	950
Subordinated notes	**5,213**	3,794
Deductions from Tier 2 Capital	**(369)**	(421)
Eligible Total Capital	**25,446**	22,337
Risk-Weighted Assets		
Credit risk	**114,634**	116,423
Market risk	**8,668**	7,835
Operational risk	**9,801**	9,320
	133,103	133,578
Capital Adequacy Ratios (%)		
Core Tier 1	**13.1**	11.9
Tier 1	**14.7**	13.5
Total	**19.1**	16.7

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 tabulation below shows the CAR of major bank subsidiaries as at 31 December 2012, based on local requirements of the respective countries.

	2012	
	Tier 1 CAR %	Total CAR %
United Overseas Bank (Malaysia) Bhd	13.9	15.7
United Overseas Bank (Thai) Public Company Limited	14.4	16.0
PT Bank UOB Indonesia	15.7	16.8
United Overseas Bank (China) Limited	22.3	23.5

Capital Management Initiatives Taken During the Year

Tier 1 Capital

The Bank did not issue any new ordinary shares or Tier 1 Capital instruments in 2012.

Tier 2 Capital

The Bank raised S$1.2 billion and US$500 million ten-year fixed rate subordinated notes in July and October 2012 respectively, qualifying as lower Tier 2 Capital. Net proceeds from both issues were used for general corporate purposes.

Dividend

Our aim is to continue to pay consistent and sustainable dividends to shareholders over the long term by balancing growth with prudent capital management. Dividends are payable at least on a half-yearly basis. For the financial year ended 31 December 2012, the Board has recommended a final one-tier tax-exempt dividend of 40 cents and a special dividend of ten cents per ordinary share, bringing the full year dividend to 70 cents per ordinary share. This represents a payout of S$1.1 billion, representing 39 per cent of the Group's net profit of S$2.8 billion. The UOB scrip dividend scheme was not applied to any dividends paid or declared for this year.

Share Buyback and 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 its employee long-term incentive plans.

During the year, we purchased 0.7 million ordinary shares for S$10.6 million, while 1.5 million treasury shares were delivered to meet the obligations under the Bank's existing employee long-term incentive plans.

Regulatory Changes

The regulation and supervision of financial institutions continues to undergo considerable change as a result of the global financial crisis. Since December 2009, the Basel Committee on Banking Supervision (BCBS) has issued a series of capital reforms (Basel III) designed to strengthen the resilience of the global banking system. These new capital requirements are to be met based on a globally-agreed phased-in timeline from 2013 to 2019.

The BCBS has left it to the respective jurisdictions to implement these changes. On 14 September 2012, the MAS issued the revised MAS Notice 637, incorporating the Basel III capital reforms issued by BCBS. Singapore is one of the first countries to adopt the Basel III capital framework by the planned start date of 1 January 2013 and with higher capital adequacy requirements.

The Group has always appreciated the need to be well-capitalised, and coupled with the phased-in timeline for implementation, we believe the Group is ready to meet the MAS' new requirements.

Risk Management

RISK MANAGEMENT OVERVIEW

The effective management of financial and non-financial risks is integral to the Group's business success. Our approach to risk management is to ensure risks are managed within the levels established by the Group's various senior management committees and approved by the Board and/or its committees.

The Group has established a comprehensive framework of policies and procedures to identify, measure, monitor and control risks. These are guided by the Group's Risk Management Principles which advocate:

- Delivery of sustainable long-term growth using sound risk management principles and business practices;
- Continual improvement of risk discovery capabilities and risk controls; and
- Business development based on a prudent, consistent and efficient risk management framework.

RISK MANAGEMENT GOVERNANCE AND FRAMEWORK

The Board is responsible for the governance of risk and oversees a governance structure to ensure that the Group's business activities are:

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

In this, the Board is supported by the Board Risk Management Committee (BRMC) in the oversight of risk management policies, process and procedures.

The CEO has established senior management committees to assist in making business decisions with due consideration to risks and returns. The main senior management committees involved in this are the Management Executive Committee (MEC), Asset and Liability Committee (ALCO), Credit Committee (CC) and the Risk and Capital Committee (RCC). These committees also 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 reviews the overall risk appetite and level of risk capital to maintain for 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's Internal Capital Adequacy Assessment Process (ICAAP) is used to assess if it has sufficient capital to support its activities. The ICAAP process is reviewed periodically to ensure that the Bank remains 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 to determine the amount of risk the Group is able and willing to take/tolerate in pursuit of its business objectives. It is approved by the BRMC and allocated to the various business units by senior management and senior management committees. The objective of establishing such a Risk Appetite framework is not to limit risk taking but to ensure that the Group's risk profile is aligned to its business strategy.

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

CREDIT RISK

Credit Risk Policies and Processes

The Group established credit policies and processes to manage credit risk in the following key areas:

Credit Approval Process

To maintain the independence and integrity of the credit approval process, the credit approval function has been segregated from that of credit origination. Credit approval authority is delegated through a risk based Credit Discretionary Limit (CDL) structure where the CDL to approve a credit is scaled according to a borrower's credit rating. The 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 that are periodically reviewed to ensure their continued relevance to the Group's business strategy and the business environment.

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 effect 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 gross domestic product, 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. Testing is conducted periodically and allows the Group to assess potential losses arising from exceptional but plausible adverse events.

Settlement Risk

The Group's foreign exchange-related settlement risk has been reduced significantly 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 approach. This approach takes into consideration the transaction currency and tenor to address the credit risk exposures arising from adverse market movements.

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

As at 31 December 2012, UOB would be required to post additional collateral of USD 36.2 million with its counterparties if its credit rating was downgraded by two-notches.

For Internal Ratings-Based purposes, 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 defined as the risk that occurs when the Group's credit exposure to a counterparty is adversely correlated with the credit quality of that counterparty. In other words, it arises when default risk and credit exposure increase together. Wrong-way risk may be general or specific.

General wrong-way risk arises when the probability of default of counterparties is positively correlated with general market risk factors. An example would be a cross-currency swap with a local bank in the country where the Group pays the domestic currency and receives the foreign currency. The Group 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 the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty. An example would be a domestic corporate selling protection against the default of its own sovereign. In general, transactions with specific wrong-way risk will be rejected at the underwriting stage.

Risk Management

Non-Performing Accounts Management

The Group monitors closely the delinquency of borrowing accounts as it is a key indicator of credit quality. The Group has an independent credit review process to ensure the appropriateness of loan grading and classification in accordance with MAS Notice 612. Any account that exhibits weaknesses that may jeopardise repayment on existing terms will be categorised as 'non-performing'.

Delinquency Monitoring

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

Classification and Loan Loss Impairment

The Group classifies its credit portfolios according to the borrower's ability to repay the credit facility from their normal source of income. Any account which is in delinquent or (for revolving credit facility such as an overdraft) in excess for more than 90 days will automatically be categorised as 'non-performing'.

All borrowing accounts are categorised into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-Performing accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS Notice 612.

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

A restructured account is categorised as Non-Performing and placed on the appropriate classified grade 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 Notice 612 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 non-performing loans (NPL) accounts, with the primary intention of nursing these accounts back to health and transferring them back to the respective business units. GSAM Recovery Group manages accounts that the Group intends to exit in order to maximise debt recovery.

Write-Off Policy

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

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 purposes, 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 use the PD of the guarantor for the purpose of calculating the capital requirement.

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

- **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) Standardised Approach (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 (IRB) Approach

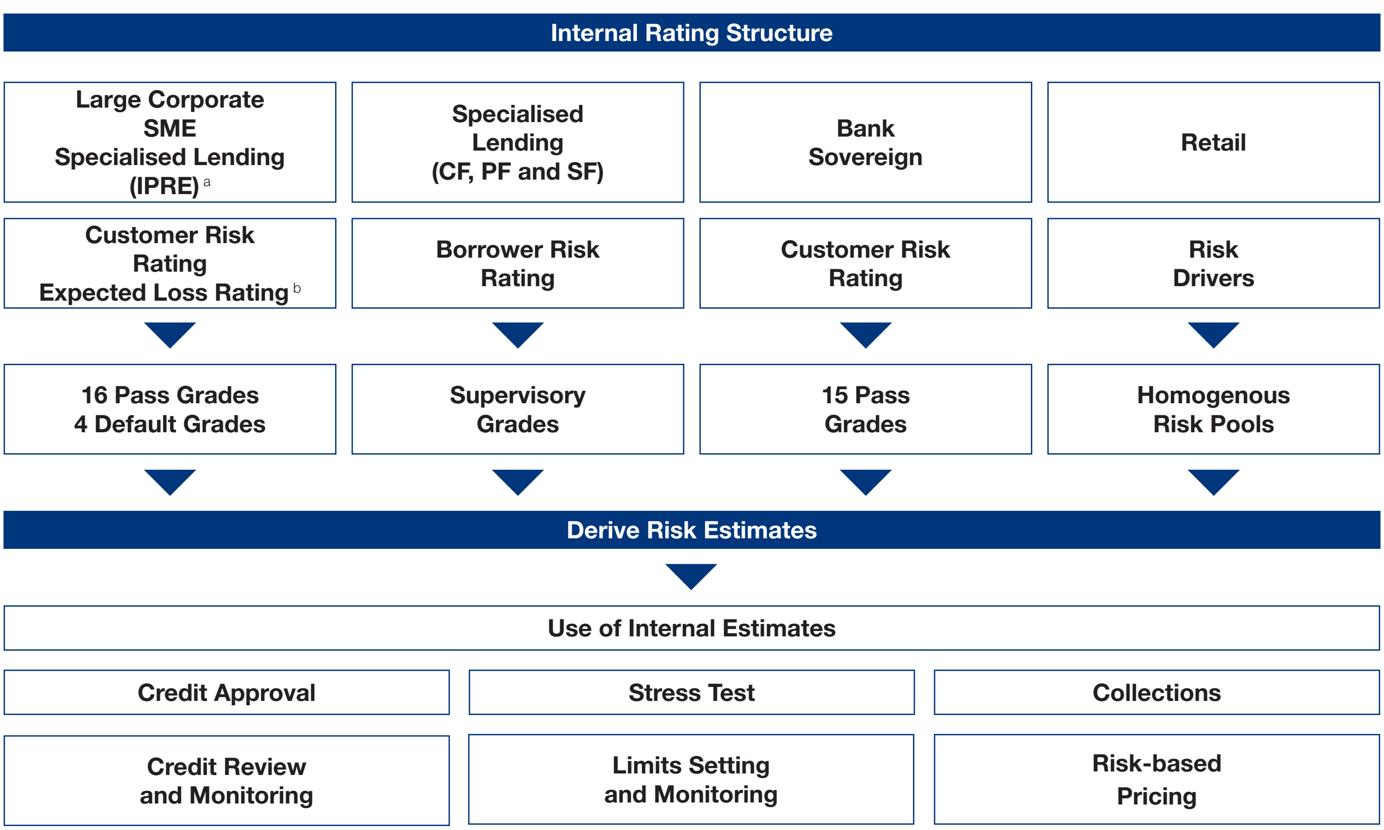
The IRB rating system refers to the methods, processes, controls, data collection and information technology systems that support the assessment of credit risk, the assignment of exposures to rating grades or pools, as well as the parameterisation process for the various classes of exposure.

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 subjected to annual reviews conducted by model owners to ensure that the chosen risk factors measure appropriately the risks in the respective portfolios. The models are independently validated by Risk Analytics Division before they are implemented.

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 for 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 in which it operates.
- 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 four default grades. The Large Corporate and SME models are mapped to the rating scale and 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 its 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 its 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 is insufficient internal default data, the scorecard takes 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 is insufficient internal default data, the scorecard takes 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 subject to the supervisory risk weights as prescribed by MAS Notice 637, while investment exposures adopting the PD/LGD Method are rated using the Group's internal Bank scorecard.

Retail 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 does 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 does 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, car loans, share financing and any other retail exposures not classified as Residential Mortgage or QRRE. These exposures meet 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 shortfall 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. UOB Asset Management, a subsidiary of UOB Group, 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. The valuation methodologies employed by the Group are in line with sound market practices. In addition, a new Product/Service Programme process ensures that market risk issues identified are adequately addressed prior to the launch of products and services. 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 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

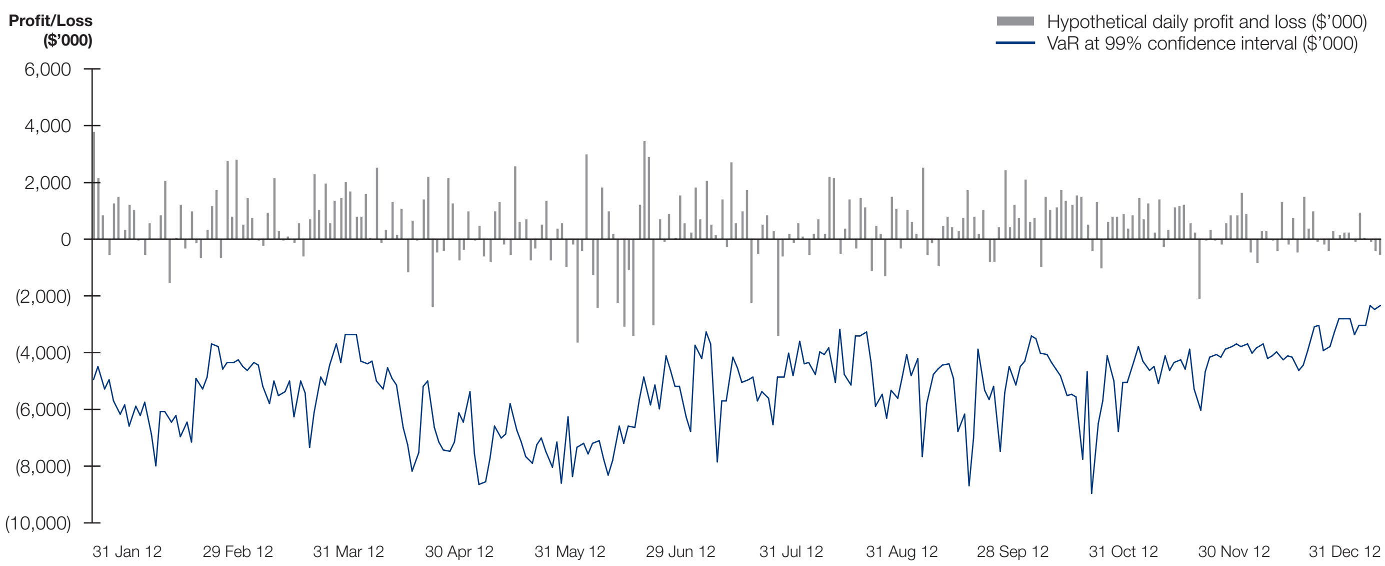
The Group currently adopts the Standardised Approach for the calculation of regulatory market risk capital but uses internal models to measure and control trading market risks. The financial products warehoused, measured and controlled with internal models include vanilla FX and FX options, vanilla interest rate and interest rate 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 per cent 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)



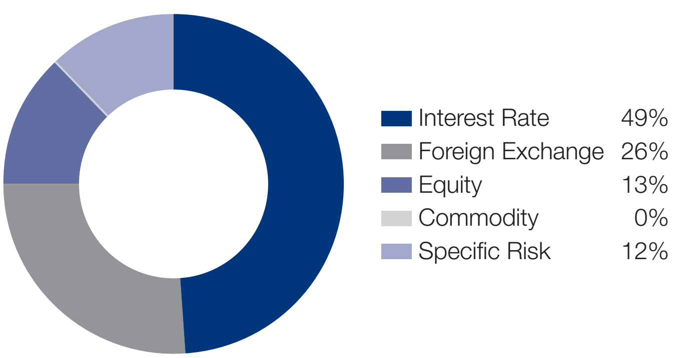
As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit and loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtest exceptions are tabled at 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. The Stressed VaR estimates the ten day holding period at 99 per cent confidence level potential loss, using stressed market prices observed during the 2008-2009 subprime crisis. The IRC measures the migration and default risks of the corporate bonds warehoused in the trading book at the 99.9 per cent confidence level over a one-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 2012 was $2.3 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 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, currencies and embedded options. Mismatches in the longer tenor will experience greater change in the price-value of interest rate positions than similar positions in the shorter tenor.

The table in Note 41(c)(i) to the financial statements on page 143 represents the Group's interest rate risk sensitivity based on repricing mismatches as at 31 December 2012. 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. 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 potential liquidity crises 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 145 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 modeling 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 noncompliance 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.

Regulatory compliance risk is identified, assessed, monitored and managed under a Regulatory Compliance Risk Governance Framework. Regulatory compliance risk refers to the risk of regulatory sanctions, financial loss or damage to the Group's reputation and franchise value that may arise from non-compliance with laws, regulations, rules, standards or codes of conduct applicable to the Group's business and operations. The framework also manages the risk of breaches and sanctions relating to Anti-Money Laundering and Countering the Financing of Terrorism.

A framework to manage fraud risk is in place. It includes a policy on fraud, a whistle-blowing programme, a material risk notification protocol and a fraud risk awareness training programme for all new employees of the Bank.

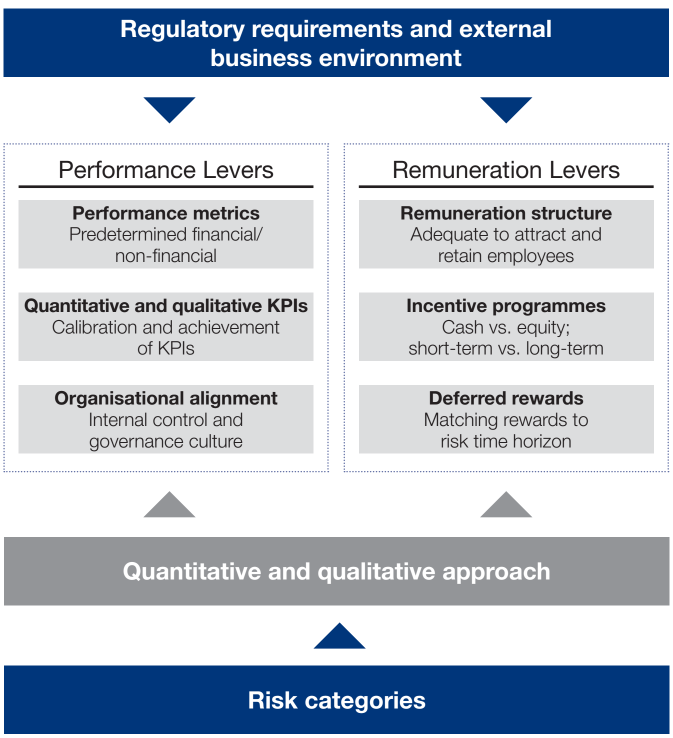
A framework to manage bribery risk is also in place. The Bank's Code of Conduct sets out anti-bribery and corruption provisions. All employees are required to observe the Code of Conduct and comply with the guidelines. Disciplinary action will be taken against any employee who fails to do so. Such disciplinary action may include suspension or termination of employment. An anti-corruption digest is sent to all employees regularly to keep them updated of latest developments and to foster an anti-bribery culture.

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 reputational risk.

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

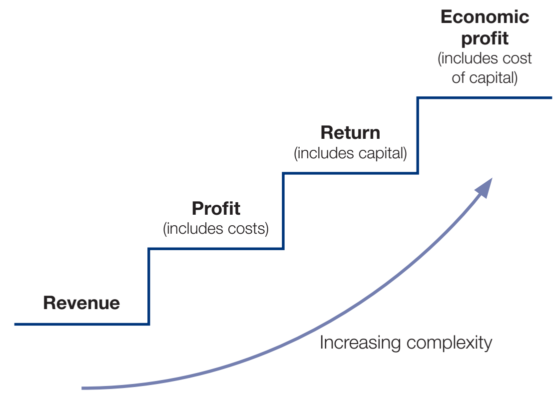
Group Risk-Reward Framework

The Group risk-reward framework broadly sets out the Group's approach to managing risk and reward. The framework uses quantitative and qualitative measures to incorporate the various risk categories for managing performance and remuneration levers as outlined below.



The Group has and continues to place an emphasis on prudent risk-taking to foster sustainable business practices. As such, the Group has put in place systems and processes to manage the various types of risk and has built a risk-aware culture over the years. Under the risk-reward framework, the Group's key incentive programmes have been designed to take into account internal risk categories (e.g. market risk, liquidity risk, operational risk, etc.), 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 continues to make use of risk-adjusted performance metrics that take into account the costs of capital. The following diagram summarises the application of various types of performance metrics in the funding and distribution of incentive plans within the Group.



	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 well-versed in 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 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.

Two meetings of the RC were convened during the year. Directors' fees in respect of 2012 totalling $695,000 have been proposed for the three directors of the RC. This amount includes the basic Directors' retainer fees, as well as allowances for the various Board Committees on which they serve.

Salary surveys conducted by external remuneration consultants were used in 2012 for employee salary benchmarking purposes.

During the financial year, the Group's remuneration policy and framework were reviewed for compliance with regulatory guidelines by internal auditors. There was no adverse finding.

Remuneration Policy and Processes

The remuneration policy is applicable Group-wide and includes overseas subsidiaries and branches. It covers the remuneration of non-executive directors and employees, including senior executives and material risk takers. Material risk takers include (i) employees (other than Group Principal Officers which are listed on pages 20 to 21) at the corporate grade of Managing Director; (ii) traders/dealers at Group Head Office and trading/dealing desk heads of major overseas banking subsidiaries; and (iii) high-earning employees whose compensation exceed a predetermined threshold. There are 29 Group Principal Officers and 59 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 2011.

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 market pay levels for the respective job roles, overall performance of the Group, achievement of operational KPIs in their respective functions, as well as on individual performance of the employee.

The Group does not award guaranteed bonuses as part of normal operations. However as a recruitment strategy, sign-on bonuses and/or guaranteed bonuses may be selectively offered to key hires for the initial year.

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 is also no special retirement plan, golden parachute or special severance package 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 (KPIs) within a balanced scorecard framework. These KPIs focus on financial, growth, risk, customer and employee perspectives. Financial and growth KPIs include net profit, economic profit and capital, fee income and cross-selling, as well as longer-term strategic objectives. Risk, customer and employee KPIs include the loan-to-deposit ratio, adherence to Fair Dealing Guidelines and turnover of high-performing employees. The overall variable bonus pool of the Group is determined by the achievement against these KPIs, which are also cascaded to 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, governance and risk measures. Based on the achievement of these KPIs, the bonus pools of the Group and the business units may be increased by up to a maximum of 30 per cent 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 bonus 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 incorporate various risk factors such as country risk, liquidity risk, equity risk, reputational risk etc. Thus, 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 applies to 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, the bonus received by an employee that is above a predetermined threshold is subject to deferral ranging from 20 per cent to 60 per cent, with the proportion of deferral increasing with the amount of bonus received. Deferred bonuses will vest equally over three years subject to predetermined 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, 60 per cent of the bonus is deferred, where half is deferred in the form of share-linked performance units that will vest equally over three years subject to the achievement of predetermined performance conditions.

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, half of the units granted 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 per cent of the initial 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 (i.e. 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 on 'Capital Management', 'Risk Management', 'Human Resource', 'Pillar 3 Disclosure'*, 'Group Financial Review' and 'Notes to the Financial Statements'. The disclosures are to facilitate the understanding of the UOB Group's risk profile and assessment of the Group's capital adequacy.

SCOPE OF APPLICATION

In accordance with the accounting standards for financial reporting, all subsidiaries of the Group are fully consolidated from the date the Group obtains control until the date such control ceases. The Group's investment in associates is accounted for using the equity method from the date the Group obtains significant influence over the associates until the date such significant influence ceases.

