UNITED OVERSEAS BANK LIMITED
Annual Report 2014

Wait at Terminal 21
Hong Sek Chern

Contents

For more information on UOB, please visit: www.UOBGroup.com

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

Wait at Terminal 21
by Hong Sek Chern
Chinese ink on rice paper

Ms Hong Sek Chern's Wait at Terminal 21 is the design inspiration for the cover of this year's UOB Group Annual Report. The painting received the Gold Award for the Established Artist category in the 2014 UOB Painting of the Year (Singapore) Competition. It is symbolic of the beliefs and actions that can bind people and shape their future.

Ms Hong was inspired by the determination, persistence and resilience of the Thai people and sought to capture these qualities in her painting. She portrayed a democracy movement at Bangkok's Terminal 21 shopping mall, employing her signature style which is a complex interplay of architectural blocks and lines.

The UOB Painting of the Year Competition, now in its 33rd year, promotes awareness and appreciation of art and challenges artists to produce works that inspire audiences across Southeast Asia.

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. UOB is rated among the world's top banks: Aa1 by Moody's and AA- by Standard & Poor's and Fitch Ratings respectively.

Operating Segments

UOB provides a wide range of financial services including personal financial services, private banking, business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, brokerage and clearing services, asset management, venture capital management and insurance.

Group Retail

The Group Retail business is focused on providing personal and business banking customers with financial solutions to help them manage their money wisely to achieve their financial goals. Its suite of retail deposits, loans, insurance, cards and investment products is complemented by a 500-strong integrated branch network and 1,700 automated teller and cash deposit machines across the region, as well as online and mobile banking options.

» See page 26 for more information

Group Wholesale Banking

The Group Wholesale Banking business is dedicated to providing businesses and corporates with solutions to optimise their business operations and cash flow, to manage risk, to enter into or to expand in a market, and to raise capital. The Bank's deep knowledge of Asia and its extensive integrated network are harnessed to connect customers to regional opportunities.

» See page 29 for more information

Global Markets and Investment Management

Global Markets and Investment Management oversees the Bank's liquidity, assets, investments and market making across a wide array of financial instruments. It also provides financial risk management solutions, brokerage and clearing, investment and treasury products and services.

» See page 32 for more information

UOB in the Community

UOB plays an active role in the community, focusing on art, children and education. It has, over more than three decades, held the longest-running art competition in Singapore, the UOB Painting of the Year, which has since been extended across Southeast Asia.

In recognition of its contribution to the arts, UOB was conferred the Singapore National Arts Council's Distinguished Patron of the Arts Award for the tenth consecutive year in 2014. 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 China, Indonesia, Malaysia, Singapore and Thailand.

» See page 35 for more information

Asia Pacific

In Asia, UOB operates through its banking subsidiaries in China, Indonesia, Malaysia, the Philippines, Singapore and Thailand, as well as branches and representative offices.

530

branches and offices

North America

6

branches and offices

Western Europe

2

branches and offices

Market Overview and Growth Drivers

With its strong fundamentals and long-term prospects, Southeast Asia is set to grow at a faster pace than the rest of the world in 2015.

2014 Review

Economy

Global economic performance was muted. Despite signs of recovery in the US, other major economies fared poorly. The weak economic growth and deflationary pressure in the eurozone prompted the European Central Bank to consider further monetary measures through quantitative easing. Japan avoided its first recession since 2012, but reported no growth for the full year. China's economy expanded 7.4 per cent, the slowest rate since 1990. The lack of global growth and demand is reflected by the decline in commodity prices across the board, with crude oil prices falling by more than half by end-2014. However, with most Asian countries being net oil importers, low oil prices also meant cost savings for the region.

Banking sector

Loan growth slowed with Indonesia, Singapore and Thailand experiencing the sharpest year-on-year declines. The domestic property market slowdown and weak business and consumer loan growth affected Singapore while Thailand had to work through the effects of rapid consumer credit expansion. Indonesian banks were pressured by tight liquidity and compressed margins as they sought to safeguard funding sources. Malaysian banks experienced moderate loan growth amid a slowing economy and margin compression in the face of competition for deposits. Credit quality trends were largely benign for Singapore and Malaysia while asset quality weakened in Thailand and Indonesia. However, the banking sector remained largely stable as banks have been prudent and increasing their provision cover.

2015 Outlook

Economy

Moderate and uneven growth is expected as the US, Europe, Japan and China pursue divergent growth paths. As their central banks respond to these challenges, uncertainty will increase, leading to greater price volatility in financial markets. Nonetheless, the International Monetary Fund (IMF) forecasts marginally higher global gross domestic product growth of 3.5 per cent in 2015, up from the 3.3 per cent in 2014. China is also expected to remain as a stabiliser for the global economy as it takes on a more balanced approach to growth. Southeast Asia is a bright spot and is set to grow at a faster pace relative to the rest of the world at 5.6 per cent according to the IMF's projections. This is due to its deepening economic integration which should help buffer the region against the volatility in external demand.

Banking sector

Moderate loan growth is expected due to tighter liquidity conditions, slowing economic growth, and measures aimed at curbing the rise in household debt. The increasing competitive pressure on funding and associated costs is due partly to the implementation of the Basel III Liquidity Coverage Ratio capital requirements. In Singapore, capital requirements have been set above the Basel Committee's minimum, and the robust regulatory framework and macro-prudential measures have minimised risks through credit cycles. Although maintaining higher levels of capital may temper returns and growth, this is likely to be positive for Southeast Asian banks' credit fundamentals over time. Against this backdrop, maximising operational efficiency, maintaining low credit costs and reinforcing fee income growth are key to enhancing profitability.

Growth opportunities

With the ASEAN Economic Community taking shape in 2015, more growth opportunities are anticipated for banks and their customers. Intra-regional trade remains integral to Southeast Asia's economic growth and is anticipated to account for 30 per cent of the region's total trade by 2030. Trade with China will also continue to rise. These trends, coupled with increasing consumer affluence, will lead to greater demand for cross-border financing and personal banking products and services, as well as drive broader financial development in the region.

UOB is focused on the basics of banking:

Strong Fundamentals

Emphasis on pursuing stable and sustainable growth

- Holds a long-term perspective to building our business, focusing on creating value and sustainable returns for our shareholders.

Experienced and stable management with proven track record

- Proven track record in steering the Bank through various global, regional and local events and crises.

Strong credit ratings and prudent financial management

- Strong capital base and Common Equity Tier 1 Capital Adequacy Ratio at 13.9 per cent, well above Basel III capital requirements.
- Funding mix is liquid and well-diversified; asset quality is stable, with low risk-weighted assets and a well-diversified loan portfolio.

Integrated regional branch network across Asia

- Established presence in Asia with one of the most comprehensive regional branch networks (500 branches).
- Common operating platform offers customers a seamless intra-regional banking experience and access to a wide range of products and services.

We are confident of the long-term growth potential of Asia:

Growth Strategy

Capitalising on regional growth drivers

- Strengthening our geographical footprint and regional coverage to support our customers as they grow in their home markets and expand throughout Asia; and
- Maintaining our focus on seizing the opportunities offered by rising intra-regional trade and investments, and higher consumer incomes in Asia.

Reinforcing fee income growth

- Deepening customer relationships by providing comprehensive and customised personal financial solutions and value-added advisory services; and
- Enhancing our wholesale segment coverage, with specialised, industry-driven focus in providing integrated financial solutions.

Investing in enablers to support business growth

- Enhancing our technology infrastructure to provide seamless connectivity and delivery of products and services;
- Capitalising on automation and digitisation to improve consistency in the customer experience and support faster time-to-market; and
- Developing the potential of our people to build capabilities for the long term.

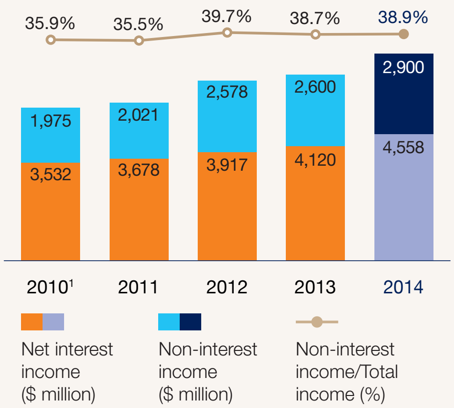
Balancing growth with stability

- Pursuing sustainable risk-adjusted returns with our customers' long-term interests in focus; and
- Ensuring balance sheet strength to weather volatilities as we continue to build our franchise.

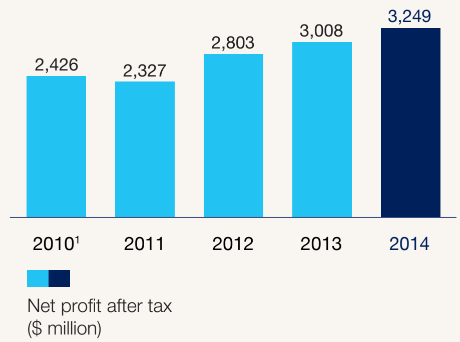
Financial Highlights

Our performance demonstrates our continued focus on generating steady growth backed by disciplined risk management and a strong balance sheet.

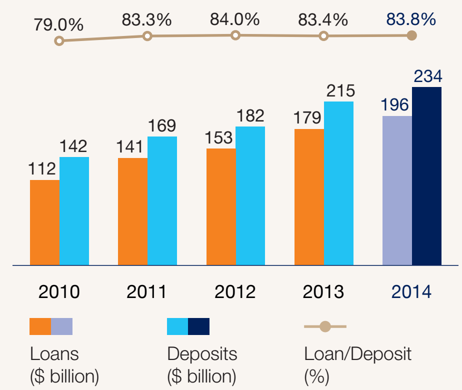
Total Income



Net Profit After Tax



Customer Loans/Deposits



Total Income

$7,457 million

+11.0%

The Group's total income rose 11.0% year-on-year, crossing a new record at $7.46 billion, driven by robust loan growth and higher trading and investment income.

Net interest income grew strongly at 10.6% to $4.56 billion on the back of loan growth across various geographies and industries.

Non-interest income rose 11.5% to $2.90 billion. Fee and commission income increased 1.1% to $1.75 billion from a year ago with increased contributions from credit card, wealth management, trade and loan-related activities, but partly offset by lower fund management and corporate finance fees. Trading and investment income surged 50.1% to $817 million on higher treasury customer income, investment gains and trading income on the back of improved market sentiment.

Net Profit After Tax

$3,249 million

+8.0%

The Group posted net earnings of $3.25 billion for 2014, an increase of 8.0% from the year before. The new high full-year performance was contributed by broad-based growth across core income streams.

Customer Loans

$196 billion

+9.5%

Customer Deposits

$234 billion

+9.0%

Loan/Deposit

83.8%

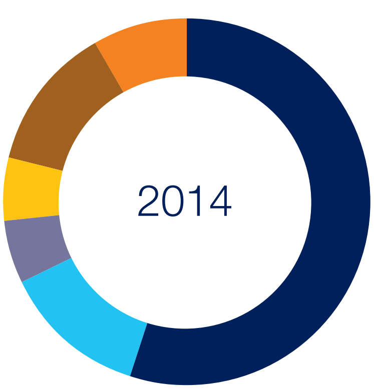
+0.4%pt

Net loans grew 9.5% for the year to reach $196 billion in 2014.

Customer deposits rose 9.0% to $234 billion, in line with loan growth and mainly contributed by Singapore-dollar and US-dollar deposits. The Group's loan-to-deposit ratio stood healthy at 83.8% in 2014.

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

Loans by Geography



	$ billion
Singapore	109.7
Malaysia	25.8
Thailand	10.8
Indonesia	11.1
Greater China	25.3
Others	16.6

Loans by Geography

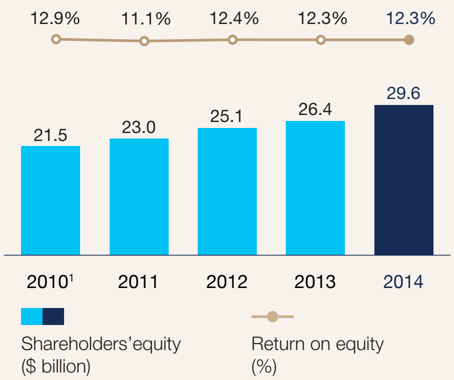
$199 billion

+9.5%

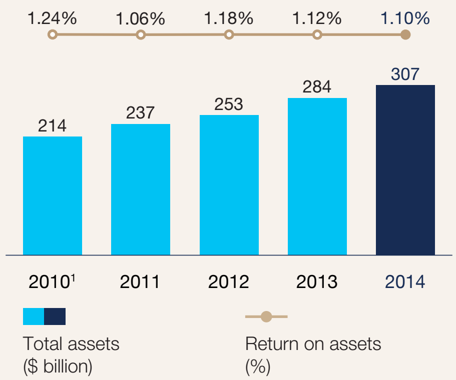
Gross loans rose 9.5% year-on-year to $199 billion in 2014 across industries and geographies. In Singapore, loan base expanded 5.8% to $110 billion while loans from regional countries grew 16.2% to $73 billion as at 31 December 2014.

Note: With effect from 2014, loans by geography is classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals).

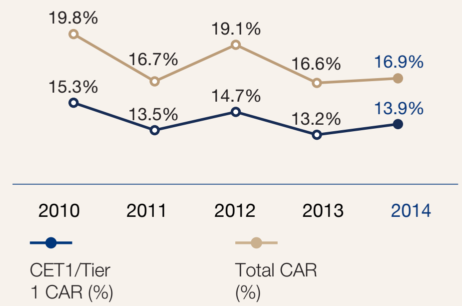
Shareholders' Equity/Return on Equity



Total Assets/Return on Assets



Capital Adequacy Ratio (CAR)



Shareholders' Equity

$30 billion

+12.1%

Return on Equity

12.3%

Total Assets

$307 billion

+7.9%

Return on Assets

1.10%

-0.02%pt

CET1/Tier 1 CAR

13.9%

+0.7%pt

Total CAR

16.9%

+0.3%pt

Shareholders' equity increased 12.1% to $29.6 billion in 2014, largely led by higher net profit, improved valuation on the available-for-sale investments and issuance of new ordinary shares pursuant to the scrip dividend scheme.

Return on equity remained stable at 12.3% in 2014.

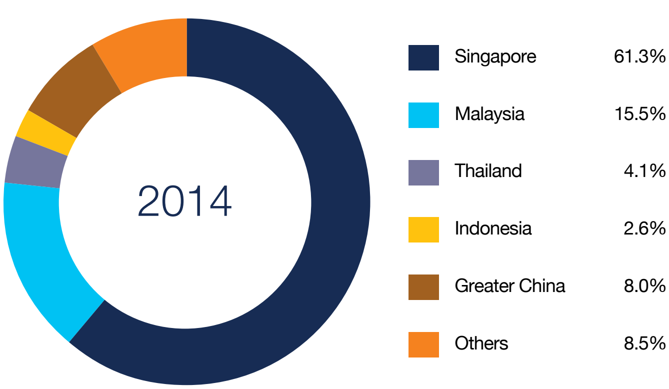
The Group's total assets grew 7.9% to $307 billion in 2014 backed by strong loan volume. Return on assets for 2014 was 1.10%.

The Group's capital position remained well above the Monetary Authority of Singapore's minimum requirements with Common Equity Tier 1 (CET1) and Total CAR at 13.9% and 16.9% respectively as at 31 December 2014.

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

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

Overseas Profit Contribution



Overseas Profit Contribution

38.7%

-0.4%pt

The Group's net profit before tax reached $3.83 billion with improved performance registering across most territories. Singapore posted an increase of 7.5% year-on-year to $2.35 billion, as it continues to be an important booking centre for the regional franchise, supporting large deals that originated outside of Singapore.

Overseas profit contribution was stable at 38.7%.

Five-Year Group Financial Summary

	2010[1]	2011	2012	2013	**2014**
Selected Income Statement Items ($ million)					
Total income	5,507	5,699	6,495	6,720	**7,457**
Total expenses	2,258	2,450	2,747	2,898	**3,146**
Operating profit	3,249	3,248	3,748	3,822	**4,311**
Net profit after tax[2]	2,426	2,327	2,803	3,008	**3,249**
Selected Balance Sheet Items ($ million)					
Net customer loans	112,440	141,191	152,930	178,857	**195,903**
Customer deposits[3]	142,299	169,460	182,029	214,548	**233,750**
Total assets	213,778	236,958	252,900	284,229	**306,736**
Shareholders' equity[2]	21,473	22,967	25,080	26,388	**29,569**
Financial Indicators (%)					
Expense/Income ratio	41.0	43.0	42.3	43.1	**42.2**
Non-performing loans ratio	1.8	1.4	1.5	1.1	**1.2**
Return on average total assets	1.24	1.06	1.18	1.12	**1.10**
Return on average ordinary shareholders' equity	12.9	11.1	12.4	12.3	**12.3**
Capital adequacy ratios[4]					
Common Equity Tier 1 / Tier 1	15.3	13.5	14.7	13.2	**13.9**
Total	19.8	16.7	19.1	16.6	**16.9**
Per ordinary share					
Basic earnings ($)	1.52	1.43	1.72	1.84	**1.98**
Net asset value ($)	12.51	13.23	14.56	15.36	**17.09**
Net dividend (cents)[5]	70	60	70	75	**75**
Dividend cover (times)[5]	2.25	2.47	2.54	2.54	**2.70**

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

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

5 Included special dividend of 10 cents in 2010 and 2012 respectively, and 5 cents in 2013 and 2014 respectively.

Chairman Emeritus' Statement

We will stay focused on delivering quality growth, while remaining watchful over emerging risks.

Global growth in 2014 was lacklustre and this sluggishness is expected to continue in 2015. Divergent strategies from central banks on interest rates, foreign exchange volatility and commodity price swings have contributed to increased uncertainty in the global market.

We will stay the course in these challenging times by continuing to practise prudence and be disciplined in managing our business. We will stay focused on delivering quality growth, while remaining watchful over emerging risks.

UOB is committed to supporting Asian enterprise and innovation, through the right mix of conservatism and entrepreneurship. I have every confidence that by maintaining this balance, the Group will remain resilient to economic headwinds and continue creating sustainable value for our shareholders and customers.

I would like to thank the management and staff at UOB for their contributions in 2014 and encourage their continued commitment.

Wee Cho Yaw
Chairman Emeritus and Adviser

February 2015

Chairman's Statement

We deepened our presence across the region with our usual steadfast approach to managing and to growing the business.

2014 was another good year for UOB and we deepened our presence across the region with our usual steadfast approach to managing and to growing the business. Through the years, UOB has invested resources and energy into realising its regional ambitions. We have been guided by the premise that the long-term interests of shareholders are best served by an expansion strategy that is considered. We first established our regional presence in Malaysia in 1971, followed by Indonesia, Thailand and Greater China. In 2015, we will reach yet another milestone when we officially open our doors in Myanmar.

The Bank has advanced by being patient and waiting for the right time and right opportunities. As an example, at a recent UOB Board offsite held in Thailand, we took the opportunity to review our progress since our entry there in 1995. With our acquisition of Radanasin Bank in 1999, we had 68 branches and a team of 1,250. Bolstered by the purchase of the Bank of Asia in 2004, our operations grew to 154 branches and 4,400 people. In 2013, UOB (Thai) recorded its most profitable year and remained profitable in 2014 despite the challenging environment. It was certainly heartening to see the steady developments we have made over the last 20 years and the strong commitment of our Thai colleagues to UOB's growth in the country.

What matters most in any strategy is having the capability and the right people to execute it. Our standing as a regional bank enables us to attract and to retain many talented people whose desire to achieve UOB's vision is palpable. With our people at the heart of implementing UOB's strategy, the Board and management have refined the Bank's compensation framework. Our objective was to ensure the framework was consistent with UOB's strong risk management and long-term performance culture. The revised structure promotes increased productivity, high performance and fair compensation. For senior management, incentives are long-term and are linked to the achievement of the Bank's business goals. Ultimately, UOB employees will continue to be rewarded fairly.

Looking at the wider environment, the Board and management remain anxious about 2015 and the key macroeconomic issues as outlined by Chairman Emeritus. We are keeping watch on our credit exposure and asset-liability mix, bearing in mind heightened concerns, especially in the emerging markets, around interest rate and currency risks.

Much as we are watchful of competitive threats from within the industry, we are also mindful of the longer-term trend the industry is facing from disruptors with digital business models. Digitisation and social media have opened new avenues for meeting the needs of consumers. Only by harnessing the potential of new trends will traditional players, such as ourselves, be able to respond. As a Group, we must think ahead to address the future needs of our customers.

Financial Performance and Dividend

UOB recorded an operating profit of $4.31 billion for the year, up 12.8 per cent over 2013. For the second consecutive year, UOB maintained a net profit after tax of more than $3 billion at $3.25 billion for 2014.

I am pleased to announce that the Board has recommended a final one-tier tax-exempt dividend of 50 cents per ordinary share and a special dividend of 5 cents per ordinary share. Together with the interim dividend of 20 cents per ordinary share paid in the first half of the year, the 2014 total dividend amounts to 75 cents per ordinary share.

The Board keenly welcomes the second female director in the Bank's history, Mrs Lim Hwee Hua. She brings with her considerable experience including that of a Minister in the Singapore Government and private sector expertise in equity research and investments.

I would like to thank my fellow Directors, Chairman Emeritus, the CEO and his management team, for their active contributions in a year of challenge and change. On behalf of the Board, I commend our colleagues across the UOB network for their efforts throughout the year. Finally, to our customers and shareholders, I thank them for their continued loyal support of UOB.

Hsieh Fu Hua
Chairman

February 2015

Deputy Chairman and CEO's Report

Our deep understanding of the dynamic region enables us to seize opportunities selectively. We continue to focus on the core fundamentals of banking – ensuring balance sheet strength and building capabilities for the future.

Determination, persistence and resilience – these ideas were the inspiration for the cover of this year's Annual Report. They also describe the approach we take in managing our business – a considered approach that our shareholders appreciate as one that is distinctly UOB's.

Our shareholders know that UOB is a long-term investment. A review of our performance over many decades testifies to the fact that UOB has pursued stable and sustainable growth over the years. This can be seen in the journey we have taken in building and running our 500-strong regional branch network. This network enables us to compete at a regional level and will fuel UOB's next phase of growth.

Expanding beyond our home market brings opportunities, but also challenges. Our patience and perseverance help us understand each local business environment – the different cultures, operating policies and competitive play. The effort required to manage through the complexities, to stay locally relevant and to provide sustainable value for our customers in each market cannot be overstated. We know we have to be nimble and thorough to do it well. This in-depth appreciation of the region's diversity has put us in good stead in the more difficult task of integration – transforming us from a collection of banks to a single whole.

While we have made significant progress in our regionalisation strategy, we know there is much more to be done. This again, we will undertake with determination, persistence and resilience.

Today, ours is a network of unparalleled on-the-ground presence, customer franchise and distribution capabilities. With the whole being greater than the sum of its parts, our priority now is to harness the tremendous potential of this connectivity to strengthen our position for tomorrow.

2014 Financial Performance

Amid a volatile global environment, we continued to achieve steady returns and to maintain a resilient portfolio. Net profit after tax increased to $3.25 billion, an eight per cent increase over 2013. This set of results was driven by double-digit growth in net interest income and non-interest income.

Net interest income for 2014 rose 10.6 per cent to $4.56 billion, as loans expanded 9.5 per cent to reach $199 billion on relatively stable margins. The increase in non-interest income by 11.5 per cent was driven largely by higher trading and investment income on the back of favourable market sentiment.

Our cost-to-income ratio improved to 42.2 per cent, down from 43.1 per cent in 2013. Our long-term target remains around 40 per cent as we look to enhance productivity and improve efficiencies across our various business lines and network.

We have maintained a strong balance sheet and our overall portfolio is resilient in the face of market uncertainties. Key asset quality indicators were stable, with non-performing loans ratio at 1.2 per cent and total loan charge-off rate at 32 basis points. We are monitoring closely selected industries, conducting stress tests and performing regular credit reviews.

On funding, our Group loan-to-deposit ratio remained healthy at 83.8 per cent as we paced our loans and deposits growth. We remain predominantly deposit-funded, supported by our regional branch network. We are also well-prepared for the introduction of the new Liquidity Coverage Ratio (LCR), with our LCR well above the regulatory minimum of 100 per cent.

Our capital position is solid with Common Equity Tier 1 and Total Capital Adequacy Ratios at 13.9 per cent and 16.9 per cent as at 31 December 2014 respectively.

Our prudent and disciplined approach was again recognised by the ratings agencies. We maintained our position as one of the world's top-rated banks with a rating of Aa1 by Moody's and AA- by both Standard & Poor's and Fitch Ratings.

Deputy Chairman and CEO's Report

Making Progress Across the Region

We are excited about the long-term growth potential of the region. In 2014, we continued to invest in new product capabilities and infrastructure to seize the opportunities offered by rising intra-regional trade and investments as well as higher consumer incomes in Asia.

Asia, and within it Southeast Asia, is one of the most dynamic growth regions in the world. We believe we are in a unique position to ride on the opportunities of the upcoming ASEAN Economic Community (AEC) as we are one of only a handful of banks with a broad and deep Southeast Asian presence. In 2014, this competitive advantage was recognised when we were named the Most Admired ASEAN Enterprise for ASEAN Centricity at the ASEAN Business Awards. We will build on this advantage when we officially open our branch in Myanmar in 2015, reinforcing UOB's strength as having one of the most comprehensive regional branch networks in Asia.

Our wholesale banking strategy is focused on three key pillars to support our clients as they grow in their home markets and expand throughout Asia. The first is our geographical footprint and regional coverage which we will continue to strengthen to serve clients across the full spectrum of their domestic and regional needs. In 2014, we deepened our presence in China through new branches in the Shanghai Free Trade Zone and the country's western provinces.

The second pillar is our product solutions and advisory capabilities. During the year, we began the roll-out of a fully integrated, regional electronic banking platform that provides leading capabilities in cash management and trade finance. Our product suite was expanded to include regional liquidity solutions and supply chain financing.

And the third is our client franchise which we will continue to broaden and to deepen by enhancing our segment coverage, with specialised, industry-driven focus in providing integrated financial solutions.

Just as we support the ambitions of businesses across the region, we continue to invest in our retail banking capabilities to meet the financial needs of individuals. Our focus is to create new products and solutions that are right for our customer's long-term financial future.

For instance, we launched an investment solution called UOB Income Builder in 2014. This back-to-basics product is built on the fundamental investment principles of time, diversification and the compounding effect to help people, regardless of their income, invest wisely for their future. As the needs of our retail customers evolve and grow in sophistication, we are sharpening our focus on private banking. In this regard, we are also tapping our strengths as a commercial bank with a strong retail and distribution network and customer franchise in the region.

2014 saw us stepping up our efforts in automating and digitising our 500 branches region-wide to serve all our customers better. The programme includes branch redesigns, investment in new generation smart self-service machines, and the digitisation of processes and transactions to make banking easier, faster and friendlier for our customers. While we use digital technology to make banking more convenient for our customers, we also know the importance of making each engagement feel a personal one. We will continue to raise the standards of customer service as we know it is the human touch that makes all the difference. Our brand has been built on the spirit of the handshake; it is a promise that customers can rely on us to do what is right, now and in the future.

2014 Net Profit After Tax

+8% to
$3.25 billion

2014 Net Interest Income

+10.6% to
$4.56 billion

As we continue to make progress on our regional strategy, we look for people with the right talent in all the markets in which we operate. We have also made concerted efforts to provide our people with international exposure so they can gain expertise and new perspectives through cross-functional and cross-country assignments. We will do more of this in the coming years as it will encourage our people to develop their potential and add to the bench strength of UOB.

2015 Outlook

All this is set against the backdrop of moderating and uneven global economic growth. While the US economy is recovering, the eurozone's and Japan's are still fragile and China's is in a managed slowdown.

Divergent monetary policies in the major economies have increased the risks of disruptive capital outflows and volatility in interest rates and exchange rates. Even as the world becomes more integrated, we see a rise in policy intervention as countries attempt to shield their economies from the policy impact of other countries. Commodity shocks, such as the recent plunge in oil prices, create further uncertainty with repercussions on related industries and the wider economy.