However, for the purpose of computing capital adequacy requirements at the Group level, investments in a subsidiary that carries out insurance business as an insurer are excluded from the consolidated financial statements of the Group. In compliance with MAS Notice 637 on capital adequacy, such investments are deducted from eligible Tier 1 and Upper Tier 2 Capital.

The transfer of funds or regulatory capital within the Group is generally subject to regulatory approval.

* Semi-annual update will be available on UOB's website at www.UOBGroup.com

Summary of Risk Weighted Assets (RWA)

Credit Risk	RWA $ million
IRB Approach	
Corporate	66,458
Sovereign	49
Bank	5,956
Residential Mortgage	7,579
Qualifying Revolving Retail	2,020
Other Retail	1,735
Equity	14,142
Securitisation	30
Total IRB Approach	**97,969**
Standardised Approach	
Corporate	6,524
Sovereign	84
Bank	364
Regulatory Retail	4,887
Residential Mortgage	431
Commercial Real Estate	769
Fixed Assets	2,257
Other Exposures	1,349
Total Standardised Approach	**16,665**
Total Credit Risk	**114,634**

Market Risk	RWA $ million
Standardised Approach	
Interest rate	4,454
Equity	43
Foreign Exchange	3,413
Commodity	758
Total Standardised Approach	**8,668**

Operational Risk	RWA $ million
Standardised Approach	**9,801**
Total RWA	**133,103**

IRB: Internal Ratings-Based

Based on the Group's Total RWA, the Group's minimum capital requirement as at 31 December 2012 is $13,310 million.

CREDIT RISK EXPOSURES

Counterparty Credit Risk Exposures

	$ million
Gross fair value of contracts	6,102
Netting effects	–
Net fair value	6,102
Collateral held	
Financial Collateral	–
Other	–
Net credit exposure	**6,012**
Analysed as:	
Interest rate contracts	3,560
Foreign exchange contracts and gold	2,217
Equity contracts	197
Credit derivative contracts	5
Precious metals and other commodity contracts	33

Credit Derivative Exposures

	Notional amounts bought $ million	Notional amounts sold $ million
Own credit portfolio	49	–
Intermediation portfolio	28	28
Total credit default swaps	**77**	**28**

Credit Exposures under Basel II

	Standardised[a] $ million	FIRB $ million	AIRB $ million
Corporate	6,911	90,851	–
Sovereign and Bank	2,577	77,932	–
Retail	7,655	NA	71,599
Other (including Equity, Asset Securitisation, Commercial Real Estate, Fixed Assets)	7,287	4,178	–
Total	**24,430**	**172,961**	**71,599**

[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

	Amount by which Exposures are covered by: Eligible Collateral[a]	Credit Protection
	$ million	
Standardised		
Corporate	450	18
Sovereign	–	–
Bank	–	15
Retail	372	59
Other	484	*
Standardised Total	**1,306**	**92**
FIRB		
Corporate	10,439	866
Sovereign	3,185	–
Bank	1,369	–
Retail	NA	NA
FIRB Total	**14,993**	**866**
Total	**16,299**	**958**

a The Group currently uses supervisory prescribed haircuts for eligible financial collateral.
* Less than $500,000.
NA: Not Applicable

Credit Exposures Subject to Standardised Approach

Risk Weights	Net Exposures[a] $ million
0% to 35%	6,463
50% to 75%	7,204
100% and above	10,763
Total	**24,430**

[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%	2,227	–
51% to 100%	2,145	–
101% and above	679	3,195
Total	**5,051**	**3,195**

Risk Weights	Securitisation[a] $ million
0% to 50%	97
51% to 100%	–
101% and above	4
Deducted	68
Total	169

[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	49,030	75,284	65
10 – 16	13,966	9,600	145
Default	–	905	–
Total	**62,996**	**85,788**	**73**

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	953	1,631	58
Good	1,512	1,729	87
Satisfactory	683	560	122
Weak	315	119	265
Default	–	1,011	–
Total	**3,462**	**5,051**	**69**

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	–	50,335	–
10 – 16	49	318	15
Default	–	–	NA
Total	**49**	**50,653**	**0**

Bank Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	4,690	25,158	19
10 – 16	1,266	2,120	60
Default	–	–	NA
Total	**5,956**	**27,278**	**22**

Equity (PD/LGD Method) Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	1,013	615	165
10 – 16	1,105	199	555
Default	–	–	NA
Total	**2,118**	**814**	**260**

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%	3,095	39,730	8	11	2,125
1.01% to 2.00%	1,031	6,100	17	10	46
2.01 to 99.99%	3,313	10,174	33	11	99
Default	141	270	52	14	–
Total	**7,579**	**56,274**	**13**	**11**	**2,270**

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%	326	2,772	12	43	1,088
1.01% to 2.00%	108	443	24	42	164
2.01 to 99.99%	1,523	1,532	99	65	187
Default	62	33	191	73	–
Total	**2,020**	**4,780**	**42**	**50**	**1,439**

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%	466	5,499	8	12	890
1.01% to 2.00%	104	748	14	11	228
2.01 to 99.99%	1,132	4,215	27	17	372
Default	33	83	40	36	–
Total	**1,735**	**10,544**	**16**	**14**	**1,490**

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 2012.

Asset Class	Actual Loss $ million	Expected Loss[a] (as at 31 December 2011) $ million
Corporate	341	595
Sovereign	–	–
Bank	–	19
Retail	60	218
Total	**401**	**832**

[a] Excludes defaulted exposures.

Comparison of Actual Loss and Expected Loss by Asset Class

The actual loss for the Group's IRB portfolio in 2012 was lower than the Expected Loss that was estimated for 2012 at the end of December 2011. The Group continues to be proactive in its risk management approach to ensure that actual losses remained within the Group's expectations.

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 2011 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	1,435	300	702	257
Other equity holdings	1,760	400	112	175
Total	**3,195**		**814**	

Total Equity exposures that were deducted from capital amounted to $626 million.

Gains and Losses

	Revaluation Gains on Equity Eligible as Tier 2 Capital $ million	Realised Gains/(Losses) during the Period $ million
Total	**233**	**46**

REMUNERATION DISCLOSURES

For the year ending 31 December 2012, 29 senior executives and 53 material risk takers have received variable remuneration.

Guaranteed Bonuses, Sign-On Awards and Severance Payments

Category of Remuneration	Senior Executives and Material Risk Takers
Number of guaranteed bonuses	2
Number of sign-on awards	3
Number of severance payments	–
Total amounts of above payments made during the Financial Year ($'000)	**750**

Breakdown of Remuneration Awarded to Senior Executives in the Current Financial Year

Category of Remuneration		Senior Executives Unrestricted %	Senior Executives Deferred %
Fixed	Cash-based	30	–
	Shares and share-linked instruments	–	–
	Other forms of remuneration	–	–
Variable	Cash-based	39	10
	Shares and share-linked instruments	–	21
	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	50	–
	Shares and share-linked instruments	–	–
	Other forms of remuneration	–	–
Variable	Cash-based	34	1
	Shares and share-linked instruments	–	15
	Other forms of remuneration	–	–
Total		**100**	

Breakdown of Long-Term Remuneration Awards

Category of Remuneration	Senior Executives %	Material Risk Takers %
Change in deferred remuneration paid out in the current financial year	15	(4)
Change in amount of outstanding deferred remuneration from the previous financial year	19	8
Outstanding deferred remuneration (breakdown)		
Cash	22	3
Shares and share-linked instruments	78	97
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])	4	5
Reductions in current year due to ex-post adjustments (implicit [2])	–	–
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.

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2012

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

	2012	2011	+/(–) %
Summarised Income Statement ($ million)			
Net interest income	**3,917**	3,678	6.5
Fee and commission income	**1,508**	1,318	14.4
Other non-interest income	**1,070**	703	52.3
Total income	**6,495**	5,699	14.0
Less: Total expenses	**2,747**	2,450	12.1
Operating profit	**3,748**	3,248	15.4
Less: Amortisation/impairment charges	**484**	534	(9.4)
Add: Share of profit of associates and joint ventures	**87**	93	(6.2)
Less: Tax and non-controlling interests	**548**	481	14.0
Net profit after tax [1]	**2,803**	2,327	20.5
Financial Indicators			
Non-interest income/Total income (%)	**39.7**	35.5	4.2% points
Overseas profit before tax contribution (%)	**32.8**	34.7	(1.9)% points
Earnings per ordinary share ($) [2]			
Basic	**1.72**	1.43	20.3
Diluted	**1.71**	1.42	20.4
Return on average ordinary shareholders' equity (%) [2]	**12.4**	11.1	1.3% points
Return on average total assets (%)	**1.18**	1.06	0.12% point
Net interest margin (%)	**1.87**	1.92	(0.05)% point
Expense/Income ratio (%)	**42.3**	43.0	(0.7)% point
Loan charge off rate (bp)			
Exclude collective impairment	**30**	12	18 bp
Include collective impairment	**30**	30	–
Net dividend per ordinary share (¢)			
Interim	**20**	20	–
Final	**40**	40	–
Special	**10**	–	NM
Total	**70**	60	16.7

1 Refer to profit attributable to equity holders of the Bank.
2 Calculated based on profit attributable to equity holders of the Bank net of preference share dividends.

Overview (continued)

	2012	2011	+/(–) %
Financial Indicators (continued)			
Customer loans (net) ($ million)	**152,930**	141,191	8.3
Customer deposits ($ million)	**182,029**	169,460	7.4
Loans/Deposits ratio (%) [1]	**84.0**	83.3	0.7% point
Non-performing loans ratio (%) [2]	**1.5**	1.4	0.1% point
Total assets ($ million)	**252,900**	236,958	6.7
Shareholders' equity ($ million) [3]	**25,080**	22,967	9.2
Net asset value (NAV) per ordinary share ($) [4]	**14.56**	13.23	10.1
Revalued NAV per ordinary share ($) [4]	**16.89**	15.28	10.5
Capital Adequacy Ratios (%)			
Core Tier 1	**13.1**	11.9	1.2% points
Tier 1	**14.7**	13.5	1.2% points
Total	**19.1**	16.7	2.4% 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's net profit after tax for the year 2012 reached a record high of $2.80 billion, a 20.5% increase over 2011. All core income streams recorded strong performance. Operating profit also surpassed previous years and recorded a new high of $3.75 billion, 15.4% over 2011.

Net interest income rose 6.5% to $3.92 billion, mainly on higher loans volume which more than outweighed the lower net interest margin. Net interest margin was 1.87%, 5 basis points lower due to rising cost of funds.

Non-interest income grew 27.6% to $2.58 billion. Fee and commission income increased 14.4%, crossing the $1.51 billion mark for the first time. The increase in fee income was across all business activities with double-digit growth recorded in income from capital markets, wealth management and fund management activities. Loan-related fee income was strong and contributed to an all-time high of $389 million in fee income for the year. Trading and investment income rose 71.6% to $673 million due to gain from the sale of securities.

Total operating expenses increased 12.1% to $2.75 billion in tandem with revenue growth. Expense-to-income ratio improved 0.7% point to 42.3% on higher income growth.

Total impairment charges for 2012 was $476 million. Individual impairment on loans was $454 million essentially for a specific account outside of Singapore. As the Group had more than adequate collective impairment set aside at the portfolio level, the Group was able to keep the total loans charge off rate constant at 30 basis points. Credit quality on the overall loan portfolio stayed healthy while non-performing loans (NPL) ratio remained low at 1.5%. NPL coverage stayed at a comfortable level of 123.8%.

Gross customer loans increased $11.9 billion or 8.3% to $156 billion as at 31 December 2012. The increase was contributed mainly from Singapore and Malaysia.

Customer deposits rose $12.6 billion or 7.4% to reach $182 billion. The increase was across all products and mainly from Singapore and the regional countries. The Group's funding position remained strong with loans-to-deposits ratio at 84.0% as at 31 December 2012.

During the year, S$1.2 billion 3.15% fixed rate subordinated notes and US$845 million in senior notes were issued under the Euro-Medium Term Note Programme to further augment the Group's funding sources.

Shareholders' equity rose 9.2% to $25.1 billion, largely contributed by higher retained earnings as well as improved valuation on the investment portfolio. Return on shareholders' equity grew 1.3% points to 12.4% for 2012.

The Group remained well capitalised with Core Tier 1, Tier 1 and Total Capital Adequacy Ratios of 13.1%, 14.7% and 19.1% as at 31 December 2012 respectively. The ratios were higher largely due to higher retained earnings and the issuance of subordinated debts, coupled with lower risk-weighted assets due to improved credit quality.

Management Discussion and Analysis

Net Interest Income

Net Interest Margin

	2012			2011		
	Average balance $ million	**Interest $ million**	**Average rate %**	Average balance $ million	Interest $ million	Average rate %
Interest Bearing Assets						
Customer loans	**146,242**	**4,973**	**3.40**	126,583	4,311	3.41
Interbank balances	**33,673**	**600**	**1.78**	33,306	547	1.64
Securities	**29,211**	**629**	**2.15**	32,021	782	2.44
Total	**209,126**	**6,202**	**2.97**	191,910	5,641	2.94
Interest Bearing Liabilities						
Customer deposits	**170,562**	**1,896**	**1.11**	151,197	1,514	1.00
Interbank balances/others	**32,376**	**389**	**1.20**	35,877	449	1.25
Total	**202,938**	**2,285**	**1.13**	187,074	1,963	1.05
Net interest margin [1]			**1.87**			1.92

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

Volume and Rate Analysis

	2012 vs 2011			2011 vs 2010		
	Volume change $ million	**Rate change $ million**	**Net change $ million**	Volume change $ million	Rate change $ million	Net change $ million
Interest Income						
Customer loans	**670**	**(8)**	**661**	903	(399)	505
Interbank balances	**6**	**47**	**53**	(1)	130	130
Securities	**(69)**	**(85)**	**(154)**	(37)	49	13
Total	**607**	**(46)**	**561**	866	(219)	647
Interest Expense						
Customer deposits	**194**	**188**	**382**	173	241	413
Interbank balances/others	**(16)**	**(44)**	**(60)**	48	40	88
Total	**178**	**144**	**322**	221	280	501
Net interest income	**429**	**(190)**	**239**	646	(500)	146

Net interest income for 2012 rose 6.5% to $3.92 billion compared with 2011, mainly on higher loans volume which more than outweighed the lower net interest margin. Net interest margin was 1.87%, 5 basis points lower due to rising cost of funds.

Non-Interest Income

	2012 $ million	2011 $ million	+/(–) %
Fee and Commission Income			
Credit card	**240**	231	4.1
Fund management	**129**	98	32.2
Investment-related	**321**	208	54.3
Loan-related	**389**	370	5.1
Service charges	**107**	100	6.5
Trade-related	**256**	249	2.7
Others	**66**	62	5.8
	1,508	1,318	14.4
Other Non-Interest Income			
Dividend income	**135**	75	79.2
Rental income	**110**	112	(2.2)
Trading income/(loss)	**97**	84	15.8
Non-trading income/(loss)			
Financial instruments at fair value through profit or loss	**134**	106	26.1
Available-for-sale assets and others	**442**	202	>100.0
	673	392	71.6
Other income	**152**	123	23.7
Other operating income	**825**	515	60.2
	1,070	703	52.3
Total	**2,578**	2,021	27.6

Non-interest income grew 27.6% to $2.58 billion for 2012. Fee and commission income increased 14.4%, crossing the $1.51 billion mark for the first time. The increase in fee income was across all business activities with double-digit growth recorded in income from capital market, wealth management and fund management activities. Loan-related fee income was strong and contributed an all-time high of $389 million in fee income for the year. Trading and investment income rose 71.6% to $673 million due to gain from sale of securities.

Operating Expenses

	2012 $ million	2011 $ million	+/(–) %
Staff costs	**1,597**	1,403	13.8
Other Operating Expenses			
Revenue-related	**574**	511	12.4
Occupancy-related	**269**	241	11.4
IT-related	**171**	150	13.7
Others	**138**	145	(5.4)
	1,151	1,047	9.9
Total	**2,747**	2,450	12.1

Total operating expenses increased 12.1% to $2.75 billion in tandem with revenue growth. Expense-to-income ratio improved 0.7% point to 42.3% on higher income growth.

Impairment Charges

	2012 $ million	2011 $ million	+/(–) %
Individual Impairment on Loans [1]			
Singapore	**123**	10	>100.0
Malaysia	**48**	3	>100.0
Thailand	**25**	31	(16.9)
Indonesia	**13**	28	(52.5)
Greater China [2]	**2**	(3)	>100.0
Others	**243**	95	>100.0
	454	163	>100.0
Individual impairment on securities and others	**21**	58	(64.4)
Collective impairment	**2**	303	(99.5)
Total	**476**	523	(9.0)

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

Total impairment charges for 2012 was $476 million. Individual impairment on loans was $454 million essentially for a specific account outside of Singapore. As the Group had more than adequate collective impairment set aside at the portfolio level, the Group was able to keep the total loans charge off rate constant at 30 basis points. Credit quality on the overall loan portfolio stayed healthy. Non-performing loans ratio remained low at 1.5% and NPL coverage stayed at a comfortable level of 123.8%.

Customer Loans

	2012 $ million	2011 $ million
Gross customer loans	**155,855**	143,943
Less: Individual impairment	**960**	770
Collective impairment	**1,964**	1,982
Net customer loans	**152,930**	141,191
By Industry		
Transport, storage and communication	**6,906**	7,041
Building and construction	**19,438**	17,515
Manufacturing	**11,834**	11,336
Financial institutions	**23,718**	23,966
General commerce	**18,627**	17,597
Professionals and private individuals	**22,366**	18,629
Housing loans	**46,131**	40,615
Others	**6,833**	7,244
Total (gross)	**155,855**	143,943
By Currency		
Singapore dollar	**87,733**	78,557
US dollar	**18,135**	19,791
Malaysian ringgit	**21,842**	18,832
Thai baht	**8,103**	7,530
Indonesian rupiah	**4,573**	4,488
Others	**15,469**	14,743
Total (gross)	**155,855**	143,943
By Maturity		
Within 1 year	**48,230**	50,384
Over 1 year but within 3 years	**29,264**	23,170
Over 3 years but within 5 years	**19,898**	20,484
Over 5 years	**58,463**	49,904
Total (gross)	**155,855**	143,943
By Geography [1]		
Singapore	**101,095**	92,268
Malaysia	**23,471**	20,712
Thailand	**8,516**	7,818
Indonesia	**5,600**	5,765
Greater China	**9,176**	8,430
Others	**7,997**	8,949
Total (gross)	**155,855**	143,943

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

Gross loans rose $11.9 billion or 8.3% year-on-year to $156 billion in 2012. Singapore and the regional countries continued to deliver strong loans growth. Singapore grew 9.6% to reach $101 billion while the regional countries increased 9.5% to $46.8 billion.

Non-Performing Assets

	2012 $ million	2011 $ million
Non-Performing Assets (NPA)		
Loans (NPL)	**2,362**	2,020
Debt securities and others	**378**	560
Total	**2,740**	2,580
By Grading		
Substandard	**1,731**	1,652
Doubtful	**369**	426
Loss	**640**	502
Total	**2,740**	2,580
By Security Coverage		
Secured	**1,003**	998
Unsecured	**1,737**	1,582
Total	**2,740**	2,580
By Ageing		
Current	**309**	605
Within 90 days	**135**	190
Over 90 to 180 days	**748**	141
Over 180 days	**1,548**	1,644
Total	**2,740**	2,580
Cumulative Impairment		
Individual	**1,209**	1,049
Collective	**2,140**	2,158
Total	**3,349**	3,207
As a % of NPA	**122.2%**	124.3%
As a % of unsecured NPA	**192.8%**	202.7%

	2012		2011	
	NPL $ million	**NPL ratio %**	NPL $ million	NPL ratio %
NPL by Industry				
Transport, storage and communication	**985**	**14.3**	534	7.6
Building and construction	**116**	**0.6**	108	0.6
Manufacturing	**361**	**3.1**	401	3.5
Financial institutions	**144**	**0.6**	194	0.8
General commerce	**240**	**1.3**	259	1.5
Professionals and private individuals	**130**	**0.6**	144	0.8
Housing loans	**268**	**0.6**	228	0.6
Others	**118**	**1.7**	152	2.1
Total	**2,362**	**1.5**	2,020	1.4

Non-Performing Assets (continued)

	NPL $ million	NPL ratio %	Total cumulative impairment as a % of NPL %	Total cumulative impairment as a % of unsecured NPL %
NPL by Geography [1]				
Singapore				
2012	**774**	**0.8**	**228.4**	**470.2**
2011	714	0.8	250.1	542.9
Malaysia				
2012	**401**	**1.7**	**109.2**	**312.9**
2011	346	1.7	114.7	336.4
Thailand				
2012	**223**	**2.6**	**100.0**	**179.8**
2011	309	4.0	81.9	141.3
Indonesia				
2012	**100**	**1.8**	**61.0**	**1,220.0**
2011	83	1.4	83.1	1,150.0
Greater China				
2012	**42**	**0.5**	**171.4**	**200.0**
2011	31	0.4	222.6	222.6
Others				
2012	**822**	**10.3**	**44.0**	**48.1**
2011	537	6.0	33.1	36.3
Group				
2012	**2,362**	**1.5**	**123.8**	**203.9**
2011	2,020	1.4	136.2	238.5

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

Compared with a year ago, Group NPL increased $342 million to $2.36 billion and NPL ratio notched up slightly by 0.1% point to 1.5%. NPL coverage remained adequate at 123.8%.

Customer Deposits

	2012 $ million	2011 $ million
By Product		
Fixed deposits	**101,286**	95,168
Savings deposits	**41,637**	39,945
Current accounts	**32,343**	27,993
Others	**6,763**	6,355
Total	**182,029**	169,460
By Maturity		
Within 1 year	**178,478**	162,887
Over 1 year but within 3 years	**2,886**	5,185
Over 3 years but within 5 years	**501**	1,126
Over 5 years	**164**	263
Total	**182,029**	169,460
By Currency		
Singapore dollar	**101,924**	95,720
US dollar	**21,918**	19,818
Malaysian ringgit	**25,382**	20,890
Thai baht	**8,096**	6,874
Indonesian rupiah	**4,403**	4,774
Others	**20,305**	21,384
Total	**182,029**	169,460
Loans/Deposits ratio (%)	**84.0**	83.3

Compared with 31 December 2011, customer deposits rose 7.4% to $182 billion across all products in Singapore and the regional countries. Fixed deposits grew 6.4% while current and savings accounts increased 8.9%, providing the Group with cheaper funds.

Debts Issued

	2012 $ million	2011 $ million
Subordinated Debts		
Due within one year (unsecured)	**1,240**	–
Due after one year (unsecured)	**5,413**	5,084
	6,652	5,084
Other Debts Issued		
Due within one year (unsecured)	**3,498**	5,118
Due after one year (unsecured)	**2,650**	1,584
	6,148	6,702
Total	**12,800**	11,786

During the year, S$1.2 billion 3.15% fixed rate subordinated notes and US$845 million in senior notes were issued under the Euro-Medium Term Note Programme to further augment the Group's funding sources.

Shareholders' Equity

	2012 $ million	2011 $ million
Shareholders' equity	**25,080**	22,967
Add: Revaluation surplus	**3,674**	3,225
Shareholders' equity including revaluation surplus	**28,754**	26,192

Compared with 31 December 2011, shareholders' equity rose 9.2% to $25.1 billion, largely contributed by higher retained earnings as well as improved valuation on the investment portfolio.

As at 31 December 2012, revaluation surplus of $3.67 billion on the Group's properties was not recognised in the financial statements.

Performance by Operating Segment [1]

	GR $ million	GW $ million	GMIM $ million	Others $ million	Elimination [2] $ million	Total $ million
2012						
Operating income	**2,548**	**2,545**	**1,285**	**631**	**(514)**	**6,495**
Operating expenses	**(1,412)**	**(551)**	**(581)**	**(566)**	**363**	**(2,747)**
Impairment charges	**(78)**	**(331)**	**(56)**	**(11)**	**–**	**(476)**
Amortisation of intangible assets	**(2)**	**(5)**	**–**	**–**	**–**	**(7)**
Share of profit of associates and joint ventures	**–**	**–**	**–**	**87**	**–**	**87**
Profit before tax	**1,056**	**1,658**	**648**	**140**	**(151)**	**3,351**
2011						
Operating income	2,340	2,165	1,003	581	(390)	5,699
Operating expenses	(1,322)	(468)	(512)	(423)	275	(2,450)
Impairment charges	(71)	(170)	17	(299)	–	(523)
Amortisation of intangible assets	(3)	(7)	–	–	–	(10)
Share of profit of associates and joint ventures	–	–	(3)	96	–	93
Profit before tax	944	1,520	505	(46)	(115)	2,808

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.

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 11.9% to $1,056 million in 2012. Net interest income grew on strong loans growth while higher fee and commission income came mainly from investment-related activities. The increase was partly negated by higher business volume-related costs and impairment charges.

Group Wholesale (GW)
Segment profit grew 9.1% to $1,658 million in 2012, with increases registered in net interest income, loan-related and trade-related fee income driven by strong loans growth as well as higher fee income from treasury and investment activities. This was partly negated by higher impairment charges and operating expenses.

Global Markets and Investment Management (GMIM)
Segment profit increased 28.3% to $648 million in 2012, mainly attributed to higher income from trading and interest rate management activities, as well as higher fee and commission income from investment-related activities and asset management. This was partly offset by increased operating expenses from higher business volumes and higher impairment charges.

Others
Segment profit of $140 million was recorded in 2012 as compared with a loss of $46 million in 2011, mainly due to gain on sale of investment securities and lower collective impairment. This was partly offset by increased operating expenses and lower share of profit of associates.

Performance by Geographical Segment [1]

	Total operating income		Profit before tax		Total assets	
	2012	2011	**2012**	2011	**2012**	2011
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Singapore	**3,790**	3,339	**2,256**	1,840	**157,593**	144,739
Malaysia	**915**	797	**557**	450	**33,091**	29,308
Thailand	**530**	431	**118**	50	**14,135**	11,996
Indonesia	**454**	430	**184**	151	**7,156**	7,767
Greater China	**414**	323	**222**	147	**19,569**	19,133
Others	**392**	379	**21**	180	**17,188**	19,819
	6,495	5,699	**3,358**	2,818	**248,732**	232,762
Intangible assets	**–**	–	**(7)**	(10)	**4,168**	4,196
Total	**6,495**	5,699	**3,351**	2,808	**252,900**	236,958

[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.

Total operating income for the Group rose 14.0% to an all-time high of $6.50 billion in 2012. The increase was broad based across territories. The growth in regional countries was 16.8%, which outpaced Singapore's growth of 13.5%. The Group's pre-tax profit also reached a record high of $3.36 billion, with Singapore growing 22.6% year-on-year while the regional countries grew 35.5%.

Capital Adequacy Ratios

Compared with 31 December 2011, the Capital Adequacy Ratios were higher largely due to higher retained earnings and issuance of subordinated debts, coupled with lower risk-weighted assets due to improved credit quality.

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2012

Financial Statements

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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 2012.

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)
Cham Tao Soon
Wong Meng Meng
Reggie Thein
Franklin Leo Lavin
Willie Cheng Jue Hiang
Tan Lip-Bu
Hsieh Fu Hua
James Koh Cher Siang (Appointed on 1 September 2012)
Ong Yew Huat (Appointed on 2 January 2013)

Arrangements to Enable Directors to Acquire Shares or Debentures

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

Directors' Interests in Shares or Debentures

(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, Chapter 50, an interest in shares of the Bank or related corporations as stated below:

	Direct Interest		Deemed Interest	
	At 31.12.2012	At 1.1.2012 or date of appointment	**At 31.12.2012**	At 1.1.2012 or date of appointment
The Bank				
Ordinary shares				
Wee Cho Yaw	**18,820,027**	17,382,921	**262,395,874**	263,862,980
Wee Ee Cheong	**3,047,878**	3,047,878	**156,432,870**	156,432,870
Willie Cheng Jue Hiang	**50,467**	50,467	**–**	–
Cham Tao Soon	**–**	–	**10,003**	10,003
James Koh Cher Siang	**3,900**	3,900	**–**	–
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
Willie Cheng Jue Hiang	**3,000**	3,000	**–**	–
Cham Tao Soon	**–**	–	**1,000**	1,000
Reggie Thein	**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 2013.

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 2012 are as follows:

	Chairman's Fee %	Directors' Fees %	Salary %	Bonus %	Benefits-in-kind and Others %	Total %
$8,750,000 to $8,999,999						
Wee Ee Cheong [1]	–	2.3	11.0	85.4	1.3	100.0
$2,750,000 to $2,999,999						
Wee Cho Yaw [2]	81.1	18.7	–	–	0.2	100.0
$250,000 to $499,999						
Cham Tao Soon	–	100.0	–	–	–	100.0
Below $250,000						
Ngiam Tong Dow (Retired on 26 April 2012)	–	100.0	–	–	–	100.0
Wong Meng Meng	–	100.0	–	–	–	100.0
Philip Yeo Liat Kok (Retired on 26 April 2012)	–	100.0	–	–	–	100.0
Reggie Thein	–	100.0	–	–	–	100.0
Franklin Leo Lavin	–	100.0	–	–	–	100.0
Willie Cheng Jue Hiang	–	100.0	–	–	–	100.0
Tan Lip-Bu	–	100.0	–	–	–	100.0
Hsieh Fu Hua	–	100.0	–	–	–	100.0
James Koh Cher Siang	–	100.0	–	–	–	100.0

1 60% of the variable bonus payable to Mr Wee Ee Cheong will be deferred and vest equally over three years subject to the Bank fulfilling predetermined 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 prevailing fair value of a UOB share. After vesting, the performance units may be redeemed and the cash 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 are determined by the Remuneration Committee.

2 The total remuneration of Chairman Wee, which falls within the above-mentioned band, includes an advisory 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 25 April 2013.

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 participating employees with that of shareholders and the Group by fostering a culture of ownership and enhancing the competitiveness of the Group's remuneration for selected employees.

Employees with a minimum one year of 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 predetermined return on equity (ROE) targets as shown below, half of the 2009 and subsequent grants will vest after two years and the remainder after three years from the dates of grant.

2009 Grant		2010, 2011 and 2012 Grants	
Percentage of ROE target achieved	**Percentage of award to be vested**	**Percentage of ROE target achieved**	**Percentage of award to be vested**
≥ 95%	100%	≥ 115%	130%
≥ 90%	90%	≥ 110%	120%
≥ 85%	80%	≥ 105%	110%
< 85%	At the discretion of the Remuneration Committee	≥ 95%	100%
		≥ 90%	90%
		≥ 85%	80%
		< 85%	At the discretion of the Remuneration Committee

Participating employees 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, the majority of whom are non-executive and independent directors. The members of the Audit Committee are:

Reggie Thein (Chairman)
Cham Tao Soon
Willie Cheng Jue Hiang (Appointed on 26 April 2012)

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 transactions, if any. The reviews were made with the internal and external auditors, the Chief Financial Officer and/or other senior management staff, as appropriate.

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
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
27 February 2013

Statement by Directors

for the financial year ended 31 December 2012

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 2012, 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 and Chief Executive Officer

Singapore
27 February 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of United Overseas Bank Limited (the "Bank") and its subsidiaries (collectively, the "Group") set out on pages 80 to 150, which comprise the balance sheets of the Bank and Group as at 31 December 2012, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and Group and 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 Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 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 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 FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012, of the results and changes in equity of the Group and of the Bank 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
27 February 2013

Income Statements

for the financial year ended 31 December 2012

		The Group		The Bank	
		2012	2011	**2012**	2011
	Note	**$'000**	$'000	**$'000**	$'000
Interest income	3	**6,201,632**	5,640,504	**3,382,184**	3,361,260
Less: Interest expense	4	**2,284,623**	1,962,547	**1,015,789**	1,043,512
Net interest income		**3,917,009**	3,677,957	**2,366,395**	2,317,748
Fee and commission income	5	**1,507,768**	1,318,074	**979,851**	847,331
Dividend income		**134,859**	75,265	**409,233**	373,225
Rental income		**109,974**	112,434	**91,865**	94,017
Other operating income	6	**825,347**	515,195	**701,522**	375,586
Non-interest income		**2,577,948**	2,020,968	**2,182,471**	1,690,159
Total operating income		**6,494,957**	5,698,925	**4,548,866**	4,007,907
Less: Staff costs	7	**1,596,538**	1,403,183	**904,814**	748,777
Other operating expenses	8	**1,150,848**	1,047,284	**757,795**	654,259
Total operating expenses		**2,747,386**	2,450,467	**1,662,609**	1,403,036
Operating profit before amortisation/ impairment charges		**3,747,571**	3,248,458	**2,886,257**	2,604,871
Less: Amortisation/impairment charges					
Intangible assets	32	**7,376**	10,469	**–**	–
Loans and other assets	9	**476,351**	523,185	**346,309**	352,163
Operating profit after amortisation/ impairment charges		**3,263,844**	2,714,804	**2,539,948**	2,252,708
Share of profit of associates and joint ventures		**87,323**	93,126	**–**	–
Profit before tax		**3,351,167**	2,807,930	**2,539,948**	2,252,708
Less: Tax	10	**530,656**	467,243	**303,460**	268,392
Profit for the financial year		**2,820,511**	2,340,687	**2,236,488**	1,984,316
Attributable to:					
Equity holders of the Bank		**2,803,088**	2,327,003	**2,236,488**	1,984,316
Non-controlling interests		**17,423**	13,684	**–**	–
		2,820,511	2,340,687	**2,236,488**	1,984,316
Earnings per share ($)	11				
Basic		**1.72**	1.43		
Diluted		**1.71**	1.42		

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 2012

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Profit for the financial year	**2,820,511**	2,340,687	**2,236,488**	1,984,316
Currency translation adjustments	**(328,841)**	(36,228)	**(13,973)**	1,639
Change in available-for-sale reserve				
Change in fair value	**1,013,859**	(211,004)	**977,057**	(160,002)
Transfer to income statement on disposal/impairment	**(300,845)**	60,354	**(287,250)**	62,431
Tax relating to available-for-sale reserve	**(66,932)**	36,272	**(61,286)**	29,208
Change in share of other comprehensive income of associates and joint ventures	**32,431**	(72,311)	**–**	–
Other comprehensive income for the financial year, net of tax	**349,672**	(222,917)	**614,548**	(66,724)
Total comprehensive income for the financial year, net of tax	**3,170,183**	2,117,770	**2,851,036**	1,917,592
Attributable to:				
Equity holders of the Bank	**3,148,474**	2,112,298	**2,851,036**	1,917,592
Non-controlling interests	**21,709**	5,472	**–**	–
	3,170,183	2,117,770	**2,851,036**	1,917,592

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

Balance Sheets
as at 31 December 2012

		The Group		The Bank	
		2012	2011	**2012**	2011
	Note	**$'000**	$'000	**$'000**	$'000
Equity					
Share capital	12	**5,271,932**	5,253,129	**4,440,382**	4,421,579
Retained earnings	13	**10,221,670**	8,498,587	**8,120,482**	6,894,954
Other reserves	14	**9,586,005**	9,215,382	**9,572,245**	8,965,442
Equity attributable to equity holders of the Bank		**25,079,607**	22,967,098	**22,133,109**	20,281,975
Non-controlling interests		**192,214**	176,870	**–**	–
Total equity		**25,271,821**	23,143,968	**22,133,109**	20,281,975
Liabilities					
Deposits and balances of:					
Banks		**21,537,916**	19,750,231	**20,313,747**	18,427,064
Non-bank customers	16	**182,028,907**	169,460,469	**135,420,211**	128,906,766
Subsidiaries		**–**	–	**5,760,363**	6,873,071
Bills and drafts payable		**1,571,841**	1,729,947	**347,932**	273,202
Derivative financial liabilities	34	**5,506,069**	7,066,549	**5,226,062**	6,513,356
Other liabilities	17	**3,579,059**	3,368,925	**1,401,563**	1,568,574
Tax payable		**581,808**	617,503	**501,714**	538,422
Deferred tax liabilities	18	**21,658**	34,215	**–**	18,283
Debts issued	19	**12,800,434**	11,785,938	**9,239,604**	6,423,880
Total liabilities		**227,627,692**	213,813,777	**178,211,196**	169,542,618
Total equity and liabilities		**252,899,513**	236,957,745	**200,344,305**	189,824,593
Assets					
Cash, balances and placements with central banks	20	**33,056,247**	26,786,261	**21,032,530**	16,278,308
Singapore Government treasury bills and securities		**10,837,937**	9,652,099	**10,696,976**	9,591,069
Other government treasury bills and securities		**10,628,888**	8,187,626	**6,328,674**	4,139,516
Trading securities	21	**259,559**	271,335	**151,305**	167,700
Placements and balances with banks	22	**14,254,272**	16,951,056	**11,710,269**	14,170,486
Loans to non-bank customers	23	**152,929,817**	141,191,285	**114,013,150**	105,850,495
Placements with and advances to subsidiaries		**–**	–	**5,263,143**	5,692,510
Derivative financial assets	34	**5,455,567**	6,256,893	**5,231,725**	5,964,416
Assets pledged	24	**2,988,005**	2,526,169	**2,935,561**	2,526,169
Investment securities	25	**11,090,754**	13,770,398	**9,760,202**	12,219,380
Other assets	26	**3,581,684**	3,566,341	**2,566,004**	2,583,135
Deferred tax assets	18	**296,682**	333,847	**94,001**	108,789
Investment in associates and joint ventures	27	**1,102,150**	1,092,270	**328,721**	369,044
Investment in subsidiaries	28	**–**	–	**4,759,449**	4,762,588
Investment properties	30	**1,015,858**	1,125,929	**1,289,807**	1,457,792
Fixed assets	31	**1,233,761**	1,050,273	**1,000,969**	761,377
Intangible assets	32	**4,168,332**	4,195,963	**3,181,819**	3,181,819
Total assets		**252,899,513**	236,957,745	**200,344,305**	189,824,593
Off-Balance Sheet Items					
Contingent liabilities	33	**18,437,040**	15,820,723	**13,435,759**	12,159,569
Financial derivatives	34	**349,452,349**	351,224,163	**297,789,046**	304,179,887
Commitments	36	**60,911,356**	54,021,561	**47,464,233**	41,173,777

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

	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
2012						
Balance at 1 January	**5,253,129**	**8,498,587**	**9,215,382**	**22,967,098**	**176,870**	**23,143,968**
Profit for the financial year	**–**	**2,803,088**	**–**	**2,803,088**	**17,423**	**2,820,511**
Other comprehensive income for the financial year	**–**	**–**	**345,386**	**345,386**	**4,286**	**349,672**
Total comprehensive income for the financial year	**–**	**2,803,088**	**345,386**	**3,148,474**	**21,709**	**3,170,183**
Transfers	**–**	**(32,982)**	**32,982**	**–**	**–**	**–**
Dividends	**–**	**(1,047,023)**	**–**	**(1,047,023)**	**(6,365)**	**(1,053,388)**
Share buyback – held in treasury	**(10,657)**	**–**	**–**	**(10,657)**	**–**	**(10,657)**
Share-based compensation	**–**	**–**	**21,715**	**21,715**	**–**	**21,715**
Issue of treasury shares under share-based compensation plans	**29,460**	**–**	**(29,460)**	**–**	**–**	**–**
Balance at 31 December	**5,271,932**	**10,221,670**	**9,586,005**	**25,079,607**	**192,214**	**25,271,821**
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
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 2012

	The Bank			
	Share capital $'000	**Retained earnings $'000**	**Other reserves $'000**	**Total equity $'000**
2012				
Balance at 1 January	**4,421,579**	**6,894,954**	**8,965,442**	**20,281,975**
Profit for the financial year	**–**	**2,236,488**	**–**	**2,236,488**
Other comprehensive income for the financial year	**–**	**–**	**614,548**	**614,548**
Total comprehensive income for the financial year	**–**	**2,236,488**	**614,548**	**2,851,036**
Dividends	**–**	**(1,010,960)**	**–**	**(1,010,960)**
Share buyback – held in treasury	**(10,657)**	**–**	**–**	**(10,657)**
Share-based compensation	**–**	**–**	**21,715**	**21,715**
Issue of treasury shares under share-based compensation plans	**29,460**	**–**	**(29,460)**	**–**
Balance at 31 December	**4,440,382**	**8,120,482**	**9,572,245**	**22,133,109**
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
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 2012

	2012 $'000	2011 $'000
Cash Flows from Operating Activities		
Operating profit before amortisation and impairment charges	**3,747,571**	3,248,458
Adjustments for:		
Depreciation of assets	**121,493**	115,628
Net gain on disposal of assets	**(530,269)**	(254,551)
Share-based compensation	**21,646**	30,983
Operating profit before working capital changes	**3,360,441**	3,140,518
Increase/(decrease) in working capital		
Deposits and balances of banks	**1,787,685**	(12,111,375)
Deposits and balances of non-bank customers	**12,568,438**	27,161,015
Bills and drafts payable	**(158,106)**	441,453
Other liabilities	**(1,325,890)**	684,238
Restricted balances with central banks	**(372,700)**	(790,552)
Government treasury bills and securities	**(4,453,598)**	6,635,596
Trading securities	**44,347**	(72,724)
Investment securities	**4,116,116**	1,342,115
Placements and balances with banks	**2,778,974**	(5,311,573)
Loans to non-bank customers	**(12,192,248)**	(29,148,735)
Other assets	**779,412**	(928,410)
Cash generated from/(used in) operations	**6,932,871**	(8,958,434)
Income tax paid	**(592,822)**	(601,036)
Net cash provided by/(used in) operating activities	**6,340,049**	(9,559,470)
Cash Flows from Investing Activities		
Acquisition of associates and joint ventures	**(43)**	(14,830)
Proceeds from disposal of associates and joint ventures	**–**	66
Acquisition of properties and other fixed assets	**(220,520)**	(187,117)
Proceeds from disposal of properties and other fixed assets	**59,809**	60,090
Dividends received from associates and joint ventures	**92,956**	125,171
Net cash used in investing activities	**(67,798)**	(16,620)
Cash Flows from Financing Activities		
Issuance of subordinated notes	**1,808,412**	1,000,000
Redemption of subordinated notes	**–**	(1,300,000)
(Decrease)/increase in other debts	**(793,916)**	5,822,832
Share buyback	**(10,657)**	(8,827)
Change in non-controlling interests	**–**	(1,311)
Dividends paid on ordinary shares	**(944,117)**	(539,134)
Dividends paid on preference shares	**(102,800)**	(103,716)
Dividends paid to non-controlling interests	**(6,365)**	(7,434)
Net cash (used in)/provided by financing activities	**(49,443)**	4,862,410
Currency translation adjustments	**(325,522)**	(33,200)
Net increase/(decrease) in cash and cash equivalents	**5,897,286**	(4,746,880)
Cash and cash equivalents at beginning of the financial year	**22,395,756**	27,142,636
Cash and cash equivalents at end of the financial year (Note 37)	**28,293,042**	22,395,756

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

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

1. Corporate Information

United Overseas Bank Limited (the Bank) is a limited liability company incorporated and domiciled in Singapore. 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 revised FRS during the financial year. The adoption of these FRS did not have any significant effect on the financial statements of the Group.

- Amendments to FRS12 Deferred Tax – Recovery of Underlying Assets
- Amendments to FRS107 Disclosures – Transfers of Financial Assets

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 2013

- FRS19 Employee Benefits
- FRS113 Fair Value Measurements
- Amendments to FRS1 – Presentation of Items of Other Comprehensive Income
- Amendments to FRS107 Disclosures – Offsetting of Financial Assets and Financial Liabilities

Effective for financial year beginning on or after 1 January 2014

- 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
- Amendments to FRS32 – Offsetting of Financial Assets and Financial Liabilities

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) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to set off and an intention to settle them on a net basis or to realise the assets and settle the liabilities simultaneously.

(v) 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 5 to 10 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.

As the estimates and judgements are made based on parameters at the time the financial statements are prepared, actual results could differ from those disclosed in the financial statements due to subsequent changes in the parameters.