Heightened volatility is to be expected.

Given this context, our disciplined approach and steadfastness in pursuing balanced and sustainable growth provide a strong foundation, enabling us to stay resilient in riding through volatilities. Our deep understanding of the dynamic region enables us to seize opportunities selectively. We continue to focus on the core fundamentals of banking – ensuring balance sheet strength and building capabilities for the future.

We enter 2015 confident of the mid- to long-term prospects of the region and of our ability to achieve sustainable growth. Southeast Asia, a fast-growing region with more than 600 million consumers, is poised to be the fourth largest economy in the world by 2025. The setting up of the AEC this year ties in well with our belief in providing seamless connectivity and consistent quality service to our customers across our regional network.

Our steady progress over the years was made possible through the guidance of the Board and the tireless efforts of our teams across the region. I would like to thank them as well as our customers and investors for their trust and confidence in UOB.

Wee Ee Cheong

Deputy Chairman and Chief Executive Officer

February 2015

Board of Directors

Wee Cho Yaw
Chairman Emeritus and Adviser

Dr Wee, 85, was first appointed to the Board in May 1958 and last re-appointed as Director on 24 April 2014. A banker with more than 50 years' experience, Dr Wee was conferred the title of Chairman Emeritus in 2013 after stepping down as Chairman, a position he was appointed to in 1974. Between 1974 and 2007, he was concurrently the Chief Executive Officer of UOB. A non-independent and non-executive director, Dr Wee chairs the UOB Executive, Remuneration and Board Risk Management Committees and is a member of the Nominating Committee.

Dr Wee also acts as Chairman Emeritus and Adviser of Far Eastern Bank and United Overseas Bank (Malaysia), and is the President Commissioner of PT Bank UOB Indonesia, Supervisor of United Overseas Bank (China) and Chairman of United Overseas Bank (Thai) Public Company and United Overseas Insurance. His other board chairmanships include Haw Par Corporation, UOL Group and its subsidiary, Pan Pacific Hotels Group, United Industrial Corporation, Marina Centre Holdings and Wee Foundation. Previously, he chaired the boards of United International Securities and Singapore Land.

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 exceptional achievements in the Singapore business community. *The Asian Banker* presented the Lifetime Achievement Award to 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 Chinese high school education and was conferred Honorary Doctor of Letters degrees by the National University of Singapore in 2008 and by the Nanyang Technological University in 2014. For his outstanding contributions in community work, he was bestowed the Distinguished Service Order, Singapore's highest National Day Award, in 2011.

Hsieh Fu Hua
Chairman

Mr Hsieh, 64, was appointed to the Board on 16 January 2012 and last re-elected as Director on 26 April 2012. He was appointed as Chairman of UOB and its subsidiary Far Eastern Bank on 25 April 2013. An independent and non-executive director, he is a member of the Executive, Nominating, Remuneration and Board Risk Management Committees.

Currently an adviser to PrimePartners Group which he co-founded, Mr Hsieh is also a director of GIC and Chairman of Tiger Airways Holdings. He had previously served as Chief Executive Officer and director of Singapore Exchange and as a member of the Temasek Holdings board.

Active in the community, Mr Hsieh also serves on the boards of several non-profit organisations and chairs National Gallery Singapore, National Council of Social Service and Stewardship Asia Centre.

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

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Mr Wee, 62, was appointed to the Board on 3 January 1990 and last re-elected as Director on 25 April 2013. Mr Wee joined UOB in 1979 and served as Deputy Chairman and President of the Bank from 2000 to 2007. On 27 April 2007, he assumed the position of Chief Executive Officer. A non-independent and executive director, he is a member of the Executive and Board Risk Management Committees.

A career banker with more than 30 years' experience, Mr Wee holds directorships in several UOB subsidiaries including Far Eastern Bank (where he is also Deputy Chairman), United Overseas Insurance, United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company. He is Chairman of United Overseas Bank (China) and Vice President Commissioner of PT Bank UOB Indonesia.

Active in industry development, Mr Wee serves as a council member of The Association of Banks in Singapore, a director of The Institute of Banking & Finance (IBF) and Chairman of the IBF Standards Committee. He is a member of the Board of Governors of the Singapore-China Foundation and Visa APCEMEA Senior Client Council and an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. He was previously deputy chairman of the Housing & Development Board and a director of the Port of Singapore Authority, UOL Group, Pan Pacific Hotels Group and United International Securities. In 2013, he was awarded the Public Service Star for his contributions to the financial industry.

A keen art enthusiast, Mr Wee is the Patron of the Nanyang Academy of Fine Arts. He is also a director of the Wee Foundation.

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

Board of Directors

Wong Meng Meng

Mr Wong, 66, was appointed to the Board on 14 March 2000 and last re-elected as Director on 24 April 2014. A non-independent and non-executive director, Mr Wong is the chairman of the Nominating Committee. He is also a director of Far Eastern Bank, a UOB subsidiary.

He is the Chairman of Mapletree Industrial Trust Management.

A lawyer by profession, Mr Wong was among the pioneer batch of Senior Counsel appointed in January 1997. While in active practice, he was widely acknowledged as one of the world's leading lawyers in premier directories including *The International Who's Who of Commercial Litigators*, *The Guide to the World's Leading Experts in Commercial Arbitration*, *Asialaw Leading Lawyers*, *PLC Cross-border Dispute Resolution: Arbitration Handbook*, *The International Who's Who of Construction Lawyers* and *Best Lawyers International: Singapore*.

Retired from WongPartnership LLP, Mr Wong remains as its Founder-Consultant. He is a member of the Public Guardian Board, and had previously served as the President of The Law Society of Singapore, the Vice President of the Singapore Academy of Law and member of the Military Court of Appeal and the Advisory Committee of Singapore International Arbitration Centre. In recognition of his contributions to public service in Singapore, he was awarded the Public Service Medal in 2001.

Mr Wong holds a Bachelor of Law (Hons) from the University of Singapore and was admitted to the Singapore Bar in 1972.

Franklin Leo Lavin

Mr Lavin, 57, was appointed to the Board on 15 July 2010 and last re-elected as Director on 25 April 2013. An independent and non-executive director, he is a member of the Executive and Nominating Committees. He is also a director of Far Eastern Bank, a UOB subsidiary.

Currently the Chairman and Chief Executive Officer of Export Now, an e-commerce business which he founded, Mr Lavin also holds directorships in Globe Specialty Metals and Consistel. He was the Chairman of the Steering Committee of the Shanghai 2010 World Expo USA Pavilion. Earlier in his career, Mr Lavin held senior finance and management positions at Citibank and Bank of America.

Mr Lavin has extensive experience in public administration, having served as Under-Secretary for International Trade at the Department of Commerce and as US Ambassador to Singapore where he helped to negotiate the landmark US-Singapore Free Trade Agreement.

Mr Lavin holds 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 Johns Hopkins University, and a Master of Business Administration in Finance at Wharton School at the University of Pennsylvania.

Willie Cheng Jue Hiang

Mr Cheng, 61, was appointed to the Board on 15 July 2010 and last re-elected as Director on 24 April 2014. An independent and non-executive director, he is the chairman of the Audit Committee and a member of the Nominating Committee.

He is also a director of FEO Hospitality Asset Management, Singapore Health Services, Integrated Health Information Systems and NTUC Health Co-operative.

Formerly a managing partner of Accenture, Mr Cheng retired after 26 years with the firm.

A well-respected figure in the non-profit sector, Mr Cheng is a director of Caritas Humanitarian Aid & Relief Initiatives, Singapore, SymAsia Foundation, Council for Third Age and ApVentures. He is also the Chairman of Singapore Institute of Directors and a member of the Singapore Exchange's Diversity Action Committee. He is a former director of Singapore Press Holdings, NTUC Fairprice Co-operative, Singapore Cooperation Enterprise and Lien Centre for Social Innovation. For his contributions to public service in Singapore, he was awarded the Public Service Medal in 2008.

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

James Koh Cher Siang

Mr Koh, 69, was appointed to the Board on 1 September 2012 and last re-elected on 25 April 2013. An independent and non-executive director, he is a member of the Executive, Remuneration and Audit Committees.

Currently Chairman of the Housing & Development Board, the MechanoBiology Institute and Singapore Island Country Club, Mr Koh also holds directorships in CapitaLand and CapitaLand Hope Foundation. He is a former director of Pan Pacific Hotels Group, Singapore Airlines and UOL Group, and former Chairman of CapitaMall Trust Management.

In the span of his illustrious 35-year career with the Singapore Civil Service, Mr Koh held various appointments including Permanent Secretary in the Ministries of National Development, Community Development and Education. He retired as the Comptroller of Income Tax, where he was both Commissioner of Inland Revenue and Commissioner of Charities. Prior to these appointments, he had served in the Ministry of Finance and the Prime Minister's Office. He was awarded the Public Administration Medal (Gold) in 1983 and the Meritorious Service Medal in 2002 for his contributions to public service.

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.

Board of Directors

Ong Yew Huat

Mr Ong, 59, was appointed to the Board on 2 January 2013 and last re-elected as Director on 25 April 2013. An independent and non-executive director, he is a member of the Audit and Board Risk Management Committees. He also chairs the board of United Overseas Bank (Malaysia), a UOB subsidiary.

A director of Singapore Power, Mr Ong is the Chairman of the boards of the Tax Academy of Singapore and the National Heritage Board.

He retired as the Executive Chairman of Ernst & Young Singapore after 33 years with the firm.

A known supporter of the arts, Mr Ong is Chairman of the Singapore Tyler Print Institute. In 2011, he was awarded the Public Service Medal for his contributions 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 Singapore Chartered Accountants.

Lim Hwee Hua

Mrs Lim, 56, was appointed to the Board on 1 July 2014. An independent and non-executive director, she is a member of the Board Risk Management Committee.

Currently an executive director of Tembusu Partners and a non-executive director of Jardine Cycle & Carriage and Stamford Land Corporation, Mrs Lim is also a senior advisor to Kohlberg Kravis & Roberts, a member of the Asia Advisory Board of Westpac Institutional Bank, a non-executive director of BW Group, and Honorary Chairman of Securities Investors Association, Singapore.

She was first elected to Parliament in December 1996 and served till May 2011, last as Minister in the Prime Minister's Office, and concurrently as Second Minister for Finance and Transport. Between April 2002 and July 2004, she was Deputy Speaker of Parliament and Chairman of the Public Accounts Committee.

Mrs Lim holds a Master of Arts (Hons) in Mathematics/Engineering from the University of Cambridge and a Master of Business Administration in Finance from Anderson School of Management, University of California at Los Angeles.

» See Page 39 for more information on Governance

Group Management Committee

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

Management Executive Committee

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Chan Kok Seong
Group Chief Risk Officer

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

Frederick Chin Voon Fat
Group Wholesale Banking

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

Susan Hwee Wai Cheng
Group Technology and Operations

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

Francis Lee Chin Yong
Group Retail

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

Lee Wai Fai
Group Chief Financial Officer

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

Terence Ong Sea Eng
Global Markets and Investment Management

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

Management Committee

Armand B. Arief
President Director, PT Bank UOB Indonesia

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

Cheo Chai Hong
Group Credit (Middle Market)

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

Group Management Committee

Chew Mei Lee
Group Compliance

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

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

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

Christine Ip
Chief Executive Officer, UOB Hong Kong Branch

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

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

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

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

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

Jenny Wong Mei Leng
Group Human Resources

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

Ian Wong Wah Yan
Group Strategy and International Management

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

Janet Young Yoke Mun
Group Channels and Digitalisation

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

Year in Review

2014 in Review

Group Review

In 2014, UOB continued to make progress on our regional strategy by increasing the reach and strength of our network in Southeast Asia and Greater China, and introducing lines of business to meet the changing needs of our customers. We are focused on helping them seek business and personal investment opportunities that deliver long-term, sustainable growth.

Highlights

- Awarded a Foreign Bank Licence in Myanmar in October 2014 that enables us to work even more closely with the Central Bank of Myanmar and local banks to provide financial solutions for the banking community and multinational companies with interests in the country.
- Deepened and extended our 500-strong branch network to serve our growing customer base.
- Established a dedicated Renminbi (RMB) Solutions team to capture opportunities arising from RMB internationalisation.
- Advanced the quality and range of our products, and internet and mobile banking services through our enhanced technology infrastructure.
- Named the Most Admired ASEAN Enterprise for ASEAN Centricity at the ASEAN Business Awards 2014 for our role in supporting economic growth in Southeast Asia through our integrated regional franchise.
- Recognised with the Singapore Quality Award for our outstanding performance in enhancing the customer experience at branches and through self-service channels.
- Commended for service excellence at The Association of Banks in Singapore Excellent Service Awards.

The awarding of a Foreign Bank Licence in Myanmar to UOB opens up access to one of Southeast Asia's newest emerging economies.

Delivering on Our Regional Strategy

The awarding of a Foreign Bank Licence in Myanmar in October was an important advancement in the Bank's regionalisation strategy as it opened up access to one of Southeast Asia's newest emerging economies. UOB was one of only nine international banks to be awarded such a licence in Myanmar. While we have had a Representative Office in the country since 1994, the new licence enables us to deepen our onshore banking relationships. We are now working even more closely with the Central Bank of Myanmar and local banks to provide financial solutions for the banking community and multinational companies with interests in the country.

With China being one of Southeast Asia's largest trading partners, we expanded our branch network in China to 16 branches and sub-branches with the addition of three branches in the Shanghai Pilot Free Trade Zone (FTZ), Beijing and Chongqing, which is the heart of the developing region of Western China.

The increasing use of RMB as an international currency was also one of the main factors driving trade, cash management, investment and financing activities between Greater China and Southeast Asia in 2014. To serve customers looking to capture opportunities from the increasing RMB flows, we established a dedicated RMB Solutions team with a presence in Hong Kong, Shanghai and Singapore. The RMB Solutions team draws on the expertise of product specialists from Global Markets and Investment Management, Transaction Banking and Debt Capital Markets to provide foreign exchange (FX) and RMB investment and hedging solutions to customers with cross-border business needs. We also opened a new sub-branch in the Shanghai Pilot FTZ to support customers' cross-border financing needs.

Our new digital branch design includes educational multi-media features to encourage customers to invest wisely.

The engine behind these solutions for our customers is our technology infrastructure. The investments made in enhancing our systems over the past five years enable us to make steady progress across the region. With the integration of the common operating platform completed last year, we now offer our customers a more seamless intra-regional banking experience and access to a wider range of products and services. For instance, we extended the convenience of UOB Personal Internet Banking and UOB Mobile Banking to retail customers in Thailand and China respectively. Business customers in China, Hong Kong and Singapore have access to UOB Business Internet Banking Plus which enables efficient management of their day-to-day cash flow, treasury, supply chain and trade requirements.

We were recognised on a national-level with the Singapore Quality Award for our outstanding performance in enhancing the customer experience at branches and through self-service channels.

To serve our customers better on the ground, we stepped up our efforts in automating and digitising our 500 branches region-wide. The programme includes branch redesigns, investment in new smart self-service machines and the digitisation of processes and transactions to make banking easier and faster.

The first of these new branches is being piloted in Singapore. The branch features interactive touch screen displays that help investors plan their finances. It also has a floor-to-ceiling multi-media wall displaying educational videos on how customers may start to invest for their future.

In recognition of our role in supporting economic growth in Southeast Asia through our integrated regional franchise, UOB was named the Most Admired ASEAN Enterprise for ASEAN Centricity at the ASEAN Business Awards. UOB was the only Singapore bank to be honoured at the 2014 awards which were run by the ASEAN Business Advisory Council.

We were also recognised on a national-level with the Singapore Quality Award for our outstanding performance in enhancing the customer experience at branches and through self-service channels. We were among only five organisations in Singapore to receive this top honour conferred by national standards agency, SPRING Singapore, in 2014. The judging panel said that UOB stood out among the finalists for its strong leadership, continuous investment in technology to improve processes and focus on customers.

Putting Our Customers First

Good customer service is about doing what is right for the customer and we believe that it is the responsibility of all UOB employees at all levels of the organisation to maintain the highest professional and ethical standards. This philosophy is embedded in our orientation programme for new employees and in training and development courses for existing employees. Every year, all employees are required to complete a comprehensive e-learning training course on fair dealing.

In 2014, UOB received more than 12,000 customer compliments in Singapore because of the good service and care shown to our customers. Our efforts have also been recognised consistently at The Association of Banks in Singapore (ABS) Excellent Service Awards (EXSA). In 2014, 947 UOB employees were commended for their service excellence, nine per cent more than the year before. UOB received the highest number of Star Awards for the fourth consecutive year and had the highest number of EXSA award winners for the second consecutive year. We were awarded the first runner-up prize in the ABS Service Excellence Champion award category.

UOB also scored 71.4 in the Customer Satisfaction Index of Singapore, a respected industry benchmark administered by the Singapore Workforce Development Agency and Singapore

Management University (SMU). The score was an improvement over the Bank's 71.2 score from the previous year and above the national average of 70.7. It was also above the overall Finance and Insurance sector's score of 69.1.

Nurturing Our Talent

We take a long-term view to developing our people and are committed to nurturing them through continuous training and job exposure. Our programmes are designed for professional enrichment as well as to prepare them to meet the changing needs of customers.

UOB was the first bank in Singapore to develop training programmes with academic institutions and we continue to build on this foundation to ensure that our people are trained to the highest standards. For example, UOB partners with the SMU to provide the UOB-SMU Executive Certificate in Wealth Management and the UOB-SMU Advanced Diploma in Private Banking. The UOB-SMU Executive Certificate in Wealth Management is the first such programme in Singapore to be accredited by The Institute of Banking and Finance (IBF) Singapore for satisfying industry training standards.

As the quality of financial advisory can only be as good as the people who provide it, we continue to invest in enhancing the skills and knowledge of our advisory teams. We have invested more than $4 million in the past seven years in the development and training of relationship managers in our wealth management business.

Our commercial bankers undergo the IBF-accredited Financial Industry Competency Standards certification programme in Corporate Relationship Management. New employees are enrolled

The 2014 graduating class of the SMU Executive Certificate in Commercial Banking Course.

in the course for the SMU Executive Certificate in Commercial Banking which equips them with broad-based capabilities and foundational competencies.

Grooming Future Leaders

Our talent management programmes are designed to groom future leaders with a breadth of exposure and depth of experience across disciplines and countries. Our Management Associate Programme, now into its tenth annual intake, continues to develop early-career talent for UOB. The UOB Leadership Academy runs a suite of programmes designed to equip talented individuals with leadership skills, prepare middle managers to implement and to manage change, and coach senior leaders on making strategic impact and in making transformational change across the organisation.

947 of our employees were commended for service excellence at the ABS Service Excellence Awards 2014.

In 2014, we developed further our Strategise, Engage, Execute, Develop (SEED) competency framework to launch a two-tiered SEED Foundation Programme (SFP) for executives and managers. The SFP aims to improve our managers' self-awareness, personal effectiveness, interpersonal skills and essential managerial skills in line with our SEED competencies.

To ensure we have sustainable succession for our leadership, we have also enhanced our efforts through the Group Organisation and People Review programme. Each year, we identify employees with the most potential to take up senior leadership roles across geographies and business departments. They are placed on job rotations across our regional network to gain the experience and insight required to take on senior positions in the future.

Preserving Strong Investor Confidence

UOB has solid investment-grade credit ratings of Aa1 by Moody's and AA- by both Standard & Poor's and Fitch Ratings because of our robust capital position, steady financial performance and conservative risk profile.

Backed by strong investor confidence in UOB, we successfully issued US$800 million of Basel III-compliant Tier 2 bonds in March 2014 and were the first bank to do so in Southeast Asia. In May 2014, we issued our second series of Basel III-compliant Tier 2 notes, totalling S$500 million.

Both issuances saw strong investor demand, with the first issuance approximately five times oversubscribed, and the second issuance between two and three times oversubscribed. These transactions, alongside our issuances of senior unsecured notes, have broadened the Bank's base of fixed income investors.

Maintaining Strong Stakeholder Relationships

In 2014, we met close to 600 analysts and investors, and shared with them the Group's corporate strategy, operational performance and business outlook. We also participated in investor conferences and roadshows in Australia, Europe, Hong Kong, Japan, Singapore and the US. In September, we held a Corporate Day event in Kuala Lumpur for 40 analysts and investors. Investor interest in UOB is high with the Bank being well-researched by more than 20 brokerage firms globally.

Our leadership team meets analysts and media at quarterly luncheons and half-yearly results briefings. Investors and overseas analysts have dialogues with the management team via conference call during the half-yearly results briefings. We also meet ratings agencies regularly.

General information on UOB, including our annual reports, quarterly results, news releases, presentation slides and recorded webcasts of results briefings are available on our corporate website. All financial results news releases and announcements are also available on the Singapore Exchange (SGX) Securities Trading Limited website.

Registered Shareholders

According to an independent analysis conducted by NASDAQ OMX as at 31 December 2014, more than half (54.1 per cent) of UOB shares were held by institutional investors, while related parties owned another 23.3 per cent. Corporates and non-profit organisations also accounted for 7.7 per cent of the shareholdings while retail investors constituted 6.5 per cent. By geography, investors from Singapore, North America and Europe held the largest portions of UOB shareholdings at 48.4 per cent, 22.2 per cent and 15.4 per cent respectively. Investors from other parts of the world accounted for the rest of the shareholdings.

Please refer to the Statistics of Shareholdings on page 165 for the most recent details on UOB's registered shareholders.

Group Retail

Our Group Retail business is focused on providing our personal and business banking customers with financial solutions to help them manage their money wisely. Our suite of retail deposits, loans, insurance, cards and investment products is complemented by our 500-strong integrated branch network and 1,700 automated teller and cash deposit machines across the region, as well as online and mobile banking options.

Highlights

- Introduced a back-to-basics investment solution, the UOB Income Builder, to help consumers invest more wisely.
- Achieved eight per cent growth in our total Group-wide mortgage portfolio as we supported customers' dreams of home ownership. Added international loan options in Japan.
- Included Visa payWave on the UOB Delight card and the UOB Visa Infinite card to enable contactless payments.
- Sharpened our focus on our boutique UOB Private Bank by investing in people and systems.
- First bank in Southeast Asia to offer a dedicated foreign exchange advisory and trading service to small business customers.
- Awarded Best Retail Bank in Asia Pacific at *The Asian Banker* International Excellence in Retail Financial Services Awards 2014 in recognition of our outstanding performance and customer-focused approach.

To give our customers more confidence in investing wisely, we introduced a back-to-basics investment solution called the UOB Income Builder.

Meeting the Changing Needs of Asian Consumers

Ongoing economic uncertainty in 2014 meant many risk-averse Asian consumers focused on safeguarding their assets in savings, current and fixed deposit accounts. This strengthened UOB's deposit base, with contributions from regional markets growing strongly.

In a low interest rate environment, however, customers face the pressures of declining returns on cash and the rising cost of living. To address these concerns and to give our customers more confidence to invest wisely, we introduced a back-to-basics investment solution called the UOB Income Builder.

The UOB Income Builder uses the basic investment principles of time, diversification and the compounding effect to help customers achieve a regular income stream and fulfill their financial aspirations. It comprises three investment funds that have been selected by the Bank's investment specialists. Each invests in various geographical markets and asset classes. The funds' flexible asset-allocation approach allows fund managers to move investments among different asset classes quickly, thereby helping to mitigate the risks from volatile market conditions.

With one of the aspirations of our customers being to purchase their own home, we offer a range of private home, public housing and commercial property mortgages. Despite tougher market conditions, we grew our total loan portfolio across the Group by eight per cent in 2014.

During the year, we helped customers make more informed decisions about their mortgages. Following the introduction of the total debt servicing ratio (TDSR) framework designed by the

We celebrated Singapore's golden jubilee with our customers with the introduction of a limited edition UOB One card.

Singapore government to help reduce consumer over-leverage, we introduced a property loan calculator for our customers. It is a simple online tool that helps potential home owners determine their total TDSR for mortgage loan applications.

We also expanded our international property financing programme to the Japanese cities of Fukuoka, Kyoto, Osaka and Yokohama in response to more customer requests to purchase overseas properties in Japan. These complement our existing international programmes in Australia, Japan, Malaysia, Thailand and the UK.

We continued to expand our unsecured lending offerings with more card products to match our customers' lifestyle needs. We have more than three million UOB cards on issue across Southeast Asia, up 5.1 per cent over 2013. Our cards business in Malaysia remained strong with billings in our Visa card portfolio up by double-digits while Thailand continued to demonstrate a healthy growth rate despite a challenging economic situation in the first half of 2014.

Across the region, we signed strategic partnerships with leading lifestyle, dining and retail companies to provide our customers with privileges and benefits. Through such partnerships, for example, our UOB Lady's cardmembers in Malaysia now enjoy rebates at major grocery stores such as Tesco and Giant, and rewards points at leading departmental stores such as AEON store and Parkson. Similarly, the UOB Delight card in Singapore offers special rewards and savings on everyday household items from Dairy Farm Singapore groceries and pharmacies.

From 2014, all newly-issued UOB Visa credit and debit cards featured a contactless payment functionality. This includes our UOB Visa Infinite Card which is the first high-end card in Singapore that has Visa payWave. As a result of the increased accessibility to contactless payments, we have seen more than a three-fold increase in contactless payments in Singapore from April 2013 to April 2014, which equates to more than 500 contactless card payments a day.

In Singapore, where a fifth of our card customers hold a ONE card, we issued a special limited edition design in celebration of Singapore's National Day and golden jubilee countdown. During the celebration period, the average number of new cards issued increased by 60 per cent compared with the first half of the year.

We made it even easier for customers to pay all their bills with the addition of more than 400 billing organisations to the UOB Personal Internet Banking online bill payment service. Organisations include telecommunication providers, insurance providers and government agencies. The service is also available on UOB's award-winning mobile application for Android and Apple smartphones.

Our efforts to help our retail customers meet their financial goals were recognised when we were awarded the top honour of Best Retail Bank in Asia Pacific at *The Asian Banker* International Excellence in Retail Financial Services Awards 2014. In its citation of UOB's performance, *The Asian Banker* said the Bank had distinguished itself through the outstanding performance of its retail business and its customer-focused approach.

Asian Perspectives for Managing Wealth

Asia's steady economic growth has made the region home to a large population with rising personal wealth including the second largest group of high net worth individuals in the world[1]. We help customers grow their wealth as they move through different life stages using a segmented approach from Core Banking through to Private Bank.

Teams of dedicated relationship managers and product specialists are located in our 48 dedicated wealth management centres across the region. They provide advice on investment opportunities, portfolio management and retirement planning for each life stage.

Profit contribution from wealth management to the retail business increased from 24 per cent in 2010 to 47 per cent in 2014 while assets under management grew from $48 billion to $80 billion over the same period.

To meet growing customer needs for more sophisticated financing options in 2014, we extended our existing product portfolio with a new Unit Trust Leverage Facility. This facility provides Privilege Banking and Privilege Reserve customers who prefer to invest in professionally-managed funds an additional financing option to purchase selected unit trusts.

1 *World Wealth Report 2014*, Capgemini, RBC Wealth Management, https://www.worldwealthreport.com/reports/population/asia_pacific

2014 in Review

The new UOB Private Banking Suites.

Sharpening Our Focus on Private Banking

Many of our UOB Private Bank customers are Asian entrepreneurs with special banking needs. They draw regularly on the Bank's full suite of services from our retail, commercial, corporate, corporate finance to our investment banking arms as part of our one-bank service approach.

In 2014, we invested in building the capabilities of our advisory team to include new senior hires such as the Head of Private Bank, Chief Investment Officer and Credit Advisory Head. We also increased the number of Senior Client Advisers by 23 per cent from the year before. This investment was also supported by a new UOB Private Bank regional advertising campaign.

In the second half of the year, we began serving customers at the new UOB Private Bank Suites at our headquarters at UOB Plaza. The Suites comprise 12 private rooms where customers can have all their banking and investment needs met.

In 2014, our private bank income and net profit after tax both increased by 31 per cent year on year.