3. Interest Income

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Loans to non-bank customers	**4,972,736**	4,311,273	**2,648,108**	2,432,260
Placements and balances with banks	**600,003**	546,812	**279,585**	310,928
Government treasury bills and securities	**290,336**	307,870	**166,217**	195,086
Trading and investment securities	**338,557**	474,549	**288,274**	422,986
	6,201,632	5,640,504	**3,382,184**	3,361,260
Of which, interest income on:				
Impaired financial assets	**15,444**	29,263	**11,675**	21,709
Financial assets at fair value through profit or loss	**122,714**	135,959	**35,209**	59,746

4. Interest Expense

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Deposits of non-bank customers	**1,895,951**	1,513,888	**693,312**	654,035
Deposits and balances of banks and debts issued	**388,672**	448,659	**322,477**	389,477
	2,284,623	1,962,547	**1,015,789**	1,043,512
Of which, interest expense on financial liabilities at fair value through profit or loss	**22,326**	18,274	**12,531**	14,971

5. Fee and Commission Income

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Credit card	**240,384**	230,987	**161,941**	156,010
Fund management	**129,081**	97,650	**3,311**	3,633
Investment-related	**321,072**	208,117	**251,785**	149,347
Loan-related	**389,037**	370,011	**313,594**	291,133
Service charges	**106,576**	100,043	**71,896**	67,871
Trade-related	**255,934**	249,154	**164,123**	166,275
Others	**65,684**	62,112	**13,201**	13,062
	1,507,768	1,318,074	**979,851**	847,331
Of which, fee and commission on financial assets and financial liabilities at fair value through profit or loss	**48**	1,023	**48**	1,023

6. Other Operating Income

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Trading income	**97,355**	84,056	**90,835**	81,931
Non-trading income				
Financial instruments at fair value through profit or loss	**133,522**	105,865	**61,740**	17,681
Available-for-sale assets and others	**442,411**	202,342	**424,573**	185,208
Net gain/(loss) from:				
Disposal of investment properties	**15,752**	15,962	**9,560**	3,920
Disposal of fixed assets	**18,420**	3,715	**11,979**	(850)
Disposal/liquidation of subsidiaries/associates/ joint ventures	**1,281**	435	**5**	432
Others	**116,606**	102,820	**102,830**	87,264
	825,347	515,195	**701,522**	375,586

7. Staff Costs

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Salaries, bonus and allowances	**1,316,250**	1,117,817	**756,967**	607,589
Employer's contribution to defined contribution plans	**114,086**	94,570	**69,306**	56,020
Share-based compensation	**21,646**	30,983	**15,365**	22,595
Others	**144,556**	159,813	**63,176**	62,573
	1,596,538	1,403,183	**904,814**	748,777
Of which, directors' remuneration	**20,046**	18,930	**8,583**	6,361

8. Other Operating Expenses

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Revenue-related	**574,031**	510,601	**316,972**	265,758
Occupancy-related	**268,543**	241,130	**183,713**	163,486
IT-related	**170,590**	150,082	**183,273**	157,462
Others	**137,684**	145,471	**73,837**	67,553
	1,150,848	1,047,284	**757,795**	654,259

8. Other Operating Expenses (continued)

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Of which:				
Chairman/Directors' fees	**5,331**	5,285	**4,073**	3,927
Depreciation of assets	**121,493**	115,628	**71,950**	68,368
Rental expenses	**112,103**	94,658	**79,240**	68,501
Auditors' remuneration paid/payable to:				
Auditors of the Bank	**2,114**	2,154	**1,536**	1,562
Affiliates of auditors of the Bank	**2,285**	1,961	**558**	628
Other auditors	**210**	164	**99**	6
Non-audit fees paid/payable to:				
Auditors of the Bank	**191**	217	**191**	217
Affiliates of auditors of the Bank	**179**	107	**144**	62
Other auditors	**–**	–	**–**	–
Expenses on investment properties	**42,741**	44,348	**31,167**	30,474

9. Impairment Charge/(Write-Back) on Loans and Other Assets

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Individual impairment on:				
Loans	**454,070**	162,550	**367,078**	108,560
Investment securities	**19,982**	(23,878)	**14,496**	(20,236)
Others	**703**	81,998	**23,063**	70,879
Collective impairment	**1,596**	302,515	**(58,328)**	192,960
	476,351	523,185	**346,309**	352,163
Included in the impairment charges are the following:				
Bad debts written off	**49,240**	33,161	**50,958**	33,038
Bad debts recovery	**(73,905)**	(80,646)	**(20,088)**	(25,835)

10. Tax

Tax charge to the income statements comprises the following:

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
On profit of the financial year				
Current tax	**622,343**	568,312	**442,816**	344,346
Deferred tax	**(47,355)**	(80,245)	**(57,295)**	(7,664)
	574,988	488,067	**385,521**	336,682
Over-provision of prior year tax				
Current tax	**(57,247)**	(55,823)	**(72,162)**	(55,404)
Deferred tax	**(2,911)**	(16,400)	**(9,899)**	(12,824)
Effect of change in tax rate	**1,186**	36,896	**–**	(62)
Share of tax of associates and joint ventures	**14,640**	14,503	**–**	–
	530,656	467,243	**303,460**	268,392

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	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Operating profit after amortisation and impairment charges	**3,263,844**	2,714,804	**2,539,948**	2,252,708
Prima facie tax calculated at tax rate of 17% (2011: 17%)	**554,853**	461,517	**431,791**	382,960
Effect of:				
Income taxed at concessionary rates	**(25,649)**	(25,896)	**(25,608)**	(24,922)
Different tax rates in other countries	**46,677**	73,350	**(10,448)**	25,062
Losses of foreign operations not offset against taxable income of Singapore operations	**21,615**	1,336	**21,615**	1,336
Income not subject to tax	**(73,718)**	(63,538)	**(79,681)**	(72,391)
Expenses not deductible for tax	**51,775**	36,081	**47,878**	24,353
Others	**(565)**	5,217	**(26)**	284
Tax expense on profit of the financial year	**574,988**	488,067	**385,521**	336,682

11. Earnings Per Share

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

	The Group	
	2012	2011
Profit attributable to equity holders of the Bank ($'000)	**2,803,088**	2,327,003
Less: Dividends on preference shares ($'000)	**102,906**	103,011
Adjusted profit ($'000)	**2,700,182**	2,223,992
Weighted average number of ordinary shares ('000)		
In issue	**1,573,686**	1,560,559
Adjustment for potential ordinary shares under share-based compensation plans	**4,448**	3,568
Diluted	**1,578,134**	1,564,127
EPS ($)		
Basic	**1.72**	1.43
Diluted	**1.71**	1.42

12. Share Capital

(a)

	2012		2011	
	Number of shares '000	**Amount $'000**	Number of shares '000	Amount $'000
Ordinary shares				
Balance at 1 January	**1,590,494**	**3,427,638**	1,560,139	2,880,952
Issue of shares under scrip dividend scheme	**–**	**–**	30,355	546,686
Balance at 31 December	**1,590,494**	**3,427,638**	1,590,494	3,427,638
Treasury shares				
Balance at 1 January	**(16,570)**	**(323,470)**	(17,515)	(344,433)
Share buyback – held in treasury	**(684)**	**(10,657)**	(570)	(8,827)
Issue of shares under share-based compensation plans	**1,521**	**29,460**	1,515	29,790
Balance at 31 December	**(15,733)**	**(304,667)**	(16,570)	(323,470)
Ordinary share capital	**1,574,761**	**3,122,971**	1,573,924	3,104,168
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		**4,440,382**		4,421,579
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		**5,271,932**		5,253,129
Ordinary shares held by associates and joint ventures of the Group	**11,054**		12,282	

12. Share Capital (continued)

(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 nil (2011: 30,355,000) 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 684,000 (2011: 570,000) UOB ordinary shares in the open market at an average price of $15.58 (2011: $15.48) per share, amounting to total cash consideration of $10,657,000 (2011: $8,827,000). These shares were held in treasury.

(d) During the financial year, the Bank issued 1,521,000 (2011: 1,515,000) treasury shares to participants of the share-based compensation plans.

(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$500 million subordinated note (Note 19b(vii)) issued by the Bank.

The shares are perpetual securities with no maturity date. They are redeemable in whole but not in part, (a) at the discretion of the subsidiary for cash on any dividend payment date on or after 15 March 2016 or (b) at the discretion of the Bank, for cash or for one Class A preference share per SPV-A preference share in the event of certain changes in the tax laws of Singapore or the Cayman Islands, or on any day after 13 December 2010 on the occurrence of certain special events. The SPV-A preference shares will be automatically redeemed upon the occurrence of certain specific events.

The shares are guaranteed by the Bank on a subordinated basis in respect of dividends and redemption payments. In the event any dividend or guaranteed payment with respect to the shares is not paid in full, the Bank and its subsidiaries (other than those carrying on banking business) that have outstanding preference shares or other similar obligations that constitute Tier 1 Capital of the Group on an unconsolidated basis are estopped from declaring and paying any dividend or other distributions in respect of their ordinary shares or any other security or obligation of the Group ranking *pari passu* with or junior to the subordinated guarantee.

Dividends on the shares are payable at the sole discretion of the Bank semi-annually at an annual rate of 5.796% of the liquidation preference from 15 March 2006 to and 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.

12. Share Capital (continued)

(h) As at 31 December 2012 and 2011, 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 2012 $’000	The Group 2011 $’000	The Bank 2012 $’000	The Bank 2011 $’000
Balance at 1 January	**8,498,587**	7,686,509	**6,894,954**	6,363,116
Profit for the financial year attributable to equity holders of the Bank	**2,803,088**	2,327,003	**2,236,488**	1,984,316
Transfer to other reserves	**(32,982)**	(326,096)	**–**	(300,000)
Dividends				
Ordinary shares				
Final dividend of 40 cents one-tier tax-exempt (2011: 40 cents one-tier tax-exempt and special dividend of 10 cents one-tier tax-exempt) per share paid in respect of prior financial year	**(629,360)**	(771,212)	**(629,360)**	(771,212)
Interim dividend of 20 cents one-tier tax-exempt (2011: 20 cents one-tier tax-exempt) per share paid in respect of the financial year	**(314,757)**	(314,606)	**(314,757)**	(314,606)
Semi-annual dividends at 5.796% per annum on non-cumulative non-convertible guaranteed SPV-A preference shares	**(36,063)**	(36,351)	**–**	–
Semi-annual dividends at 5.05% per annum on Class E non-cumulative non-convertible preference shares	**(66,843)**	(66,660)	**(66,843)**	(66,660)
	(1,047,023)	(1,188,829)	**(1,010,960)**	(1,152,478)
Balance at 31 December	**10,221,670**	8,498,587	**8,120,482**	6,894,954

(b) The retained earnings are distributable reserves except for an amount of $436,060,000 (2011: $451,765,000), being the Group’s share of revenue reserves of associates and joint ventures which is distributable only upon realisation by way of dividend from or disposal of investment in the associates and joint ventures.

(c) In respect of the financial year ended 31 December 2012, the directors have proposed a final one-tier tax-exempt dividend of 40 cents and a special one-tier tax-exempt dividend of 10 cents per ordinary share amounting to a total dividend of $787,380,000. The proposed dividend will be accounted for in Year 2013 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 and joint ventures $'000	Others $'000	Total $'000
2012									
Balance at 1 January	**17,615**	**(613,476)**	**51,367**	**3,266,744**	**3,203,212**	**3,422,514**	**116,448**	**(249,042)**	**9,215,382**
Other comprehensive income for the financial year attributable to equity holders of the Bank	**640,607**	**(327,051)**	**–**	**–**	**–**	**–**	**31,830**	**–**	**345,386**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**32,649**	**333**	**–**	**–**	**32,982**
Share-based compensation	**–**	**–**	**21,715**	**–**	**–**	**–**	**–**	**–**	**21,715**
Issue of treasury shares under share-based compensation plans	**–**	**–**	**(22,682)**	**–**	**–**	**–**	**–**	**(6,778)**	**(29,460)**
Balance at 31 December	**658,222**	**(940,527)**	**50,400**	**3,266,744**	**3,235,861**	**3,422,847**	**148,278**	**(255,820)**	**9,586,005**
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

	The Bank							
	Fair value reserve $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Others $'000	Total $'000
2012								
Balance at 1 January	**45,925**	**(74,085)**	**51,367**	**3,266,744**	**2,752,922**	**2,930,499**	**(7,930)**	**8,965,442**
Other comprehensive income for the financial year	**629,139**	**(14,591)**	**–**	**–**	**–**	**–**	**–**	**614,548**
Share-based compensation	**–**	**–**	**21,715**	**–**	**–**	**–**	**–**	**21,715**
Issue of treasury shares under share-based compensation plans	**–**	**–**	**(22,682)**	**–**	**–**	**–**	**(6,778)**	**(29,460)**
Balance at 31 December	**675,064**	**(88,676)**	**50,400**	**3,266,744**	**2,752,922**	**2,930,499**	**(14,708)**	**9,572,245**
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

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

(h) Share of reserves of associates and joint ventures comprises the Group's share of associates' and joint ventures' post-acquisition revenue reserve at 1 January 1998 and other reserves, adjusted for goodwill arising from acquisition of associates and joint ventures prior to 1 January 2001. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates and joint ventures.

The Group's share of profit of associates and joint ventures is included in 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
2012					
Cash, balances and placements with central banks	2,668,549	–	7,873,821	22,513,877	33,056,247
Singapore Government treasury bills and securities	460,186	–	10,377,751	–	10,837,937
Other government treasury bills and securities	1,244,081	–	9,384,807	–	10,628,888
Trading securities	259,559	–	–	–	259,559
Placements and balances with banks	184,177	–	959,827	13,110,268	14,254,272
Loans to non-bank customers	–	10,112	–	152,919,705	152,929,817
Derivative financial assets	5,455,567	–	–	–	5,455,567
Assets pledged	418,316	–	2,569,689	–	2,988,005
Investment securities					
Debt	–	684,016	7,033,223	207,299	7,924,538
Equity	–	–	3,166,216	–	3,166,216
Other assets	1,117,870	–	75,574	2,195,684	3,389,128
Total financial assets	11,808,305	694,128	41,440,908	190,946,833	244,890,174
Non-financial assets					8,009,339
Total assets					252,899,513
Deposits and balances of banks, non-bank customers and subsidiaries	2,094,160	1,476,873	–	199,995,790	203,566,823
Bills and drafts payable	–	–	–	1,571,841	1,571,841
Derivative financial liabilities	5,506,069	–	–	–	5,506,069
Other liabilities	341,428	–	–	2,805,379	3,146,807
Debts issued	–	19,137	–	12,781,297	12,800,434
Total financial liabilities	7,941,657	1,496,010	–	217,154,307	226,591,974
Non-financial liabilities					1,035,718
Total liabilities					227,627,692

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	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 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
2012					
Cash, balances and placements with central banks	1,627,599	–	3,989,755	15,415,176	21,032,530
Singapore Government treasury bills and securities	460,186	–	10,236,790	–	10,696,976
Other government treasury bills and securities	–	–	6,328,674	–	6,328,674
Trading securities	151,305	–	–	–	151,305
Placements and balances with banks	134,670	–	945,217	10,630,382	11,710,269
Loans to non-bank customers	–	10,112	–	114,003,038	114,013,150
Placements with and advances to subsidiaries	26,811	–	–	5,236,332	5,263,143
Derivative financial assets	5,231,725	–	–	–	5,231,725
Assets pledged	418,316	–	2,517,245	–	2,935,561
Investment securities					
Debt	–	537,146	6,165,005	207,299	6,909,450
Equity	–	–	2,850,752	–	2,850,752
Other assets	1,107,144	–	51,532	1,403,322	2,561,998
Total financial assets	9,157,756	547,258	33,084,970	146,895,549	189,685,533
Non-financial assets					10,658,772
Total assets					200,344,305
Deposits and balances of banks, non-bank customers and subsidiaries	2,095,747	1,110,571	–	158,288,003	161,494,321
Bills and drafts payable	–	–	–	347,932	347,932
Derivative financial liabilities	5,226,062	–	–	–	5,226,062
Other liabilities	210,290	–	–	1,054,607	1,264,897
Debts issued	–	19,137	–	9,220,467	9,239,604
Total financial liabilities	7,532,099	1,129,708	–	168,911,009	177,572,816
Non-financial liabilities					638,380
Total liabilities					178,211,196

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

(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	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Financial assets				
Loans to non-bank customers	**9,908**	21,387	**9,908**	21,387
Investment debt securities	**670,244**	946,055	**532,122**	741,168
	680,152	967,442	**542,030**	762,555
Financial liabilities				
Deposits and balances of banks, non-bank customers and subsidiaries	**1,463,861**	1,269,849	**1,095,524**	1,106,689
Debts issued	**19,350**	20,850	**19,350**	20,850
	1,483,211	1,290,699	**1,114,874**	1,127,539

(d) Included in the available-for-sale assets as at 31 December 2012 were investment equity securities of $928,537,000 (2011: $860,604,000) at the Bank and $959,813,000 (2011: $894,582,000) at the Group that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long-term and/or strategic 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	**Fair value**	**Carrying amount**	**Fair value**
	$'000	**$'000**	**$'000**	**$'000**
2012				
Investment debt securities	**207,299**	**241,823**	**207,299**	**241,823**
Debts issued	**12,781,297**	**12,800,612**	**9,220,467**	**9,239,783**
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

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					
	2012			2011		
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash, balances and placements with central banks	**–**	**10,542,370**	**–**	–	2,121,241	–
Singapore Government treasury bills and securities	**10,837,937**	**–**	**–**	9,652,099	–	–
Other government treasury bills and securities	**10,628,888**	**–**	**–**	8,187,626	–	–
Trading securities	**259,559**	**–**	**–**	271,335	–	–
Placements and balances with banks	**–**	**1,144,004**	**–**	–	1,426,644	–
Loans to non-bank customers	**–**	**10,112**	**–**	–	85,829	–
Derivative financial assets	**990**	**5,454,577**	**–**	427	6,256,466	–
Assets pledged	**1,251,247**	**1,736,758**	**–**	707,221	1,818,948	–
Investment securities						
Debt	**7,715,211**	**–**	**2,028**	10,564,320	–	58,197
Equity	**1,369,876**	**754,346**	**82,181**	1,122,627	791,594	22,668
Other assets	**1,136,343**	**57,101**	**–**	836,505	18,984	–
	33,200,051	**19,699,268**	**84,209**	31,342,160	12,519,706	80,865
Total financial assets carried at fair value			**52,983,528**			43,942,731
Deposits and balances of banks, non-bank customers and subsidiaries	**–**	**3,571,033**	**–**	–	2,103,868	–
Derivative financial liabilities	**757**	**5,505,312**	**–**	757	7,065,792	–
Other liabilities	**210,298**	**131,130**	**–**	309,765	93,784	–
Debts issued	**–**	**19,137**	**–**	–	20,304	–
	211,055	**9,226,612**	**–**	310,522	9,283,748	–
Total financial liabilities carried at fair value			**9,437,667**			9,594,270

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

	The Bank					
	2012			2011		
	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	**–**	**5,617,354**	**–**	–	1,328,375	–
Singapore Government treasury bills and securities	**10,696,976**	**–**	**–**	9,591,069	–	–
Other government treasury bills and securities	**6,328,674**	**–**	**–**	4,139,516	–	–
Trading securities	**151,305**	**–**	**–**	167,700	–	–
Placements and balances with banks	**–**	**1,079,887**	**–**	–	1,411,155	–
Loans to non-bank customers	**–**	**10,112**	**–**	–	85,829	–
Placements with and advances to subsidiaries	**26,811**	**–**	**–**	38,537	–	–
Derivative financial assets	**808**	**5,230,917**	**–**	379	5,964,037	–
Assets pledged	**1,198,803**	**1,736,758**	**–**	707,221	1,818,948	–
Investment securities						
Debt	**6,700,155**	**–**	**1,996**	9,326,508	–	38,738
Equity	**1,234,950**	**625,985**	**61,280**	1,028,689	628,632	19,799
Other assets	**1,158,676**	**–**	**–**	823,799	–	–
	27,497,158	**14,301,013**	**63,276**	25,823,418	11,236,976	58,537
Total financial assets carried at fair value			**41,861,447**			37,118,931
Deposits and balances of banks, non-bank customers and subsidiaries	**–**	**3,206,318**	**–**	–	1,944,779	–
Derivative financial liabilities	**662**	**5,225,400**	**–**	716	6,512,640	–
Other liabilities	**210,290**	**–**	**–**	309,765	–	–
Debts issued	**–**	**19,137**	**–**	–	20,304	–
	210,952	**8,450,855**	**–**	310,481	8,477,723	–
Total financial liabilities carried at fair value			**8,661,807**			8,788,204

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

(h) During the year, the Group reviewed its valuation framework, which led to changes in the fair value measurement hierarchy classifications of certain financial assets and liabilities. Accordingly, comparatives have been restated to conform to the current year's presentation.

16. Deposits and Balances of Non-Bank Customers

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Fixed deposits	**101,285,877**	95,167,712	**68,440,349**	66,844,886
Savings deposits	**41,637,152**	39,944,882	**35,775,241**	34,461,077
Current accounts	**32,342,788**	27,992,828	**26,544,569**	22,927,217
Others	**6,763,090**	6,355,047	**4,660,052**	4,673,586
	182,028,907	169,460,469	**135,420,211**	128,906,766

17. Other Liabilities

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Accrued interest payable	**533,414**	396,894	**261,087**	222,248
Accrued operating expenses	**620,570**	474,299	**369,867**	259,402
Sundry creditors	**1,948,610**	2,193,987	**519,164**	734,987
Others	**476,465**	303,745	**251,445**	351,937
	3,579,059	3,368,925	**1,401,563**	1,568,574

18. Deferred Tax

Deferred tax comprises the following:

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities on:				
Unrealised gain on available-for-sale assets	**57,539**	5,840	**47,957**	742
Accelerated tax depreciation	**68,062**	54,916	**57,602**	45,080
Fair value of depreciable assets acquired in business combination	**29,791**	44,982	**29,791**	30,333
Others	**20,618**	22,329	**917**	20,081
	176,010	128,067	**136,267**	96,236
Amount offset against deferred tax assets	**(154,352)**	(93,852)	**(136,267)**	(77,953)
	21,658	34,215	**–**	18,283
Deferred tax assets on:				
Unrealised loss on available-for-sale assets	**519**	14,596	**204**	14,273
Allowance for impairment	**296,350**	261,944	**181,527**	108,583
Others	**154,165**	151,159	**48,537**	63,886
	451,034	427,699	**230,268**	186,742
Amount offset against deferred tax liabilities	**(154,352)**	(93,852)	**(136,267)**	(77,953)
	296,682	333,847	**94,001**	108,789
Net deferred tax assets	**275,024**	299,632	**94,001**	90,506

18. Deferred Tax (continued)

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

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**299,632**	205,954	**90,506**	40,426
Effect of change in tax rate	**(1,186)**	(39,130)	**–**	62
Currency translation adjustments	**(7,553)**	(4,257)	**(2,413)**	322
Credit to income statement	**50,266**	96,645	**67,194**	20,488
(Charge)/credit to equity	**(66,135)**	40,420	**(61,286)**	29,208
Balance at 31 December	**275,024**	299,632	**94,001**	90,506

The Group has not recognised deferred tax asset in respect of tax losses of $42,952,000 (2011: $33,817,000) 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 $1,193,000 (2011: $1,717,000) which will expire between the years 2013 and 2031 (2011: 2012 and 2030).

19. Debts Issued

(a)

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Subordinated Notes				
S$1 billion 4.100% subordinated notes due 2019 callable with step-up in 2014	**1,043,651**	1,060,925	**1,043,651**	1,060,925
S$1 billion 3.45% subordinated notes due 2021 callable with step-up in 2016	**1,042,724**	1,031,047	**1,042,724**	1,031,047
S$1.2 billion 3.15% subordinated notes due 2022 callable with step-up in 2017	**1,209,844**	–	**1,209,844**	–
US$1 billion 4.50% subordinated notes due 2013	**1,239,843**	1,357,326	**1,239,843**	1,357,326
US$1 billion 5.375% subordinated notes due 2019 callable with step-up in 2014	**1,309,583**	1,430,724	**1,309,583**	1,430,724
US$500 million 2.875% subordinated notes due 2022 callable with step-up in 2017	**607,253**	–	**607,253**	–
US$500 million 5.796% subordinated note	**–**	–	**610,900**	649,850
RM500 million 4.88% subordinated notes due 2020 callable with step-up in 2015	**199,461**	204,183	**–**	–
	6,652,359	5,084,205	**7,063,798**	5,529,872
Of which, fair value hedge adjustments	**205,264**	284,728	**205,264**	284,728

19. Debts Issued (continued)

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Other Debts Issued				
Credit-linked notes	**28,137**	29,304	**28,137**	29,304
Interest rate-linked notes	**2,224**	2,729	**2,224**	2,729
Equity-linked notes	**369,249**	267,185	**369,249**	267,185
Floating rate notes	**682,633**	591,790	**682,633**	591,790
Fixed rate notes	**1,092,563**	–	**1,092,563**	–
US commercial papers	**3,048,941**	3,983,907	**–**	–
Others	**924,328**	1,826,818	**1,000**	3,000
	6,148,075	6,701,733	**2,175,806**	894,008
Of which, fair value hedge adjustments	**19,279**	–	**19,279**	–
Total debts issued	**12,800,434**	11,785,938	**9,239,604**	6,423,880

(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 5-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 5-year Singapore Dollar Swap (Offer Rate) plus 1.475%.

(iii) The S$1.2 billion 3.15% subordinated notes were issued by the Bank at par on 11 July 2012 and mature on 17 July 2022. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 11 July 2017 or 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 3.15% per annum beginning 11 January 2013. From and including 11 July 2017, interest is payable semi-annually at a fixed rate per annum equal to the 5-year Singapore Dollar Swap (Offer Rate) plus 2.115%.

(iv) 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.

19. Debts Issued (continued)

(b) **Subordinated Notes** (continued)

(v) 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 6-month LIBOR plus 1.666%.

(vi) The US$500 million 2.875% subordinated notes were issued by the Bank at 99.575% on 17 October 2012 and mature on 17 October 2022. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 17 October 2017 subject to the approval of MAS and certain other conditions. Interest is payable semi-annually at 2.875% per annum beginning 17 April 2013. From and including 17 October 2017, interest is payable semi-annually at a fixed rate equal to 2.3% plus the prevailing 5-year U.S. Treasury Rate on the First Call Date.

(vii) The US$500 million 5.796% subordinated note was issued by the Bank at par to UOB Cayman I Limited on 13 December 2005. It matures on 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 3-month LIBOR plus 1.745%.

The S$ and US$ subordinated notes issued by the Bank are unsecured obligations with the US$500 million 5.796% subordinated note ranking junior to all other S$ and US$ subordinated notes. All other liabilities of the Bank outstanding at the balance sheet date rank senior to all the S$ and US$ subordinated notes. Except for the US$500 million 5.796% subordinated note, the S$ and US$ subordinated notes qualify for Tier 2 Capital.

(viii) 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 27 March 2013 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 8 January 2013 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 3-month Bank Bill Swap Reference Rate plus 92 basis points (rounded to 4 decimal places).

19. Debts Issued (continued)

(c) **Other Debts Issued** (continued)

(v) The fixed rate notes comprise mainly notes issued by the Bank at 99.868% and 99.995% with maturity on 7 March 2017. Interest is payable semi-annually at 2.25% per annum beginning 7 September 2012.

(vi) The US commercial papers were issued by UOB Funding LLC at an average discount of 99.9% with maturity ranging from 8 January 2013 to 24 April 2013. Interest rates of the papers ranged from 0.21% to 0.30% per annum (2011: 0.33% to 0.54% per annum).

(vii) Others comprise mainly unsecured fixed-rate debt papers issued by United Overseas Bank (Thai) Public Company Limited with maturity ranging from 2 January 2013 to 8 June 2015. Interest rates of the papers ranged from 2.25% to 5.00% per annum (2011: 1.25% to 5.00% per annum).

20. Cash, Balances and Placements with Central Banks

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Cash on hand	**1,405,991**	1,403,995	**1,125,215**	1,171,070
Balances with central banks				
Restricted balances	**4,763,205**	4,390,505	**3,032,669**	2,953,029
Non-restricted balances	**26,887,051**	20,991,761	**16,874,646**	12,154,209
	33,056,247	26,786,261	**21,032,530**	16,278,308

21. Trading Securities

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Quoted securities				
Debt	**215,186**	214,902	**106,932**	111,267
Equity	**15,870**	21,136	**15,870**	21,136
Unquoted securities				
Debt	**28,503**	35,297	**28,503**	35,297
	259,559	271,335	**151,305**	167,700

22. Placements and Balances with Banks

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Placements and balances with banks	**15,991,030**	18,770,004	**13,447,027**	15,989,434
Less: Amount sold under Repo	**(1,736,758)**	(1,818,948)	**(1,736,758)**	(1,818,948)
	14,254,272	16,951,056	**11,710,269**	14,170,486

23. Loans to Non-Bank Customers

(a)

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Loans to non-bank customers (gross)	**155,854,533**	143,942,663	**116,124,089**	107,791,476
Individual impairment (Note 23d)	**(960,369)**	(769,560)	**(640,137)**	(411,505)
Collective impairment (Note 23d)	**(1,964,347)**	(1,981,818)	**(1,470,802)**	(1,529,476)
Loans to non-bank customers (net)	**152,929,817**	141,191,285	**114,013,150**	105,850,495
Comprising:				
Trade bills	**2,533,142**	5,858,313	**236,437**	336,596
Advances to customers	**150,396,675**	135,332,972	**113,776,713**	105,513,899
	152,929,817	141,191,285	**114,013,150**	105,850,495

(b) Gross Loans to Non-Bank Customers Analysed by Industry

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Transport, storage and communication	**6,906,354**	7,041,060	**5,531,989**	5,819,785
Building and construction	**19,438,465**	17,515,443	**15,911,886**	14,481,904
Manufacturing	**11,833,771**	11,336,373	**5,643,079**	5,125,790
Financial institutions	**23,718,259**	23,965,836	**21,296,172**	21,587,631
General commerce	**18,627,270**	17,596,878	**12,039,338**	11,151,050
Professionals and private individuals	**22,366,198**	18,628,690	**16,242,104**	13,558,732
Housing loans	**46,131,072**	40,614,854	**34,269,151**	30,135,602
Others	**6,833,144**	7,243,529	**5,190,370**	5,930,982
	155,854,533	143,942,663	**116,124,089**	107,791,476

(c) Gross Loans to Non-Bank Customers Analysed by Currency

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Singapore dollar	**87,732,830**	78,557,373	**87,533,068**	78,362,710
US dollar	**18,134,837**	19,791,430	**15,683,387**	16,875,428
Malaysian ringgit	**21,842,265**	18,832,456	**4,737**	4,956
Thai baht	**8,103,018**	7,529,907	**79**	608
Indonesian rupiah	**4,572,617**	4,488,151	**–**	–
Others	**15,468,966**	14,743,346	**12,902,818**	12,547,774
	155,854,533	143,942,663	**116,124,089**	107,791,476

23. Loans to Non-Bank Customers (continued)

(d) Movements of Allowance for Impairment on Loans

	2012		2011	
	Individual impairment $'000	Collective impairment $'000	Individual impairment $'000	Collective impairment $'000
The Group				
Balance at 1 January	**769,560**	**1,981,818**	930,007	1,752,348
Currency translation adjustments	**(30,783)**	**(17,117)**	(5,389)	(5,305)
Write-off/disposal	**(237,433)**	**–**	(355,723)	–
Reclassification	**(17,405)**	**–**	–	–
Net charge/(write-back) to income statement	**476,430**	**(354)**	200,665	234,775
Balance at 31 December	**960,369**	**1,964,347**	769,560	1,981,818
The Bank				
Balance at 1 January	**411,505**	**1,529,476**	505,322	1,396,966
Currency translation adjustments	**(18,303)**	**(346)**	3,637	450
Write-off/disposal	**(4,362)**	**–**	(199,053)	–
Reclassification	**(17,405)**	**–**	–	–
Net charge/(write-back) to income statement	**268,702**	**(58,328)**	101,599	132,060
Balance at 31 December	**640,137**	**1,470,802**	411,505	1,529,476

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		The Bank	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Assets pledged for Repo transactions, at carrying amount				
Singapore Government treasury bills and securities	**1,160,688**	58,089	**1,160,688**	58,089
Other government treasury bills and securities	**52,444**	65,543	**–**	65,543
Placements and balances with banks				
Negotiable certificates of deposit	**1,579,217**	1,668,360	**1,579,217**	1,668,360
Bankers' acceptances	**157,541**	150,588	**157,541**	150,588
Investment securities	**38,115**	583,589	**38,115**	583,589
	2,988,005	2,526,169	**2,935,561**	2,526,169

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

24. Assets Pledged/Received as Collateral (continued)

(b)

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Assets received for reverse Repo transactions, at fair value	**2,242,084**	1,595,135	**1,959,314**	110,842
Of which, sold or repledged	**55,808**	73,907	**55,808**	32,373

Repo and reverse repo transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

25. Investment Securities

(a)

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Quoted securities				
Debt	**5,867,681**	8,801,364	**5,324,172**	8,018,570
Equity	**1,625,777**	1,367,928	**1,470,713**	1,255,878
Unquoted securities				
Debt	**2,383,408**	3,000,206	**1,902,186**	2,514,890
Equity	**1,854,612**	1,771,441	**1,657,688**	1,546,857
Allowance for impairment (Note 29)	**(602,609)**	(586,952)	**(556,442)**	(533,226)
Investment securities	**11,128,869**	14,353,987	**9,798,317**	12,802,969
Less: Amount sold under Repo	**(38,115)**	(583,589)	**(38,115)**	(583,589)
	11,090,754	13,770,398	**9,760,202**	12,219,380

(b) Investment Securities [1] Analysed by Industry

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Transport, storage and communication	**928,164**	1,291,268	**821,669**	1,187,747
Building and construction	**558,064**	950,025	**485,129**	897,276
Manufacturing	**503,564**	1,187,208	**381,692**	874,306
Financial institutions	**6,060,342**	8,022,611	**5,329,387**	7,159,082
General commerce	**538,351**	441,417	**425,647**	375,775
Others	**2,540,384**	2,461,458	**2,354,793**	2,308,783
	11,128,869	14,353,987	**9,798,317**	12,802,969

[1] Include amount sold under Repo.

26. Other Assets

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Interest receivable	**574,622**	638,784	**427,275**	496,628
Sundry debtors	**1,651,107**	1,750,879	**916,375**	1,165,673
Foreclosed properties	**162,403**	223,128	**–**	–
Others	**1,520,987**	1,268,138	**1,258,641**	964,899
Allowance for impairment on other assets (Note 29)	**(327,435)**	(314,588)	**(36,287)**	(44,065)
	3,581,684	3,566,341	**2,566,004**	2,583,135

27. Investment in Associates and Joint Ventures

(a)

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Quoted equity securities	**127,053**	127,053	**92,207**	92,207
Unquoted equity securities	**384,112**	390,353	**279,523**	279,523
	511,165	517,406	**371,730**	371,730
Allowance for impairment (Note 29)	**–**	–	**(43,009)**	(2,686)
Share of post-acquisition reserve	**590,985**	574,864	**–**	–
	1,102,150	1,092,270	**328,721**	369,044
Market value of quoted equity securities at 31 December	**579,127**	552,049	**547,317**	520,101

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

	The Group	
	2012	2011
	$'000	$'000
Total operating income	**383,761**	363,549
Profit before tax	**87,323**	93,126
Total assets	**2,262,294**	2,111,087
Total liabilities	**1,165,154**	1,007,553
Contingent liabilities	**58,200**	57,200

(c) The carrying amounts of the Group's investment in associates and joint ventures as at 31 December 2012 include goodwill amounting to $12,007,000 (2011: $12,045,000).

27. Investment in Associates and Joint Ventures (continued)

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

Name of associate or joint venture	Principal activities	Country of incorporation	Effective equity interest of the Group 2012 %	2011 %
Quoted				
United International Securities Limited	Investment	Singapore	**47**	47
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	**40**	40
Unquoted				
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 2012 $'000	2011 $'000
Quoted equity securities	**45,024**	45,024
Unquoted equity securities	**5,033,234**	5,033,250
	5,078,258	5,078,274
Allowance for impairment (Note 29)	**(318,809)**	(315,686)
	4,759,449	4,762,588
Market value of quoted equity securities at 31 December	**133,903**	113,193

(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 2012 %	2011 %
Commercial Banking			
Far Eastern Bank Limited	Singapore	**79**	79
United Overseas Bank (Malaysia) Bhd	Malaysia	**100**	100
United Overseas Bank (Thai) Public Company Limited	Thailand	**99.7**	99.7
PT Bank UOB Indonesia	Indonesia	**99**	99
United Overseas Bank (China) Limited	China	**100**	100
United Overseas Bank Philippines	Philippines	**100**	100
Money Market			
UOB Australia Limited	Australia	**100**	100
Insurance			
United Overseas Insurance Limited	Singapore	**58**	58
UOB Insurance (H.K.) Limited	Hong Kong	**58**	58

28. Investment in Subsidiaries (continued)

Name of subsidiary	Country of incorporation	Effective equity interest of the Group 2012 %	2011 %
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 [1]	United States	**70**	70
Funding			
UOB Funding LLC [2]	United States	**100**	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
Others			
UOB Asia (Hong Kong) Limited	Hong Kong	**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	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
The Group				
Balance at 1 January	**586,952**	645,884	**314,588**	241,606
Currency translation adjustments	**(7,450)**	(4,883)	**(6,290)**	(2,596)
Write-off/disposal	**(12,638)**	(5,737)	**(9,655)**	(27,002)
Net charge to income statement	**18,340**	43,862	**28,792**	10,406
Reclassification	**17,405**	(92,174)	**–**	92,174
Balance at 31 December	**602,609**	586,952	**327,435**	314,588

	Investment securities $'000	Investment in associates and joint ventures $'000	Investment in subsidiaries $'000	Other assets $'000
The Bank				
2012				
Balance at 1 January	**533,226**	**2,686**	**315,686**	**44,065**
Currency translation adjustments	**(6,356)**	**–**	**(9)**	**(75)**
Write-off/disposal	**(2,329)**	**–**	**–**	**(7,703)**
Net charge to income statement	**14,496**	**40,323**	**3,132**	**–**
Reclassification	**17,405**	**–**	**–**	**–**
Balance at 31 December	**556,442**	**43,009**	**318,809**	**36,287**
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

30. Investment Properties

	The Group		The Bank	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**1,125,929**	1,125,395	**1,457,792**	1,418,669
Currency translation adjustments	**(14,731)**	(3,396)	**(1,530)**	301
Additions	**6,542**	44,160	**3,202**	42,718
Disposals	**(7,942)**	(26,428)	**(3,086)**	(3,693)
Depreciation charge	**(19,665)**	(23,286)	**(17,579)**	(18,418)
Write-back of/(allowance for) impairment	**27**	311	**10**	(312)
Transfers	**(74,302)**	9,173	**(149,002)**	18,527
Balance at 31 December	**1,015,858**	1,125,929	**1,289,807**	1,457,792
Represented by:				
Cost	**1,256,683**	1,387,761	**1,473,636**	1,650,549
Accumulated depreciation	**(240,294)**	(261,692)	**(183,299)**	(191,564)
Allowance for impairment	**(531)**	(140)	**(530)**	(1,193)
Net carrying amount	**1,015,858**	1,125,929	**1,289,807**	1,457,792
Freehold property	**449,366**	679,549	**844,077**	1,009,316
Leasehold property	**566,492**	446,380	**445,730**	448,476
	1,015,858	1,125,929	**1,289,807**	1,457,792

Market values of the investment properties of the Bank and the Group as at 31 December 2012 were estimated to be $2,648 million and $2,992 million (2011: $2,634 million and $2,993 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

	2012			2011		
	Owner-occupied properties $'000	**Others $'000**	**Total $'000**	Owner-occupied properties $'000	Others $'000	Total $'000
The Group						
Balance at 1 January	**636,269**	**414,004**	**1,050,273**	656,015	363,134	1,019,149
Currency translation adjustments	**(6,189)**	**10,555**	**4,366**	(1,950)	(4,229)	(6,179)
Additions	**13,912**	**200,066**	**213,978**	1,453	141,504	142,957
Disposals	**–**	**(7,330)**	**(7,330)**	–	(4,527)	(4,527)
Depreciation charge	**(13,926)**	**(87,902)**	**(101,828)**	(10,464)	(81,878)	(92,342)
Write-back of impairment	**–**	**–**	**–**	388	–	388
Transfers	**74,302**	**–**	**74,302**	(9,173)	–	(9,173)
Balance at 31 December	**704,368**	**529,393**	**1,233,761**	636,269	414,004	1,050,273
Represented by:						
Cost	**925,253**	**1,524,130**	**2,449,383**	813,250	1,397,925	2,211,175
Accumulated depreciation	**(219,591)**	**(994,737)**	**(1,214,328)**	(175,232)	(983,921)	(1,159,153)
Allowance for impairment	**(1,294)**	**–**	**(1,294)**	(1,749)	–	(1,749)
Net carrying amount	**704,368**	**529,393**	**1,233,761**	636,269	414,004	1,050,273
Freehold property	**581,045**			482,343		
Leasehold property	**123,323**			153,926		
	704,368			636,269		
The Bank						
Balance at 1 January	**523,590**	**237,787**	**761,377**	547,377	202,782	750,159
Currency translation adjustments	**–**	**(919)**	**(919)**	155	(238)	(83)
Additions	**13,912**	**133,692**	**147,604**	1,453	79,655	81,108
Disposals	**–**	**(1,724)**	**(1,724)**	–	(1,173)	(1,173)
Depreciation charge	**(9,357)**	**(45,014)**	**(54,371)**	(6,711)	(43,239)	(49,950)
Allowance for impairment	**–**	**–**	**–**	(157)	–	(157)
Transfers	**149,002**	**–**	**149,002**	(18,527)	–	(18,527)
Balance at 31 December	**677,147**	**323,822**	**1,000,969**	523,590	237,787	761,377
Represented by:						
Cost	**784,426**	**917,334**	**1,701,760**	597,273	828,724	1,425,997
Accumulated depreciation	**(106,206)**	**(593,512)**	**(699,718)**	(73,237)	(590,937)	(664,174)
Allowance for impairment	**(1,073)**	**–**	**(1,073)**	(446)	–	(446)
Net carrying amount	**677,147**	**323,822**	**1,000,969**	523,590	237,787	761,377
Freehold property	**635,553**			478,361		
Leasehold property	**41,594**			45,229		
	677,147			523,590		

31. Fixed Assets (continued)

Market values of the owner-occupied properties of the Bank and the Group as at 31 December 2012 were estimated to be \$1,640 million and \$2,402 million (2011: \$1,305 million and \$1,994 million) respectively. The valuation was performed by internal valuers with professional qualifications and experience, taking into account market prices and rental of comparable properties.

Others 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
2012				
Balance at 1 January	**4,188,181**	**4,655**	**3,127**	**4,195,963**
Currency translation adjustments	**(19,849)**	**(242)**	**(164)**	**(20,255)**
Amortisation charge	**–**	**(4,413)**	**(2,963)**	**(7,376)**
Balance at 31 December	**4,168,332**	**–**	**–**	**4,168,332**
Represented by:				
Cost	**4,168,332**	**38,392**	**25,637**	**4,232,361**
Accumulated amortisation	**–**	**(38,392)**	**(25,637)**	**(64,029)**
Net carrying amount	**4,168,332**	**–**	**–**	**4,168,332**
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

(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 5-year financial budget approved by management, with projected cash flows discounted at rates ranging from 7% to 16% (2011: 7% to 16%) and those beyond the 5-year period extrapolated using growth rates ranging from 3% to 6% (2011: 3% to 6%). 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 7 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	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Direct credit substitutes	**5,509,963**	4,515,079	**3,835,338**	3,355,938
Transaction-related contingencies	**5,270,567**	5,422,969	**3,273,091**	3,882,868
Trade-related contingencies	**7,645,991**	5,871,671	**6,326,125**	4,919,562
Others	**10,519**	11,004	**1,205**	1,201
	18,437,040	15,820,723	**13,435,759**	12,159,569

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.

	2012			2011		
	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	**19,192,178**	**150,134**	**147,890**	31,645,496	211,070	155,321
Swaps	**97,275,979**	**774,591**	**480,507**	87,367,495	884,073	1,122,600
Options purchased	**4,867,238**	**55,428**	**–**	9,126,561	100,531	–
Options written	**5,478,516**	**–**	**55,109**	9,973,907	–	102,513
Interest Rate Contracts						
Swaps	**208,338,595**	**3,997,714**	**4,326,471**	203,172,949	4,128,456	4,549,470
Futures	**511,623**	**374**	**723**	175,700	55	757
Options purchased	**784,144**	**9,330**	**–**	1,050,212	7,272	–
Options written	**6,691,592**	**–**	**17,456**	2,424,872	–	5,420
Equity-Related Contracts						
Swaps	**3,039,142**	**260,729**	**268,969**	2,552,665	585,515	585,383
Futures	**10,980**	**502**	**–**	25,596	371	–
Options purchased	**925,295**	**203,832**	**–**	978,120	329,956	–
Options written	**902,828**	**–**	**204,625**	1,125,006	–	331,583
Credit-Related Contracts						
Swaps	**105,572**	**995**	**732**	311,417	4,073	4,108
Others						
Forwards	**850,049**	**379**	**485**	895,286	2,322	198,236
Swaps	**419,589**	**1,356**	**2,979**	384,829	3,084	11,043
Futures	**53,208**	**114**	**34**	2,132	–	–
Options purchased	**2,907**	**89**	**–**	5,960	115	–
Options written	**2,914**	**–**	**89**	5,960	–	115
	349,452,349	**5,455,567**	**5,506,069**	351,224,163	6,256,893	7,066,549

34. Financial Derivatives (continued)

	2012			2011		
	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	**15,853,382**	**125,095**	**121,003**	28,178,205	160,239	93,385
Swaps	**86,995,636**	**737,040**	**414,460**	79,353,604	815,821	1,063,036
Options purchased	**4,513,420**	**47,992**	**–**	8,819,679	98,515	–
Options written	**5,000,658**	**–**	**45,011**	9,837,180	–	100,476
Interest Rate Contracts						
Swaps	**172,461,231**	**3,862,572**	**4,177,754**	168,556,922	3,958,813	4,329,252
Futures	**495,428**	**374**	**662**	159,651	8	716
Options purchased	**784,144**	**9,330**	**–**	1,025,395	7,272	–
Options written	**6,648,790**	**–**	**17,456**	2,400,040	–	5,420
Equity-Related Contracts						
Swaps	**1,827,296**	**244,447**	**243,719**	2,083,505	574,839	571,888
Futures	**10,980**	**502**	**–**	25,596	371	–
Options purchased	**886,302**	**201,873**	**–**	948,353	330,016	–
Options written	**877,603**	**–**	**202,797**	1,094,864	–	331,680
Credit-Related Contracts						
Swaps	**105,572**	**995**	**732**	311,417	4,073	4,108
Others						
Forwards	**587,895**	**384**	**608**	599,452	2,662	2,586
Swaps	**702,846**	**985**	**1,803**	784,222	11,744	10,766
Futures	**36,349**	**113**	**34**	–	–	–
Options purchased	**757**	**23**	**–**	901	43	–
Options written	**757**	**–**	**23**	901	–	43
	297,789,046	**5,231,725**	**5,226,062**	304,179,887	5,964,416	6,513,356

35. Hedge Accounting

(a) Fair Value Hedge

Interest rate and cross-currency swaps were contracted to hedge certain of the Bank's loans, investment in debt securities and debts issued against interest rate and foreign currency risk. As at 31 December 2012, the cumulative net fair value of such interest rate swaps was a loss of $38 million (2011: loss of $134 million). During the financial year, fair value gain of $64 million (2011: loss of $125 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 loss (2011: gain) attributable to the interest rate risk on the hedged items.

As at 31 December 2012, non-bank customer deposits of $828 million (2011: $967 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 gain of $56 million (2011: loss of $55 million) and $65 million (2011: loss of $59 million) on the deposits were recognised in the Bank's and the Group's income statements respectively. These were offset by equal amounts of foreign exchange loss (2011: gain) on the hedged items.

(b) Hedge of Net Investment in Foreign Operations

As at 31 December 2012, non-bank customer deposits of $921 million (2011: $864 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 (2011: nil) arising from hedge ineffectiveness was recognised in the Bank's and the Group's income statements.