UOB Private Bank was recognised by *Private Banker International* as being among the 20 largest private banks in Asia. We were 17th on the list in terms of assets under management, rising three spots from the year before.

Helping Small Businesses Realise Their Potential

UOB has more than 110 Business Banking centres and branches across Southeast Asia that are dedicated to meeting small businesses' financial needs, from cash flow management to financing options. In Singapore, UOB is the only bank offering the convenience of business banking services alongside retail services in every branch so customers can attend to their personal and business financial needs in one location.

In 2014, Group Business Banking achieved 45 per cent growth in operating profit, its highest growth rate since the unit was started in 2009. It was the fastest-growing business unit within the UOB Group in 2014, and a significant contributor to the Group Retail business. The strong growth was the result of prudent cost management, better-than-expected performance of credit portfolios and improvements in sales productivity.

More than 50 per cent of Business Banking's profit came from Malaysia, Thailand and Indonesia, where our customers' businesses expanded in tandem with the increasing affluence and domestic consumption in these countries.

One of the products in strong demand by customers seeking additional loans for working capital and capital investment was the BizMoney loan. With a three-day application processing timeline, BizMoney offers speed and convenience to customers who need working capital urgently. The product saw another year of strong growth in 2014, contributing to 10 per cent of Business Banking income.

To continue helping our customers run their businesses efficiently, UOB enhanced its suite of lending, cash management products and FX capabilities across the region in 2014. We also boosted the capabilities of our dedicated FX advisory and trading service with the addition of 40 FX specialists across the region. UOB is the first bank in Southeast Asia to offer such a dedicated FX advisory and trading service to small businesses.

We improved our customer engagement and satisfaction levels by enhancing our portfolio management capabilities across the region. Using advanced analytics, our business teams anticipate the business needs of our customers across Southeast Asia through sharper identification of customer behaviour trends and targeted delivery of customer solutions. We manage our portfolio actively through identification and monitoring of risks.

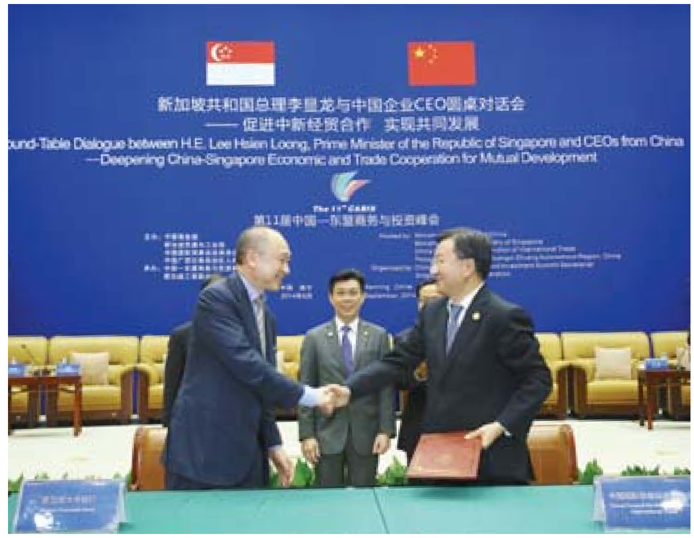
A new FX advisory team was set up to help small businesses manage their currency exposure and risk more effectively.

Group Wholesale Banking

The Group Wholesale Banking business is dedicated to providing businesses and corporates with solutions to optimise their business operations and cash flow, to manage risk, to enter into or to expand in a market, and to raise capital. The Bank's deep knowledge of Asia and its extensive integrated network are harnessed to connect customers to regional opportunities.

Highlights

- Doubled our cross-border loans over the past three years as we supported our customers investing and expanding in Asia.
- More than tripled Commercial Banking revenue in Hong Kong as we captured business flows between the Pearl River Delta and Southeast Asia.
- Renewed our Memorandum of Understanding (MOU) with the China Council for the Promotion of International Trade aimed at increasing foreign investment and trade between China and Southeast Asia.
- Won a full-suite cash management mandate from Korea's Shilla Retail Company Pte Ltd. for its duty-free chain at Singapore's Changi Airport.
- Introduced UOB Business Internet Banking Plus and Singapore's first Corporate Deposit Card to give customers more convenience in banking.
- Ranked among the top mandated arrangers, bookrunners, lead managers and underwriters in Asia.



We work with the China Council for the Promotion of International Trade to help Chinese companies explore business expansion opportunities in Southeast Asia.

Connecting Our Customers with Opportunities Across Asia

Our Group Commercial Banking business grew strongly as Asia's economic transformation continued to open up new avenues for long-term growth and as intra-regional trade and income levels rose. Many of our customers in the construction, infrastructure upgrading and manufacturing sectors as well as those who cater to the booming middle class are driving the region's economic growth. Our support of such businesses investing and expanding in Asia has seen our cross-border loans double over the past three years.

Our nine Foreign Direct Investment (FDI) Advisory Units based in China, Hong Kong, Indonesia, India, Malaysia, Myanmar, Singapore, Thailand and Vietnam were set up to help our customers realise their expansion ambitions across the region through UOB's extensive network. In addition to offering these customers our full suite of corporate, commercial and personal banking products, we also draw upon the strengths of our relationship with our strategic partners in the legal, audit and business consultancy professions as well as key government agencies.

In Hong Kong, our FDI Advisory Unit has been active in capturing business flows between Chinese state-owned enterprises and private companies in the Pearl River Delta and Southeast Asia. As a result, Commercial Banking revenue in Hong Kong more than tripled in 2014 over the previous year on the back of strong loan growth and cross-selling.

In 2014, we renewed our MOU with the China Council for the Promotion of International Trade (CCPIT). This agreement is aimed at increasing foreign investment and trade between China and Southeast Asia and it remains the only MOU that CCPIT has reached with a bank from Southeast Asia. Since 2012,

2014 in Review

UOB and CCPIT have helped more than 1,000 Chinese companies explore expansion opportunities in Southeast Asia. As we deepened and broadened these customer relationships, UOB's cross-border loans to Chinese companies increased at a satisfactory pace.

In the past year, more businesses increased their interest in investing in Myanmar because of its favourable geographical position and large consumer base. One such customer, US-based APR Energy, won a large-scale turnkey power contract to build one of Myanmar's largest thermal power plants. We also signed a financing agreement with Singapore company, Asiatech Energy to build a combined cycle gas-fired power plant in Mon state.

With the gradual recovery of developed economies and positive growth trends for global FDI flows, we have also been serving an increasing number of European and US companies looking to expand in Southeast Asia.

Intra-regional trade continues to contribute significantly to the growth of our loan book. Loans booked by our Global Business Development Unit, which helps Singapore customers expand into the region, have almost trebled from 2005 to 2014.

On the product front, our partnership with insurance company Prudential to offer a suite of Universal Life and term insurance policies for key-men is growing well. Our regional income from these products increased as more companies invested in safeguarding business continuity and managing risk. Income from our factoring financing product in Singapore and the region also grew as customers sought alternative financing to fund their businesses.

Supporting the Ambitions of Our Corporate Customers

Backed by a generally stable credit environment in 2014, the Corporate Banking Singapore team registered healthy growth in topline revenue. Net interest income benefitted from robust growth in trade finance assets while non-interest income showed a healthy year-on-year increase driven by investment banking, treasury-related and trade fees. This was achieved through greater cross-selling efforts with our top and middle-tier customer segments, and our close partnership with UOB's Investment Banking team. We also sustained a single-digit cost-income ratio through disciplined expense management as we enhanced productivity and profit contribution.

Overseas investment activities by large Singapore corporates picked up as more of them sought to diversify into overseas markets. One of the significant deals that we led in 2014 was the financing of Pontiac Land Group's multi-million dollar property investment in New York.

In a competitive market, the Singapore and Korea Corporate Banking teams won a full-suite cash management mandate from Korea's Shilla Retail Company Pte Ltd. for its chain of duty-free shops at Singapore's Changi Airport. The package of services comprises operating accounts, working capital facilities, merchant cards, corporate cards, bulk cash collection, payment solutions and banknotes.

Our branch in Chongqing supports customers expanding into the developing region of Western China in addition to providing personal banking services.

Optimising Working Capital and Cash Flow for Our Customers

Our Transaction Banking business registered another successful year, with solid growth on the back of increased customer demand for cash and trade product solutions. We helped our Asian customers and multi-national corporations expanding in Asia to optimise their working capital and to manage risk and cash flow with solutions for receivables, payables and trade finance, as well as liquidity and financial supply chain management.

We continued to invest in our capabilities to make banking more efficient for our customers across the region. We introduced an internet banking service, UOB Business Internet Banking Plus which helps customers streamline the origination, approval and control processes for their transactions. These can be done across multiple locations, in real-time, at any time. The service allows customers to achieve greater efficiency in their day-to-day cash flow, treasury, supply chain and trade management.

In China, the new Cross-Border Sweeping liquidity management solution was made available to corporate customers with operations in the Shanghai Pilot FTZ. It helps businesses maximise their intra-group RMB liquidity through improved cash flow and working capital management.

We also introduced Singapore's first Corporate Deposit Card which gives customers and their employees the convenience of making cash deposits around the clock at self-service machines. Customers have oversight of the cash deposited by employees as the amount is reflected against the deposit reference assigned to each card. It also allows companies to reconcile accounts more efficiently.

To meet the growing needs of customers, we expanded our team of transaction banking specialists in cash management, trade finance and liabilities management. We also established teams of supply chain management specialists in China, Hong Kong, Singapore and the US to provide on-the-ground advice and solutions to address our clients' working capital needs.

We received resounding endorsements from customers and accolades for our cash management and trade finance services, garnering 27 prestigious awards in 2014. This included a record of 23 awards from the *Asiamoney* Cash Management Polls for our excellent solutions and service delivery to customers in China, Malaysia, Singapore and Thailand; the Indonesia Domestic Trade Finance Bank of the Year award from *Asian Banking & Finance;* and three *The Asset* Triple A Treasury, Trade and Risk Management Awards for UOB (Thai) and UOB Indonesia.

Providing Structured Trade and Commodity Financing Solutions to Global Businesses

From declining commodity prices to the slowdown in China's economy, 2014 was a challenging year for the commodities market. Through prudent management of risk exposure and by drawing on the deep knowledge and structuring capabilities of its team, Structured Trade and Commodity Finance achieved robust revenue growth. This approach enabled us to advance our market position in global commodities financing for energy, metals and agri-commodities.

Our growth continued to be driven by the cross-border trade flows facilitated by an increasing number of global traders and supply chain managers establishing their footprint in Asia.

Utilising our extensive regional network, we provided solutions covering the entire supply chain, including origination, processing, storage and distribution, to customers. A major win was the successful closure of a landmark multi-billion US dollar transaction for a global energy and commodities customer for their acquisition of downstream assets in the region.

Strengthening Our Investment Banking Capabilities

Group Investment Banking delivered a strong performance in 2014, deepening product capabilities and entrenching its lead in regional markets.

We were ranked among the top mandated arrangers across Asia (ex-Japan), Southeast Asia and Singapore. In the area of local currency fixed income, the Bank established itself as a leading regional player. We were among the top five bookrunners in the Singapore dollar bond market, the top three lead managers based on the number of issues in the Malaysian ringgit bond market, and top six underwriters for corporate bond issuances in the Thai baht bond market.

In Singapore, our Corporate Finance team emerged as one of the top three financial advisers by Initial Public Offering (IPO) deal count and one of the top ten underwriters for IPOs for 2014. The Mergers and Acquisitions team also capped the year by being ranked as one of the top three financial advisers by market share.

In 2014, UOB also successfully lead-managed more than 50 local bond transactions in Asia. Notably, UOB acted as the sole lead manager for Sun Hung Kai Properties Ltd.'s S$320 million seven-year fixed rate notes and the National University of Singapore's S$250 million five-year fixed rate notes in Singapore. We were also a joint-lead manager for Frasers Centrepoint Limited's S$600 million perpetual issuance and CapitaMall Trust's S$350 million seven-year retail bond. In the public sector, UOB clinched several Housing & Development Board mandates, jointly lead-managing note issuances of S$1.6 billion in aggregate.

With respect to UOB's own bond issuances, we led three deals of an aggregate US$1.8 billion including two Basel III-compliant subordinated Tier 2 notes.

In Thailand, UOB successfully lead-managed and jointly-lead managed more than 30 Thai baht (THB) bond issuances including UOB (Thai)'s first THB bond issuance in the country, a two-to-three-year bond issuance of aggregate THB6.0 billion. In Malaysia, UOB jointly lead-managed the inaugural cross-border debt issuance for Bumitama Agri. Ltd with a RM2.0 billion Sukuk Musharakah Programme.

Our Corporate Finance team sustained the strong momentum from 2013 with robust fund raising and advisory service efforts. The team managed and successfully listed several companies on the SGX, including IPS Securex Holdings Limited, Serrano Limited and MS Holdings Limited. UOB was the joint bookrunner and underwriter for the S$368 million IPO of Frasers Hospitality Trust and managed the S$79 million rights issue of Singapura Finance Limited.

Our Mergers and Acquisitions team had another successful year with numerous high-profile transactions. We advised Breedens Investments Pte. Ltd. in its take-over of Olam International Limited, valuing the company at S$5.3 billion, and acted as the financial adviser to Perennial Real Estate Holdings Limited in its S$600 million voluntary conditional general offer for Perennial China Retail Trust. We also advised Fraser and Neave Limited in relation to the demerger and listing of Frasers Centrepoint Limited on the SGX. In addition, we were the sole financial adviser to our clients in the take-overs of Singapore Land Limited and ECS Holdings Limited.

Global Markets and Investment Management

Global Markets and Investment Management is responsible for managing the bank's liquidity, assets, investments, and market making across a wide array of financial instruments. It also provides financial risk management solutions, treasury products and services, brokerage and clearing services, as well as investment opportunities for customers.

Highlights

- Launched UOB's first Formosa Bond issuance in the Taiwan onshore market.
- Joined Chicago Mercantile Exchange (CME) Group's clearing house, giving the Bank the ability to provide clearing services for CME's benchmark US futures products to its customers.
- Set up UOB Bullion and Futures IT in the Shanghai Pilot FTZ to provide trading infrastructure to traders in the developing zone.
- UOB Asset Management launched its first retail multi-asset fund in Singapore, the United Global Asset Rotator, to help investors seize opportunities from changing market trends.
- Received strong industry recognition for UOB Asset Management which won a total of 16 awards for its excellent performance in 2014.

In 2014, expectations of the impending rate increase by the US Federal Reserve saw more customers putting on interest rate hedges to protect against their exposures. The return of currency volatility towards the second half of the year, especially in the US-dollar and offshore RMB, led to good FX flows and increased demand for FX derivatives products, as well as an increase in commodity hedging activities.

In response, the Global Markets (GM) sales team introduced new products and solutions to customers across the region including FX hedging solutions to support the regional expansion plans of small and medium-sized enterprises and long-dated structured investment products to help Non-Bank Financial Institution (FI) customers achieve their target yield amid the low interest rate environment. The team, in particular those serving Corporates and FIs, had a record year in 2014 through proactive engagement with the Retail and Wholesale business segments, and the expansion of the GM sales team. In addition, a regional sales team was also set up to enhance the cross-border collaboration between head office and overseas centres.

Global Markets Structuring

During the year, we merged our Fixed Income, Currencies and Commodities team and Equities Product team to form the Global Markets Structuring (GMS) unit. This team provides structured asset and liability solutions to UOB's corporate, institutional and retail clients across all asset classes. GMS had a strong year across all of its units as the integration allowed for an optimisation of resources, capabilities and knowledge in serving our customers.

Our GMS FX and Rates team seized upon favourable regulatory changes in Taiwan to launch UOB's first Formosa Bond issuance in the Taiwan onshore market in September 2014. The team also launched UOB's first gold exotic product, the Gold Accumulator, which allows customers to receive enhanced returns on their investment when they take a specific view on the gold market. One of the largest gold trading companies in Thailand was the first to take up this offering in 2014.

GMS Equities saw strong demand from Private Bank and Privilege Banking customers for non-principal guaranteed structured products. Volumes in structured notes increased significantly by 30 per cent year-on-year to another record high as interest rates stayed low and investors continued to look for yield enhancement products. During the short spike in interest rates in April, we seized the opportunity to issue a number of equity-linked retail structured deposits to retail customers and corporates which were well-received.

GMS Commodity also saw significant growth in trade volume and price competitiveness. Margins and efficiency improved with the addition of an enhanced trading platform that allows the team to be a market-maker of selected commodity prices to customers directly.

GMS Credit had a solid year due to strong institutional flows in credit default, total return and market access products. Such products allow clients to enter overseas onshore debt markets which they normally would not be able to access.

UOB was honoured with more than 80 industry awards, many of which were presented to our Wholesale Banking and Global Markets and Investment Management teams.

UOB Bullion and Futures

To meet the growing needs of Asian investors and corporates seeking to diversify their investments to grow their wealth and to optimise their working capital, UOB Bullion and Futures (UOBBF) expanded its derivatives services beyond Asian currency-denominated products into US-dollar and Euro-denominated derivatives offered on global bourses.

In May, UOB became the first bank in Asia to obtain a General Clearing Membership from Eurex Clearing, the clearing house of Deutsche Börse Group. This membership allows UOB to offer clearing services for transactions conducted on the Eurex Exchange, Europe's largest derivatives exchange, as well as in Bund, Bobl and Schatz German government bond futures. The contracts are among the most widely-traded futures in the world.

UOB Group also joined Chicago Mercantile Exchange (CME) Group's clearing house, giving the Bank the ability to provide clearing services for CME's benchmark US futures products to its customers.

In addition, UOBBF attained Dubai Gold & Commodities Exchange clearing membership, ICE Europe trading membership, as well as in-principle approval for SGX Securities Trading membership, establishing it as the Asian brokerage of choice for its wide-ranging connectivity to global markets.

As there was an increasing need for international trading services in the developing Shanghai Pilot FTZ, we set up UOBBF IT, an IT company providing trading infrastructure to traders in the zone. Our dedicated lease lines provide professional traders with low latency connectivity into major global markets.

UOBBF continued to support the development of the futures markets in Asia Pacific when it became one of the pioneer brokers to provide trading services to the Eurex-TAIFEX Link, with trades cleared through UOB. The link enables international investors and traders to access the TAIFEX index derivatives market during European and US core trading hours.

As a result of our commitment to improving the services we provide our customers, UOBBF was named Commodities Broker of the Year and Proprietary Traders' Broker of The Year at the *Futures and Options World Magazine* Awards for Asia 2014. We were also named Top Volume SGX Derivatives Trading Member 2014 at the SGX Brokers Appreciation and Awards.

UOB Asset Management

UOB Asset Management (UOBAM) took significant steps to grow its regional franchise by expanding distribution channels and developing new business lines. In Singapore, we launched our first retail multi-asset fund, the United Global Asset Rotator, to help investors seize opportunities from changing market trends. The fund invests in a diversified portfolio of exchange-traded funds selected from a wide range of asset classes such as equities, fixed income, cash, commodities, foreign exchange and money market instruments across different geographies and sectors.

UOBAM (Malaysia) launched its first retail fund since receiving a licence to manage retail unit trusts in early 2014. The United Bond & Equity Strategic Trust allows investors to benefit from opportunities arising from the positive investment outlook for Malaysia. In Taiwan, UOB Investment Advisor continued to enhance its offshore third party product offerings for local distributors by offering the full suite of Singapore-registered funds.

UOBAM continued to build on its strategic partnership with Ping An UOB Fund Management Company to develop new businesses. We also deepened our collaboration with Sumitomo Mitsui Asset Management through the joint venture, UOB-SM Asset Management, and continued to extend cross-selling initiatives in Japan and across Southeast Asia. The integration of UOBAM (Thai) and ING Funds (Thailand) to form UOBAM (Thailand) led to the expansion of our distribution network in Thailand and growth of assets under management.

UOBAM's performance in 2014 garnered strong industry recognition. We won a total of 18 awards including those for the United Asian Bond Fund, United Global Healthcare Fund and United SGD Fund at *The Edge*-Lipper Singapore Fund Awards. In addition, we were named the Best Asian Fixed Income House by the *Global Banking & Finance Review* as well as Best Asset Management Company and Best Asia Fixed Income House by *International Finance Magazine*. UOBAM and UOBAM (Thailand) were also named among the Top Investment Houses in Asian G3 bonds and Thai baht bonds respectively at *The Asset* Benchmark Research Awards.

UOB in the Community

(Clockwise, from left) UOB CEO Mr Wee Ee Cheong leads the Bank's Mid-Autumn festival painting session with children from Fei Yue Community Services; 2013 Painting of the Year winner Stefanie Hauger shares techniques with Towner Garden School students; and Mexican sculptor Jorge Marin with UOB Heartbeat volunteers and children from APSN Katong School on expressing themselves through clay.

At UOB, sharing our success with the communities in which we work is an important part of our business philosophy. From the arts, to children, to education, we have long been in support of these causes as we believe they are essential to the progress and success of a country, its economy and its people.

Recognising and Nurturing Southeast Asia's Artists

Just as we help our customers grow their businesses across Southeast Asia, UOB has been encouraging the development and appreciation of art through our community projects across the region. We believe that art draws together people from different backgrounds and cultures. It celebrates what makes us different and special, and what makes us similar.

Art's ability to transcend language, culture and time, even as geography sets us apart, is one of the reasons we continue to organise the annual UOB Painting of the Year competition. Established in 1982, this flagship art programme identifies and promotes artists from across Southeast Asia and has developed into one of the most prestigious and longest-running art contests for emerging and established artists in the region.

2014 UOB Southeast Asian Painting of the Year winner Mr Antonius Subiyanto (second from left) is among the artists the competition has helped discover and nurture.

The competition has provided the winners with avenues to share their works with a wider audience, such as displaying their art pieces at our offices in Singapore and regionally, and on the cover of our Annual Reports.

Making Art Accessible to the Community

In 2014, and in celebration of the competition's 33rd year, we set up the UOB Art Gallery at our Group's headquarters to give our employees and members of the community easy access to the artworks of our local artists. Located in the atrium of UOB Plaza 1, the UOB Art Gallery features special exhibitions by UOB Painting of the Year competition alumnae. The UOB Art Gallery also showcases the winning entries from the UOB Painting of the Year competition.

UOB invests in art education programmes that benefit those who may not have an opportunity to be exposed to the arts. We hold workshops with artists to help special-needs children express themselves through the medium and gain confidence. Among the classes held last year were a painting workshop with 2013 UOB Painting of the Year winner Ms Stefanie Hauger, a clay moulding session with celebrated Mexican sculptor Mr Jorge Marín and lantern painting with two-time UOB Painting of the Year winner Ms Kit Tan.

UOB in the Community

UOB employees and their families raise funds for charity at the annual UOB Heartbeat Run.

Making a Difference to the Lives of Children

Central to our community involvement is the annual UOB Heartbeat Employee Volunteer Programme. Each year, we raise funds for charities in the key markets in which we operate – China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand. In 2014, our people and customers from across the region raised more than $1 million that was used to fund art and developmental programmes with the following charities:

- China – Unilove Rehabilitation Centre for Disabled Children and Youth, Shanghai Jiuqian Volunteer Centre and New Chapter Organisation for children's education;
- Hong Kong – The Children's Cancer Foundation and the Evangel Children's Home;
- Indonesia – Education for the Blind Children Foundation and the Kick Andy Foundation for women's and children's education;
- Malaysia – The Angels Children's Home and the Shelter Home for abandoned children; Penang Cheshire Home for children with disabilities; and the Dignity Foundation, an education centre for underprivileged children;
- Singapore – APSN Katong School, Metta School, Pathlight School and Towner Gardens School, for special-needs children; and
- Thailand – The Ramathibodi Foundation for cancer patients.

UOB was recognised for its community efforts by Singapore's Community Chest with two awards for its long-term community support through the UOB Heartbeat Run and for raising $1 million to help children in need. UOB was also the only bank in Singapore to receive the Top Community Care Company in Asia award at the Asia Corporate Excellence and Sustainability Awards.

Education in the Community

We believe that education is essential for communities to thrive. Over the year, we helped equip students with the relevant skills to help them establish themselves in their professions.

In Singapore, UOB Bullion and Futures worked with the Singapore Institute of Management Global Education to set up a new Financial Training Centre for undergraduate banking and finance students. The centre helps students increase their knowledge and sharpen their trading skills, and gives them the opportunity to learn directly from industry professionals.

In Myanmar, we collaborated with two leading universities to help broaden the local banking talent pool with the launch of a three-year scholarship programme. The UOB University Scholarship Programme will fully fund the tertiary education of 45 top students from the University of Yangon and the Yangon University of Economics.

Caring for Our Environment

An important part of running a sustainable business is ensuring that we manage our resources responsibly to minimise the direct impact of our operations on the environment.

In 2014, energy efficiency improvements that were made to our Alexandra Road building won the Singapore Building and Construction Authority's (BCA) Green Mark Gold^{Plus} Award. The BCA Green Mark Award is given to organisations that incorporate internationally recognised best practices in environment design and performance.

We also completed the overhaul of the central air-conditioning system in UOB Plaza 1. Initial reductions in energy consumption indicate that we are making progress towards achieving our target of 6,250,000 kilowatt-hours per year in energy savings. This is equivalent to three months' power consumption of UOB Plaza 1.

We will continue to carry out energy improvement works at UOB Plaza 2 in 2015. The proposed energy-saving initiatives include replacing the building's central air-conditioning system and replacing existing fluorescent and halogen lights with LED lights for car park areas, staircases, lift lobbies and offices. The project aims to achieve another Green Mark Gold^{Plus} Award for the building and will take 12 to 14 months to complete, resulting in further energy savings of 2,100,000 kilowatt-hours per year.