36. Commitments

(a)

	The Group		The Bank	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Undrawn credit facilities	**59,029,316**	52,349,181	**46,481,275**	39,909,498
Spot/forward contracts	**1,223,091**	1,262,160	**757,253**	975,147
Capital commitments	**67,145**	86,667	**51,554**	65,397
Operating lease commitments	**101,900**	118,094	**51,821**	60,851
Others	**489,904**	205,459	**122,330**	162,884
	60,911,356	54,021,561	**47,464,233**	41,173,777

(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	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Minimum lease payable				
Within 1 year	**44,024**	48,786	**21,433**	25,224
Over 1 to 5 years	**54,136**	64,576	**30,313**	35,507
Over 5 years	**3,740**	4,732	**75**	120
	101,900	118,094	**51,821**	60,851
Minimum lease receivable				
Within 1 year	**105,386**	98,413	**87,006**	78,289
Over 1 to 5 years	**129,405**	137,834	**108,347**	104,271
Over 5 years	**4,309**	848	**1,944**	93
	239,100	237,095	**197,297**	182,653

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	
	2012	2011
	$'000	$'000
Cash on hand	**1,405,991**	1,403,995
Non-restricted balances with central banks	**26,887,051**	20,991,761
	28,293,042	22,395,756

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	
	2012	2011
	'000	'000
Balance at 1 January	**2,942**	3,353
Granted	**932**	1,176
Forfeited/cancelled	**(381)**	(178)
Vested	**(918)**	(1,409)
Balance at 31 December	**2,575**	2,942

	Share appreciation rights	
	2012	2011
	'000	'000
Balance at 1 January	**8,298**	8,553
Granted	**3,762**	4,600
Forfeited/cancelled	**(903)**	(451)
Vested	**(1,874)**	(4,404)
Balance at 31 December	**9,283**	8,298

	Exercisable rights	
	2012	2011
	'000	'000
Balance at 1 January	**7,073**	3,175
Vested	**1,874**	4,404
Forfeited/lapsed	**(135)**	(89)
Exercised	**(2,179)**	(417)
Balance at 31 December	**6,633**	7,073

38. Share-Based Compensation Plans (continued)

Year granted	Expiry date	Fair value per grant at grant date	Number of outstanding grants	
			2012	2011
		$	**'000**	'000
Restricted Shares				
2009	16 Nov 2011 and 16 Nov 2012	18.55	**–**	639
2010	15 Dec 2012 and 15 Dec 2013	16.35	**536**	1,132
2011	15 Dec 2013 and 15 Dec 2014	14.53	**1,107**	1,171
2012	14 Dec 2014 and 14 Dec 2015	18.52	**932**	–
			2,575	2,942
Share Appreciation Rights				
2009	16 Nov 2015	6.41	**–**	1,204
2010	15 Dec 2016	4.87	**1,189**	2,509
2011	15 Dec 2017	2.46	**4,332**	4,585
2012	14 Dec 2018	3.04	**3,762**	–
			9,283	8,298

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	
	2012	2011	**2012**	2011
Exercise price ($)	Not applicable		**19.63**	15.67
Expected volatility (%) [1]	**22.23**	22.17	**22.23**	22.17
Risk-free interest rate (%)	**0.28 – 0.31**	0.37 – 0.47	**0.66**	0.96
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 three years historical volatility.

39. Related Party Transactions

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

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

39. Related Party Transactions (continued)

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	
		2012	2011	**2012**	2011
		$ million	$ million	**$ million**	$ million
(a)	**Interest Income**				
	Subsidiaries	**–**	–	**48**	57
	Associates and joint ventures	**8**	8	**7**	8
	Interest Expense				
	Subsidiaries	**–**	–	**24**	21
	Associates and joint ventures	**2**	2	**1**	1
	Dividend Income				
	Subsidiaries	**–**	–	**197**	187
	Associates and joint ventures	**–**	–	**89**	119
	Rental Income				
	Subsidiaries	**–**	–	**3**	3
	Associates and joint ventures	*****	*	**–**	*
	Rental and Other Expenses				
	Subsidiaries	**–**	–	**105**	90
	Associates and joint ventures	**11**	9	**3**	4
	Fee and Commission and Other Income				
	Subsidiaries	**–**	–	**89**	55
	Associates and joint ventures	**14**	15	**1**	1
	Placements, Loans and Advances				
	Subsidiaries	**–**	–	**5,263**	5,693
	Associates and joint ventures	**442**	498	**432**	487
	Deposits				
	Subsidiaries	**–**	–	**5,760**	6,873
	Associates and joint ventures	**449**	452	**383**	434
	Off-Balance Sheet Credit Facilities				
	Subsidiaries	**–**	–	**115**	113
	Associates and joint ventures	*****	10	*****	10
(b)	**Compensation of Key Management Personnel**				
	Short-term employee benefits	**9**	9	**9**	9
	Long-term employee benefits	**6**	4	**6**	4
	Share-based payment	**2**	3	**2**	3
	Others	**1**	*	**1**	*
		18	16	**18**	16

* 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.

Others

Others include property-related activities, insurance businesses and income and expenses not attributable to other operating segments mentioned above.

40. Segment Information (continued)

(a) Operating Segments [1] (continued)

	The Group					
	GR $ million	GW $ million	GMIM $ million	Others $ million	Elimination [2] $ million	Total $ million
2012						
Operating income	2,548	2,545	1,285	631	(514)	6,495
Operating expenses	(1,412)	(551)	(581)	(566)	363	(2,747)
Impairment charges	(78)	(331)	(56)	(11)	–	(476)
Amortisation of intangible assets	(2)	(5)	–	–	–	(7)
Share of profit of associates and joint ventures	–	–	–	87	–	87
Profit before tax	1,056	1,658	648	140	(151)	3,351
Segment assets	74,959	89,048	84,253	4,261	(4,891)	247,630
Intangible assets						
Goodwill	1,326	2,099	663	80	–	4,168
Investment in associates and joint ventures	–	–	17	1,085	–	1,102
Total assets	76,285	91,147	84,933	5,426	(4,891)	252,900
Segment liabilities	95,130	80,563	46,830	10,531	(5,426)	227,628
Other Information						
Inter-segment operating income	370	(218)	17	345	(514)	–
Gross customer loans	74,444	81,000	380	31	–	155,855
Non-performing assets	504	2,036	115	85	–	2,740
Capital expenditure	15	4	4	198	–	221
Depreciation of assets	8	5	3	105	–	121

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 2012 or 2011.

[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)

(a) **Operating Segments** [1] (continued)

	The Group					
	GR $ million	**GW $ million**	**GMIM $ million**	**Others $ million**	**Elimination [2] $ million**	**Total $ million**
2011						
Operating income	2,340	2,165	1,003	581	(390)	5,699
Operating expenses	(1,322)	(468)	(512)	(423)	275	(2,450)
Impairment charges	(71)	(170)	17	(299)	–	(523)
Amortisation of intangible assets	(3)	(7)	–	–	–	(10)
Share of profit of associates and joint ventures	–	–	(3)	96	–	93
Profit before tax	944	1,520	505	(46)	(115)	2,808
Segment assets	65,161	86,187	77,612	8,813	(6,103)	231,670
Intangible assets						
Goodwill	1,333	2,109	666	81	–	4,189
Others	2	5	–	–	–	7
Investment in associates and joint ventures	–	–	20	1,072	–	1,092
Total assets	66,496	88,301	78,298	9,966	(6,103)	236,958
Segment liabilities	85,648	77,180	44,016	13,739	(6,769)	213,814
Other Information						
Inter-segment operating income	414	(187)	(222)	385	(390)	–
Gross customer loans	64,796	78,741	340	66	–	143,943
Non-performing assets	474	1,813	151	142	–	2,580
Capital expenditure	15	4	7	161	–	187
Depreciation of assets	8	5	3	100	–	116

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 2012 or 2011.

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	
	2012 $ million	2011 $ million	**2012 $ million**	2011 $ million	**2012 $ million**	2011 $ million
Singapore	**3,790**	3,339	**2,256**	1,840	**157,593**	144,739
Malaysia	**915**	797	**557**	450	**33,091**	29,308
Thailand	**530**	431	**118**	50	**14,135**	11,996
Indonesia	**454**	430	**184**	151	**7,156**	7,767
Greater China	**414**	323	**222**	147	**19,569**	19,133
Others	**392**	379	**21**	180	**17,188**	19,819
	6,495	5,699	**3,358**	2,818	**248,732**	232,762
Intangible assets	**–**	–	**(7)**	(10)	**4,168**	4,196
	6,495	5,699	**3,351**	2,808	**252,900**	236,958

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 Management and Market Risk Control within the Risk Management Sector monitor Global Markets and Investment Management's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the Group Audit.

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

	The Group			
	Average 2012 $ million	Average 2011 $ million	**2012 $ million**	2011 $ million
Balances and placements with central banks	**28,516**	27,331	**31,650**	25,382
Singapore Government treasury bills and securities	**10,245**	10,930	**10,838**	9,652
Other government treasury bills and securities	**9,409**	7,855	**10,629**	8,188
Trading debt securities	**247**	129	**244**	250
Placements and balances with banks	**15,603**	14,203	**14,254**	16,951
Loans to non-bank customers	**147,061**	126,816	**152,930**	141,191
Derivative financial assets	**5,857**	5,910	**5,456**	6,257
Assets pledged	**2,757**	4,738	**2,988**	2,526
Investment debt securities	**9,432**	11,776	**7,925**	10,939
Others	**2,308**	2,577	**2,226**	2,390
	231,435	212,265	**239,140**	223,726
Contingent liabilities	**17,119**	15,389	**18,427**	15,810
Commitments	**56,932**	51,099	**60,252**	53,611
	305,486	278,753	**317,819**	293,147

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

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place to monitor collateral concentration.

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

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

41. Financial Risk Management (continued)

(a) **Credit Risk** (continued)

(i) Credit exposure (continued)

For internal risk management, agreements such as International Swaps and Derivatives Association Master Agreements and Credit Support Annex have been established with active counterparties to manage counterparty credit risk arising from foreign exchange and derivative activities. The agreements allow the Group to settle all outstanding transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

(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**
2012						
China	**4,097**	**2,954**	*****	**776**	**7,827**	**3.1**
Japan	**805**	**11**	**2,473**	**266**	**3,555**	**1.4**
Hong Kong	**593**	**1,826**	**–**	**581**	**3,000**	**1.2**
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

* Less than $500,000.

(iii) Credit quality of gross loans and debt securities

Gross loans are graded in accordance with MAS Notice 612 as follows:

	The Group	
	2012 $ million	2011 $ million
Pass	**152,789**	141,289
Special mention	**704**	634
Substandard	**1,587**	1,403
Doubtful	**341**	190
Loss	**434**	427
	155,855	143,943

Gross investment debt securities of the Group as at 31 December 2012 was $8,251 million (2011: $11,802 million) and allowance for impairment of $288 million (2011: $279 million) was made for these securities.

41. Financial Risk Management (continued)

(a) **Credit Risk** (continued)

(iv) Ageing analysis of past due but not impaired and non-performing assets

	The Group			
	2012		2011	
	Past due but not impaired $ million	**Non-performing $ million**	Past due but not impaired $ million	Non-performing $ million
Current	**–**	**309**	–	605
Within 90 days	**3,542**	**135**	3,040	190
Over 90 to 180 days	**–**	**747**	–	141
Over 180 days	**–**	**1,549**	–	1,644
	3,542	**2,740**	3,040	2,580

(v) Past due but not impaired and non-performing assets analysed by geographical segment

	The Group					
	2012			2011		
	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	**2,003**	**948**	**431**	1,564	1,018	426
Malaysia	**1,005**	**401**	**127**	899	351	104
Thailand	**301**	**340**	**206**	329	468	281
Indonesia	**171**	**100**	**37**	78	83	35
Greater China	**41**	**42**	**28**	123	31	28
Others	**21**	**909**	**380**	47	629	175
	3,542	**2,740**	**1,209**	3,040	2,580	1,049

41. **Financial Risk Management** (continued)

(a) **Credit Risk** (continued)

(vi) Past due but not impaired and non-performing assets analysed by industry

	The Group					
	2012			2011		
	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	**265**	**1,038**	**440**	108	569	176
Building and construction	**222**	**144**	**44**	230	134	33
Manufacturing	**364**	**366**	**239**	365	491	279
Financial institutions	**163**	**385**	**177**	99	537	218
General commerce	**694**	**251**	**116**	842	278	121
Professionals and private individuals	**685**	**130**	**78**	473	144	79
Housing loans	**1,023**	**268**	**34**	850	228	33
Others	**126**	**158**	**81**	73	199	110
	3,542	**2,740**	**1,209**	3,040	2,580	1,049

(vii) Security coverage of non-performing assets

	The Group	
	2012 $ million	2011 $ million
Non-performing assets secured by:		
Properties	**698**	729
Marketable securities, fixed deposits and others	**305**	269
Unsecured non-performing assets	**1,737**	1,582
	2,740	2,580

(viii) Collateral possessed during the financial year

	The Group	
	2012 $ million	2011 $ million
Properties	**1**	3

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, associates and joint ventures 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	Others $ million	Total $ million
2012							
Cash, balances and placements with central banks	16,197	2,691	7,415	2,222	748	3,783	33,056
Securities [1]	15,943	5,016	1,744	3,700	250	7,415	34,068
Placements and balances with banks [1]	87	9,119	125	71	66	6,523	15,991
Loans to non-bank customers	86,169	17,888	21,404	7,883	4,520	15,066	152,930
Investment in associates and joint ventures	998	1	96	–	–	7	1,102
Intangible assets	3,181	–	–	722	265	–	4,168
Derivative financial assets	1,902	2,447	44	117	15	931	5,456
Others	2,883	1,949	470	372	153	302	6,129
Total assets	127,360	39,111	31,298	15,087	6,017	34,027	252,900
Deposits and balances of non-bank customers	101,924	21,918	25,382	8,096	4,403	20,306	182,029
Deposits and balances of banks and bills and drafts payable	5,120	6,726	1,904	377	80	8,903	23,110
Debts issued	2,822	8,238	199	924	–	617	12,800
Derivative financial liabilities	1,569	2,717	45	152	15	1,008	5,506
Others	1,534	840	596	247	131	835	4,183
Total liabilities	112,969	40,439	28,126	9,796	4,629	31,669	227,628
On-balance sheet open position	14,391	(1,328)	3,172	5,291	1,388	2,358	
Off-balance sheet open position	739	4,066	(154)	(3,335)	*	(1,316)	
Net open position	15,130	2,738	3,018	1,956	1,388	1,042	

* 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	Others $ 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 and joint ventures	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
Others	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
Others	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)

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

	The Group		
	Total $ million	**Hedged $ million**	**Unhedged $ million**
2012			
Chinese renminbi	**810**	**–**	**810**
Indonesian rupiah	**1,259**	**–**	**1,259**
Malaysian ringgit	**2,269**	**–**	**2,269**
Thai baht	**2,042**	**–**	**2,042**
US dollar	**555**	**437**	**118**
Others	**1,024**	**684**	**340**
	7,959	**1,121**	**6,838**
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
Others	1,032	717	315
	7,586	1,124	6,462

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
2012								
Cash, balances and placements with central banks	7,007	9,887	7,166	2,410	108	–	6,478	33,056
Securities [1]	(39)	2,434	5,021	7,447	5,104	10,094	4,007	34,068
Placements and balances with banks [1]	3,177	3,469	5,573	3,486	–	16	270	15,991
Loans to non-bank customers	28,286	79,654	30,222	7,311	4,379	1,897	1,181	152,930
Investment in associates and joint ventures	–	–	–	–	–	–	1,102	1,102
Intangible assets	–	–	–	–	–	–	4,168	4,168
Derivative financial assets	–	–	–	–	–	–	5,456	5,456
Others	1,086	71	69	111	168	–	4,624	6,129
Total assets	39,517	95,515	48,051	20,765	9,759	12,007	27,286	252,900
Deposits and balances of non-bank customers	65,719	32,806	27,864	29,917	2,914	672	22,137	182,029
Deposits and balances of banks and bills and drafts payable	3,763	6,902	6,117	775	125	52	5,376	23,110
Debts issued	34	1,233	2,506	1,608	3,318	3,885	216	12,800
Derivative financial liabilities	–	–	–	–	–	–	5,506	5,506
Others	907	500	953	247	92	134	1,350	4,183
Total liabilities	70,423	41,441	37,440	32,547	6,449	4,743	34,585	227,628
Equity attributable to:								
Equity holders of the Bank	–	–	–	–	–	–	25,080	25,080
Non-controlling interests	–	–	–	–	–	–	192	192
Total equity	–	–	–	–	–	–	25,272	25,272
Net on-balance sheet position	(30,906)	54,074	10,611	(11,782)	3,310	7,264	(32,571)	
Net off-balance sheet position	3,443	2,243	(1,057)	(4,650)	876	(855)	–	
Net interest rate sensitivity gap	(27,463)	56,317	9,554	(16,432)	4,186	6,409	(32,571)	

[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
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 and joint ventures	–	–	–	–	–	–	1,092	1,092
Intangible assets	–	–	–	–	–	–	4,196	4,196
Derivative financial assets	–	–	–	–	–	–	6,257	6,257
Others	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
Others	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.

(ii) The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative $371 million and $683 million (2011: negative $285 million and $503 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 cash flow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans. In particular, the Group has a significant amount of "core deposits" of 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
2012								
Cash, balances and placements with central banks	10,422	7,448	7,454	2,403	108	–	5,226	33,061
Securities [1]	(43)	2,048	4,343	7,754	6,530	12,759	2,930	36,321
Placements and balances with banks [1]	2,857	3,040	4,698	4,072	674	632	47	16,020
Loans to non-bank customers	4,497	10,060	11,497	17,019	32,427	92,517	1,867	169,884
Investment in associates and joint ventures	–	–	–	–	–	–	1,102	1,102
Intangible assets	–	–	–	–	–	–	4,168	4,168
Derivative financial assets	–	–	–	–	–	–	5,456	5,456
Others	1,074	87	95	166	171	921	2,937	5,451
Total assets	18,807	22,683	28,087	31,414	39,910	106,829	23,733	271,463
Deposits and balances of non-bank customers	90,570	29,986	27,977	30,053	2,929	718	32	182,265
Deposits and balances of banks and bills and drafts payable	7,673	7,273	6,543	805	183	633	6	23,116
Debts issued	25	1,000	1,860	2,147	4,384	4,067	216	13,699
Derivative financial liabilities	–	–	–	–	–	–	5,506	5,506
Others	462	3	87	242	109	497	2,250	3,650
Total liabilities	98,730	38,262	36,467	33,247	7,605	5,915	8,010	228,236
Equity attributable to:								
Equity holders of the Bank	–	–	–	–	–	–	25,080	25,080
Non-controlling interests	–	–	–	–	–	–	192	192
Total equity	–	–	–	–	–	–	25,272	25,272
Net on-balance sheet position	(79,923)	(15,579)	(8,380)	(1,833)	32,305	100,914	(9,549)	
Net off-balance sheet position	(15,179)	(625)	(145)	(483)	(115)	(1,174)	(4,021)	
Net maturity mismatch	(95,102)	(16,204)	(8,525)	(2,316)	32,190	99,740	(13,570)	

[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
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 and joint ventures	–	–	–	–	–	–	1,092	1,092
Intangible assets	–	–	–	–	–	–	4,196	4,196
Derivative financial assets	–	–	–	–	–	–	6,257	6,257
Others	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
Others	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 [2]	(12,132)	(504)	(428)	(388)	(193)	(324)	(5,284)	
Net maturity mismatch	(85,170)	(21,839)	(2,622)	5,053	23,714	94,099	(13,725)	

[1] Include assets pledged.
[2] Profiling of undrawn commitments for Singapore comprises committed credit facilities.

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 years ended 31 December 2012 and 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 cash flow 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
2012						
Cash, balances and placements with central banks	10,681	7,441	7,202	2,403	5,334	33,061
Securities [1]	814	1,966	4,343	6,844	22,352	36,319
Placements and balances with banks [1]	3,523	3,050	4,540	3,804	1,103	16,020
Loans to non-bank customers	4,930	11,371	12,959	21,717	108,856	159,833
Investment in associates and joint ventures	–	–	–	–	1,102	1,102
Intangible assets	–	–	–	–	4,168	4,168
Derivative financial assets	–	–	–	–	5,456	5,456
Others	1,074	95	95	166	4,021	5,451
Total assets	21,022	23,923	29,139	34,934	152,392	261,410
Deposits and balances of non-bank customers [2]	14,848	16,782	6,811	7,076	136,518	182,035
Deposits and balances of banks and bills and drafts payable	7,605	7,342	6,543	805	821	23,116
Debts issued	25	1,000	1,860	2,147	8,667	13,699
Derivative financial liabilities	–	–	–	–	5,506	5,506
Others	339	9	87	242	2,973	3,650
Total liabilities	22,817	25,133	15,301	10,270	154,485	228,006
Equity attributable to:						
Equity holders of the Bank	–	–	–	–	25,080	25,080
Non-controlling interests	–	–	–	–	192	192
Total equity	–	–	–	–	25,272	25,272
Net on-balance sheet position	(1,795)	(1,210)	13,838	24,664	(27,365)	
Net off-balance sheet position	(1,455)	(3,158)	(1,439)	(2,157)	(7,587)	
Net maturity mismatch	(3,250)	(4,368)	12,399	22,507	(34,952)	

1 Include assets pledged.
2 Excludes interest cash flows which are negligible within the time horizon against which the Group 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
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 and joint ventures	–	–	–	–	1,092	1,092
Intangible assets	–	–	–	–	4,196	4,196
Derivative financial assets	–	–	–	–	6,257	6,257
Others	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
Others	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 cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

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**
2012				
Interest rate	**1.59**	**6.70**	**1.59**	**2.97**
Foreign exchange	**0.84**	**9.09**	**0.84**	**4.07**
Equity	**0.41**	**0.90**	**0.05**	**0.26**
Commodity	**0.01**	**0.58**	*	**0.09**
Specific risk [1]	**0.40**	**1.36**	**0.22**	**0.54**
Total VaR	**2.34**	**8.99**	**2.34**	**5.28**
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	4.81	9.48	2.28	4.66

* 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 the maintenance of a good credit rating. 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	
	2012	2011
	$ million	$ million
Tier 1 Capital		
Share capital	**3,123**	3,104
Preference shares	**2,149**	2,149
Disclosed reserves/others	**19,046**	17,511
Deductions from Tier 1 Capital	**(4,738)**	(4,750)
Eligible Tier 1 Capital	**19,580**	18,014
Tier 2 Capital		
Cumulative collective impairment/others	**1,022**	950
Subordinated notes	**5,213**	3,794
Deductions from Tier 2 Capital	**(369)**	(421)
Eligible Total Capital	**25,446**	22,337
Risk-weighted assets	**133,103**	133,578
Capital Adequacy Ratios (%)		
Core Tier 1	**13.1**	11.9
Tier 1	**14.7**	13.5
Total	**19.1**	16.7

43. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 27 February 2013.