UOB's Awards and Accolades in 2014

ASEAN Business Advisory Council

ASEAN Business Awards 2014

- Most Admired ASEAN Enterprise for ASEAN Centricity (Regional and Singapore winner)

The Asian Banker

The International Excellence in Retail Financial Services Awards 2014

- Best Retail Bank in Asia Pacific
- Best Retail Bank in Singapore

SPRING Singapore

Business Excellence Awards 2014

- Singapore Quality Award

Asia Asset Management

2014 Best of the Best Awards

- Best of the Best Regional – CEO of the Year in Asia – Thio Boon Kiat, UOB Asset Management
- Best of the Best Performance – Asian Bonds, 10 Years
- Best of the Best Country – Most Innovative Product, Thailand

Asiamoney

Cash Management Polls

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

Fixed Income Poll

- Ranked 2nd in Regional Credit Research and Market Coverage on G3 High Yield Bonds
- Ranked 3rd in Overall Best for Interest Rates and Best for Interest Rate Research, Indonesia

Foreign Exchange (FX) Poll

- Ranked 2nd in Best for Overall FX Services, FX Options and FX Products and Services, Domestic FX Providers, Singapore
- Ranked 3rd in Best for FX Options, Foreign FX Providers, Malaysia

Asian Banking & Finance

Wholesale Banking Awards 2014

- Indonesia Domestic Trade Finance Bank of the Year

Building and Construction Authority, Singapore

Green Mark Awards

- Gold^{Plus} Award for Existing Non-Residential Buildings – 396 Alexandra Road (UOB Tower Block)

China Banking Regulatory Commission

- Outstanding Information Technology Management Award

China Foreign Exchange Trade System

- Best SGD/RMB Market Maker

Community Chest Singapore

- 5-Year Outstanding Special Events Award
- Special Events Platinum Award

Deutsche Bank

- USD STP (Straight Through Processing) Excellence Award

Euromoney

Private Banking and Wealth Management Survey 2014

- Ranked 1st in Net-Worth-Specific Services for Super Affluent Clients (US$500,000 to US$1 million), Thailand
- Ranked 1st in Specialised Services for Inherited Wealth and Business, Thailand
- Ranked 1st in Bespoke Wealth Planning, Brunei

UOB's Awards and Accolades in 2014

Futures and Options World Magazine

Awards for Asia 2014
- Commodities Broker of the Year
- Proprietary Traders' Broker of the Year

Global Banking & Finance Review

Awards 2014
- Best Asian Fixed Income House, Singapore

Global Finance

2014 World's Safest Banks
- Ranked 3rd in Safest Banks in Asia

Institute of Singapore Chartered Accountants, Singapore Institute of Directors and *The Business Times*

Singapore Corporate Awards 2014
- Best Chief Financial Officer Award for companies with market capitalisation of $1 billion and above – Lee Wai Fai

International Finance Magazine

2014 Financial Awards
- Best Asset Management Company
- Best Asia Fixed Income House

Marketing Magazine

Mob-Ex Awards 2014
- Gold –
  Best User Experience
  Best Integration of Mobile
- Silver –
  Best Direct Response Campaign
- Bronze –
  Best Use of Multiple Mobile Channels
  Best Brand Awareness Campaign

Marketing Excellence Awards 2014
- Silver – Excellence in Digital Marketing

The Loyalty & Engagement Awards 2014
- Bronze – Best Use of Rewards and Incentives

Morningstar

Thailand Fund Awards 2014
- Long Term Equity Fund – Big Cap Dividend Long Term Equity Fund
- Retirement Mutual Fund, Equity – Equity Retirement Mutual Fund

MORS Group

Asia Corporate Excellence and Sustainability Awards 2014
- Top 5 Community Care Companies in Asia

RAM Rating Services Berhad

RAM Award of Distinction
- Ranked 3rd in Lead Manager Award by Number of Issues

Retail Banker International (RBI)

RBI Asia Trailblazers Awards 2014
- Channel Excellence in Mobile Banking – Payments

Shanghai Gold Exchange

- Outstanding Financial Institutions Members Award
- Outstanding Contribution Price Making Award

Singapore Exchange (SGX)

SGX AsiaClear Awards
- Ranked 2nd in Top Oil Inter-Dealer Brokers

SGX Brokers Appreciation and Awards
- Top Volume SGX Derivatives Trading Member

Singapore National Arts Council

- Distinguished Patron of the Arts Award

Taipei Foundation of Finance (TFF) – Bloomberg

TFF-Bloomberg Best Fund Award 2014
- Best Fund Over 10 Years, Global Emerging Markets Fixed Income Fund – United Emerging Markets Bond Fund

The Asset

Benchmark Research Awards 2014
- Ranked 2nd in Top Investment Houses in Thai Baht Bonds
- Ranked 6th in Top Investment Houses in Asian G3 bonds

Triple A Treasury, Trade and Risk Management Awards 2014
- Best Service Provider, Trade Finance, Thailand
- Best Service Provider, Structured Trade Finance, Thailand
- Best Trade Finance Solution, Indonesia

The Association of Banks in Singapore (ABS)

2014 ABS Excellent Service Awards
- Service Excellence Champion – 1st Runner-up
- 703 Star Awards
- 131 Gold Awards
- 113 Silver Awards

The Edge-Lipper

Singapore Fund Awards 2014
- Best Fund Over 3, 5 and 10 Years, Bond Asia Pacific – United Asian Bond Fund (Class SGD)
- Best Fund Over 5 and 10 Years, Equity Sector Pharmaceuticals and Health Care – United Global Healthcare Fund
- Best Fund Over 5 and 10 Years, Bond Singapore Dollar – United SGD Fund, Class A (Acc) SGD

Visa

Malaysia Bank Awards
- Highest Payment Volume Growth – Total Credit in Malaysia
- Highest Payment Volume Growth – UOB Malaysia Visa Classic

Governance

Corporate Governance

Good corporate governance is fundamental to UOB, which is guided in this regard by the:

- Banking (Corporate Governance) Regulations (Banking Regulations);
- Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore, which comprise the Code of Corporate Governance for companies listed on the Singapore Exchange and supplementary principles and guidelines issued by the Monetary Authority of Singapore (MAS Guidelines); and
- Singapore Exchange Securities Trading Limited Listing Manual (SGX-ST Listing Manual).

Board's Conduct of Affairs

The Board's key responsibilities are to:

- provide strategic direction;
- provide entrepreneurial leadership and guidance;
- approve business plans and annual budgets;
- ensure true and fair financial statements;
- monitor financial performance;
- determine capital/debt structure;
- set dividend policy and declare dividends;
- approve major acquisitions and divestments;
- review risk management framework and processes;
- oversee the performance of Management;
- set company values and standards; and
- perform succession planning.

The approval of the Board is required for material matters that fall within the scope of the Board's functions. These include business plans and annual budgets, major acquisitions and divestments, dividend payments and other distributions, and announcements of quarterly and full-year financial results.

The Board has established five Board Committees to perform certain duties. 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 are reviewed annually.

Board and Board Committee meetings and the annual general meeting (AGM) for each calendar year are scheduled well in advance. Additional Board and Board Committee meetings are held as and when necessary. 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 number and frequency of meetings attended by the directors in 2014 are set out in the table below.

	Number of meetings attended in 2014					
Name of director	**Board of Directors**	**Nominating Committee**	**Remuneration Committee**	**Audit Committee**	**Executive Committee**	**Board Risk Management Committee**
Wee Cho Yaw	4 / 4	2 / 2	2 / 2	–	4 / 4	4 / 4
Hsieh Fu Hua	4 / 4	2 / 2	2 / 2	–	4 / 4	4 / 4
Wee Ee Cheong	4 / 4	–	–	–	4 / 4	4 / 4
Wong Meng Meng	4 / 4	2 / 2	–	–	–	–
Cham Tao Soon (Retired on 24 April 2014)	1 / 1	–	–	3 / 3	–	2 / 2
Franklin Leo Lavin	4 / 4	2 / 2	–	–	3 / 4	–
Willie Cheng Jue Hiang	4 / 4	2 / 2	–	6 / 6	–	–
Tan Lip-Bu (Retired on 24 April 2014)	1 / 1	–	1 / 1	–	–	–
James Koh Cher Siang (Appointed to the Remuneration Committee on 13 June 2014)	4 / 4	–	1 / 1	6 / 6	4 / 4	–
Ong Yew Huat (Appointed to the Audit Committee on 13 June 2014)	4 / 4	–	–	3 / 3	–	4 / 4
Lim Hwee Hua (Appointed to the Board and Board Risk Management Committee on 1 July 2014)	2 / 2	–	–	–	–	2 / 2
Number of meetings held in 2014	**4**	**2**	**2**	**6**	**4**	**4**

Board Composition

There are nine directors on the Board. A majority of them are independent:

Wee Cho Yaw *(Chairman Emeritus and Adviser)*	Non-executive and non-independent
Hsieh Fu Hua *(Chairman)*	Non-executive and independent
Wee Ee Cheong *(Deputy Chairman and Chief Executive Officer (CEO))*	Executive and non-independent
Wong Meng Meng	Non-executive and non-independent
Franklin Leo Lavin	Non-executive and independent
Willie Cheng Jue Hiang	Non-executive and independent
James Koh Cher Siang	Non-executive and independent
Ong Yew Huat	Non-executive and independent
Lim Hwee Hua *(Appointed on 1 July 2014)*	Non-executive and independent

The NC has assessed that six out of the nine directors are independent. They are Messrs Hsieh Fu Hua, Franklin Leo Lavin, Willie Cheng Jue Hiang, James Koh Cher Siang and Ong Yew Huat, and Mrs Lim Hwee Hua. They are not substantial shareholders and do not have management or business relationships with the Bank or any relationship with any substantial shareholder. None of these six directors has served on the Board for nine years or more.

Three directors are not independent. They are:

- Dr Wee Cho Yaw who is a substantial shareholder of the Bank;
- Mr Wee Ee Cheong who is a substantial shareholder and the CEO of the Bank; and
- Mr Wong Meng Meng who has served on the Board for more than nine years.

The NC is of the view that each director remains fit and proper and qualified for office. The directors as a group have experience in banking, accounting, management and law. They provide the Board and Board Committees with an appropriate balance and diversity of skills, experience and knowledge. The directors' profiles can be found in the Board of Directors section.

While the NC considers the current Board of nine members effective, it would look to expand the Board size as the business expands. The NC also reviews the composition of the Board Committees at least annually.

Chairman Emeritus, Chairman and Chief Executive Officer

Dr Wee Cho Yaw has more than 50 years of experience in banking. He provides advice and guidance to the Board and Management in his capacity as Chairman Emeritus and Adviser.

There is appropriate division of responsibilities between the Chairman and the CEO. Mr Hsieh Fu Hua, the Chairman, provides leadership to the Board, promotes open and constructive board deliberation, oversees corporate governance matters and ensures that directors receive timely and comprehensive information for them to discharge their duties. Mr Wee Ee Cheong, the CEO, is responsible for the Bank's daily operations.

Nominating Committee

The NC's main responsibilities 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 development programme for the continuous education of directors;
- nominate candidates for the key positions of CEO, chief financial officer (CFO) and chief risk officer (CRO); and
- perform succession planning.

The NC consists of Messrs Wong Meng Meng (NC chairman), Wee Cho Yaw, Hsieh Fu Hua, Franklin Leo Lavin and Willie Cheng Jue Hiang. Mr Wee Ee Cheong acts as an alternate member to Dr Wee Cho Yaw on the NC. The Banking Regulations require the chairman of a nominating committee to be an independent director but make an exception for an incumbent. The NC is of the view that Mr Wong Meng Meng, the incumbent NC chairman and a non-independent director, is qualified to continue to chair the NC.

The NC is responsible for ensuring that the Board has a majority of independent directors and comprises directors who, as a group, have the appropriate skills, experience and knowledge. The NC conducts discreet searches for new directors. Any director may nominate candidates. In evaluating nominations, the NC considers factors including the current composition and collective skills and expertise of the Board, as well as the candidates' personal qualities such as integrity and financial soundness, qualification for office, and ability to commit time and effort to perform board duties. The NC recommends the candidates to the Board for appointment.

New directors receive briefings from Senior Management on the Bank's business and risk management. Each new director also receives an induction package which contains, inter alia, the articles of directorship, terms of reference of the Board and Board Committees and guidance on directors' duties.

Through the Bank's continuous development programme, new and existing directors receive appropriate training on a continuing basis. Briefings on risk management as well as developments and trends in the banking and financial industry were organised for directors during the year. Directors also took part in quarterly business strategy discussions to gain better insight into the Bank's business, and had an offsite meeting in Thailand to gain a better understanding of the Group's business and operations in Thailand. The NC is of the view that the topics covered met the objective of equipping directors with the appropriate skills and knowledge to perform their duties. In addition, directors may approach Management should they require any further information.

The NC assesses each director's contribution to the Board's effectiveness according to the director's commitment, attendance record, overall preparedness, participation, candour and clarity in communication, skills and expertise, strategic insight, financial literacy, business judgement and sense of accountability, and whether the director continues to be a fit and proper person for office. The NC has not set a limit on the number of directorships that a director may hold. This is because the contribution of each director depends on individual circumstances, as directors have different abilities and companies are of different complexities. In evaluating the effectiveness of the Board and Board Committees, the NC considers the work performed by the Board and Board Committees.

Having considered each director's performance and known directorships and responsibilities, the NC is satisfied with the commitment and contributions of each director. It is also satisfied that all directors were actively engaged in the discharge of their duties on the Board and Board Committees in the year under review, contributing to the effectiveness of the Board and Board Committees.

The NC takes into account the performance of each director in its review of the Board composition and re-nomination of directors. At each AGM, one-third of the directors retire from office by rotation and are eligible for re-election, while directors who are over 70 years old are subject to annual re-appointment. New directors submit themselves for re-election at the first AGM following their appointment to the Board.

Remuneration Committee

The main responsibilities of the RC are to:

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

The RC consists of Messrs Wee Cho Yaw (RC chairman), Hsieh Fu Hua and James Koh Cher Siang. Except for an incumbent, the Banking Regulations require the chairman of a remuneration committee to be an independent director. The NC is of the opinion that Dr Wee Cho Yaw, the incumbent RC chairman and a non-independent director, should continue to chair the RC as he has in-depth experience in remuneration matters.

In recommending the level and structure of fees for directors, the RC takes into consideration the responsibilities of directors, frequency of Board and Board Committee meetings as well as industry practices. For the year under review, the RC has also recommended the payment of an advisory fee to Dr Wee Cho Yaw for his guidance and advice to the Board and Management. The proposed fees for directors and Dr Wee Cho Yaw are subject to shareholders' approval. Directors' fees and other remuneration are set out in the Directors' Report section.

The employee compensation framework is designed to maintain competitive remuneration to attract, retain and motivate a highly-skilled global workforce, while encouraging behaviours that strengthen the long-term financial strength of the Bank. Remuneration for employees is commensurate with their performance and contributions. The employee remuneration package comprises base salaries, performance bonuses, benefits and, where applicable, share-based incentives. The RC approves the overall performance bonus and the share-based incentive plan. More information on the share-based plan can be found in the Directors' Report section.

While the MAS Guidelines recommend the disclosure of the remuneration of the top five non-director executives, the Bank believes that it is not to its advantage or best interest to do so especially given the highly competitive market for talent. Except for the CEO, who is the son of Dr Wee Cho Yaw, no immediate family member of a director or the CEO was an employee of the Bank and whose remuneration exceeded $50,000 in 2014.

Further details on the Group's remuneration policy, systems and structures, including the remuneration mix and deferred remuneration for senior executives and employees, can be found in the Human Resource and Pillar 3 Disclosure sections.

Audit Committee

The AC members are Messrs Willie Cheng Jue Hiang (AC chairman), James Koh Cher Siang and Ong Yew Huat. The AC oversees matters relating to the following:

- financial statements, and internal and external audit plans and audit reports;
- adequacy and effectiveness of internal accounting control systems and material internal controls;
- quality of, and any significant change in, accounting policies and practices;
- adequacy, effectiveness and efficiency of the internal audit function;
- scope and results of the internal and external audits;
- effectiveness, independence, knowledge, competence and objectivity of the external auditor;
- appointment of the external auditor and its remuneration and terms of engagement;
- interested person transactions and material related party transactions;
- a policy and procedures for handling fraud and whistle-blowing cases; and
- appointment, remuneration and resignation of the Head of Group Audit.

Through the continuous development programme and quarterly discussions with the external and internal auditors, the AC is kept abreast of changes in accounting standards and developments in corporate governance which may have a direct impact on financial statements.

The AC has authority to investigate any matter within its terms of reference. It is entitled to the full co-operation of Management and the internal and external auditors in the discharge of its duties. The internal and external auditors report their findings and recommendations to the AC independently. The AC meets the external and internal auditors separately in the absence of Management at least annually.

Before the Bank announces the financial results, the AC reviews the financial statements. The process includes assessing the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements.

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

In assessing the external auditor for re-appointment, the AC is guided by the *Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors* issued by the Accounting and Corporate Regulatory Authority and the Singapore Exchange, and the *External Audits of Banks* issued by the Basel Committee on Banking Supervision. The AC takes into account feedback from the internal auditor and Management in its evaluation.

During the year, the external auditor provided quarterly affirmations of its independence to the AC. The fees paid to the external auditor for audit and non-audit services for the financial year are contained in the Notes to the Financial Statements section.

Having assessed the external auditor's work and non-audit services provided to the Bank and the audit and non-audit fees paid to the external auditor in 2014, the AC is satisfied that the external auditor was effective, independent and objective in its audit of the Bank. The AC is also satisfied that the external auditor has the requisite expertise and resources to perform its duties. It has nominated Ernst & Young LLP for re-appointment at the forthcoming AGM. UOB has complied with Rules 712 and 715 of the SGX-ST Listing Manual with regard to the appointment of auditing firms for the Bank and its subsidiaries.

The AC oversees Group Audit, the Bank's internal audit function. It reviews and approves the Internal Audit Charter which sets out the authority and responsibilities of Group Audit. It also reviews the adequacy and effectiveness of Group Audit. After reviewing the scope of internal audit for the financial year, the progress and results of the audits and the auditees' response to audit findings, the AC is satisfied that Group Audit has carried out its responsibilities effectively and efficiently. The Head of Group Audit has confirmed to the AC that Group Audit is adequately resourced.

Executive Committee

The EXCO consists of Messrs Wee Cho Yaw (EXCO chairman), Hsieh Fu Hua, Wee Ee Cheong, Franklin Leo Lavin and James Koh Cher Siang. Its main responsibilities are to:

- assist the Board to oversee the Bank's performance in specific businesses 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.

Corporate Governance

Board Risk Management Committee

The BRMC members are Messrs Wee Cho Yaw (BRMC chairman), Hsieh Fu Hua, Wee Ee Cheong and Ong Yew Huat and Mrs Lim Hwee Hua. The BRMC oversees risk management matters including the following:

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

Internal Controls and Risk Management

Group Audit

Group Audit performs independent assessment of the reliability, adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. It adopts the *Standards for the Professional Practice of Internal Auditing* set by the Institute of Internal Auditors and other relevant best practices, and is guided by *The Internal Audit Function in Banks* issued by the Basel Committee on Banking Supervision. The internal audit plan, which is reviewed annually and approved by the AC, is developed using a risk-based approach. Audit projects are prioritised and scoped based on Group Audit's assessment of the Bank's risks and controls over the risk types. Significant audit findings are highlighted to the AC through audit reports and at AC meetings. The Head of Group Audit reports functionally to the AC and administratively to the CEO.

Group Audit also oversees the internal audit functions of overseas banking subsidiaries. The Head of Group Audit is invited to attend the overseas banking subsidiaries' audit committee meetings.

Group Compliance

Group Compliance provides independent compliance support to business units and subsidiaries in Singapore, and governance oversight of the compliance functions of overseas branches and subsidiaries. It works with business and support units to identify, assess, monitor and manage regulatory compliance risks, and guides the units to adhere to approved compliance policies and procedures and ethical standards in the conduct of business. Group Compliance highlights significant compliance issues and regulatory developments to the Board and Senior Management through regular reports. It also monitors regulatory developments and provides advisories where appropriate.

Group Risk Management

The CRO, who reports functionally to the BRMC and administratively to the CEO, is responsible for the day-to-day operations of Group Risk Management. An independent function, Group Risk Management works with business and support units and the relevant senior management committees to develop and implement the appropriate risk management strategies, frameworks, policies and processes. It also oversees the risk management functions of overseas banking subsidiaries and branches. More information on the Bank's risk management can be found in the Risk Management and Pillar 3 Disclosure sections.

Senior Management Committees

Senior management committees assist the CEO to maintain the relevance and effectiveness of the Bank's frameworks, policies, processes and procedures. The committees are the Asset and Liability Committee, Brand Implementation Committee, Credit Committee, Human Resources Committee, Information and Technology Committee, Investment Committee, Management Committee, Management Executive Committee, Operational Risk Management Committee, and Risk and Capital Committee.

Ethical Standards

The Bank has a whistle-blowing policy which provides for any individual to report in good faith, without fear of reprisal, any suspected wrongdoing to the Head of Group Audit, AC chairman, CEO or Chairman of the Board. All reports received are accorded confidentiality and investigated independently by Group Audit. The AC receives whistle-blowing reports from Group Audit which administers the policy.

All employees have to observe a code of conduct which guides them on their conduct at the workplace and with stakeholders. The Bank's core values of integrity, performance excellence, teamwork, trust and respect are embodied in the code of conduct.

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

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

The Bank is committed to delivering fair dealing outcomes to customers. In addition to employee training, policies, guidelines and best practices are in place to embed fair dealing principles into UOB's organisational culture and daily operations. Procedures have also been established to handle customer complaints independently, effectively and promptly, and to communicate decisions to customers clearly.

Assessment

The AC and the Head of Group Audit have reviewed the Bank's internal controls, including financial, operational, compliance and information technology controls, and the BRMC has reviewed the risk management processes with the CRO.

The Board has received assurance from the CEO and CFO that the system of risk management and internal controls is effective, and that the financial records have been properly maintained and the financial statements give a true and fair view of UOB's operations and finances.

With the concurrence of the AC and BRMC, the Board is of the opinion that the system of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2014. The Board notes that no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud. UOB's current system of risk management and internal controls provides reasonable but not absolute assurance that the Bank will not be adversely affected by any reasonably foreseeable event. The Board has formed the opinion after conducting its review of the internal controls and risk management processes maintained by the Bank, the work performed by the internal and external auditors, and the reviews performed by Senior Management and the relevant Board Committees.

Access to Information

Directors have unfettered access to information and Management. They are provided with comprehensive and timely financial, risk management and operational reports. In discharging their duties, directors may seek independent professional advice at the Bank's expense.

Directors also have access to the Company Secretary, who assists them in the discharge of their duties and advises them on governance matters. The Company Secretary also organises the induction of new directors and the Bank's continuous development programme for directors.

Interested Person Transactions

The AC reviews all interested person transactions. The particulars of interested person transactions entered into during the year are set out in the table below.

Related party transactions are disclosed in the Notes to the Financial Statements section.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Haw Par Corporation Limited and its subsidiaries (Haw Par Group)	UOB Travel Planners Pte Ltd, a wholly-owned subsidiary of UOB, sold travel products and services to the Haw Par Group. The total value of these transactions was $218,517.	Nil
Kheng Leong Company (Private) Limited	UOB Travel Planners Pte Ltd sold travel products and services to Kheng Leong Company (Private) Limited. The total value of these transactions was $137,468.	Nil
PT UOB Kay Hian Securities	PT UOB Property, a wholly-owned subsidiary of UOB, leased its premises at 36th floor unit 1, UOB Plaza, Jalan M.H. Thamrin, Kav 8-10, Jakarta 10230, Indonesia to PT UOB Kay Hian Securities for 13 months at a total rent of US$84,370. The rent for the lease was supported by an independent valuation.	Nil
UOL Group Limited and its subsidiaries (UOL Group)	UOB Travel Planners Pte Ltd sold travel products and services to and acted as hotel services agent for the UOL Group. The total value of these transactions was $811,037.	Nil
Yangon Hotel Limited	The Bank rented the premises at #01-L1 Parkroyal Yangon, Myanmar from Yangon Hotel Limited, a subsidiary of UOL Group Limited, for two years at a total rent of US$318,274.80. The rent for the lease was supported by an independent valuation.	Nil
UOL Property Investments Pte Ltd	The Bank rented the premises at 101 Thomson Road, #15-01, United Square, Singapore 307591 from UOL Property Investments Pte Ltd, a subsidiary of UOL Group Limited, for two years at a total rent of $232,560. The rent for the lease was supported by an independent valuation.	Nil

Corporate Governance

Shareholder Rights and Communication

UOB has an investor relations policy on communicating with shareholders, investors and analysts, and discloses pertinent information via SGXNet and the UOB website on a timely basis.

The Bank announces the quarterly financial results within 45 days from the end of each quarter and the full-year financial results within 60 days from the financial year-end. The financial results and dividends recommended or declared for payment are announced on SGXNet. The annual report on the Bank's performance is sent to shareholders in a compact disc at least 14 days before the AGM. The annual report is also available on SGXNet and the UOB website.

Shareholders may give their views and feedback to the Board and Management at general meetings. The Bank issues the notice of a general meeting at least 14 days before the meeting. All shareholders are entitled to attend general meetings and may appoint up to two proxies to attend and vote in their place. Investors who hold shares through nominees and custodian banks may vote through their nominees or custodian banks, or attend general meetings as observers. Electronic poll-voting is conducted at general meetings, and shareholders and proxies are briefed on the voting procedures. The votes cast for or against each resolution are tallied and displayed at the close of voting, and announced on SGXNet after the general meeting.

Shareholders may also provide feedback through the Bank's Investor Relations unit whose contact details can be found in the Corporate Information section.

Capital Management

Our approach to capital management is to ensure that the Group and all banking entities maintain strong capital levels to support the business franchise and growth, to meet regulatory capital requirements at all times and to uphold rating agencies' confidence in UOB.

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 banking subsidiaries, taking into account anticipated future regulatory changes and stakeholder expectations;
- forecasting capital demand for material risks based on the Group's risk appetite. This is evaluated across all business segments and banking entities and includes the Group's capital position before and after mitigation actions under adverse economic conditions; and
- determining the requirements for capital issuance and the maturity profiles of capital securities.

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

The Bank is the primary equity capital provider to entities within the Group. The investments made in Group entities are funded mainly by the Bank's retained earnings and capital issuance. The banking subsidiaries manage their own capital to support their planned business growth and to meet regulatory requirements within the context of the Group's capital plan. Capital generated by subsidiaries that is 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)

The Group is subject to the Basel III capital adequacy standards required by the Monetary Authority of Singapore (MAS). For the year of 2014, we are required to maintain minimum Common Equity Tier 1 (CET1) CAR of 5.5 per cent, Tier 1 CAR of 7 per cent and Total CAR of 10 per cent at both the Bank and Group levels. The capital requirements will increase progressively over time to 9 per cent, 10.5 per cent and 12.5 per cent by 1 January 2019. While there is now greater clarity on regulatory capital requirements, there remains some uncertainty as regulatory frameworks continue to evolve. The Bank conducts a regular review of the evolving regulatory landscape and anticipates possible implications in relation to the management of capital, risks, funding and liquidity.

The table below shows the consolidated capital position of the Group as at 31 December 2014 and 31 December 2013. The approaches for the computation of risk-weighted assets can be found in the Risk Management and Pillar 3 Disclosure sections.

	2014 $ million	2013 $ million
Common Equity Tier 1 Capital		
Share capital	**3,715**	3,155
Disclosed reserves/others	**23,590**	20,981
Regulatory adjustments	**(2,408)**	(2,348)
Common Equity Tier 1 Capital	**24,897**	21,788
Additional Tier 1 Capital		
Preference shares/others	**2,180**	2,180
Regulatory adjustments – capped	**(2,180)**	(2,180)
Tier 1 Capital	**24,897**	21,788
Tier 2 Capital		
Subordinated notes	**4,405**	4,692
Provisions/others	**918**	867
Regulatory adjustments	**(12)**	(37)
Eligible Total Capital	**30,208**	27,310
Risk-Weighted Assets (RWA)		
Credit risk	**148,627**	140,470
Market risk	**18,295**	13,657
Operational risk	**11,870**	10,784
Total RWA	**178,792**	164,911
Capital Adequacy Ratios (%)		
CET1	**13.9**	13.2
Tier 1	**13.9**	13.2
Total	**16.9**	16.6

Disclosure on the regulatory capital composition, reconciliation of regulatory capital to the published balance sheet and key features of capital instruments is available on the UOB website at www.UOBGroup.com.

Our capital is divided into three tiers, each net of regulatory adjustments:

- CET1 Capital comprises paid-up ordinary share capital, disclosed reserves and qualifying minority interest;
- Additional Tier 1 (AT1) Capital comprises eligible non-cumulative non-convertible perpetual securities, and preference shares ineligible as capital instruments that are subject to partial recognition under the Basel III transitional rules; and

Capital Management

- Tier 2 Capital comprises eligible subordinated notes, subordinated notes ineligible as capital instruments that are subject to partial recognition under the Basel III transitional rules, and accounting provisions in excess of Basel expected loss.

In addition, under the phased-in timeline for Basel III implementation, regulatory adjustments consisting of goodwill, other intangible assets and deferred tax assets are deducted against CET1 Capital at zero per cent in 2013, progressing to 100 per cent by 2018. The remaining amount is deducted against available AT1 Capital with the shortfall taken against CET1 Capital. Other regulatory adjustments include corresponding deductions on investment in own shares as well as phased-in corresponding deductions on investments in private equity and venture capital entities, and investments approved under section 32 of the Banking Act that exceed the threshold for deduction.

A description of the key terms of the capital instruments included as eligible capital can be found in Notes 14 and 21 of the financial statements.

Our banking operations outside Singapore are also required to comply with the regulatory requirements in the country of operation. The table below shows the CAR of major banking subsidiaries as at 31 December 2014, based on local requirements of the respective countries.

	2014			
	Total	Capital Adequacy Ratios		
	Risk-Weighted Assets $ million	CET1 %	Tier 1 %	Total %
United Overseas Bank (Malaysia) Bhd	16,871	15.7	15.7	18.1
United Overseas Bank (Thai) Public Company Limited	9,739	15.2	15.2	18.0
PT Bank UOB Indonesia	7,119	NA	13.2	15.7
United Overseas Bank (China) Limited	5,781	14.7	14.7	15.6

Capital Management Initiatives in 2014

Tier 2 Capital

- Issue of US$800 million 3.75% fixed rate subordinated notes and S$500 million 3.5% fixed rate subordinated notes by the Bank on 19 March and 22 May 2014 respectively; and
- Redemption of US$1 billion 5.375% subordinated notes and S$1 billion 4.1% subordinated notes by the Bank on 3 September 2014.

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 2014, the Board has recommended a final one-tier tax-exempt dividend of 50 cents and a special one-tier tax-exempt dividend of 5 cents per ordinary share, bringing the full-year dividend to 75 cents per ordinary share. This represents a payout of $1,202 million, representing 37 per cent of the Group's net profit of $3,249 million.

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, 2.2 million treasury shares were delivered to meet the obligations under the employee long-term incentive plans. There was no share buyback in 2014.

Regulatory Developments

Disclosure Requirement for Assessing Global Systemically Important Banks (G-SIBs)

The Basel Committee on Banking Supervision assesses the systemic importance of banks in a global context and has developed an indicator-based methodology for identifying G-SIBs, upon which the higher capital requirements will be applied. The 12 indicators are based on the following five categories: size, interconnectedness, substitutability/financial institution infrastructure, cross-jurisdictional activity and complexity.

Although the Group is not a G-SIB, it is required under MAS Notice 637 to disclose these 12 indicators on an annual basis. The Group's 12 G-SIB indicators will be made available on the UOB website at www.UOBGroup.com.

Disclosure Requirement for Leverage Ratio

The Basel III framework introduced a leverage ratio as a non-risk based backstop limit intended to supplement the risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The introduction of this ratio started with a supervisory monitoring period in 2011, followed by a parallel run period from January 2013 to January 2017. A minimum ratio of 3 per cent is applied initially, with a view to migrate to a Pillar 1 requirement from January 2018.

While the MAS has not set the minimum leverage ratio for Singapore-incorporated banks, the Group is required under MAS Notice 637 to disclose the leverage ratio along with the quarterly financial results from 2015.

Risk Management

Risk Management Overview

Effective risk management is integral to the Group's business success. The Group's approach to risk management is to ensure that risks are managed within the levels established by the 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 oversees a governance structure that is designed to ensure that the Group's business activities are:

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

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

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

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

Risk Appetite

The Group has established a risk appetite framework to define the amount of risk that the Group is able and willing to take in pursuit of its business objectives. The risk appetite defines suitable thresholds and limits across key areas including but not limited to credit risk, country risk, market risk, liquidity risk, operational risk and reputational risk. The objective of establishing a risk appetite framework is not to limit risk-taking but to ensure that the Group's risk profile is aligned with its business strategy. Our risk-taking approach is focused on businesses which we understand and are well equipped to manage the risk involved. The Group will continue to upgrade its risk management, information technology and other capabilities to support its strategic aspirations.

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

Basel Framework

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

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

The Group has adopted the Internal Capital Adequacy Assessment Process (ICAAP) to assess on an ongoing basis the amount of capital necessary to support its activities. The ICAAP is reviewed periodically to ensure that the Bank remains well-capitalised after considering all material risks. Stress testing is conducted to determine capital adequacy under stressed conditions.

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

Credit Risk

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

Integral to the management of credit risk is a framework that clearly defines policies and processes relating to the measurement and management of credit risk. The Group's portfolio is also reviewed and stress-tested regularly, and the Group continuously monitors the operating environment to identify emerging risks and to formulate mitigating action.

Credit Risk Governance and Organisation

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

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

Credit Risk Policies and Processes

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

Credit Concentration Risk

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

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

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

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

Credit Stress Test

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

The Group's stress test scenarios consider potential and plausible macroeconomic and geopolitical events in varying degrees of likelihood and severity. The Group also considers varying strategic planning scenarios where the impact of different business scenarios and managerial actions are assessed. These are developed through consultation with relevant business units and are approved by senior management.

Credit Risk Mitigation

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

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

In extending credit facilities to small- and medium-sized enterprises (SMEs), personal guarantees are also 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 the PD of an eligible guarantor of an exposure will be used for calculating the capital requirement.

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

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

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

As at 31 December 2014, UOB was required to post additional collateral of US$17.4 million with its counterparties if its credit rating was downgraded by two notches.

Credit Monitoring and Remedial Management

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

Delinquency Monitoring

The Group monitors closely the delinquency of borrowing accounts as it is a key indicator of credit quality. An account is considered 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 the risk management function. 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. There is an independent credit review process to ensure the appropriateness of loan grading and classification in accordance with MAS Notice 612.

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

Upgrading and declassification of a Non-Performing account to 'Pass' or 'Special Mention' status must be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. 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 based on the Group's assessment of the financial condition of the borrower and the ability of the borrower to repay under the restructured terms. A restructured account must comply fully with the restructured terms in accordance with MAS Notice 612 before it can be declassified.

The Group provides for impairment for 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 the MAS' requirements.

Group Special Asset Management

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

Write-Off Policy

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

Internal Credit Rating System

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

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

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

The Group's internal rating structure is illustrated below.

a A 20-rating grade structure applies to the Group's Income Producing Real Estate (IPRE) exposures, with the exception of UOB (Thai) where the internal risk grades are mapped to five prescribed supervisory grades.

b Does not apply to Specialised Lending (IPRE).

Non-Retail Exposures

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

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

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

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

Corporate Asset Class

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

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

Specialised Lending Asset 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). Internal risk grades are derived based on a comprehensive assessment of financial and non-financial risk factors using internal scorecards.

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

Sovereign Asset Class

The Group has developed an internal Sovereign scorecard to rate exposures in this asset class. Public debt levels, balance of payments, fiscal budgets and other macroeconomic, stability and political risk factors are considered in the scorecard to assess sovereign credit risk in a structured and holistic manner. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Bank Asset Class

The Group has developed an internal Bank scorecard to rate exposures in this asset class which takes into account the asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The scorecard has an internal rating grade structure consisting of 15 pass grades.

Equity Asset Class

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 and funds.

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

Retail Exposures

The Group has adopted the AIRB approach for its retail exposures which comprise residential mortgages, qualifying revolving retail exposures and other retail exposures.

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

Residential Mortgage Asset Class

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

Qualifying Revolving Retail Exposures (QRRE) Asset Class

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

Other Retail Asset Class

This includes commercial properties, car loans, share financing and any other retail exposure not classified as Residential Mortgage or QRRE. These exposures are assessed and managed using the Group's framework of credit policies, procedures and risk segmentation models.

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, which have matured during the year. 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, manages structured finance assets, such as CDOs and ABSs as part of its asset management activities.

Risk weights for securitisation exposures are computed using the Ratings-Based Method for such exposures as prescribed under MAS Notice 637.

Credit Exposures Subject to Standardised Approach

The Group applies the SA for portfolios which are immaterial in terms of both size and risk profile and for transitioning portfolios. The transitioning portfolios, such as UOB Indonesia and exposures to non-bank financial institutions will be progressively migrated to the IRB approach over the next few years, subject to the approval of the MAS.

For exposures subject to the SA, 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 ALCO, which meets monthly to review and provide directions on market risk matters. The Market Risk Management (MRM) and Balance Sheet Risk Management (BSRM) Divisions support the BRMC, RCC and ALCO with independent assessment of the market risk profile of the Group.

The Group's market risk framework comprises market risk policies, practices, and the control structure with appropriate delegation of authority and market risk limits. The valuation methodologies employed by the Group are in line with sound market practices. Valuation and risk models are independently validated. 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 the Bank. This ensures that the Group and the Bank remain well-capitalised, even under stress conditions. The risk appetite is translated into risk limits that are delegated to business units. These risk limits have proportional returns that are commensurate with the risks taken.

Market risk appetite is provided for all trading exposure within the Group as well as the Group's non-trading FX exposures. Majority of the non-trading FX exposures are arising from the investment in the overseas subsidiaries in Asia.

Standardised Approach

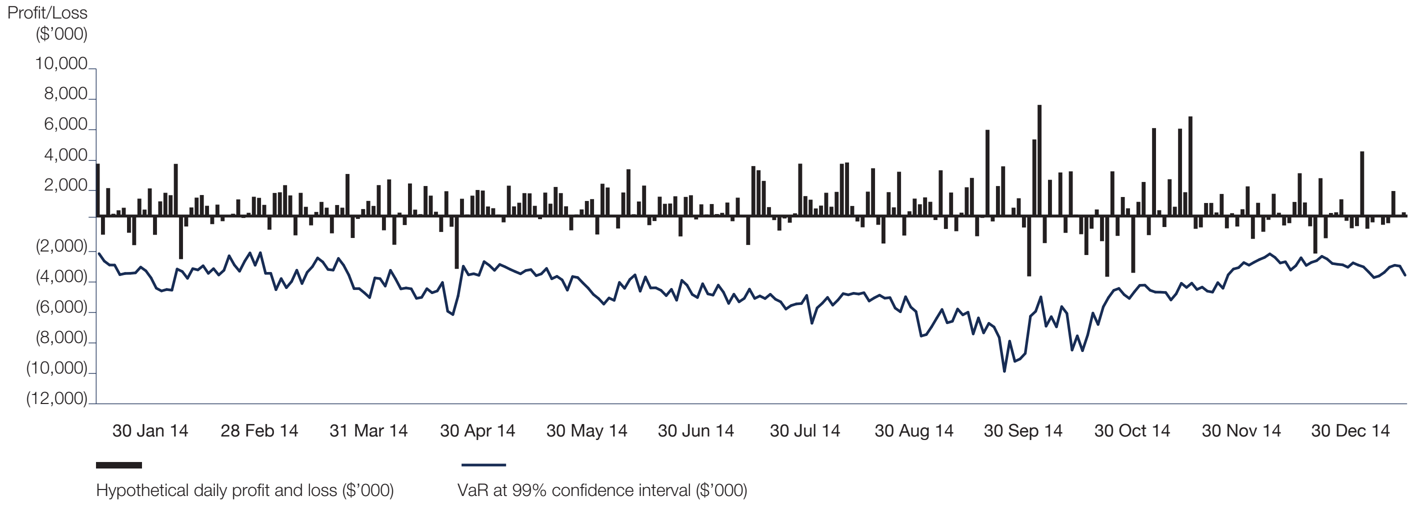
The Group currently adopts the SA for the calculation of regulatory market risk capital but uses the Internal Models Approach to measure and control trading market risks. The financial products warehoused, measured and controlled with internal models include FX and FX options, plain vanilla interest rate contracts and interest rate options, government and corporate bonds, equities and equity options, commodity contracts and commodity options.

Internal Models Approach

The Group estimates a daily Value-at-Risk (VaR) within a 99 per cent confidence interval, using the historical simulation method, as a control for market risk. The method assumes that possible future changes in market rates may be implied by observed historical market movements.

Group Trading Backtesting Chart

(Hypothetical daily profit and loss versus VaR at 99% confidence interval)

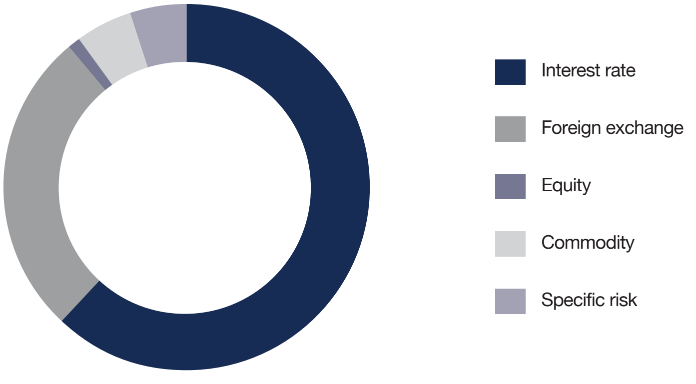


As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit and loss of the trading book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtest exceptions are tabled at the ALCO with recommended actions and resolutions.

To complement the VaR measure, 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 risk.

The Group's daily VaR on 31 December 2014 was $3.96 million.

Group Trading VaR for General Market Risk by Risk Class[a]



a The contributions from equity and commodity risks are 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.

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.

Banking book interest rate risk exposure is quantified on a monthly basis using a combination of static analysis tools and dynamic simulation techniques. Static analysis tools include repricing schedules and sensitivity analysis. They provide indications of the potential impact of interest rate changes on interest income and price value through the analysis of the sensitivity of assets and liabilities to changes in interest rates. Interest rate sensitivity varies with different repricing periods, currencies and embedded options. Mismatches in the longer tenor will experience greater change in the price-value of interest rate positions than similar positions in the shorter tenor.

In the dynamic simulation process, both the earnings and Economic Value of Equity (EVE) approaches are applied to assess interest rate risk. The potential effects of interest rate change on interest income 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, to meet deposit withdrawals and loan disbursements, to participate in new investments, and to repay borrowings. Hence, liquidity is managed in a manner to address known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approved by the ALCO. These policies, controls and limits enable the Group to monitor and 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.

Liquidity risk is aligned with the regulatory liquidity risk management framework and is measured and managed on a projected cash flow basis. The Group is monitored under business-as-usual and stress scenarios. Cash flow mismatch limits are established to limit the Group's liquidity exposure. The Group also employs liquidity early warning indicators and trigger points to signal possible contingency situations. With regard to the regulatory requirements on Liquidity Coverage Ratio (LCR) which are effective from 1 January 2015, the Group's ratios were above 100 per cent for both the All Currency LCR and the Singapore Dollar LCR as at 31 December 2014.

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.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes reputation, legal and regulatory risks but excludes strategic risk.

The objective is to manage operational risk at appropriate levels relative to the markets in which the businesses operate.

Operational Risk Governance, Framework and Tools

Operational risk is managed through a framework of policies and procedures by which business and support units properly identify, assess, monitor, mitigate and report their risks. The ORMC meets monthly to provide oversight of operational risk matters across the Group.

The Operational Risk Governance structure adopts the Three Lines of Defence Model. The businesses, as the first line of defence, are responsible for establishing a robust control environment as part of their day-to-day operations. Each business is responsible for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities.

Operational Risk Management Division, as the second line of defence, oversees the management of operational risk. It exercises governance over operational risk through providing relevant frameworks, policies, tools and systems, quality assurance of internal controls as well as operational risk measurement. It also monitors and reports operational risk issues to senior management, the relevant management committees and the Board.

Group Audit acts as the third line of defence by providing an independent and objective assessment on the overall effectiveness of the risk governance framework and internal controls through periodic audit reviews.

A key component of the operational risk management framework is risk identification and control self-assessments. This is achieved through the Group-wide implementation of a set of operational risk tools. Several risk mitigation policies and programmes are in place to maintain a sound operating environment.

The Group has a business continuity and crisis management programme in place to ensure prompt recovery of critical business functions should there be unforeseen events. Senior management provides an annual attestation to the Board on the state of business continuity readiness of the Group.

A technology risk management framework has been established, enabling the Group to manage technology risks in a systematic and consistent manner.

Regulatory risk refers to the risk of non-compliance with laws, regulations, rules, standards and codes of conduct. This risk is identified, monitored and managed through a structured framework of policies, procedures and guidelines maintained by the Group. The framework also manages the risk of breaches and sanctions relating to Anti-Money Laundering and Countering the Financing of Terrorism.

The Group actively manages fraud risk and bribery risks. Tools and policies, including a whistle-blowing programme, a material risk notification protocol and a fraud risk awareness training programme, have been developed to manage such risks. All employees are guided by a Code of Conduct, which includes anti-bribery and corruption provisions.

Reputation risk is the risk of adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion of the Group's business practices, activities and financial condition. The Group recognises the impact of reputation risk and a framework has been developed to identify and manage the risk across the Group.

To mitigate operational losses resulting from significant risk events, a Group insurance programme covering crime, fraud, civil liability, property damage, public liability, as well as directors' and officers' liability has been put in place.

Human Resource

Group Total Compensation Framework

The Group's total compensation framework is designed to provide competitive compensation to employees. It is adjusted for the underlying risks that the Group undertakes for the performance that the Group delivers.

Group Total Compensation Framework

Risk and Performance Levers	Remuneration Levers
Affordability Sustainable capital strength	**Governance** Internal control and governance culture
Performance metrics Financial outcomes and business drivers	**Compensation structure** Mix between fixed and variable pay
Risk and reputation Risk Appetite Statement outcomes	**Deferred rewards** Alignment with risk over a long-term time horizon

Under the framework, remuneration programmes are contingent on the outcomes of risk and performance levers at the Group level. The remuneration is then apportioned based on the outcomes of appropriate risk and performance levers relevant to the business unit and individuals. These levers work in unison to ensure alignment of individual employees' performance and remuneration with the business outcomes at the Group level.

The Group continues to make use of economic profit as a risk-adjusted measure to take into account the costs of capital in determining the performance of the Group and individual business units. Economic profit is also used as a metric to determine the performance bonus for senior executives of the Group. The following table summarises the various types of performance metrics used in the funding of compensation and performance measurement for distribution of compensation within the Group.

Types of metrics used	Revenue	Profit	Liquidity	Portfolio quality	Return	Economic profit
For compensation funding		✓				✓
For performance measurement	✓	✓	✓	✓	✓	✓

Remuneration Governance

The Remuneration Committee (RC) comprises three non-executive directors, two of whom are independent. In determining compensation for the Group, the RC takes into account various factors, including expected future prospects, performance, income stream and business outlook to ensure that the compensation framework for the Group is appropriately aligned with shareholders' interests. Details of the composition of the RC and a summary of its key roles and responsibilities are contained in the Corporate Governance section of this report.

Two meetings of the RC were convened during the year. Directors' fees in respect of 2014 totalling $1,285,000 have been proposed for the three members of the RC. This amount includes the directors' basic fees, as well as allowances for the various Board Committees on which they serve.

Salary surveys conducted by external compensation consultants were used in 2014 for employee salary benchmarking purposes. In 2014, the Human Resources Committee engaged risk management and compensation consultants, Oliver Wyman and Mercer, to conduct an independent review of and to design the Group's total compensation framework to ensure compliance with the compensation principles set by the Financial Stability Board.

Remuneration Policy and Processes

The remuneration policy is applicable Group-wide and includes overseas subsidiaries and branches. The policy covers the remuneration of non-executive directors and employees, including senior executives and material risk takers. Senior executives include the Group Chief Executive Officer and employees at the corporate grade of Managing Director. In 2014, the Group updated the definition of material risk takers to include senior executives, employees who head risk-taking businesses, control functions and branches with high risk mandates in the form of risk-weighted assets, and senior traders with high desk limits.

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 with prudent risk-taking and balance short-term remuneration with longer-term performance. The remuneration policy sets out the policies governing total compensation and employee benefits. Total compensation includes fixed pay, performance-based variable pay and share-based long-term incentives. To manage fixed pay, the Group instituted salary ranges in 2014. The Group also conducts regular reviews of the remuneration policy to ensure that compensation practices and programmes are consistent with regulatory requirements and are responsive to market developments. The Group's remuneration policy was last reviewed and approved by the RC in February 2015.

To avoid conflict of interest, employees in control functions, namely, Risk Management, Audit, Credit and Compliance are compensated independently of the performance of any business lines or business units that they oversee. Compensation for employees in control functions takes into consideration the market pay levels for the control function and the individual jobs/roles, the overall performance of the Group, achievement of operational key performance indicators (KPIs) of the control function, as well as the performance of individual employees. To further strengthen the independence of control functions, performance bonuses for control functions are capped at no more than 10 per cent variance from the on-target performance levels.

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 offered selectively to key hires for the initial year.

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

Variable Compensation and Performance Adjustment Mechanisms

The Group gives variable compensation to employees in the form of annual performance bonus and long-term share-based awards under the Executive Equity Plan (EEP). EEP awards are made based on the seniority level, the role performed and the actual performance of the employee. This ensures that a substantial proportion of the total compensation awarded to such employees is made in the form of equity-linked instruments which are aligned with long-term value creation and prudent risk-taking. Eligible participants are granted performance-contingent restricted shares under the EEP.

From 2014, a larger portion of EEP awards will vest on the third anniversary of the grant in line with the Group's focus on longer-term performance. Subject to the achievement of future performance targets, 30 per cent of the award will vest on the second anniversary of the grant while the remaining 70 per cent 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 granted may be vested. Conversely, in the event of underperformance, the grants may be partially or fully forfeited. The RC is the approving authority for the EEP.

Performance bonuses paid to employees under the total compensation framework are designed to ensure that employees are fairly compensated for the productivity delivered. The bonus pool for each financial year is subject to the outcomes of the Group scorecard which measures performance under three categories, namely financial outcomes, business drivers and, risk and reputation. Under financial outcomes are KPIs that focus on profitability, risk and capital efficiency, and cross-selling. These financial KPIs include net profit, risk-adjusted return on capital (which incorporates economic profit) and collaboration income. Under business drivers are KPIs that focus on the Group's regionalisation strategy, liquidity and portfolio quality. These business drivers KPIs include overseas profit contribution, loan-to-deposit ratio (LDR) and non-performing loans (NPL). Depending on the achievement of all these KPIs, the bonus pool of the Group may be increased by up to a maximum of 20 per cent in the event of outperformance or be reduced to zero in the event of underperformance. In addition, the bonus pool is subject to the risk and reputation outcomes under the Group's Risk Appetite Statement, which are separately assessed by the Board Risk Management Committee (BRMC). The RC may further reduce the bonus pool as it deems fit. Upon the RC's approval of the bonus pool for the Group, the bonus for each business unit is then allocated based on the scorecard achievement by the business unit.

Human Resource

Since 2010, the Group has adopted economic profit as a key risk-adjusted metric in determining performance and compensation. Economic profit takes into account the risks that the Group is exposed to, and the resulting costs of capital usage. Exposure to businesses or geographies of a higher risk profile will result in lower economic profit, thus reducing the overall compensation of the Group. Liquidity risk is incorporated into the cost of funds under the Group's funds transfer pricing framework. A higher liquidity risk premium reduces the economic profit of the business unit and will therefore result in a lower performance level and compensation for the business. The Group believes that the use of economic profit as a performance metric will better align employees' behaviours with shareholders' expectations in value creation.

The Group's variable pay deferral policy applies to all employees regardless of role or seniority, with a specific focus on the variable pay of senior executives, material risk takers and high earners. The objective of the deferral policy is to enhance alignment of compensation payment schedules with the time horizon of risks and to focus employees on sustainable longer-term performance. Employees who may not have been identified as material risk takers but may similarly expose the Group to reputational and other qualitative risks are also included under the variable pay deferral policy. Under the deferral policy, variable pay, including performance bonus and share-based EEP awards, 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 variable pay received. Where the quantum of variable pay deferral exceeds the EEP awards granted, the excess will be deferred in the form of cash. Deferred cash will vest equally over three years subject to predetermined performance conditions. In the event that such performance conditions are not met, unvested deferred cash 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 variable pay is deferred. Of the deferred variable pay, 40 per cent will be in deferred cash, while the remaining 60 per cent is deferred in the form of share-linked performance units. Subject to the achievement of predetermined performance conditions, 30 per cent of the units will vest after two years, and 70 per cent will vest after three years.

In addition to predetermined performance conditions for the vesting of deferred compensation (i.e. deferred cash and share-based EEP awards), unvested deferred compensation is subject to malus as the RC may deem necessary in the event of misconduct, material restatement of financial results, bank-wide losses or any other events. In cases of material risks, financial misstatements, gross misconduct, malfeasance or fraud, the RC may in its absolute discretion, require clawback of any paid compensation.

Pillar 3 Disclosure

In compliance with the requirements under Basel Pillar 3 and the 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*, Management Discussion and Analysis and Notes to the Financial Statements. The disclosures are to facilitate the understanding of the UOB Group's risk profile and assessment of the Group's capital adequacy.

Scope of Application

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

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

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

* Semi-annual updates are available on UOB's website at www.UOBGroup.com

Summary of Exposure at Default (EAD) and Risk-Weighted Assets (RWA)

	EAD $ million	RWA $ million
Credit Risk		
IRB Approach		
Corporate	126,001	90,799
Sovereign	49,310	1,151
Bank	35,451	6,506
Residential Mortgage[a]	65,045	8,949
Qualifying Revolving Retail[a]	6,255	2,329
Other Retail[a]	18,999	3,813
Equity	2,290	7,712
Securitisation	81	269
Total IRB Approach	**303,432**	**121,528**
Standardised Approach[b]		
Corporate	9,132	8,151
Sovereign	1,721	306
Bank	1,826	247
Regulatory Retail	1,203	919
Residential Mortgage	1,496	626
Commercial Real Estate	2,458	2,494
Fixed Assets	2,830	2,830
Other Exposures	4,635	2,556
Total Standardised Approach	**25,301**	**18,129**
Credit Valuation Adjustment		**2,397**
Central Counterparties		**120**
Investments approved under section 32 of the Banking Act (below threshold for deduction)		**6,453**
Total Credit Risk		**148,627**
Market Risk		
Standardised Approach		**18,295**
Operational Risk		
Standardised Approach		**11,870**
Total		**178,792**

a Credit exposures under Advanced Internal Ratings-Based Approach.

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

IRB: Internal Ratings-Based

Based on the Group's Total RWA, the Group's minimum capital requirement as at 31 December 2014 is $17,879 million.

Pillar 3 Disclosure

Credit Risk Exposures

Counterparty Credit Risk Exposures

	$ million
Gross positive fair value of contracts	10,175
Netting effects	(3,101)
Exposure under current exposure method	**7,074**
Analysed by type:	
Interest rate contracts	2,503
Foreign exchange contracts and gold	3,404
Equity contracts	682
Credit derivative contracts	94
Precious metals and other commodity contracts	391
Collateral held	
Financial Collateral	(175)
Others	(7)
Net derivatives credit exposure	**6,892**

Credit Derivative Exposures

	Notional amounts bought $ million	Notional amounts sold $ million
Own credit portfolio	802	–
Intermediation portfolio	220	220
Total credit default swaps	**1,022**	**220**

Credit Exposures Secured by Eligible Collateral, Guarantees and Credit Derivatives

	Amount by which total exposures are covered by:	
	Eligible Collateral[a] $ million	Credit Protection $ million
Standardised		
Corporate	1,602	34
Bank	5	–
Retail	178	–
Commercial Real Estate	13	3
Others	689	–
Standardised Total	**2,487**	**37**
FIRB		
Corporate	17,034[b]	11,957
Sovereign	1,847	–
Bank	1,834	–
FIRB Total	**20,715**	**11,957**
Total	**23,202**	**11,994**

a The Group currently uses supervisory prescribed haircuts for eligible financial collateral.

b Include other eligible IRBA collateral of $10,658 million.

Credit Exposures Subject to Standardised Approach

Risk Weights	Net Exposures[a] $ million
0% to 35%	6,118
50% to 75%	3,856
100% and above	15,327
Total	**25,301**

a Net exposures after credit mitigation and provisions.

RWA based on the Assessments of Each Recognised ECAI

ECAI	RWA $ million
Moody's	639
S&P	758
Fitch	22
Total	**1,419**

ECAI: External Credit Assessment Institution

Credit Exposures Subject to Supervisory Risk Weight under IRB Approach

Risk Weights	Specialised Lending $ million	Equity (SRW Method) $ million
0% to 50%	2,004	–
51% to 100%	2,530	–
101% and above	601	1,683
Total	**5,135**	**1,683**

SRW: Simple Risk Weight

Risk Weights	Securitisation[a] $ million
0% to 50%	60
1250%	21
Total	**81**

a Securitisation exposures purchased.