United Overseas Bank Limited
(Incorporated in Singapore)
and its subsidiaries
31 December 2012

Investor Reference

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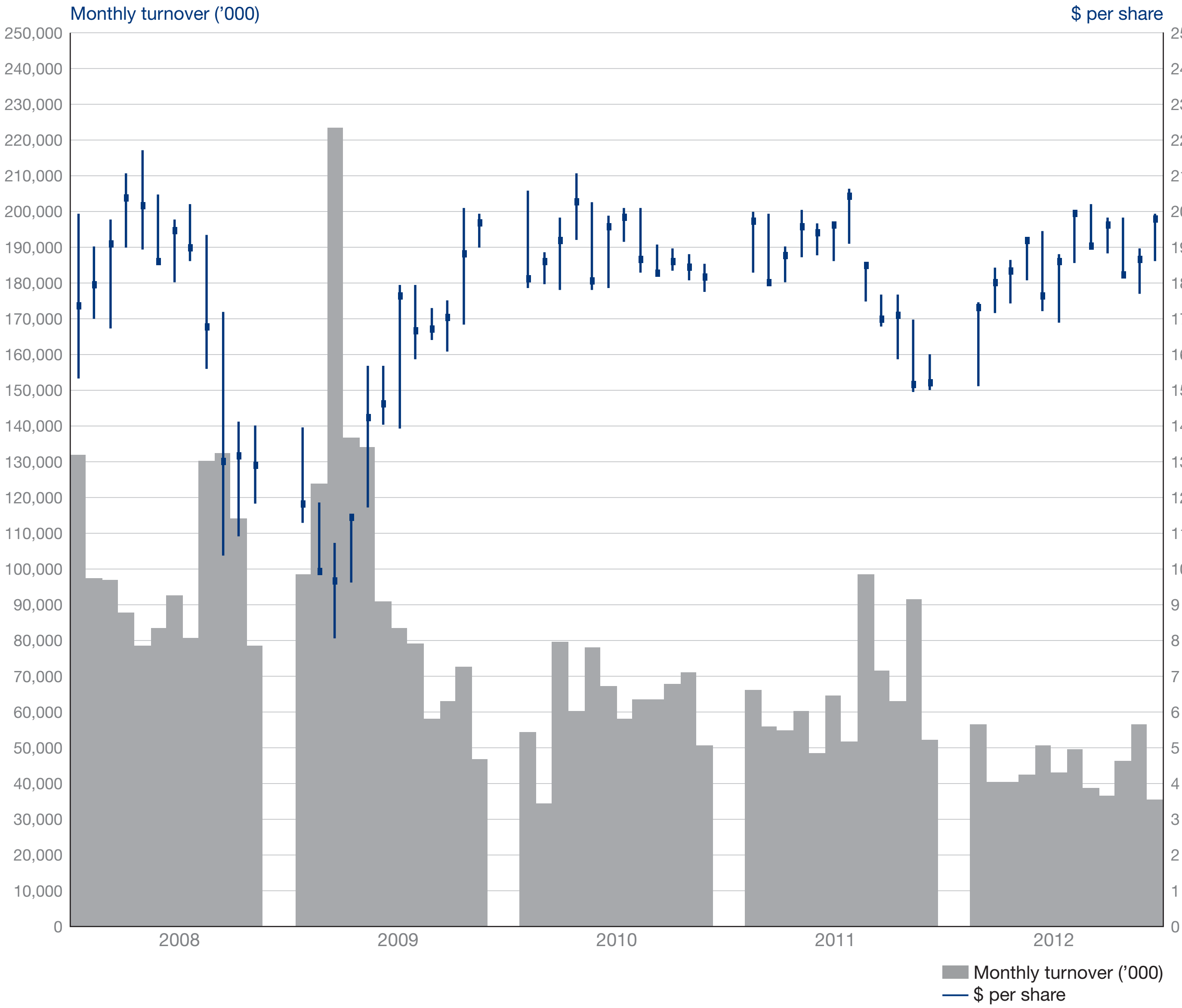
UOB Share Price and Turnover

for the financial year ended 31 December 2012



	2008	2009	2010	2011	**2012**
Share price ($)					
Highest	21.70	20.08	21.08	21.00	**20.23**
Lowest	10.40	8.07	17.80	14.42	**15.15**
Average	16.05	14.08	19.44	17.71	**17.69**
Last done	12.92	19.70	18.20	15.27	**19.81**
Price/Earning ratio (times) [1, 2]	12.84	11.83	11.97	12.38	**10.28**
Dividend cover (times) [2]	2.14	2.10	2.25	2.47	**2.54**
Net dividend yield (%) [1]	3.74	4.26	3.60	3.39	**3.96**

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	7,851	25.96	1,852,518	0.12
1,000 – 10,000	19,346	63.96	51,921,143	3.30
10,001 – 1,000,000	2,993	9.89	130,948,043	8.31
1,000,001 and above	57	0.19	1,390,077,424	88.27
Total	**30,247**	**100.00**	**1,574,799,128**	**100.00**

Public Float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least ten per cent 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 8 March 2013, approximately 76 per cent 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	255,672,131	16.24
DBS Nominees Pte Ltd	225,615,700	14.33
DBSN Services Pte Ltd	142,809,994	9.07
United Overseas Bank Nominees (Pte) Ltd	139,430,267	8.85
Wee Investments Private Ltd	119,995,170	7.62
Wah Hin and Company Private Limited	81,223,402	5.16
HSBC (Singapore) Nominees Pte Ltd	74,556,262	4.73
Tai Tak Estates Sendirian Berhad	67,445,739	4.28
UOB Kay Hian Pte Ltd	38,408,021	2.44
BNP Paribas Securities Services	36,750,156	2.33
Raffles Nominees Pte Ltd	34,551,803	2.19
C Y Wee & Co Pte Ltd	34,299,710	2.18
Wee Cho Yaw	18,820,027	1.20
UOB Nominees (2006) Pte Ltd	18,067,465	1.15
Tee Teh Sdn Berhad	10,579,419	0.67
DB Nominees (Singapore) Pte Ltd	6,827,818	0.43
Merrill Lynch (Singapore) Pte Ltd	6,823,950	0.43
Estate of Lo Kwang Pheng Deceased	4,369,500	0.28
Estate of Ho Sim Guan Deceased	4,358,246	0.28
Kota Trading Company Sendirian Berhad	4,069,518	0.26
Total	**1,324,674,298**	**84.12**

* Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares, of the Bank.

Statistics of Shareholdings

as at 8 March 2013

ORDINARY SHARES

Substantial Shareholders *(as shown in the Register of Substantial Shareholders)*

Substantial shareholder	Shareholdings registered in the name of substantial shareholders	Other shareholdings in which substantial shareholders are deemed to have an interest	Total interest	
	No. of shares	No. of shares	No. of shares	%
Estate of Lien Ying Chow, deceased	316,516	81,334,262 [1]	81,650,778	5.18
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	18,820,027	259,658,308 [4]	278,478,335	17.68
Wee Ee Cheong	3,047,878	156,396,452 [4]	159,444,330	10.12
Wee Ee Chao	150,155	124,242,353 [4]	124,392,508	7.90
Wee Ee Lim	1,760,658	156,348,393 [4]	158,109,051	10.04
Wee Investments Private Ltd	119,995,007	181,913	120,176,920	7.63

* 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	8,631	85.04	2,739,760	20.76
1,000 – 10,000	1,462	14.41	3,241,440	24.56
10,001 – 1,000,000	54	0.53	3,486,800	26.41
1,000,001 and above	2	0.02	3,732,000	28.27
Total	**10,149**	**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	2,375,800	18.00
United Overseas Bank Nominees (Pte) Ltd	1,356,200	10.27
HSBC (Singapore) Nominees Pte Ltd	672,200	5.09
Bank of Singapore Nominees Pte Ltd	413,800	3.13
DBS Nominees Pte Ltd	371,700	2.82
Raffles Nominees Pte Ltd	262,900	1.99
Wee Foundation	167,700	1.27
First Capital Insurance Limited – Insurance Fund A/C	160,000	1.21
Singapura Finance Ltd	100,000	0.76
Tan Chong & Sons Motor Company (Singapore) Private Limited	100,000	0.76
BNP Paribas Nominees S'pore Pte Ltd	97,400	0.74
Tan Chee Jin	82,000	0.62
HL Bank Nominees (S) Pte Ltd	72,000	0.55
Morgan Stanley Asia (Singapore) Securities Pte Ltd	54,600	0.41
Institute of Technical Education	50,000	0.38
Sembawang Town Council	50,000	0.38
Wilson Yip	45,600	0.35
SIM University	40,000	0.30
ABN Amro Nominees Singapore Pte Ltd	35,300	0.27
BNP Paribas Securities Services	33,000	0.25
Total	**6,540,200**	**49.55**

Five-Year Ordinary Share Capital Summary

		Number of ordinary shares		
Year	Particulars	Issued	Held in treasury	In circulation
2008	Balance at beginning of year	1,523,759,625		
	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
2012	**Issue of shares under share-based compensation plans**		**1,521,374**	
	Share buyback and held in treasury		**(684,385)**	
	Balance at end of year	**1,590,493,941**	**(15,733,345)**	**1,574,760,596**

BANKING SERVICES

Singapore

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624
Phone: (65) 6533 9898
Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: www.UOBGroup.com

United Overseas Bank Limited has 67 branches in Singapore.

Far Eastern Bank Limited
(a subsidiary)
80 Raffles Place
UOB Plaza
Singapore 048624
Phone: (65) 6533 9898
Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: www.UOBGroup.com

Australia

UOB Sydney Branch
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
Executive Director/Chief Executive Officer, Australia and New Zealand: Peter Mackinlay
Senior Vice President, Head, Operations and Corporate Services: Eric Yeo

UOB Melbourne Office
Level 7, 350 Collins Street
Melbourne, VIC 3000
Phone: (61)(3) 9642 4808
Fax: (61)(3) 9642 4877
Executive Director/Chief Executive Officer, Australia and New Zealand: Peter Mackinlay
Senior Vice President, Head, Operations and Corporate Services: Eric Yeo
State Manager: Geoff Luxton

UOB Brisbane Office
Level 34, Riparian Plaza
71 Eagle Street
Brisbane, QLD 4000
Phone: (61)(07) 3229 1188
Fax: (61)(07) 3229 1188
Executive Director/Chief Executive Officer, Australia and New Zealand: Peter Mackinlay
Senior Vice President, Head, Operations and Corporate Services: Eric Yeo
State Manager: Gregory Thompson

Brunei

UOB Bandar Seri Begawan Branch
Units 10 and 11, Bangunan D'Amin Jaya
Lot 54989, Kampong Kiarong
Bandar Seri Begawan BE1318
Phone: (673) 222 5477/222 2210/222 0380
Fax: (673) 224 0792
SWIFT: UOVBBNBB
Email: uobbsb@brunet.bn
General Manager: Abdul Razak Abdul Malek

UOB Kuala Belait Branch
Chinese Chamber of Commerce Building
Ground Floor
Lot 104, Jalan Bunga Raya
Kuala Belait KA1131
Phone: (673) 333 1889/334 1012
Fax: (673) 333 1391
Email: uobkb@brunet.bn
Branch Manager: Abdul Razak Abdul Malek

Canada

UOB Vancouver Branch
Vancouver Centre
#1680–650 West Georgia Street
P.O. Box 11616
Vancouver, British Columbia
Canada V6B 4N9
Phone: (1)(604) 662 7055
Fax: (1)(604) 662 3356
SWIFT: UOVBCA8V
Email: UOB.Vancouver@UOBGroup.com
Executive Director and General Manager: K. Jin Koh

UOB Toronto Office
120 Adelaide Street West
Suite 2500,
Toronto, Ontario
Canada M5H 1T1
Phone: (1)(416) 644 1208
Fax: (1)(416) 367 1954
Executive Director and General Manager: K. Jin Koh
Senior Vice President, Head Corporate Banking: John Gleason

China

United Overseas Bank (China) Limited
(a subsidiary)
Unit 105, 2F, 3F
111 Dongyuan Road
Pudong New Area
Shanghai
PRC 200120
Phone: (86)(21) 6061 8888
Fax: (86)(21) 6886 0908
SWIFT: UOVBCNSH
Email: UOB.China@UOBGroup.com
Website: www.uobchina.com.cn
President and Chief Executive Officer: Tan Kian Huat

United Overseas Bank (China) Limited has 12 branches/sub-branches in China.

Hong Kong S.A.R.

UOB Main Branch
25/F Gloucester Tower
The Landmark
15 Queen's Road
Central, Hong Kong S.A.R.
Phone: (852) 2521 1521/2910 8888
Fax: (852) 2810 5506
Telex: 74581 TYHUA HX
SWIFT: UOVBHKHH
Email: UOB.HongKong@UOBGroup.com
Chief Executive Officer: Christine Ip
Deputy Chief Executive Officer: Chow Yew Hon
Alternate Chief Executive Officer:
Cindy Kwong Hing Shaun

UOB Sheung Wan Branch
Unit 1601, 1607-15, 16/F Cosco Tower
183 Queen's Road
Central, Hong Kong S.A.R.
Phone : (852) 2910 8833
Fax : (852) 2810 5773
Email: UOB.HongKong@UOBGroup.com
Chief Executive Officer: Christine Ip
Deputy Chief Executive Officer: Chow Yew Hon
Alternate Chief Executive Officer:
Cindy Kwong Hing Shaun

India

UOB Mumbai Branch
3 North Avenue, Maker Maxity
Units 31 and 37, 3rd Floor
'C' Wing Bandra – Kurla Complex
Bandra (East)
Mumbai 400 051
Phone: (91)(22) 2659 2121
Fax: (91)(22) 2659 1133
General Manager: PV Ananthakrishnan

Indonesia

UOB Jakarta Representative Office
UOB Plaza, 38th Floor
Jalan M.H. Thamrin No. 10
Jakarta Pusat 10230
Phone: (62)(21) 2993 7317
Fax: (62)(21) 2993 7318
Chief Representative: Utami Dewi Suhadi

PT Bank UOB Indonesia
(a subsidiary)
UOB Plaza
Jalan M.H. Thamrin No. 10
Jakarta Pusat 10230
Phone: (62)(21) 2350 6000
Fax: (62)(21) 299 36632
SWIFT: BBIJIDJA
Website: www.uob.co.id
President Director: Armand B. Arief
Deputy President Director: Iwan Satawidinata

PT Bank UOB Indonesia has 213 branches in Indonesia.

Japan

UOB Tokyo Branch
Sanno Park Tower, 13F
2-11-1 Nagatacho, Chiyoda-Ku
Tokyo 100-6113
Japan
Phone: (81)(3) 3596 7200
Fax: (81)(3) 3596 7201
SWIFT: UOVBJPJT
Email: UOB.Tokyo@UOBGroup.com
General Manager: Wong Kwong Yew

Malaysia

United Overseas Bank Limited, Labuan Branch
Level 6A, Main Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Labuan F.T.
Malaysia
Phone: (60)(87) 424 388
Fax: (60)(87) 424 389
Swift: UOVBMY2L
Email: my2icom@UOBGroup.com
General Manager: Lourdes Premkumar Sinnappan

Our International Network

United Overseas Bank (Malaysia) Bhd
(a subsidiary)
Menara UOB
Jalan Raja Laut
P.O. Box 11212
50738 Kuala Lumpur
Phone: (60)(3) 2692 7722
Fax: (60)(3) 2691 0281
SWIFT: UOVBMYKL
Email: uobcustomerservice@uob.com.my
Website: www.uob.com.my
Chief Executive Officer: Wong Kim Choong

United Overseas Bank (Malaysia) Bhd has 45 branches in Malaysia.

Myanmar

UOB Yangon Representative Office
Unit # 01-L-1
Park Royal Hotel
Yaw Min Gyi Street, Dagon Township
Yangon, Myanmar
Phone: (95)(1) 250388 Ext: 8180
Fax: (95)(1) 253318
Country Head, Vietnam and Myanmar: Thng Tien Tat
Email: Thng.TienTat@UOBGroup.com
Chief Representative: U Hla Thaung
Email: Hla.Thaung@UOBGroup.com,
Ye.Myint@UOBGroup.com

Philippines

United Overseas Bank Philippines
(A Thrift Bank)
(a subsidiary)
Pacific Star Building, 17th Floor
Sen. Gil Puyat Avenue corner
Makati Avenue
1200 Makati City
Phone: (63)(2) 548 6400
Fax: (63)(2) 811 6196
SWIFT: UOVBPHMM
Email: info@uob.com.ph
President and Chief Executive Officer:
Emmanuel T Mangosing

South Korea

UOB Seoul Branch
3(A)F, Seoul Finance Centre
84, Taepyungno 1-ga
Jung-Gu
Seoul 100-768
Phone: (82)(2) 739 3916/739 3919
Fax: (82)(2) 730 9570
SWIFT: UOVBKRSE
Email: UOB.Seoul@UOBGroup.com
General Manager: Steven Chung Kok Kai

Taiwan

UOB Taipei Branch
Union Enterprise Plaza, 16th Floor
109 Minsheng East Road
Section 3, Taipei 105
Phone: (886)(2) 2715 0125
Fax: (886)(2) 2713 7456
Email: UOB.Taipei@UOBGroup.com
General Manager: Ho Loon Khwan

Thailand

United Overseas Bank (Thai) Public Company Limited
(a subsidiary)
191 South Sathon Road
Sathon
Bangkok 10120
Phone: (66)(2) 343 3000
Fax: (66)(2) 287 2973/287 2974
Telex: 84351 BKASIA TH
SWIFT: UOVBTHBK
Website: www.uob.co.th
President and Chief Executive Officer:
Peter Foo Moo Tan

United Overseas Bank (Thai) Public Company Limited has 162 branches in Thailand.

United Kingdom

UOB London Branch
19 Great Winchester Street
London EC2N 2BH
Phone: (44)(20) 7448 5800
Fax: (44)(20) 7628 3433
SWIFT: UOVBGB2L
Email: UOB.London@UOBGroup.com
General Manager: Ho Chai Seng

United States of America

UOB New York Agency
UOB Building
592 Fifth Avenue
10th Floor, 48th Street
New York, NY 10036
Phone: (1)(212) 382 0088
Fax: (1)(212) 382 1881
SWIFT: UOVBUS33
Email: UOB.NewYork@UOBGroup.com
Agent and General Manager: George Lim

UOB Los Angeles Agency
777 South Figueroa Street
Suite 518, Los Angeles
California 90017
Phone: (1)(213) 623 8042
Fax: (1)(213) 623 3412
Email: UOB.LosAngeles@UOBGroup.com
Agent and General Manager: Chen Hoong

Vietnam

UOB Ho Chi Minh City Branch
1st Floor, Central Plaza Office Building
17 Le Duan Boulevard
District 1, Ho Chi Minh City
Phone: (84)(8) 3825 1424
Fax: (84)(8) 3825 1423
SWIFT: UOVBVNVX
Email: UOB.HCMC@UOBGroup.com
Country Head, Vietnam and Myanmar: Thng Tien Tat
General Manager: Ho Sze Ming

Correspondents

In all principal cities of the world

RELATED FINANCIAL SERVICES

GOLD/FUTURES DEALING

Singapore

UOB Bullion and Futures Limited
(a subsidiary)
80 Raffles Place, 5th Floor
UOB Plaza 2
Singapore 048624
Phone: (65) 6494 6540 / 6494 6539
Fax: (65) 6534 1984 / 6535 6312
Email: Futures@UOBGroup.com
Website: www.uobfutures.com
Chief Executive Officer: Ng Kwan Meng

UOBF Schneider Trading Pte Ltd
(a subsidiary)
80 Raffles Place, #17-02
UOB Plaza 1
Singapore 048624
Phone: (65) 6751 5702
Fax: (65) 6535 2676
Email: clientservices@uobfschneider.com
Chief Executive Officer: Ady Ng Lai Wah

Taiwan

UOB Bullion and Futures Limited, Taiwan Branch
Union Enterprise Plaza, 16th Floor
109 Minsheng East Road
Section 3, Taipei 10544
Phone: (886)(2) 2545 6163
Fax: (886)(2) 2719 9434
Email: vincent-cheng@umail.hinet.net
Branch Manager: Vincent Cheng Chih Jung

Thailand

UOB Bullion and Futures (Thai) Company Limited
(a subsidiary)
191 South Sathon Road, 7th Floor
Sathon
Bangkok 10120
Phone: (66)(0) 2343 3998
Fax: (66)(0) 2213 2614
Email: MarketingUOBFT@uob.co.th
Website: www.uobft.co.th
Chief Executive Officer: Dennis Seet Choon Seng

INSURANCE

Singapore

United Overseas Insurance Limited
(a subsidiary)
3 Anson Road, #28-01
Springleaf Tower
Singapore 079909
Phone: (65) 6222 7733
Fax: (65) 6327 3869/6327 3870
Email: ContactUs@uoi.com.sg
Website: www.uoi.com.sg
Managing Director: David Chan Mun Wai

Myanmar

United Overseas Insurance Myanmar Representative Office
Room No. 1401, 14th floor
Olympic Tower
Corner of Mahar Bandoola Street and
Bo Aung Kyaw Street
Kyauktada Township
Yangon, Myanmar
Telephone: (95)(1) 392 917
Facsimile: (95)(1) 392 916
Representative: Khin Maung Win

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: www.uobam.com.sg
Managing Director and Group Chief Executive 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) Limited
(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: Alina Tao

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)
Sanno Park Tower, 13F
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)
Plaza OSK, Level 3
Jalan Ampang
50450 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
Greater China CEO: 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 and Country Head, Australia and New Zealand: Peter Mackinlay
Director and General Manager, Operations: Eric Yeo

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 **Seventy-First 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, 25 April 2013, 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 2012.

Resolution 2 To declare a final one-tier tax-exempt dividend of 40 cents and a special one-tier tax-exempt dividend of ten cents per ordinary share for the year ended 31 December 2012.

Resolution 3 To approve Directors' fees of $1,815,000 for 2012 (2011: $1,670,000).

Resolution 4 To approve a fee of $2,250,000 (2011: $2,250,000) to the Chairman of the Bank, Dr Wee Cho Yaw, for the period from January 2012 to December 2012.

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 Wee Ee Cheong

Resolution 7 Mr Franklin Leo Lavin

Resolution 8 Mr James Koh Cher Siang

Resolution 9 Mr Ong Yew Huat

To pass the following resolution under Section 153(6) of the Companies Act, Chapter 50 of Singapore (**Companies Act**):

"THAT pursuant to Section 153(6) of the Companies Act, Mr ________________________ be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting (**AGM**) of the Company."

In respect of:

Resolution 10 Dr Wee Cho Yaw

Resolution 11 Professor Cham Tao Soon

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 a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

Resolution 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 is 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 a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

Resolution 15 "THAT

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereafter defined) at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (**Market Purchase**) on the SGX-ST; and/or

(ii) off-market purchase(s) (**Off-Market Purchase**) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (**Share Purchase Mandate**);

(b) the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in a general meeting;

(c) in this Resolution 15:

"**Relevant Period**" means the period commencing from the date on which the last AGM of the Company was held and expiring on the date the next AGM of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

"**Maximum Limit**" means that number of Shares representing five per cent of the total number of issued Shares (excluding any Shares which are held as treasury shares) as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued Shares shall be taken to be the total number of the issued Shares as altered by such capital reduction (excluding any Shares which are held as treasury shares as at that date); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase, 110 per cent of the Average Closing Price of the Shares, where:

"**Average Closing Price**" means the average of the last dealt prices of the Shares over the five consecutive market days on which the Shares were transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

Notes to Resolutions

Resolution 2 is to approve the final and special dividends. The Transfer Books and Register of Members will be closed from 9 May 2013 to 10 May 2013, both dates inclusive, for the preparation of the final and special dividends. Registrable transfers received up to 5.00 pm on 8 May 2013 will be entitled to the final and special dividends. If approved, the final and special dividends will be paid on 17 May 2013.

Resolution 4 is to approve a fee of $2,250,000 for the period from January 2012 to December 2012 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 Wee Ee Cheong who will, if re-elected, continue as the Deputy Chairman and Chief Executive Officer of the Bank, an alternate to Dr Wee Cho Yaw on the Nominating Committee and a non-independent member of the Executive and Board Risk Management Committees.

Resolution 7 is to re-elect Mr Franklin Leo Lavin who will, if re-elected, continue as an independent member of the Executive and Nominating Committees.

Resolution 8 is to re-elect Mr James Koh Cher Siang who will, if re-elected, be an independent member of the Executive and Audit Committees. Mr Koh was appointed to the Board on 1 September 2012.

Resolution 9 is to re-elect Mr Ong Yew Huat who will, if re-elected, be a non-independent member of the Board Risk Management Committee. Mr Ong was appointed to the Board on 2 January 2013.

Resolution 10 is to re-appoint Dr Wee Cho Yaw who will, if re-appointed, be Chairman Emeritus and remain as the non-independent Chairman of the Executive, Remuneration and Board Risk Management Committees and a non-independent member of the Nominating Committee.

Resolution 11 is to re-appoint Professor Cham Tao Soon who will, if re-appointed, remain as a non-independent member of the Audit and Board Risk Management Committees.

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 of the Company until the next AGM of the Company.

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.

Resolution 15 is to renew the Share Purchase Mandate, which was originally approved by shareholders on 29 April 2004 and was last approved at the extraordinary general meeting of the Company on 26 April 2012.

The Company intends to use its internal sources of funds to finance its purchase or acquisition of the Shares. The amount of financing required for the Company to purchase or acquire its Shares and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of AGM as these will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

Based on the total number of issued Shares as at 8 March 2013 (the **Latest Practicable Date**), the purchase by the Company of five per cent of its issued Shares (excluding the Shares held in treasury) will result in the purchase or acquisition of 78,739,956 Shares.

Assuming that the Company purchases or acquires 78,739,956 Shares at the Maximum Price, the maximum amount of funds required is approximately:

(a) in the case of Market Purchases of Shares, S$1,611,019,500 based on S$20.46 for one Share (being the price equivalent to five per cent above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date); or

(b) in the case of Off-Market Purchases of Shares, S$1,688,184,657 based on S$21.44 for one Share (being the price equivalent to ten per cent above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date).

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial accounts of the UOB Group for the financial year ended 31 December 2012, based on certain assumptions, are set out in paragraph 2.8 of the Appendix to this Notice of AGM to shareholders of the Company dated 2 April 2013.

Please refer to the Appendix to this Notice of AGM for details.

BY ORDER OF THE BOARD

Vivien Chan
Secretary

Singapore
2 April 2013

Notes:

(1) A member entitled to attend and vote at the AGM of the Company 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 AGM of the Company.

If you have any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your shares in the capital of United Overseas Bank Limited, you should immediately forward this Annual Report/Appendix to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward delivery to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made in this Appendix.

UOB 大華銀行

UNITED OVERSEAS BANK LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 193500026Z)

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 2 APRIL 2013

Appendix
Renewal of Share Purchase Mandate

1. INTRODUCTION

1.1 **General.** The purpose of this Appendix is to provide Shareholders[1] with information relating to Resolution 15 set out in the Notice of Annual General Meeting of United Overseas Bank Limited (**UOB**) in respect of the proposed renewal of the mandate (**Share Purchase Mandate**) enabling UOB to purchase or otherwise acquire its issued ordinary shares in the capital of UOB (**Shares**).

1.2 **SGX-ST.** The Singapore Exchange Securities Trading Limited (**SGX-ST**) takes no responsibility for the accuracy of any statement or opinion made in this Appendix.

2. THE RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 **Background.** The Companies Act requires a company to obtain the approval of its shareholders to purchase or otherwise acquire its own Shares. The Share Purchase Mandate was first approved by Shareholders on 29 April 2004 and was last renewed at the extraordinary general meeting (**2012 EGM**) of UOB held on 26 April 2012 (**2012 Share Purchase Mandate**).

The 2012 Share Purchase Mandate will expire on the date of the forthcoming seventy-first annual general meeting of UOB to be held on 25 April 2013 (**Seventy-First Annual General Meeting**). The approval of Shareholders is being sought for the renewal of the Share Purchase Mandate at the Seventy-First Annual General Meeting.

2.2 **Rationale for the Proposed Renewal of the Share Purchase Mandate.** The proposed renewal of the Share Purchase Mandate would give UOB the flexibility to undertake the purchase or acquisition of its issued Shares as and when appropriate to:

(a) manage the capital structure of UOB, with a view to achieving an efficient capital mix;

(b) manage surplus capital, such that surplus capital and funds which are in excess of UOB's requirements may be returned to Shareholders in an expedient and cost-efficient manner; and

(c) improve return on equity (**ROE**), which is one of the key objectives of UOB.

In addition, the issued Shares which are purchased or acquired pursuant to the Share Purchase Mandate may be held as treasury shares which may be used for the purposes of or pursuant to any staff incentive scheme as may be implemented by UOB from time to time.

The Share Purchase Mandate will be exercised by the Directors of UOB (**Directors**) in circumstances where it is considered to be in the best interests of UOB after taking into account factors such as the amount of surplus cash available and working capital requirements of UOB, the prevailing market conditions, liquidity and orderly trading of the Shares.

[1] Refers to registered holders of Shares, except that where the registered holder is The Central Depository (Pte) Limited (**CDP**), the term "**Shareholders**" shall, in relation to such Shares and where the context admits, mean the Depositors (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore (**Companies Act**)) whose securities accounts are maintained with CDP (but not including securities sub-accounts maintained with a Depository Agent (as defined in Section 130A of the Companies Act)) are credited with Shares.

2.3 **Authority and Limits on the Share Purchase Mandate.** The authority and limits on the Share Purchase Mandate are summarised below.

2.3.1 ***Maximum Number of Shares***

The total number of Shares that may be purchased or acquired by UOB pursuant to the Share Purchase Mandate is limited to that number of Shares representing five per cent of the total number of issued Shares of UOB as at the date of the Seventy-First Annual General Meeting at which this renewal of the Share Purchase Mandate is approved (**Approval Date**) unless UOB has effected a reduction of the share capital of UOB in accordance with the applicable provisions of the Companies Act, at any time during the period commencing from the date on which the last annual general meeting (**AGM**) was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, in which event the issued Shares shall be taken to be the total number of the issued Shares as altered by such capital reduction. Only Shares which are issued and fully paid-up may be purchased or acquired by UOB. The Shares which are held as treasury shares will be disregarded for the purposes of computing the five per cent limit.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the five per cent limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out up to the full five per cent as authorised, or at all.

2.3.2 ***Duration of Authority***

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date up to:

(a) the date on which the next AGM of UOB is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by UOB in a general meeting,

whichever is the earliest.

2.3.3 ***Manner of Purchase or Acquisition of Shares***

Purchases or acquisitions of Shares may be made by:

(a) on-market purchases (**Market Purchases**) transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed dealers appointed by UOB for the purpose; and/or

(b) off-market purchases (**Off-Market Purchases**) effected pursuant to an equal access scheme.

The purchases or acquisitions in connection with or in relation to any equal access scheme or schemes may be subject to such terms and conditions as the Directors may consider fit in the interests of UOB provided that such terms and conditions are consistent with the relevant provisions of the Share Purchase Mandate, the listing manual of the SGX-ST (**Listing Manual**) and the Companies Act.

Off-Market Purchases must satisfy all the following conditions:

(i) offers for the purchase or the acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of the offers shall be the same, except that:

(1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; and

(2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares,

shall be disregarded.

If UOB wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

(I) the terms and conditions of the offer;

(II) the period and procedures for acceptances; and

(III) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

2.3.4 ***Maximum Purchase Price***

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

(a) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 110 per cent of the Average Closing Price of the Shares,

in either case, the "**Maximum Price**".

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of the Shares over the five consecutive market days on which the Shares were transacted on the SGX-ST immediately preceding the date of the Market Purchase by UOB or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which UOB announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 **Source of Funds.** The Companies Act permits UOB to purchase or acquire its own Shares out of capital, as well as from its distributable profits.

UOB intends to use its internal sources of funds to finance its purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital of UOB and its subsidiaries (**Group**) would be materially adversely affected.

2.5 **Reporting Requirements.** Pursuant to Rule 886 of the Listing Manual, UOB will notify the SGX-ST of any purchase or acquisition of Shares under the proposed Share Purchase Mandate as follows:

(a) in the case of a Market Purchase, by 9.00 am on the market day following the day on which it purchased the Shares; and

(b) in the case of an Off-Market Purchase, by 9.00 am on the second market day after the close of acceptances of the offer.

The announcement (in the form prescribed under the Listing Manual) shall include, *inter alia*, details of the maximum number of Shares authorised for purchase, the date of purchase, the total number of Shares purchased, the number of Shares cancelled, the number of Shares held as treasury shares, the purchase price per Share or the highest and lowest prices paid for such Shares (as applicable), the total consideration (including stamp duties, brokerage and clearing charges and other related expenses) paid or payable for the Shares, the cumulative number of Shares purchased to date, the number of issued Shares excluding treasury shares and the number of treasury shares held after the purchase.

2.6 **Status of Purchased Shares.** Under the Companies Act, Shares purchased or acquired by UOB shall be deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on cancellation) unless such Shares are held by UOB as treasury shares. Accordingly, in the event that the Shares are cancelled, the total number of issued Shares will be diminished by the number of Shares so cancelled.

Depending on the needs of UOB, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares.

2.7 **Treasury Shares.** The Shares purchased or acquired may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below.

2.7.1 ***Maximum Holdings***

The number of Shares held as treasury shares cannot exceed ten per cent of the total number of issued Shares at any time.

2.7.2 ***Voting and Other Rights***

UOB cannot exercise any right in respect of treasury shares, including any right to attend or vote at meetings.

In addition, treasury shares are not entitled to dividends or other distribution of UOB's assets but fully paid bonus shares may be allotted in respect of treasury shares and such bonus shares shall be treated for the purposes of the Companies Act as if they were purchased by UOB at the time they were allotted. Accordingly, such bonus shares may be held as treasury shares or dealt with in the manner described in paragraphs 2.7.3(a) to 2.7.3(e) below. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.7.3 ***Disposal and Cancellation***

Where Shares purchased or acquired by UOB are held as treasury shares, UOB may at any time but subject always to the Singapore Code on Take-overs and Mergers (**Take-over Code**):

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employee share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, an immediate announcement containing, *inter alia*, the following details must be made in respect of any sale, transfer, cancellation and/or use of the treasury shares (each an **event**):

(i) date and purpose of event;

(ii) number and value of treasury shares involved in the event;

(iii) number of treasury shares involved before and after the event; and

(iv) percentage of the number of treasury shares against the total number of issued Shares (of the same class as the treasury shares) before and after the event.

2.8 **Financial Effects.** The financial effects on the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time and whether the Shares purchased or acquired are held in Treasury or cancelled. The financial effects on the Group for the financial year ended 31 December 2012 are based on the assumptions set out below.

2.8.1 ***Purchase or Acquisition out of Capital or Profits***

Where the consideration paid by UOB for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of dividends by UOB will not be reduced.

Where the consideration paid by UOB for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of dividends by UOB.

2.8.2 ***Number of Shares Acquired or Purchased***

The maximum number of Shares which can be purchased by UOB will depend on the number of issued Shares, excluding treasury shares, of UOB as at the Approval Date. As at the Latest Practicable Date prior to the printing of this Appendix, being 8 March 2013 (**Latest Practicable Date**), the issued share capital of UOB comprised 1,574,799,128 Shares, excluding treasury shares.

Purely for illustrative purposes, on the basis of 1,574,799,128 Shares in issue, excluding treasury shares, as at the Latest Practicable Date, not more than 78,739,956 Shares (representing five per cent of the Shares in issue, excluding treasury shares, as at that date) may be purchased or acquired by UOB pursuant to the proposed Share Purchase Mandate.

2.8.3 ***Maximum Price Paid for Shares Acquired or Purchased***

Assuming that UOB purchases or acquires the maximum number of Shares at the Maximum Price, the amount of funds required is approximately:

(a) in the case of Market Purchases of Shares, S$1,611,019,500 based on S$20.46 for one Share (being the price equivalent to five per cent above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date); and

(b) in the case of Off-Market Purchases of Shares, S$1,688,184,657 based on S$21.44 for one Share (being the price equivalent to ten per cent above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date).

2.8.4 ***Illustrative Financial Effects***

For illustrative purposes only, on the basis of the assumptions set out in paragraphs 2.8.2 and 2.8.3 above, as well as the following:

(a) the Share Purchase Mandate had been effective on 1 January 2012 and UOB had on 1 January 2012 purchased 78,739,956 Shares (representing five per cent of the total Shares in issue as at the Latest Practicable Date, excluding the Shares held in treasury);

(b) no Shares were purchased by UOB after the Latest Practicable Date; and

(c) the purchase consideration was funded by UOB from excess funds deployed in the inter-bank market with an effective pre-tax yield of 0.31 per cent, being the inter-bank one-month offer rate as at 8 March 2013 and at the tax rate of 17 per cent,

the financial effects on the audited financial accounts of the Group for the financial year ended 31 December 2012 are set out below:

Market Purchases

As at 31 December 2012	**Before Share Purchases**	**After Share Purchases[1]**
Total Shareholders' equity (S$'000)	25,079,607	23,464,443
Number of issued and paid-up Shares ('000)	1,574,799	1,496,059
Weighted average number of issued and paid-up Shares ('000)	1,573,725	1,494,985
Net profit attributable to Shareholders (S$'000)	2,803,088	2,798,943
<u>Financial Ratios</u>		
Net Tangible Assets (NTA) per Share (S$)[2]	11.91	11.46
Earnings per Share – Basic (S$)[3]	1.72	1.80
Return on Equity (ROE) (%)[3]	12.4	13.4
Total Capital Adequacy Ratio (%)	19.1	17.9

Notes:

[1] The above financial effects remain the same irrespective of:
(a) whether the purchases of Shares are effected out of capital or profits; and
(b) whether the Shares repurchased are held in treasury or cancelled.

[2] Preference shares were excluded from the computation.

[3] Calculated based on profit attributable to Shareholders net of preference share dividends for the financial year.

Off-Market Purchases

As at 31 December 2012	**Before Share Purchases**	**After Share Purchases[1]**
Total Shareholders' equity (S$'000)	25,079,607	23,387,079
Number of issued and paid-up Shares ('000)	1,574,799	1,496,059
Weighted average number of issued and paid-up Shares ('000)	1,573,725	1,494,985
Net profit attributable to Shareholders (S$'000)	2,803,088	2,798,745
<u>Financial Ratios</u>		
Net Tangible Assets (NTA) per Share (S$)[2]	11.91	11.41
Earnings per Share – Basic (S$)[3]	1.72	1.80
Return on Equity (ROE) (%)[3]	12.4	13.4
Total Capital Adequacy Ratio (%)	19.1	17.8

Notes:

[1] The above financial effects remain the same irrespective of:
(a) whether the purchases of Shares are effected out of capital or profits; and
(b) whether the Shares repurchased are held in treasury or cancelled.

[2] Preference shares were excluded from the computation.

[3] Calculated based on profit attributable to Shareholders net of preference share dividends for the financial year.

The financial effects set out above are for illustrative purposes only. Although the Share Purchase Mandate would authorise UOB to purchase or acquire up to five per cent of the issued Shares (excluding the Shares held in treasury), UOB may not necessarily purchase or acquire or be able to purchase or acquire any or all of the five per cent of the issued Shares (excluding the Shares held in treasury). In addition, UOB may cancel all or part of the Shares repurchased and/or hold all or part of the Shares repurchased as treasury shares.

UOB will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a purchase or acquisition of Shares before execution.

2.9 **Details of Share Buy Backs in the last 12 months.** As at the Latest Practicable Date, UOB had not repurchased or acquired any Shares in the preceding 12 months.

2.10 **Listing Status of the Shares.** The Listing Manual requires a listed company to ensure that at least ten per cent of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed, must be held by public shareholders. The "public", as defined in the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of a listed company and its subsidiaries, as well as associates (as defined in the Listing Manual) of such persons. As at the Latest Practicable Date, approximately 76 per cent of the issued Shares (excluding the Shares held in treasury) are held by public shareholders. Assuming UOB had purchased or acquired Shares from the public up to the full five per cent limit pursuant to the proposed Share Purchase Mandate on the Latest Practicable Date and these Shares had been held as treasury shares, the percentage of issued Shares held by public shareholders would be reduced to approximately 75 per cent of the issued Shares (excluding the Shares held in treasury).

Accordingly, UOB is of the view that there is a sufficient number of Shares in issue held by public shareholders which would permit UOB to undertake purchases or acquisitions of its Shares through Market Purchases up to the full five per cent limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST.

2.11 **Shareholding Limits.** Under the Banking Act, Chapter 19 of Singapore (**Banking Act**):

(a) no person shall enter into any agreement or arrangement, whether oral or in writing and whether express or implied, to act together with any person with respect to the acquisition, holding or disposal of, or the exercise of rights in relation to, their interests in voting shares of an aggregate of five per cent or more of the total votes attached to all voting shares in a designated financial institution, without first obtaining the approval of the Minister designated for the purposes of the Banking Act (**Minister**) (**Five Per Cent Limit**); and

(b) no person shall be a 12 per cent controller (as defined below) or a 20 per cent controller (as defined below) of a designated financial institution without first obtaining the approval of the Minister.

For the purposes of the Banking Act:

"**designated financial institution**" means (i) a bank incorporated in Singapore; or (ii) a financial holding company;

"**total number of issued shares**" in relation to a company does not include treasury shares;

"**12 per cent controller**" means a person, not being a 20 per cent controller, who alone or together with his associates, (i) holds not less than 12 per cent of the total number of issued shares in the designated financial institution; or (ii) is in a position to control voting power of not less than 12 per cent in the designated financial institution; and

"**20 per cent controller**" means a person who, alone or together with his associates, (i) holds not less than 20 per cent of the total number of issued shares in the designated financial institution; or (ii) is in a position to control voting power of not less than 20 per cent in the designated financial institution.

For purposes of the Banking Act, the percentage of the total number of issued Shares held by a Shareholder (whose Shares were not the subject of a share purchase or acquisition by UOB) and the percentage voting rights of a Shareholder (whose Shares were not the subject of a share purchase or acquisition by UOB) in the issued Shares immediately following any purchase or acquisition of Shares will increase should UOB hold in treasury or cancel the Shares purchased or acquired by UOB.

UOB wishes to draw the attention of Shareholders to the following consequences of a purchase or acquisition of Shares by UOB pursuant to the Share Purchase Mandate, if the proposed renewal of the Share Purchase Mandate is approved by Shareholders:

A PURCHASE OR ACQUISITION OF SHARES BY UOB MAY INADVERTENTLY CAUSE THE INTEREST IN THE SHARES OF ANY PERSON TO REACH OR EXCEED THE FIVE PER CENT LIMIT OR CAUSE ANY PERSON TO BECOME A 12 PER CENT CONTROLLER OR A 20 PER CENT CONTROLLER.

Shareholders whose shareholdings are close to the limits set out in the Banking Act **are advised to seek the prior approval of the Monetary Authority of Singapore** (**MAS**) to continue to hold, on such terms as may be imposed by the MAS, the number of Shares which they may hold in excess of any of such limits, as a consequence of a purchase or acquisition of Shares by UOB. **Shareholders who are in doubt as to the action that they should take should consult their professional advisers at the earliest opportunity**.

2.12 **Take-over Implications.** Appendix 2 to the Take-over Code contains the Share Buy-back Guidance Note. The take-over implications arising from any purchase or acquisition by UOB of its Shares are set out below.

2.12.1 ***Obligation to make a Take-over Offer***

If, as a result of any purchase or acquisition by UOB of its Shares, a Shareholder's proportionate interest in the voting rights of UOB increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a Shareholder or group of Shareholders acting in concert acquiring or consolidating effective control of UOB, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for UOB under Rule 14 of the Take-over Code.

2.12.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

In addition, the Take-over Code presumes certain persons to be acting in concert with each other unless the contrary is established. For example, the following individuals and companies will be presumed to be acting in concert with each other:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent or more of the client's equity share capital;

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, and any person who is accustomed to act in accordance with his instructions, companies controlled by any of the above persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

2.12.3 ***Effect of Rule 14 and Appendix 2***

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by UOB are set out in Appendix 2 to the Take-over Code.

In general terms, the effect of Rule 14 and Appendix 2 to the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of UOB purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30 per cent or more, or in the event that such Directors and their concert parties hold between (and including) 30 per cent and 50 per cent of UOB's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent in any period of six months. In calculating the percentage of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 to the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of UOB purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30 per cent or more, or, if such Shareholder holds between (and including) 30 per cent and 50 per cent of UOB's voting rights, the voting rights of such Shareholder would increase by more than one per cent in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the information in the Register of Shareholders as at the Latest Practicable Date, no Shareholder will be obliged to make a take-over offer for UOB under Rule 14 of the Take-over Code as a result of the purchase or acquisition of Shares by UOB pursuant to the Share Purchase Mandate of the maximum limit of five per cent of its Shares.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by UOB should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the renewal of the Share Purchase Mandate is in the best interests of UOB. Accordingly, they recommend that Shareholders vote in favour of the proposed ordinary resolution for the renewal of the Share Purchase Mandate at the Seventy-First Annual General Meeting.

4. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Share Purchase Mandate and UOB and its subsidiaries in relation to the Share Purchase Mandate, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

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Proxy Form

UNITED OVERSEAS BANK LIMITED

UOB 大華銀行

(Incorporated in the Republic of Singapore)
Company Registration No. 193500026Z

IMPORTANT
1. The Annual Report 2012 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 **Seventy-First 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, 25 April 2013 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 and Special Dividends		
Resolution 3	Directors' Fees		
Resolution 4	Chairman's Fee		
Resolution 5	Auditors and their remuneration		
Resolution 6	Re-election (Mr Wee Ee Cheong)		
Resolution 7	Re-election (Mr Franklin Leo Lavin)		
Resolution 8	Re-election (Mr James Koh Cher Siang)		
Resolution 9	Re-election (Mr Ong Yew Huat)		
Resolution 10	Re-appointment (Dr Wee Cho Yaw)		
Resolution 11	Re-appointment (Professor Cham Tao Soon)		
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		
Resolution 15	Renewal of Share Purchase Mandate		

Dated this_______ day of ______________________2013.

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

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BUSINESS REPLY SERVICE
PERMIT NO. 07399

The Company Secretary
United Overseas Bank Limited
80 Raffles Place #04-20 UOB Plaza 2
Singapore 048624

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Corporate Information

Board of Directors
Wee Cho Yaw *(Chairman)*
Wee Ee Cheong *(Deputy Chairman and Chief Executive Officer)*
Cham Tao Soon
Wong Meng Meng
Reggie Thein
Franklin Leo Lavin
Willie Cheng Jue Hiang
Tan Lip-Bu
Hsieh Fu Hua
James Koh Cher Siang *(Appointed on 1 September 2012)*
Ong Yew Huat *(Appointed on 2 January 2013)*

Executive Committee
Wee Cho Yaw *(Chairman)*
Wee Ee Cheong
Franklin Leo Lavin *(Appointed on 26 April 2012)*
Tan Lip-Bu *(Appointed on 26 April 2012)*
Hsieh Fu Hua *(Appointed on 26 April 2012)*

Audit Committee
Reggie Thein *(Chairman)*
Cham Tao Soon
Willie Cheng Jue Hiang *(Appointed on 26 April 2012)*

Nominating Committee
Wong Meng Meng *(Chairman)*
Wee Cho Yaw
Willie Cheng Jue Hiang *(Appointed on 26 April 2012)*
Franklin Leo Lavin
Hsieh Fu Hua *(Appointed on 26 April 2012)*
Wee Ee Cheong *(Alternate to Wee Cho Yaw)*

Remuneration Committee
Wee Cho Yaw *(Chairman)*
Reggie Thein *(Appointed on 26 April 2012)*
Hsieh Fu Hua *(Appointed on 26 April 2012)*

Board Risk Management Committee
Wee Cho Yaw *(Chairman)*
Wee Ee Cheong
Cham Tao Soon
Tan Lip-Bu
Hsieh Fu Hua *(Appointed on 26 April 2012)*

Secretary
Vivien Chan

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: www.UOBGroup.com

Investor Relations
80 Raffles Place, #05-00
UOB Plaza 2
Singapore 048624
Fax: (65) 6538 0270
Email: InvestorRelations@UOBGroup.com

大華銀行

United Overseas Bank Limited | Company Registration No.: 193500026Z

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