Credit Risk Profile

The following tables show the breakdown of exposures by RWA and EAD using the respective internal rating scale for the model applicable to the asset classes:

Large Corporate, SME and Specialised Lending (IPRE) Exposures

CRR Band	PD Range	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 2.37%	71,690	108,064	66
10 – 16	> 2.37%	15,468	12,008	129
Default		–	786	–
Total		**87,158**	**120,858**	**72**

SME: Small- and Medium-sized Enterprises

IPRE: Income Producing Real Estate

CRR: Customer Risk Rating

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

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
Strong	1,129	1,898	60
Good	1,753	1,947	90
Satisfactory	710	582	122
Weak	49	18	265
Default	–	690	–
Total	**3,641**	**5,135**	**71**

CF: Commodities Finance

PF: Project Finance

SF: Ship Finance

Sovereign Exposures

CRR Band	PD Range	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	1,033	49,186	2
10 – 16	> 0.28%	118	124	95
Default		–	–	NA
Total		**1,151**	**49,310**	**2**

Bank Exposures

CRR Band	PD Range	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	4,374	31,654	14
10 – 16	> 0.28%	2,132	3,797	56
Default		–	–	NA
Total		**6,506**	**35,451**	**18**

Equity (PD/LGD Method) Exposures

CRR Band	PD Range	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	531	375	141
10 – 16	> 0.28%	1,044	232	451
Default		–	–	NA
Total		**1,575**	**607**	**259**

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
Up to 1%	3,925	48,762	8	11	1,951
> 1 to 2%	1,153	6,839	17	10	40
> 2%	3,591	8,923	40	12	75
Default	280	521	54	14	–
Total	**8,949**	**65,045**	**14**	**11**	**2,066**

Retail (QRRE) Exposures

PD Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %	Exposure-weighted Average LGD %	Undrawn $ million
Up to 1%	393	3,567	11	41	1,638
> 1 to 2%	166	964	17	29	666
> 2%	1,687	1,679	101	64	245
Default	83	45	185	73	–
Total	**2,329**	**6,255**	**37**	**45**	**2,549**

QRRE: Qualifying Revolving Retail Exposures

Retail (Other Retail) Exposures

PD Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %	Exposure-weighted Average LGD %	Undrawn $ million
Up to 1%	1,489	12,870	12	15	1,695
> 1 to 2%	528	1,995	26	22	391
> 2%	1,651	3,978	42	26	447
Default	145	156	93	32	–
Total	**3,813**	**18,999**	**20**	**18**	**2,533**

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 2014.

Asset Class	Actual loss $ million	Expected Loss[a] (as at 31 December 2013) $ million
Corporate	45	507
Sovereign	–	1
Bank	–	37
Retail	126	301
Total	**171**	**846**

a Excludes defaulted exposures.

Comparison of Actual Loss and Expected Loss by Asset Class

The actual loss for the Group's IRB portfolio in 2014 was lower than the Expected Loss (EL) that was estimated for 2014 at the end of December 2013. The Group continues to be proactive in its risk management approach to ensure that actual losses remained within the Group's expectations.

EL is the estimated credit loss from defaults over a one-year horizon. EL is the product of PD, LGD and EAD. A comparison of actual loss and expected loss provides an indication of the predictive power of the IRB models used by the Group. However, they are not directly comparable due to the following reasons:

- EL as at 31 December 2013 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.

Credit Exposures by Residual Contractual Maturity

The following table shows the Group's credit exposures by remaining contractual maturities.

	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million	Over 1 to 3 years $ million	Over 3 years $ million	No specific maturity $ million	Total $ million
Balances and placements with central banks	13,213	3,561	5,751	4,169	21	–	6,842	33,557
Singapore Government treasury bills and securities	–	–	1,138	1,411	2,304	2,569	335	7,757
Other government treasury bills and securities	501	452	1,504	3,249	2,695	1,755	(15)	10,141
Trading debt securities	–	1	5	68	53	529	37	693
Placements and balances with banks	7,819	4,714	7,498	6,448	600	–	1,613	28,692
Loans to non-bank customers	7,751	14,712	13,184	14,848	31,533	107,907	5,968	195,903
Derivative financial assets	–	–	–	–	–	–	6,306	6,306
Investment debt securities	–	12	247	1,734	2,375	3,756	271	8,395
Others	–	–	–	–	–	–	1,579	1,579
Total	**29,284**	**23,452**	**29,327**	**31,927**	**39,581**	**116,516**	**22,936**	**293,023**

Ageing Analysis of Loans and Advances (by Performing and Non-Performing)

	$ million
Performing Loans	
– Neither past due nor impaired	193,344
– Past due but not impaired	3,641
Non-Performing Loans	2,358
Total Gross Loans	**199,343**

Past Due but not Impaired Loans

	< 30 days $ million	30 – 59 days $ million	60 – 90 days $ million	Total $ million
Analysed by past due period and geography[a]				
Singapore	1,417	634	48	2,099
Malaysia	528	319	74	921
Thailand	127	22	5	154
Indonesia	94	70	6	170
Greater China	25	32	–	57
Others	173	54	13	240
Total	**2,364**	**1,131**	**146**	**3,641**

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

	< 30 days $ million	30 – 59 days $ million	60 – 90 days $ million	Total $ million
Analysed by past due period and industry				
Transport, storage and communication	38	27	–	65
Building and construction	224	100	15	339
Manufacturing	348	23	9	380
Financial institutions	227	17	–	244
General commerce	857	99	26	982
Professionals and private individuals	311	229	32	572
Housing Loans	293	625	53	971
Others	66	11	11	88
Total	**2,364**	**1,131**	**146**	**3,641**

Pillar 3 Disclosure

Past Due Non-Performing Assets

	< 90 days $ million	90 – 180 days $ million	> 180 days $ million	Total $ million
Analysed by past due period and geography[a]				
Singapore	388	119	357	864
Malaysia	115	60	211	386
Thailand	46	50	171	267
Indonesia	10	54	234	298
Greater China	28	17	80	125
Others	12	19	387	418
Non-performing loan	**599**	**319**	**1,440**	**2,358**
Debt securities, contingent items and others	89	–	141	230
Total	**688**	**319**	**1,581**	**2,588**

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

	< 90 days $ million	90 – 180 days $ million	> 180 days $ million	Total $ million
Analysed by past due period and industry				
Transport, storage and communication	239	–	475	714
Building and construction	116	28	48	192
Manufacturing	21	24	235	280
Financial institutions	44	27	72	143
General commerce	69	32	164	265
Professionals and private individuals	51	58	100	209
Housing Loans	54	121	332	507
Others	5	29	14	48
Non-performing loan	**599**	**319**	**1,440**	**2,358**
Debt securities, contingent items and others	89	–	141	230
Total	**688**	**319**	**1,581**	**2,588**

Movements in Individual and Collective Impairment

	Balance as at 1 January 2014 $ million	Net Charge to income statement[a] $ million	Write-off $ million	Exchange and other movements $ million	Balance at 31 December 2014 $ million
Individual impairment	798	174	(323)	8	657
Collective impairment	2,323	388	–	72	2,783
Total	**3,121**	**562**	**(323)**	**80**	**3,440**

a Excludes direct charge-offs and recoveries of $160 million and $80 million respectively.

Movement of Individual Impairment by Industry

	Balance as at 1 January 2014 $ million	Net charge to income statement $ million	Write-off $ million	Exchange and other movements $ million	Balance at 31 December 2014 $ million
Transport, storage and communication	366	29	(173)	4	226
Building and construction	28	23	(8)	1	44
Manufacturing	123	36	(33)	–	126
Financial institutions	4	2	–	–	6
General commerce	126	31	(48)	1	110
Professionals and private individuals	91	35	(36)	2	92
Housing Loans	28	13	(1)	–	40
Others	32	5	(24)	–	13
Total	**798**	**174**	**(323)**	**8**	**657**

Market Risk

Capital requirements by market risk type under Standardised Approach:

Analysed by Risk Type	$ million
Interest rate	607
Equity	1
Foreign exchange	832
Commodity	24
Total	**1,464**

This comprises all trading book, non-trading commodity and non-trading FX exposures.

Equity Exposures in the Banking Book

The following table shows the value of the equity exposures under IRB Approach in the banking book:

	SRW Method		PD/LGD Method	
	EAD $ million	Exposure-weighted Average Risk Weights %	EAD $ million	Exposure-weighted Average Risk Weights %
Listed securities	942	318	476	270
Other equity holdings	741	424	131	222
Total	**1,683**		**607**	

Total equity exposures that were deducted from capital amounted to $20 million.

Gains and Losses

	Unrealised Gains/(Losses) Eligible as CET1 Capital $ million	Realised Gains/(Losses) during the Period $ million
Total	**1,112**	**178**

Pillar 3 Disclosure

Remuneration Disclosures

The following tables show the breakdown of remuneration for Senior Executives (SEs) and Material Risk Takers (MRTs) for the year ended 31 December 2014. The Bank believes that it is not to its advantage or best interest to disclose absolute remuneration amounts especially given the highly competitive market for talent, hence the breakdown of remuneration awarded has been reflected in percentages.

Guaranteed Bonuses, Sign-On Awards and Severance Payments

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	5	-
Number of sign-on awards	10	2
Number of severance payments	-	-
Total amounts of above payments made for the financial year ($'000)	4,330	30
Number of employees	65	119
Number of employees that received variable pay	63	116

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

Category of Remuneration		SEs		MRTs	
		Unrestricted %	Deferred %	Unrestricted %	Deferred %
Fixed	Cash-based	38	-	58	-
	Shares and share-linked instruments	-	-	-	-
	Other forms of remuneration	-	-	-	-
Variable	Cash-based	38	3	32	-
	Shares and share-linked instruments	-	21	-	10
	Other forms of remuneration	-	-	-	-
Total		**100**		**100**	

Breakdown of Long-Term Remuneration Awards

Category of Remuneration	SEs %	MRTs %
Change in deferred remuneration paid out in current financial year	3	5
Change in amount of outstanding deferred remuneration from previous financial year	25	16
Outstanding deferred remuneration (breakdown)		
Cash	16	1
Shares and share-linked instruments	84	99
Other forms of remuneration	-	-
Total	**100**	**100**

Outstanding deferred remuneration (performance adjustments)		
Of which exposed to ex-post adjustments	100	100
Reductions in current year due to ex-post adjustments (explicit[1])	-	-
Reductions in current year due to ex-post adjustments (implicit[2])	-	-
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 2014

Financial Report

Notes:
Certain comparative figures have been restated to conform with the current year's presentation.
Certain figures in this section may not add up to the relevant totals due to rounding.
Amounts less than $500,000 in absolute term are shown as "0".
"NM" denotes not meaningful.

Management Discussion and Analysis

Overview

	2014	2013	+/(-) %
Selected Income Statement Items ($ million)			
Net interest income	**4,558**	4,120	10.6
Fee and commission income	**1,749**	1,731	1.1
Other non-interest income	**1,151**	870	32.3
Total income	**7,457**	6,720	11.0
Less: Total expenses	**3,146**	2,898	8.6
Operating profit	**4,311**	3,822	12.8
Less: Impairment charges	**635**	429	48.1
Add: Share of profit of associates and joint ventures	**149**	191	(21.9)
Net profit before tax	**3,825**	3,584	6.7
Less: Tax and non-controlling interests	**576**	576	(0.1)
Net profit after tax[1]	**3,249**	3,008	8.0
Selected Balance Sheet Items ($ million)			
Net customer loans	**195,903**	178,857	9.5
Customer deposits	**233,750**	214,548	9.0
Total assets	**306,736**	284,229	7.9
Shareholders' equity[1]	**29,569**	26,388	12.1
Key Financial Ratios (%)			
Net interest margin	**1.71**	1.72	
Non-interest income/Total income	**38.9**	38.7	
Expense/Income ratio	**42.2**	43.1	
Overseas profit before tax contribution	**38.7**	39.1	
Loan charge off rate (bp)			
Exclude collective impairment	**12**	8	
Include collective impairment	**32**	30	
Non-performing loans ratio[2]	**1.2**	1.1	
Return on average total assets	**1.10**	1.12	
Return on average ordinary shareholders' equity[3]	**12.3**	12.3	
Loan/Deposit ratio[4]	**83.8**	83.4	
Capital adequacy ratios			
Common Equity Tier 1	**13.9**	13.2	
Tier 1	**13.9**	13.2	
Total	**16.9**	16.6	
Earnings per ordinary share ($)[3]			
Basic	**1.98**	1.84	
Diluted	**1.97**	1.84	
Net asset value (NAV) per ordinary share ($)[5]	**17.09**	15.36	
Revalued NAV per ordinary share ($)[5]	**19.73**	17.96	

1 Relate to amount attributable to equity holders of the Bank.
2 Refer to non-performing loans as a percentage of gross customer loans.
3 Calculated based on profit attributable to equity holders of the Bank net of preference share dividend and capital securities distributions.
4 Refer to net customer loans and customer deposits.
5 Preference shares and capital securities are excluded from the computation.

Management Discussion and Analysis

Performance Review

The Group delivered strong net earnings of $3.25 billion, an increase of 8.0% from a year ago. Total income rose 11.0% year-on-year, crossing a new record at $7.46 billion, driven by robust loan growth and higher trading and investment income.

Net interest income registered a double-digit growth of 10.6% from a year ago to $4.56 billion on strong loan growth. Net interest margin was stable at 1.71%.

Non-interest income rose 11.5% to $2.90 billion in 2014. Fee and commission income increased 1.1% to $1.75 billion from a year ago with increased contributions from credit card, wealth management, trade and loan-related activities, but partly offset by lower fund management and corporate finance fees. Trading and investment income surged 50.1% to $817 million on higher treasury customer income, investment gains and trading income on the back of improved market sentiment, after concerns over quantitative easing tapering in 2013.

Operating expenses increased 8.6% from a year ago to $3.15 billion mainly due to higher staff costs, revenue and IT-related expenses to support the Group's growing franchise and increased business volume. With a stronger revenue growth, expense-to-income ratio improved from 43.1% to 42.2%.

Total impairment charges of $635 million was 48.1% higher than a year ago due to a larger loan book coupled with an increase in the total charge off rate to 32 basis points. Individual impairment on loans increased due to a few isolated non-performing accounts in Thailand and Indonesia.

The share of associates' profits decreased 21.9% from a year ago to $149 million, as some associates realised non-recurring gain on investments in 2013.

Gross customer loans rose 9.5% year-on-year to $199 billion as at 31 December 2014. Loan growth was broad-based across most of the territories and industries.

With the Group's ongoing efforts to build a sustainable funding base, customer deposits increased 9.0% from a year ago to $234 billion as at 31 December 2014. Total and SGD loan-to-deposit ratios stayed healthy at 83.8% and 93.0% respectively as at 31 December 2014.

Asset quality remained sound with non-performing loans (NPL) ratio at 1.2% while NPL coverage was strong at 145.9%. NPL increased to $2.36 billion in 2014, as compared with 2013, due to a few isolated NPL accounts in Singapore, Thailand and Indonesia.

Shareholders' equity was $29.6 billion as at 31 December 2014, up 12.1% due to net profit, improved valuation on the available-for-sale investments and issuance of new ordinary shares pursuant to the scrip dividend scheme. Return on equity for 2014 was 12.3%.

As at 31 December 2014, the Group's capital position remained strong and well above the Monetary Authority of Singapore's minimum requirements with Common Equity Tier 1, Tier 1 and Total CAR at 13.9%, 13.9% and 16.9% respectively.

Net Interest Income

Net Interest Margin

	2014			2013		
	Average balance $ million	**Interest $ million**	**Average rate %**	Average balance $ million	Interest $ million	Average rate %
Interest Bearing Assets						
Customer loans	**190,773**	**5,913**	**3.10**	168,787	5,297	3.14
Interbank balances	**48,851**	**693**	**1.42**	41,225	654	1.59
Securities	**27,176**	**584**	**2.15**	29,846	557	1.86
Total	**266,801**	**7,189**	**2.69**	239,858	6,508	2.71
Interest Bearing Liabilities						
Customer deposits	**217,548**	**2,252**	**1.04**	200,890	2,040	1.02
Interbank balances/others	**40,438**	**380**	**0.94**	31,961	348	1.09
Total	**257,986**	**2,632**	**1.02**	232,851	2,388	1.03
Net Interest Margin[1]			**1.71**			1.72

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

Volume and Rate Analysis

	2014 vs 2013			2013 vs 2012		
	Volume change $ million	**Rate change $ million**	**Net change $ million**	Volume change $ million	Rate change $ million	Net change $ million
Interest Income						
Customer loans	**690**	**(74)**	**616**	767	(442)	324
Interbank balances	**121**	**(83)**	**38**	135	(80)	54
Securities	**(50)**	**77**	**27**	14	(86)	(72)
Total	**761**	**(80)**	**681**	915	(608)	307
Interest Expense						
Customer deposits	**169**	**42**	**212**	222	(118)	104
Interbank balances/others	**103**	**(72)**	**32**	120	(120)	(0)
Total	**273**	**(29)**	**243**	342	(238)	104
Net Interest Income	**489**	**(51)**	**438**	573	(370)	203

Net interest income rose 10.6% from a year ago to $4.56 billion, driven largely by robust loan growth of 9.5%. Net interest margin was stable at 1.71%.

Non-Interest Income

	2014 $ million	2013 $ million	+/(-) %
Fee and Commission Income			
Credit card	**281**	262	7.0
Fund management	**156**	172	(9.6)
Investment-related	**431**	420	2.8
Loan-related	**448**	442	1.4
Service charges	**113**	111	1.8
Trade-related	**273**	268	2.0
Others	**47**	56	(15.8)
	1,749	1,731	1.1
Other Non-Interest Income			
Net trading income	**599**	511	17.2
Net gain from investment securities	**218**	33	>100.0
Dividend income	**48**	53	(9.4)
Rental income	**115**	114	1.3
Other income	**170**	159	7.4
	1,151	870	32.3
Total	**2,900**	2,600	11.5

Non-interest income rose 11.5% year-on-year to $2.90 billion in 2014. Fee and commission income increased 1.1% to $1.75 billion from a year ago with increased contribution from credit card, wealth management, trade and loan-related activities, but partly offset by lower fund management and corporate finance fees. Trading and investment income surged 50.1% to $817 million on higher treasury customer income, investment gains and trading income on the back of favourable market sentiment.

Operating Expenses

	2014 $ million	2013 $ million	+/(-) %
Staff Costs	**1,825**	1,712	6.6
Other Operating Expenses			
Revenue-related	**672**	570	17.9
Occupancy-related	**287**	291	(1.5)
IT-related	**199**	160	24.5
Others	**163**	164	(0.9)
	1,321	1,186	11.4
Total	**3,146**	2,898	8.6

Total operating expenses increased 8.6% to $3.15 billion from a year ago mainly due to higher staff costs, revenue and IT-related expenses in support of the Group's growing franchise and increased business volume. With a stronger revenue growth, expense-to-income ratio improved from 43.1% in 2013 to 42.2% in 2014.

Impairment Charges

	2014 $ million	2013 $ million	+/(-) %
Individual Impairment on Loans[1]			
Singapore	**53**	50	5.8
Malaysia	**28**	18	52.0
Thailand	**73**	7	>100.0
Indonesia	**49**	(21)	>100.0
Greater China[2]	**6**	7	(18.8)
Others	**29**	74	(60.1)
	238	136	75.8
Individual Impairment on Securities and Others	**63**	22	>100.0
Collective Impairment	**334**	272	22.8
Total	**635**	429	48.1

1 With effect from 2014, individual impairment charges on loans by geography is classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals). Prior year comparatives have been restated to conform with the current presentation.

2 Comprise China, Hong Kong and Taiwan.

Total impairment charges for 2014 were $635 million, an increase of 48.1% from a year ago due to a larger loan book coupled with an increase in the total charge-off rate to 32 basis points. Individual impairment on loans increased due to a few isolated non-performing accounts in Thailand and Indonesia.

Management Discussion and Analysis

Customer Loans

	2014 $ million	2013 $ million
Gross customer loans	**199,343**	181,978
Less: Individual impairment	**657**	798
Collective impairment	**2,783**	2,323
Net customer loans	**195,903**	178,857
By Industry		
Transport, storage and communication	**10,014**	7,983
Building and construction	**25,160**	23,845
Manufacturing	**17,139**	15,999
Financial institutions	**29,551**	29,173
General commerce	**27,119**	22,159
Professionals and private individuals	**26,008**	24,611
Housing loans	**54,711**	50,487
Others	**9,641**	7,722
Total (gross)	**199,343**	181,978
By Currency		
Singapore dollar	**106,785**	101,538
US dollar	**33,471**	26,923
Malaysian ringgit	**24,364**	23,308
Thai baht	**10,155**	9,148
Indonesian rupiah	**4,777**	4,242
Others	**19,791**	16,819
Total (gross)	**199,343**	181,978
By Maturity		
Within 1 year	**66,066**	59,256
Over 1 year but within 3 years	**39,220**	37,508
Over 3 years but within 5 years	**24,341**	20,620
Over 5 years	**69,715**	64,595
Total (gross)	**199,343**	181,978
By Geography[1]		
Singapore	**109,700**	103,726
Malaysia	**25,768**	24,196
Thailand	**10,836**	9,883
Indonesia	**11,100**	9,607
Greater China	**25,308**	19,134
Others	**16,631**	15,431
Total (gross)	**199,343**	181,978

1 With effect from 2014, loans by geography is classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals). Prior year comparatives have been restated to conform with the current presentation.

Gross customer loans rose 9.5% year-on-year to $199 billion as at 31 December 2014. Loan growth was broad-based across most of the territories and industries. In Singapore, customer loans base expanded 5.8% over a year ago to $110 billion as at 31 December 2014. Regional countries continued to contribute a strong loan growth of 16.2% over a year ago to $73.0 billion as at 31 December 2014.

Non-Performing Assets

	2014 $ million	2013 $ million
Non-Performing Assets (NPA)		
Loans (NPL)	**2,358**	2,074
Debt securities and others	**230**	240
Total	**2,588**	2,314
By Grading		
Substandard	**1,855**	1,265
Doubtful	**197**	462
Loss	**536**	587
Total	**2,588**	2,314
By Security Coverage		
Secured	**1,387**	1,088
Unsecured	**1,201**	1,226
Total	**2,588**	2,314
By Ageing		
Current	**536**	295
Within 90 days	**152**	197
Over 90 to 180 days	**319**	241
Over 180 days	**1,581**	1,581
Total	**2,588**	2,314
Cumulative Impairment		
Individual	**819**	958
Collective	**2,910**	2,450
Total	**3,729**	3,408
As a % of NPA	**144.1%**	147.3%
As a % of unsecured NPA	**310.5%**	278.0%

	2014		2013	
	NPL $ million	NPL ratio %	NPL $ million	NPL ratio %
NPL by Industry				
Transport, storage and communication	**714**	**7.1**	819	10.3
Building and construction	**192**	**0.8**	123	0.5
Manufacturing	**280**	**1.6**	223	1.4
Financial institutions	**143**	**0.5**	102	0.3
General commerce	**265**	**1.0**	265	1.2
Professionals and private individuals	**209**	**0.8**	192	0.8
Housing loans	**507**	**0.9**	311	0.6
Others	**48**	**0.5**	39	0.5
Total	**2,358**	**1.2**	2,074	1.1

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				
2014	**864**	**0.8**	**249.9**	**817.8**
2013	521	0.5	355.9	986.2
Malaysia				
2014	**386**	**1.5**	**135.0**	**505.8**
2013	408	1.7	120.8	359.9
Thailand				
2014	**267**	**2.5**	**121.3**	**241.8**
2013	203	2.1	140.4	285.0
Indonesia				
2014	**298**	**2.7**	**55.4**	**150.0**
2013	147	1.5	40.1	118.0
Greater China				
2014	**124**	**0.5**	**109.7**	**191.5**
2013	126	0.7	88.9	177.8
Others				
2014	**419**	**2.5**	**32.2**	**45.0**
2013	669	4.3	47.5	62.8
Group				
2014	**2,358**	**1.2**	**145.9**	**350.3**
2013	2,074	1.1	150.5	298.9

1 With effect from 2014, non-performing loans by geography is classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation (for non-individuals) and residence (for individuals). Prior year comparatives have been restated to conform with the current presentation.

The Group's asset quality remained sound. NPL ratio was stable at 1.2% with a strong NPL coverage of 145.9%.

NPL increased to $2.36 billion from a year ago due to a few isolated NPL accounts in Singapore, Thailand and Indonesia.

Customer Deposits

	2014 $ million	2013 $ million
By Product		
Fixed deposits	**129,787**	120,773
Savings deposits	**51,654**	45,492
Current accounts	**45,482**	40,289
Others	**6,827**	7,993
Total	**233,750**	214,548
By Maturity		
Within 1 year	**226,593**	210,750
Over 1 year but within 3 years	**5,521**	2,488
Over 3 years but within 5 years	**646**	488
Over 5 years	**989**	822
Total	**233,750**	214,548
By Currency		
Singapore dollar	**112,608**	106,573
US dollar	**49,068**	40,902
Malaysian ringgit	**27,199**	26,521
Thai baht	**10,970**	9,235
Indonesian rupiah	**4,822**	4,320
Others	**29,082**	26,997
Total	**233,750**	214,548
Group Loan/Deposit ratio (%)	**83.8**	83.4
SGD Loan/Deposit ratio (%)	**93.0**	93.6
USD Loan/Deposit ratio (%)	**67.7**	65.2

Compared to a year ago, customer deposit growth was 9.0%, in line with loan growth and mainly contributed by Singapore-dollar and US-dollar deposits.

As at 31 December 2014, Group's loan-to-deposit ratio and SGD loan-to-deposit ratio was healthy at 83.8% and 93.0% respectively.

Debts Issued (Unsecured)

	2014 $ million	2013 $ million
Subordinated debts	**4,640**	5,357
Commercial papers	**10,502**	9,734
Fixed and floating rate notes	**4,211**	2,080
Others	**1,601**	1,810
Total	**20,953**	18,981
Due within one year	**12,393**	11,507
Due after one year	**8,560**	7,474
Total	**20,953**	18,981

The Group continued to tap on alternative sources of funding to strengthen its funding base and issued $10.5 billion under the US$10 billion US commercial paper programme in 2014.

Management Discussion and Analysis

Shareholders' Equity

	2014 **$ million**	2013 $ million
Shareholders' equity	**29,569**	26,388
Add: Revaluation surplus	**4,224**	4,098
Shareholders' equity including revaluation surplus	**33,793**	30,486

Shareholders' equity was $29.6 billion as at 31 December 2014, up 12.1% from a year ago. The increase was largely led by higher net profits, improved valuation on the available-for-sale investments and issuance of new ordinary shares pursuant to the scrip dividend scheme.

As at 31 December 2014, revaluation surplus of $4.22 billion relates to Group's properties, which are not recognised in the financial statements.

Performance by Operating Segment[1]

	GR **$ million**	**GWB** **$ million**	**GMIM** **$ million**	**Others** **$ million**	**Elimination** **$ million**	**Total** **$ million**
2014						
Operating income	**3,017**	**3,023**	**884**	**705**	**(172)**	**7,457**
Operating expenses	**(1,631)**	**(674)**	**(410)**	**(603)**	**172**	**(3,146)**
Impairment charges	**(139)**	**(131)**	**(59)**	**(306)**	**–**	**(635)**
Share of profit of associates and joint ventures	**–**	**–**	**37**	**112**	**–**	**149**
Profit before tax	**1,247**	**2,218**	**452**	**(92)**	**–**	**3,825**
Tax						**(561)**
Profit for the financial year						**3,264**
2013						
Operating income	2,772	2,738	870	526	(186)	6,720
Operating expenses	(1,515)	(607)	(406)	(556)	186	(2,898)
Impairment charges	(89)	(24)	(76)	(240)	–	(429)
Share of profit of associates and joint ventures	–	–	3	188	–	191
Profit before tax	1,168	2,107	391	(82)	–	3,584
Tax						(559)
Profit for the financial year						3,025

1 Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

Performance by Operating Segment (continued)

The Group is organised to be segment-led across key markets. Global segment heads are responsible for driving business, with decision-making balanced with a geographical perspective. For internal management purposes, the following segments represent the key customer segments and business activities:

Group Retail (GR)

Segment profit increased 6.8% to $1,247 million in 2014, mainly driven by higher net interest income as well as higher non-interest income from treasury and credit cards products. The increase was partly negated by higher business volume-related costs.

Group Wholesale Banking (GWB)

Segment profit grew 5.3% to $2,218 million in 2014, driven by net interest income and increased cross-sell income from transaction banking and treasury products. The growth was partly negated by higher impairment charges and higher operating expenses. Higher operating expenses were resulted from the continued investment in product capabilities and hiring of new talents as the business expanded regionally.

Global Markets and Investment Management (GMIM)

Segment profit increased 15.6% to $452 million in 2014, mainly attributed to higher gain on investment securities and market making activities as well as higher share of associates' profits.

Others

Other segment recorded a loss of $92 million in 2014, as compared to a loss of $82 million in 2013, mainly due to lower associates' profits.

Performance by Geographical Segment[1]

	Total operating income		Profit before tax		Total assets	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Singapore	**4,313**	3,775	**2,345**	2,181	**187,529**	176,590
Malaysia	**1,047**	969	**593**	555	**37,269**	35,647
Thailand	**691**	632	**159**	146	**15,915**	15,608
Indonesia	**410**	436	**99**	178	**8,143**	7,173
Greater China	**587**	502	**305**	272	**31,977**	27,395
Others	**409**	406	**324**	252	**21,754**	17,672
	7,457	6,720	**3,825**	3,584	**302,587**	280,085
Intangible assets	**–**	–	**–**	–	**4,149**	4,144
Total	**7,457**	6,720	**3,825**	3,584	**306,736**	284,229

1 Based on the location where the transactions and assets are booked, which approximates that based on the location of the customers and assets. Information is stated after elimination of inter-segment transactions.

In 2014, the Group's total operating income grew 11.0% to $7.46 billion, which largely contributed by Singapore growth of 14.3% to $4.31 billion and regional growth of 7.7% to $2.74 billion. In terms of pre-tax profit, improved performance was seen across most territories except for Indonesia due to currency depreciation and higher impairment on loans. Overseas profit before tax contribution was 38.7% of total Group's pre-tax profit.

Capital Adequacy Ratios

The Group's CET1, Tier 1 and Total CAR as at 31 December 2014 were well above the regulatory minimum requirements with Common Equity Tier 1, Tier 1 and Total CAR at 13.9%, 13.9% and 16.9% respectively.

Compared to a year ago, the improvement in capital ratios was mainly attributed to retained earnings partially offset by higher RWA resulting from asset growth.

Directors' Report

for the financial year ended 31 December 2014

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 2014.

Directors

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

Wee Cho Yaw *(Chairman Emeritus and Adviser)*
Hsieh Fu Hua *(Chairman)*
Wee Ee Cheong *(Deputy Chairman and Chief Executive Officer)*
Wong Meng Meng
Franklin Leo Lavin
Willie Cheng Jue Hiang
James Koh Cher Siang
Ong Yew Huat
Lim Hwee Hua *(Appointed on 1 July 2014)*

Arrangements to Enable Directors to Acquire Shares or Debentures

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

Directors' Interests in Shares or Debentures

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

	Direct interest		Deemed interest	
	At 31.12.2014	At 1.1.2014 or date of appointment	**At 31.12.2014**	At 1.1.2014 or date of appointment
The Bank				
Ordinary shares				
Wee Cho Yaw	**19,301,917**	18,820,027	**270,070,084**	263,395,874
Hsieh Fu Hua	**–**	–	**25,000**	25,000
Wee Ee Cheong	**3,125,918**	3,047,878	**161,463,970**	157,432,871
Willie Cheng Jue Hiang	**–**	–	**50,467**	50,467
James Koh Cher Siang	**3,900**	3,900	**–**	–
4.90% non-cumulative non-convertible perpetual capital securities				
Wee Cho Yaw	**–**	–	**–**	$7,000,000
Wee Ee Cheong	**–**	–	**–**	$7,000,000
United Overseas Insurance Limited				
Ordinary shares				
Wee Cho Yaw	**38,100**	38,100	**–**	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2015.

Directors' Contractual Benefits

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

Directors' Report

for the financial year ended 31 December 2014

Directors' Remuneration

The basic fee for service on the Board and additional fees for membership of Board Committees are based on the following annual fee structure:

Fee Structure	Chairman $	Member $
Basic Fee	700,000	80,000
Executive Committee	60,000	50,000
Board Risk Management Committee	60,000	50,000
Audit Committee	50,000	40,000
Nominating Committee	35,000	20,000
Remuneration Committee	35,000	20,000

Details of the total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2014 are as follows:

	Advisory fee $'000	Directors' fees $'000	Salary $'000	Bonus $'000	Benefits-in-kind and others[3] $'000	Total $'000
Wee Cho Yaw[1]	800	255	–	–	7	1,062
Hsieh Fu Hua	–	840	–	–	10	850
Wee Ee Cheong[2]	–	–	1,200	9,000	20	10,220
Wong Meng Meng	–	115	–	–	–	115
Franklin Leo Lavin	–	150	–	–	–	150
Willie Cheng Jue Hiang	–	150	–	–	–	150
James Koh Cher Siang	–	190	–	–	–	190
Ong Yew Huat	–	170	–	–	–	170
Lim Hwee Hua *(Appointed on 1 July 2014)*	–	65	–	–	–	65
Cham Tao Soon *(Retired on 24 April 2014)*	–	85	–	–	–	85
Tan Lip-Bu *(Retired on 24 April 2014)*	–	50	–	–	–	50

1 The advisory fee of $800,000 recommended by the Remuneration Committee for Dr Wee Cho Yaw is subject to shareholders' approval at the Annual General Meeting to be held on 24 April 2015.
2 60% of the variable pay to Mr Wee Ee Cheong will be deferred and vest over the next three years, subject to predetermined performance conditions. Of the deferred variable pay, 40% will be issued in deferred cash, while the remaining 60% will be in the form of share-linked performance units.
3 Include transport-related allowance and provision of drivers for Dr Wee Cho Yaw, and Messrs Hsieh Fu Hua and Wee Ee Cheong.

Share-Based Compensation Plans

The share-based compensation plans, which are administered by the Remuneration Committee (RC), comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Details of these plans are found below and in Note 39 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.

The RC determined the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting. In 2014, no SAR was granted as an instrument for share-based compensation.

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

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

Grants made in 2011 to 2013 are subject to the achievement of predetermined return on equity (ROE) targets as shown below, half of the grants will vest after two years, and the remainder after three years from the dates of grant.

	Percentage of award to be vested	
Percentage of ROE target achieved	**2011 and 2012 grants**	**2013 grant**
≥ 115%	130%	130%
≥ 110%	120%	120%
≥ 105%	110%	110%
≥ 100%	100%	100%
≥ 95%	100%	100%
≥ 90%	90%	90%
≥ 85%	80%	80%
≥ 80%	At the discretion of the RC	70%
< 80%	At the discretion of the RC	At the discretion of the RC

For grants made in 2014, 30 per cent will vest after two years, subject to the achievement of two-year ROE targets. The remaining 70 per cent will vest after three years, subject to the achievement of the three-year ROE targets. The vesting levels for the 2014 grant are shown below.

Percentage of ROE target achieved	**Percentage of award to be vested* for 2014 grant**
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the RC

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

Participating employees who leave the Group before vesting of the RS and SAR will forfeit their rights unless otherwise decided by the RC.

The Plans shall be in force for a period of ten years or such other period as the RC may determine. The Plans only allow the delivery of UOB ordinary shares held in treasury by the Bank.

Directors' Report

for the financial year ended 31 December 2014

Audit Committee

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

Willie Cheng Jue Hiang *(Chairman)*
James Koh Cher Siang
Ong Yew Huat

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

Auditor

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

On behalf of the Board of Directors,

Hsieh Fu Hua
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
12 February 2015

Statement by Directors

for the financial year ended 31 December 2014

We, Hsieh Fu Hua 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 2014, 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,

Hsieh Fu Hua
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
12 February 2015

Independent Auditor's Report

for the financial year ended 31 December 2014

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 89 to 162, which comprise the balance sheets of the Bank and Group as at 31 December 2014, 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 consolidated financial statements of the Group and the financial statements of the Bank 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 2014, 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 Chartered Accountants

Singapore
12 February 2015

Income Statements

for the financial year ended 31 December 2014

		The Group		The Bank	
		2014	2013	**2014**	2013
	Note	**$'000**	$'000	**$'000**	$'000
Interest income	3	**7,189,330**	6,508,197	**3,889,959**	3,467,326
Less: Interest expense	4	**2,631,597**	2,388,405	**1,084,135**	991,533
Net interest income		**4,557,733**	4,119,792	**2,805,824**	2,475,793
Fee and commission income	5	**1,748,893**	1,730,645	**1,132,029**	1,117,470
Dividend income		**48,014**	53,020	**260,492**	276,630
Rental income		**115,403**	113,912	**97,994**	97,385
Net trading income	6	**598,831**	511,006	**543,483**	471,623
Net gain/(loss) from investment securities	7	**218,107**	33,297	**213,593**	2,300
Other income	8	**170,355**	158,548	**185,306**	139,462
Non-interest income		**2,899,603**	2,600,428	**2,432,897**	2,104,870
Total operating income		**7,457,336**	6,720,220	**5,238,721**	4,580,663
Less: Staff costs	9	**1,825,041**	1,712,311	**1,000,375**	939,620
Other operating expenses	10	**1,321,319**	1,185,868	**839,184**	759,076
Total operating expenses		**3,146,360**	2,898,179	**1,839,559**	1,698,696
Operating profit before impairment charges		**4,310,976**	3,822,041	**3,399,162**	2,881,967
Less: Impairment charges	11	**635,303**	428,850	**350,626**	243,798
Operating profit after impairment charges		**3,675,673**	3,393,191	**3,048,536**	2,638,169
Share of profit of associates and joint ventures		**149,195**	190,943	**–**	–
Profit before tax		**3,824,868**	3,584,134	**3,048,536**	2,638,169
Less: Tax	12	**560,675**	559,059	**357,325**	339,898
Profit for the financial year		**3,264,193**	3,025,075	**2,691,211**	2,298,271
Attributable to:					
Equity holders of the Bank		**3,249,101**	3,007,900	**2,691,211**	2,298,271
Non-controlling interests		**15,092**	17,175	**–**	–
		3,264,193	3,025,075	**2,691,211**	2,298,271
Earnings per share ($)	13				
Basic		**1.98**	1.84		
Diluted		**1.97**	1.84		

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 2014

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Profit for the financial year	**3,264,193**	3,025,075	**2,691,211**	2,298,271
Currency translation adjustments	**109,535**	(263,676)	**8,717**	11,010
Change in available-for-sale reserve				
Change in fair value	**648,968**	(200,957)	**564,205**	(163,165)
Transfer to income statement on disposal/impairment	**(92,101)**	40,553	**(101,857)**	54,103
Tax relating to available-for-sale reserve	**(17,400)**	(17,004)	**(11,781)**	(16,253)
Change in shares of other comprehensive income of associates and joint ventures	**19,130**	(96,843)	**–**	–
Remeasurement of defined benefit obligation[1]	**(4,801)**	(4,306)	**–**	(268)
Other comprehensive income for the financial year, net of tax	**663,331**	(542,233)	**459,284**	(114,573)
Total comprehensive income for the financial year, net of tax	**3,927,524**	2,482,842	**3,150,495**	2,183,698
Attributable to:				
Equity holders of the Bank	**3,908,631**	2,468,257	**3,150,495**	2,183,698
Non-controlling interests	**18,893**	14,585	**–**	–
	3,927,524	2,482,842	**3,150,495**	2,183,698

1 Refers to item that will not be reclassified subsequently to Income Statement.

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

Balance Sheets

as at 31 December 2014

		The Group		The Bank	
		2014	2013	**2014**	2013
	Note	**$'000**	$'000	**$'000**	$'000
Equity					
Share capital and other capital	14	**5,892,165**	5,332,735	**5,060,615**	4,501,185
Retained earnings	15	**14,064,092**	12,002,525	**10,808,566**	9,255,114
Other reserves	16	**9,613,093**	9,052,656	**9,780,486**	9,445,651
Equity attributable to equity holders of the Bank		**29,569,350**	26,387,916	**25,649,667**	23,201,950
Non-controlling interests		**202,655**	189,346	**–**	–
Total equity		**29,772,005**	26,577,262	**25,649,667**	23,201,950
Liabilities					
Deposits and balances of:					
Banks		**11,226,347**	13,706,153	**10,665,592**	13,131,356
Non-bank customers	18	**233,749,644**	214,547,542	**179,122,889**	163,492,289
Subsidiaries		**–**	–	**2,767,302**	2,630,069
Bills and drafts payable		**950,727**	1,035,208	**190,704**	254,462
Derivative financial liabilities	35	**6,383,979**	5,877,773	**5,928,255**	5,196,506
Other liabilities	19	**3,157,723**	2,928,495	**1,472,185**	1,640,851
Tax payable		**381,926**	488,929	**359,715**	452,570
Deferred tax liabilities	20	**160,489**	86,385	**83,188**	–
Debts issued	21	**20,953,303**	18,981,322	**21,138,545**	18,546,107
Total liabilities		**276,964,138**	257,651,807	**221,728,375**	205,344,210
Total equity and liabilities		**306,736,143**	284,229,069	**247,378,042**	228,546,160
Assets					
Cash, balances and placements with central banks	22	**35,082,908**	26,880,581	**24,807,369**	13,853,975
Singapore Government treasury bills and securities		**7,756,709**	9,654,911	**7,627,828**	9,525,928
Other government treasury bills and securities		**10,140,942**	7,943,497	**3,982,141**	3,628,447
Trading securities	23	**738,262**	628,131	**738,262**	566,338
Placements and balances with banks		**28,692,051**	31,411,740	**24,332,571**	28,032,297
Loans to non-bank customers	24	**195,902,563**	178,856,863	**149,529,653**	136,538,266
Placements with and advances to subsidiaries		**–**	–	**7,726,981**	7,690,587
Derivative financial assets	35	**6,305,928**	5,779,497	**5,710,358**	5,030,302
Investment securities	26	**11,439,549**	12,139,906	**10,294,346**	10,969,254
Other assets	27	**2,718,439**	3,212,523	**1,465,432**	2,099,375
Deferred tax assets	20	**231,636**	287,710	**101,736**	66,396
Investment in associates and joint ventures	28	**1,189,449**	996,605	**523,138**	269,233
Investment in subsidiaries	29	**–**	–	**4,980,738**	4,752,499
Investment properties	31	**960,292**	984,905	**1,229,216**	1,280,779
Fixed assets	32	**1,428,135**	1,308,390	**1,146,454**	1,060,665
Intangible assets	33	**4,149,280**	4,143,810	**3,181,819**	3,181,819
Total assets		**306,736,143**	284,229,069	**247,378,042**	228,546,160
Off-balance sheet items					
Contingent liabilities	34	**18,514,991**	24,097,852	**12,694,796**	15,860,231
Financial derivatives	35	**605,486,659**	451,573,062	**520,163,287**	375,040,281
Commitments	37	**99,592,819**	69,756,557	**79,891,814**	53,983,741

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 2014

	The Group					
	Attributable to equity holders of the Bank					
	Share capital and other capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2014						
Balance at 1 January	**5,332,735**	**12,002,525**	**9,052,656**	**26,387,916**	**189,346**	**26,577,262**
Profit for the financial year	**–**	**3,249,101**	**–**	**3,249,101**	**15,092**	**3,264,193**
Other comprehensive income for the financial year	**–**	**(4,801)**	**664,331**	**659,530**	**3,801**	**663,331**
Total comprehensive income for the financial year	**–**	**3,244,300**	**664,331**	**3,908,631**	**18,893**	**3,927,524**
Transfers	**–**	**95,811**	**(95,811)**	**–**	**–**	**–**
Change in non-controlling interests	**–**	**–**	**1,304**	**1,304**	**713**	**2,017**
Dividends	**–**	**(1,278,624)**	**–**	**(1,278,624)**	**(6,297)**	**(1,284,921)**
Issue of shares under scrip dividend scheme	**516,594**	**–**	**–**	**516,594**	**–**	**516,594**
Share-based compensation	**–**	**–**	**33,529**	**33,529**	**–**	**33,529**
Reclassification of share-based compensation reserves on expiry	**–**	**80**	**(80)**	**–**	**–**	**–**
Issue of shares under share-based compensation plans	**42,836**	**–**	**(42,836)**	**–**	**–**	**–**
Balance at 31 December	**5,892,165**	**14,064,092**	**9,613,093**	**29,569,350**	**202,655**	**29,772,005**
2013						
Balance at 1 January	5,271,932	10,221,670	9,586,005	25,079,607	192,214	25,271,821
Profit for the financial year	–	3,007,900	–	3,007,900	17,175	3,025,075
Other comprehensive income for the financial year	–	(4,306)	(535,337)	(539,643)	(2,590)	(542,233)
Total comprehensive income for the financial year	–	3,003,594	(535,337)	2,468,257	14,585	2,482,842
Transfers	–	(23,058)	23,058	–	–	–
Change in non-controlling interests	–	–	(9,374)	(9,374)	(9,954)	(19,328)
Dividends	–	(1,205,719)	–	(1,205,719)	(7,499)	(1,213,218)
Share-based compensation	–	–	28,559	28,559	–	28,559
Reclassification of share-based compensation reserves on expiry	–	6,038	(6,038)	–	–	–
Issue of shares under share-based compensation plans	32,221	–	(32,221)	–	–	–
Increase in statutory reserves	–	–	593	593	–	593
Issue of perpetual capital securities	1,345,993	–	–	1,345,993	–	1,345,993
Redemption of preference shares	(1,317,411)	–	(2,589)	(1,320,000)	–	(1,320,000)
Balance at 31 December	5,332,735	12,002,525	9,052,656	26,387,916	189,346	26,577,262
Note	14	15	16			

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

	The Bank			
	Share capital and other capital $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
2014				
Balance at 1 January	**4,501,185**	**9,255,114**	**9,445,651**	**23,201,950**
Profit for the financial year	**–**	**2,691,211**	**–**	**2,691,211**
Other comprehensive income for the financial year	**–**	**–**	**459,284**	**459,284**
Total comprehensive income for the financial year	**–**	**2,691,211**	**459,284**	**3,150,495**
Transfers	**–**	**115,062**	**(115,062)**	**–**
Dividends	**–**	**(1,252,901)**	**–**	**(1,252,901)**
Issue of shares under scrip dividend scheme	**516,594**	**–**	**–**	**516,594**
Share-based compensation	**–**	**–**	**33,529**	**33,529**
Reclassification of share-based compensation reserves on expiry	**–**	**80**	**(80)**	**–**
Issue of shares under share-based compensation plans	**42,836**	**–**	**(42,836)**	**–**
Balance at 31 December	**5,060,615**	**10,808,566**	**9,780,486**	**25,649,667**
2013				
Balance at 1 January	4,440,382	8,120,482	9,572,245	22,133,109
Profit for the financial year	–	2,298,271	–	2,298,271
Other comprehensive income for the financial year	–	(268)	(114,305)	(114,573)
Total comprehensive income for the financial year	–	2,298,003	(114,305)	2,183,698
Dividends	–	(1,169,409)	–	(1,169,409)
Share-based compensation	–	–	28,559	28,559
Reclassification of share-based compensation reserves on expiry	–	6,038	(6,038)	–
Issue of shares under share-based compensation plans	32,221	–	(32,221)	–
Issue of perpetual capital securities	1,345,993	–	–	1,345,993
Redemption of preference shares	(1,317,411)	–	(2,589)	(1,320,000)
Balance at 31 December	4,501,185	9,255,114	9,445,651	23,201,950
Note	14	15	16	

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2014

	2014	2013
	$'000	$'000
Cash flows from operating activities		
Operating profit before impairment charges	**4,310,976**	3,822,041
Adjustments for:		
Depreciation of assets	**163,361**	130,038
Net gain on disposal of assets	**(271,324)**	(56,025)
Share-based compensation	**32,488**	28,355
Operating profit before working capital changes	**4,235,501**	3,924,409
Increase/(decrease) in working capital		
Deposits and balances of banks	**(2,479,806)**	4,709,483
Deposits and balances of non-bank customers	**19,202,102**	19,977,389
Bills and drafts payable	**(84,481)**	(536,633)
Other liabilities	**803,542**	(263,709)
Restricted balances with central banks	**257,956**	(873,341)
Government treasury bills and securities	**(286,291)**	4,960,546
Trading securities	**(92,274)**	(355,688)
Placements and balances with banks	**2,719,689**	(15,420,710)
Loans to non-bank customers	**(17,672,018)**	(26,443,516)
Investment securities	**1,169,504**	(1,023,463)
Other assets	**(99,990)**	228,340
Cash generated from/(used in) operations	**7,673,434**	(11,116,893)
Income tax paid	**(562,586)**	(578,222)
Net cash provided by/(used in) operating activities	**7,110,848**	(11,695,115)
Cash flows from investing activities		
Capital injection into associates and joint ventures	**(435)**	–
Proceeds from disposal of associates and joint ventures	**–**	18,108
Distribution from associates and joint ventures	**282,154**	43,486
Acquisition of properties and other fixed assets	**(258,570)**	(221,322)
Proceeds from disposal of properties and other fixed assets	**40,495**	87,278
Change in non-controlling interests	**(3,044)**	1,439
Net cash provided by/(used in) investing activities	**60,600**	(71,011)
Cash flows from financing activities		
Issuance of perpetual capital securities	**–**	1,345,993
Redemption of preference shares	**–**	(1,320,000)
Issuance of subordinated notes	**1,543,922**	–
Redemption of subordinated notes	**(2,252,150)**	(1,265,350)
Issuance of other debts	**2,680,209**	7,446,238
Change in non-controlling interests	**5,061**	(20,767)
Dividends paid on ordinary shares	**(670,907)**	(1,102,566)
Dividends paid on preference shares	**(36,714)**	(103,046)
Distribution for perpetual capital securities	**(65,400)**	–
Dividends paid to non-controlling interests	**(6,297)**	(7,499)
Net cash provided by financing activities	**1,197,724**	4,973,003
Currency translation adjustments	**91,111**	(255,884)
Net increase/(decrease) in cash and cash equivalents	**8,460,283**	(7,049,007)
Cash and cash equivalents at beginning of the financial year	**21,244,035**	28,293,042
Cash and cash equivalents at end of the financial year (Note 38)	**29,704,318**	21,244,035

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

Notes to the Financial Statements

for the financial year ended 31 December 2014

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 29b 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 as otherwise stated in Notes 2d to 2f and are presented to the nearest thousand in Singapore dollars unless otherwise indicated.

(b) Changes in accounting policies

The Group adopted the following new/revised FRS during the financial year. The adoption of these FRS did not have any significant effect on the financial statements of the Group.

- 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 Financial Assets and Financial Liabilities
- Amendments to FRS36 – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS39 – Novation of Derivatives and Continuation of Hedge Accounting

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 2015

- Amendments to FRS19 – Defined Benefit Plans: Employee Contributions

Effective for financial year beginning on or after 1 January 2016

- Amendments to FRS16 and FRS38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS27 – Equity Method in Separate Financial Statements
- Amendments to FRS110 and FRS28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to FRS111 – Accounting for Acquisitions of Interests in Joint Operations

Effective for financial year beginning on or after 1 January 2017

- FRS115 – Revenue from Contracts with Customers

Effective for financial year beginning on or after 1 January 2018

- FRS109 – Financial Instruments

The above pronouncements are not expected to have a significant impact on the Group's financial statements when adopted with the exception of FRS109 which is under review and assessment.

2. Summary of Significant Accounting Policies (continued)

(c) Interests in other entities

(i) Subsidiaries

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

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

Subsidiaries are consolidated from the date the Group obtains control until the date such control ceases. Intra-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.

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

(ii) Associates and joint ventures

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

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

(c) Interests in other entities (continued)

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

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

(iv) Special purpose entities
Special purpose entities are entities set up for a narrowed objective and predetermined activities. These entities are consolidated or equity accounted for accordingly if it is assessed that the Group has control, joint control or significant influence over them in substance.

(d) Financial assets and financial liabilities

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

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

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

Financial instruments 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.

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

(d) Financial assets and financial liabilities (continued)

(ii) Measurement

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

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

Available-for-sale 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 such 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. Valuation inputs include spot and forward prices, volatilities, correlations and credit spreads.

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

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

(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 based on similar credit risks and assessed on a portfolio basis.

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.

2. Summary of Significant Accounting Policies (continued)

(d) Financial assets and financial liabilities (continued)

(v) Impairment (*continued*)

Individual impairment (continued)
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 collateral and individual impairment is maintained by the Group in accordance with the transitional provision set out in MAS Notice 612.

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

Financial derivatives embedded in non-derivative host contracts are bifurcated and accounted for separately if their economic characteristics and risks are not closely related to those of the host contracts and the combined contracts are not carried at fair value through profit or loss.

(f) Hedge accounting

(i) Fair value hedge
Fair value changes of the hedging instrument are recognised in the income statement. Fair value changes of the hedged item attributable to the hedged risk are taken to the income statement with corresponding adjustment made to the carrying amount of the hedged item. The adjustment is amortised over the expected life of the hedged item when the hedge is terminated.

(ii) Cash flow hedge
Fair value changes of the hedging instrument relating to the effective portion of the hedge are taken to the hedge reserve under equity while those relating to the ineffective portion are recognised in the income statement. The amount in the hedge reserve is transferred to the income statement (a) at the same time as the cash flow of the hedged item is recognised in the income statement and (b) immediately when the forecasted hedge item is no longer expected to occur.

(iii) Hedge of net investment in a foreign operation
Fair value changes of the hedging instrument relating to the effective portion of the hedge are taken to the foreign currency translation reserve under equity while those relating to the ineffective portion are recognised in the income statement. The amount taken to the reserve is transferred to the income statement upon disposal of the foreign operation.

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

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

2. Summary of Significant Accounting Policies (continued)

(g) Investment properties and fixed assets (continued)

Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over their expected useful lives of five to ten years. The expected useful life, depreciation method and residual value of investment properties and fixed assets are reviewed annually.

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

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

(h) Intangible assets

(i) Goodwill

Goodwill in a business combination represents the excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Where (b) exceeds (a) and the measurement of all amounts has been reviewed, the gain is recognised in the income statement. Goodwill is measured at cost less accumulated impairment 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 41a. 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.

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

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

(i) Foreign currencies

(i) Foreign currency transactions

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

2. Summary of Significant Accounting Policies (continued)

(i) Foreign currencies (continued)

(i) Foreign currency transactions (continued)

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.

(j) Tax

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax is not provided for temporary differences arising from initial recognition of goodwill or 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 assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Where gains and losses are recognised directly in equity, the related deferred tax is also taken to equity.

(iii) Offsetting

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

2. Summary of Significant Accounting Policies (continued)

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources to settle the obligation is probable and can be reliably estimated. At each balance sheet date, provisions are reviewed and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(l) Undrawn credit facilities

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

(m) Contingent liabilities

Contracts on financial and performance guarantees and letters of credit are recorded under contingent liabilities. These liabilities are recognised initially at their fair value which is generally the fees received. The fees are amortised over the contractual terms. Subsequent to initial recognition, the liabilities are measured at the higher of their carrying amount and the estimated expenditure required to settle the obligations.

(n) Revenue recognition

Interest income is recognised using the effective interest method.

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

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

Rental income is recognised on a time proportion basis.

(o) Employee compensation/benefits

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

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

(p) Dividend payment

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

(q) Treasury shares

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

(r) Significant accounting estimates and judgements

Preparation of the financial statements in conformity with the 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.

2. **Summary of Significant Accounting Policies (continued)**

(r) Significant accounting estimates and judgements (continued)

- Impairment review of goodwill – estimation of future cash flows 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 the information available at the time the financial statements are prepared, the ultimate results could differ from those disclosed in the statements due to subsequent changes in the information.

3. **Interest Income**

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Loans to non-bank customers	**5,912,819**	5,297,221	**3,113,374**	2,778,870
Placements and balances with banks	**692,530**	654,448	**392,810**	299,808
Government treasury bills and securities	**279,812**	270,238	**120,796**	146,664
Trading and investment securities	**304,169**	286,290	**262,979**	241,984
	7,189,330	6,508,197	**3,889,959**	3,467,326
Of which, interest income on:				
Impaired financial assets	**13,204**	16,922	**12,496**	16,660
Financial assets at fair value through profit or loss	**145,465**	125,502	**87,416**	47,560

4. **Interest Expense**

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deposits of non-bank customers	**2,252,056**	2,040,470	**728,030**	677,975
Deposits and balances of banks and debts issued	**379,541**	347,935	**356,105**	313,558
	2,631,597	2,388,405	**1,084,135**	991,533
Of which, interest expense on financial liabilities at fair value through profit or loss	**45,141**	32,001	**12,056**	15,680

5. **Fee and Commission Income**

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Credit card	**280,657**	262,327	**184,182**	177,448
Fund management	**155,548**	171,973	**259**	2,933
Investment-related	**431,348**	419,796	**321,825**	334,169
Loan-related	**448,207**	441,970	**360,958**	345,656
Service charges	**112,756**	110,789	**80,733**	76,597
Trade-related	**273,262**	267,810	**175,071**	171,459
Others	**47,115**	55,980	**9,001**	9,208
	1,748,893	1,730,645	**1,132,029**	1,117,470
Of which, fee and commission from:				
Financial assets not measured at fair value through profit or loss	**1,748,391**	1,729,963	**1,131,527**	1,116,788
Provision of trust and other fiduciary services	**11,833**	10,078	**10,423**	8,192

6. Net Trading Income

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Net trading income	**77,215**	(3,883)	**63,096**	(10,456)
Net gain from financial assets designated at fair value	**398,573**	470,105	**332,160**	430,545
Net gain from financial liabilities designated at fair value	**123,043**	44,784	**148,227**	51,534
	598,831	511,006	**543,483**	471,623

7. Net Gain/(Loss) from Investment Securities

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Investment securities				
Available-for-sale	**218,889**	22,823	**212,097**	(4,371)
Loans and receivables	**(782)**	10,474	**1,496**	6,671
	218,107	33,297	**213,593**	2,300

8. Other Income

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Net gain/(loss) from:				
Disposal of investment properties	**19,884**	38,754	**19,884**	38,754
Disposal of fixed assets	**6,148**	914	**4,981**	(1,788)
Disposal/liquidation of subsidiaries/associates/joint ventures	**14,965**	6,603	**36,299**	49
Others	**129,358**	112,277	**124,142**	102,447
	170,355	158,548	**185,306**	139,462

9. Staff Costs

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Salaries, bonus and allowances	**1,488,096**	1,403,721	**822,099**	783,119
Employer's contribution to defined contribution plans	**123,049**	109,482	**64,629**	57,447
Share-based compensation	**32,488**	28,355	**24,031**	21,594
Others	**181,408**	170,753	**89,616**	77,460
	1,825,041	1,712,311	**1,000,375**	939,620
Of which, the Bank's directors' remuneration	**10,220**	9,116	**10,220**	9,116

10. Other Operating Expenses

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Revenue-related	**672,448**	570,446	**361,805**	301,795
Occupancy-related	**287,066**	291,302	**182,807**	193,763
IT-related	**199,080**	159,848	**213,840**	186,803
Others	**162,725**	164,272	**80,732**	76,715
	1,321,319	1,185,868	**839,184**	759,076

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Of which:				
Advisory/Directors' fees	**4,330**	4,245	**2,870**	2,855
Depreciation of assets	**163,361**	130,038	**105,738**	78,248
Rental expenses	**125,009**	121,876	**82,048**	79,999
Auditors' remuneration paid/payable to:				
Auditors of the Bank	**2,454**	2,282	**1,807**	1,662
Affiliates of auditors of the Bank	**1,903**	2,024	**516**	570
Other auditors	**302**	229	**160**	106
Non-audit fees paid/payable to:				
Auditors of the Bank	**101**	255	**87**	220
Affiliates of auditors of the Bank	**530**	117	**214**	53
Other auditors	**35**	–	**35**	–
Expenses on investment properties	**52,086**	43,886	**38,684**	30,632
Fee expenses arising from financial liabilities not at fair value through profit or loss	**105,118**	85,552	**27,843**	18,912

11. Impairment Charges

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Individual impairment on/(write-back) of:				
Loans	**238,256**	135,563	**96,021**	85,451
Investments	**64,507**	76,014	**27,353**	65,911
Other assets	**(1,304)**	(54,511)	**(3,521)**	(12,124)
Collective impairment	**333,844**	271,784	**230,773**	104,560
	635,303	428,850	**350,626**	243,798
Included in the impairment charges is the following:				
Bad debts written off	**159,976**	106,610	**241,313**	46,831

12. Tax

Tax charge to the income statements comprises the following:

	The Group		The Bank	
	2014 **$'000**	2013 $'000	**2014** **$'000**	2013 $'000
On profit of the financial year				
Current tax	**599,966**	575,837	**404,690**	399,210
Deferred tax	**43,514**	31,668	**27,901**	2,485
	643,480	607,505	**432,591**	401,695
(Over)/under-provision of prior year tax				
Current tax	**(134,448)**	(79,480)	**(80,076)**	(62,531)
Deferred tax	**59,676**	14,068	**4,810**	734
Share of tax of associates and joint ventures	**(8,033)**	16,966	**–**	–
	560,675	559,059	**357,325**	339,898

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	
	2014 **$'000**	2013 $'000	**2014** **$'000**	2013 $'000
Operating profit after impairment charges	**3,675,673**	3,393,191	**3,048,536**	2,638,169
Prima facie tax calculated at tax rate of 17% (2013: 17%)	**624,864**	576,842	**518,251**	448,489
Effect of:				
Income taxed at concessionary rates	**(62,999)**	(54,648)	**(62,185)**	(42,806)
Different tax rates in other countries	**106,018**	111,272	**42,708**	36,428
Losses of foreign operations not offset against taxable income of Singapore operations	**–**	132	**56**	132
Income not subject to tax	**(52,891)**	(66,604)	**(72,500)**	(66,494)
Expenses not deductible for tax	**27,468**	39,694	**6,101**	26,034
Others	**1,020**	817	**160**	(88)
Tax expense on profit of the financial year	**643,480**	607,505	**432,591**	401,695

13. Earnings Per Share

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

	The Group	
	2014	2013
Profit attributable to equity holders of the Bank ($'000)	**3,249,101**	3,007,900
Dividends on preference shares ($'000)	**(36,799)**	(103,153)
Distribution of perpetual capital securities ($'000)	**(65,400)**	–
Adjusted profit ($'000)	**3,146,902**	2,904,747
Weighted average number of ordinary shares ('000)		
In issue	**1,591,208**	1,575,192
Adjustment for potential ordinary shares under share-based compensation plans	**5,580**	4,580
Diluted	**1,596,788**	1,579,772
EPS ($)		
Basic	**1.98**	1.84
Diluted	**1.97**	1.84

14. Share Capital and Other Capital

(a)

	2014		2013	
	Number of shares '000	**Amount $'000**	Number of shares '000	Amount $'000
Ordinary shares				
Balance at 1 January	**1,590,494**	**3,427,638**	1,590,494	3,427,638
Issue of shares under scrip dividend scheme	**24,050**	**516,594**	–	–
Balance at 31 December	**1,614,544**	**3,944,232**	1,590,494	3,427,638
Treasury shares				
Balance at 1 January	**(14,069)**	**(272,446)**	(15,733)	(304,667)
Issue of shares under share-based compensation plans	**2,212**	**42,836**	1,664	32,221
Balance at 31 December	**(11,857)**	**(229,610)**	(14,069)	(272,446)
Ordinary share capital	**1,602,687**	**3,714,622**	1,576,425	3,155,192
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	**–**	**847,441**	–	847,441
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	**–**	**498,552**	–	498,552
Share capital and other capital of the Bank		**5,060,615**		4,501,185
Non-cumulative non-convertible guaranteed SPV-A preference shares at 1 January and 31 December	**5**	**831,550**	5	831,550
Share capital and other capital of the Group		**5,892,165**		5,332,735
Ordinary shares held by associates and joint ventures of the Group	**–**		778	

(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.

(c) During the financial year, the Bank issued 2,212,000 (2013: 1,664,000) treasury shares to participants of the share-based compensation plans.

(d) The 4.90% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 23 July 2013. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 23 July 2018 or any distribution payment date thereafter or upon the occurrence of certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by MAS.

The capital securities bear a fixed distribution rate of 4.90% per annum, subject to a reset on 23 July 2018 (and every five years thereafter) to a rate equal to the prevailing five-year SGD SOR plus the initial margin of 3.195%. Distributions are payable semi-annually on 23 January and 23 July of each year, unless cancelled by the Bank at its sole discretion or unless the Bank has no obligation to pay the distributions.

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

14. Share Capital and Other Capital (continued)

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

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

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

(f) The non-cumulative non-convertible guaranteed SPV-A preference shares of US$0.01 each with liquidation preference of US$100,000 per share were issued on 13 December 2005 by the Bank via its wholly-owned subsidiary, UOB Cayman I Limited. The entire proceeds were used by the subsidiary to subscribe for the US$500 million subordinated note (Note 21b(vi)) issued by the Bank.

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

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

Dividends on the shares are payable at the sole discretion of the Bank semi-annually at an annual rate of 5.796% of the liquidation preference from 15 March 2006 to and 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 perpetual capital securities and SPV-A preference shares qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios.

15. Retained Earnings

(a)

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**12,002,525**	10,221,670	**9,255,114**	8,120,482
Profit for the financial year attributable to equity holders of the Bank	**3,249,101**	3,007,900	**2,691,211**	2,298,271
Remeasurement of defined benefit obligation	**(4,801)**	(4,306)	**–**	(268)
Transfer from/(to) other reserves	**95,811**	(23,058)	**115,062**	–
Reclassification of share-based compensation reserves on expiry	**80**	6,038	**80**	6,038
Dividends				
Ordinary shares				
Final dividend of 50 cents one-tier tax-exempt and special dividend of 5 cents one-tier tax-exempt (2013: 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	**(867,243)**	(787,521)	**(867,243)**	(787,521)
Interim dividend of 20 cents one-tier tax-exempt (2013: 20 cents one-tier tax-exempt) per share paid in respect of the financial year	**(320,258)**	(315,045)	**(320,258)**	(315,045)
Semi-annual dividends at 5.796% per annum on non-cumulative non-convertible guaranteed SPV-A preference shares	**(25,723)**	(36,310)	**–**	–
Semi-annual dividends at 5.05% per annum on Class E non-cumulative non-convertible preference shares	**–**	(66,843)	**–**	(66,843)
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	**(41,650)**	–	**(41,650)**	–
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	**(23,750)**	–	**(23,750)**	–
	(1,278,624)	(1,205,719)	**(1,252,901)**	(1,169,409)
Balance at 31 December	**14,064,092**	12,002,525	**10,808,566**	9,255,114

(b) The retained earnings are distributable reserves except for an amount of $487,579,000 (2013: $565,044,000), 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 2014, the directors have proposed a final one-tier tax-exempt dividend of 50 cents and a special one-tier tax-exempt dividend of 5 cents per ordinary share amounting to a total dividend of $881,477,000. The proposed dividend will be accounted for in Year 2015 financial statements upon approval of the equity holders of the Bank.

16. Other Reserves

(a)

	The Group								
	Fair value reserve $'000	**Foreign currency translation reserve $'000**	**Share-based compensation reserve $'000**	**Merger reserve $'000**	**Statutory reserve $'000**	**General reserve $'000**	**Share of reserves of associates and joint ventures $'000**	**Others $'000**	**Total $'000**
2014									
Balance at 1 January	**478,578**	**(1,199,851)**	**45,191**	**3,266,744**	**3,267,989**	**3,416,316**	**51,909**	**(274,220)**	**9,052,656**
Other comprehensive income for the financial year attributable to equity holders of the Bank	**536,051**	**102,624**	**–**	**–**	**–**	**–**	**25,656**	**–**	**664,331**
Transfers	**–**	**–**	**–**	**(115,062)**	**25,902**	**–**	**–**	**(6,651)**	**(95,811)**
Share-based compensation	**–**	**–**	**33,529**	**–**	**–**	**–**	**–**	**–**	**33,529**
Reclassification of share-based compensation reserves on expiry	**–**	**–**	**(80)**	**–**	**–**	**–**	**–**	**–**	**(80)**
Issue of shares under share-based compensation plans	**–**	**–**	**(32,941)**	**–**	**–**	**–**	**–**	**(9,895)**	**(42,836)**
Change in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,304**	**1,304**
Balance at 31 December	**1,014,629**	**(1,097,227)**	**45,699**	**3,151,682**	**3,293,891**	**3,416,316**	**77,565**	**(289,462)**	**9,613,093**
2013									
Balance at 1 January	658,222	(940,527)	50,400	3,266,744	3,235,861	3,422,847	148,278	(255,820)	9,586,005
Other comprehensive income for the financial year attributable to equity holders of the Bank	(179,644)	(259,324)	–	–	–	–	(96,369)	–	(535,337)
Transfers	–	–	–	–	31,535	(6,531)	–	(1,946)	23,058
Share-based compensation	–	–	28,559	–	–	–	–	–	28,559
Reclassification of share-based compensation reserves on expiry	–	–	(6,038)	–	–	–	–	–	(6,038)
Issue of shares under share-based compensation plans	–	–	(27,730)	–	–	–	–	(4,491)	(32,221)
Increase in statutory reserves	–	–	–	–	593	–	–	–	593
Change in non-controlling interests	–	–	–	–	–	–	–	(9,374)	(9,374)
Redemption of preference shares	–	–	–	–	–	–	–	(2,589)	(2,589)
Balance at 31 December	478,578	(1,199,851)	45,191	3,266,744	3,267,989	3,416,316	51,909	(274,220)	9,052,656

16. Other Reserves (continued)

(a) (continued)

	The Bank							
	Fair value reserve $'000	Foreign currency translation reserve $'000	Share-based compensation reserve $'000	Merger reserve $'000	Statutory reserve $'000	General reserve $'000	Others $'000	Total $'000
2014								
Balance at 1 January	**548,319**	**(76,236)**	**45,191**	**3,266,744**	**2,752,922**	**2,930,499**	**(21,788)**	**9,445,651**
Other comprehensive income for the financial year	**450,818**	**8,466**	**–**	**–**	**–**	**–**	**–**	**459,284**
Transfer to retained earnings	**–**	**–**	**–**	**(115,062)**	**–**	**–**	**–**	**(115,062)**
Share-based compensation	**–**	**–**	**33,529**	**–**	**–**	**–**	**–**	**33,529**
Reclassification of share-based compensation reserves on expiry	**–**	**–**	**(80)**	**–**	**–**	**–**	**–**	**(80)**
Issue of shares under share-based compensation plans	**–**	**–**	**(32,941)**	**–**	**–**	**–**	**(9,895)**	**(42,836)**
Balance at 31 December	**999,137**	**(67,770)**	**45,699**	**3,151,682**	**2,752,922**	**2,930,499**	**(31,683)**	**9,780,486**
2013								
Balance at 1 January	675,064	(88,676)	50,400	3,266,744	2,752,922	2,930,499	(14,708)	9,572,245
Other comprehensive income for the financial year	(126,745)	12,440	–	–	–	–	–	(114,305)
Share-based compensation	–	–	28,559	–	–	–	–	28,559
Reclassification of share-based compensation reserves on expiry	–	–	(6,038)	–	–	–	–	(6,038)
Issue of shares under share-based compensation plans	–	–	(27,730)	–	–	–	(4,491)	(32,221)
Redemption of preference shares	–	–	–	–	–	–	(2,589)	(2,589)
Balance at 31 December	548,319	(76,236)	45,191	3,266,744	2,752,922	2,930,499	(21,788)	9,445,651

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

(c) Foreign currency translation reserve represents differences arising from the use of year end exchange rates versus historical rates in translating the net assets of foreign operations, net of 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 Singapore 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.

16. Other Reserves (continued)

(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.

17. Classification of Financial Assets and Financial Liabilities

(a)

	The Group				
	Held for trading $'000	**Designated as fair value through profit or loss $'000**	**Available-for-sale $'000**	**Loans and receivables/ amortised cost $'000**	**Total $'000**
2014					
Cash, balances and placements with central banks	**789,859**	**–**	**10,875,320**	**23,417,729**	**35,082,908**
Singapore Government treasury bills and securities	**234,757**	**–**	**7,521,952**	**–**	**7,756,709**
Other government treasury bills and securities	**1,553,900**	**–**	**8,587,042**	**–**	**10,140,942**
Trading securities	**738,262**	**–**	**–**	**–**	**738,262**
Placements and balances with banks	**1,342,976**	**131,024**	**2,842,986**	**24,375,065**	**28,692,051**
Loans to non-bank customers	**230,128**	**–**	**–**	**195,672,435**	**195,902,563**
Derivative financial assets	**6,305,928**	**–**	**–**	**–**	**6,305,928**
Investment securities					
Debt	**–**	**579,697**	**7,642,006**	**173,496**	**8,395,199**
Equity	**–**	**–**	**3,044,350**	**–**	**3,044,350**
Other assets	**578,797**	**–**	**107,032**	**1,877,602**	**2,563,431**
Total financial assets	**11,774,607**	**710,721**	**40,620,688**	**245,516,327**	**298,622,343**
Non-financial assets					**8,113,800**
Total assets					**306,736,143**
Deposits and balances of banks, non-bank customers and subsidiaries	1,518,454	2,750,963	–	240,706,574	244,975,991
Bills and drafts payable	–	–	–	950,727	950,727
Derivative financial liabilities	6,383,979	–	–	–	6,383,979
Other liabilities	194,938	–	–	2,654,157	2,849,095
Debts issued	–	494,888	–	20,458,415	20,953,303
Total financial liabilities	8,097,371	3,245,851	–	264,769,873	276,113,095
Non-financial liabilities					851,043
Total liabilities					276,964,138

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

(a) (continued)

	The 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
2013					
Cash, balances and placements with central banks	657,019	–	4,116,101	22,107,461	26,880,581
Singapore Government treasury bills and securities	134,097	–	9,520,814	–	9,654,911
Other government treasury bills and securities	1,345,110	–	6,598,387	–	7,943,497
Trading securities	628,131	–	–	–	628,131
Placements and balances with banks	558,666	–	2,019,391	28,833,683	31,411,740
Loans to non-bank customers	–	–	–	178,856,863	178,856,863
Derivative financial assets	5,779,497	–	–	–	5,779,497
Investment securities					
Debt	–	655,873	7,916,068	194,337	8,766,278
Equity	–	–	3,373,628	–	3,373,628
Other assets	587,234	–	151,127	2,389,466	3,127,827
Total financial assets	9,689,754	655,873	33,695,516	232,381,810	276,422,953
Non-financial assets					7,806,116
Total assets					284,229,069
Deposits and balances of banks, non-bank customers and subsidiaries	1,184,630	2,070,470	–	224,998,595	228,253,695
Bills and drafts payable	–	–	–	1,035,208	1,035,208
Derivative financial liabilities	5,877,773	–	–	–	5,877,773
Other liabilities	285,456	–	–	2,273,864	2,559,320
Debts issued	–	16,461	–	18,964,861	18,981,322
Total financial liabilities	7,347,859	2,086,931	–	247,272,528	256,707,318
Non-financial liabilities					944,489
Total liabilities					257,651,807

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

(a) (continued)

	The Bank				
	Held for trading $'000	Designated as fair value through profit or loss $'000	Available-for-sale $'000	Loans and receivables/ amortised cost $'000	Total $'000
2014					
Cash, balances and placements with central banks	268,965	–	9,195,840	15,342,564	24,807,369
Singapore Government treasury bills and securities	234,756	–	7,393,072	–	7,627,828
Other government treasury bills and securities	205,919	–	3,776,222	–	3,982,141
Trading securities	738,262	–	–	–	738,262
Placements and balances with banks	1,276,083	51,049	1,515,460	21,489,979	24,332,571
Loans to non-bank customers	230,128	–	–	149,299,525	149,529,653
Placements with and advances to subsidiaries	38,577	–	–	7,688,404	7,726,981
Derivative financial assets	5,710,358	–	–	–	5,710,358
Investment securities					
Debt	–	348,877	6,655,942	649,084	7,653,903
Equity	–	–	2,640,443	–	2,640,443
Other assets	756,379	–	4,661	714,322	1,475,362
Total financial assets	9,459,427	399,926	31,181,640	195,183,878	236,224,871
Non-financial assets					11,153,171
Total assets					247,378,042
Deposits and balances of banks, non-bank customers and subsidiaries	1,518,991	1,597,450	–	189,439,342	192,555,783
Bills and drafts payable	–	–	–	190,704	190,704
Derivative financial liabilities	5,928,255	–	–	–	5,928,255
Other liabilities	245,890	–	–	1,067,481	1,313,371
Debts issued	–	494,888	–	20,643,657	21,138,545
Total financial liabilities	7,693,136	2,092,338	–	211,341,184	221,126,658
Non-financial liabilities					601,717
Total liabilities					221,728,375

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

(a) (continued)

	The Bank				
	Held for trading $'000	Designated as fair value through profit or loss $'000	Available-for-sale $'000	Loans and receivables/ amortised cost $'000	Total $'000
2013					
Cash, balances and placements with central banks	400,423	–	3,616,857	9,836,695	13,853,975
Singapore Government treasury bills and securities	134,097	–	9,391,831	–	9,525,928
Other government treasury bills and securities	47,993	–	3,580,454	–	3,628,447
Trading securities	566,338	–	–	–	566,338
Placements and balances with banks	347,088	–	2,019,391	25,665,818	28,032,297
Loans to non-bank customers	–	–	–	136,538,266	136,538,266
Placements with and advances to subsidiaries	736,198	–	–	6,954,389	7,690,587
Derivative financial assets	5,030,302	–	–	–	5,030,302
Investment securities					
Debt	–	394,335	6,928,188	608,463	7,930,986
Equity	–	–	3,038,268	–	3,038,268
Other assets	642,062	–	41,448	1,348,053	2,031,563
Total financial assets	7,904,501	394,335	28,616,437	180,951,684	217,866,957
Non-financial assets					10,679,203
Total assets					228,546,160
Deposits and balances of banks, non-bank customers and subsidiaries	1,187,923	1,386,324	–	176,679,467	179,253,714
Bills and drafts payable	–	–	–	254,462	254,462
Derivative financial liabilities	5,196,506	–	–	–	5,196,506
Other liabilities	334,605	–	–	1,166,632	1,501,237
Debts issued	–	16,461	–	18,529,646	18,546,107
Total financial liabilities	6,719,034	1,402,785	–	196,630,207	204,752,026
Non-financial liabilities					592,184
Total liabilities					205,344,210

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 36a.

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

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

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Financial liabilities				
Deposits and balances of banks, non-bank customers and subsidiaries	**2,774,509**	2,080,785	**1,606,736**	1,390,067
Debts issued	**475,154**	16,550	**475,154**	16,550
	3,249,663	2,097,335	**2,081,890**	1,406,617

(d) Fair values of the financial instruments

The valuation process adopted by the Group is governed by the valuation, market data, and reserves policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation process incorporating the market rates, the methodologies and models, including the analysis of the valuation are regularly reviewed by Group Market Risk Control (MRC) within Group Risk Management. Further independent assurances are provided by internal auditors.

The rates and parameters utilised for valuation purposes are independently verified by the MRC. The market rates and parameters verification involves checks against available market providers or sources. These are applicable to products or instruments with liquid market or those traded within an exchange. Where market prices are not liquid, MRC will utilise additional techniques such as historical estimation or available proxy market rates and parameters to provide an additional layer of reasonableness checks. Where products or instruments are complex, the Group utilises approved valuation model. All valuation models are independently validated by Group Risk Analytics Division (RAD) within Group Risk Management. The model validation provides the assurance of conceptual soundness of models used including the model inputs and outputs under normal market conditions and stressed market conditions.

In instances where unobservable inputs are used in the valuation models that are classified under Level 3 of the fair value hierarchy, apart from utilising market proxy instruments or prices, MRC could utilise available financial disclosures such as cash flow, profit and loss or net asset value in financial statements as a reasonableness check.

The valuation process is supplemented by valuation reserves to adjust for valuation uncertainties. MRC proposes the valuation reserve methodologies and adjustments which are rigorously discussed at the Market Risk Models & Reserves Working Group. This working group provides the support to Group Asset and Liability Committee (ALCO) for matters relating to model validation issues and valuation reserves.

The valuation adjustments or reserves set aside include bid/offer rate adjustments for long or short positions, illiquidity adjustments for less liquid or where proxies are utilised, concentration adjustments for larger positions, model or parameter adjustments where complex models or estimated parameters are utilised, and other adjustments such as day 1 profit or loss for transactions that are longer term.

For financial instruments carried at cost or amortised cost, their fair values are 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.

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

(d) Fair values of the financial instruments (continued)

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

	The Group		The Bank	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
2014				
Investment debt securities	**173,496**	**170,677**	**649,084**	**646,264**
Debts issued	**20,458,415**	**20,560,845**	**20,643,657**	**20,746,069**
2013				
Investment debt securities	194,337	211,551	608,463	625,677
Debts issued	18,964,861	19,003,217	18,529,646	18,567,834

(e) 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					
	2014			2013		
	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	**–**	**11,665,179**	**–**	–	4,773,120	–
Singapore Government treasury bills and securities	**7,756,709**	**–**	**–**	9,654,911	–	–
Other government treasury bills and securities	**10,140,942**	**–**	**–**	7,943,497	–	–
Trading securities	**738,262**	**–**	**–**	628,131	–	–
Placements and balances with banks	**–**	**4,316,986**	**–**	–	2,578,057	–
Loans to non-bank customers	**–**	**230,128**	**–**	–	–	–
Derivative financial assets	**12,496**	**6,094,346**	**199,086**	20,356	5,590,918	168,223
Investment securities						
Debt	**6,830,538**	**1,390,259**	**906**	6,760,491	1,809,448	2,002
Equity	**973,312**	**–**	**2,071,038**	1,410,737	883,551	92,005
Other assets	**685,829**	**–**	**–**	690,549	47,812	–
	27,138,088	**23,696,898**	**2,271,030**	27,108,672	15,682,906	262,230
Total financial assets carried at fair value			**53,106,016**			43,053,808
Deposits and balances of banks, non-bank customers and subsidiaries	**–**	**4,269,417**	**–**	–	3,255,100	–
Derivative financial liabilities	**11,209**	**6,173,684**	**199,086**	1,247	5,708,303	168,223
Other liabilities	**194,938**	**–**	**–**	285,456	–	–
Debts issued	**–**	**494,888**	**–**	–	16,461	–
	206,147	**10,937,989**	**199,086**	286,703	8,979,864	168,223
Total financial liabilities carried at fair value			**11,343,222**			9,434,790

Notes to the Financial Statements

for the financial year ended 31 December 2014

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

(e) (continued)

	The Bank					
	2014			2013		
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash, balances and placements with central banks	**–**	**9,464,805**	**–**	–	4,017,280	–
Singapore Government treasury bills and securities	**7,627,828**	**–**	**–**	9,525,928	–	–
Other government treasury bills and securities	**3,982,141**	**–**	**–**	3,628,447	–	–
Trading securities	**738,262**	**–**	**–**	566,338	–	–
Placements and balances with banks	**–**	**2,842,592**	**–**	–	2,366,479	–
Loans to non-bank customers	**–**	**230,128**	**–**	–	–	–
Placements with and advances to subsidiaries	**38,577**	**–**	**–**	736,198	–	–
Derivative financial assets	**5,567**	**5,505,705**	**199,086**	26,493	4,835,586	168,223
Investment securities						
Debt	**5,649,002**	**1,354,911**	**906**	5,610,061	1,710,460	2,002
Equity	**818,934**	**–**	**1,821,509**	1,248,866	770,307	60,963
Other assets	**761,040**	**–**	**–**	652,846	30,664	–
	19,621,351	**19,398,141**	**2,021,501**	21,995,177	13,730,776	231,188
Total financial assets carried at fair value			**41,040,993**			35,957,141
Deposits and balances of banks, non-bank customers and subsidiaries	**–**	**3,116,441**	**–**	–	2,574,247	–
Derivative financial liabilities	**5,195**	**5,723,974**	**199,086**	1,114	5,027,169	168,223
Other liabilities	**194,847**	**51,043**	**–**	287,309	47,296	–
Debts issued	**–**	**494,888**	**–**	–	16,461	–
	200,042	**9,386,346**	**199,086**	288,423	7,665,173	168,223
Total financial liabilities carried at fair value			**9,785,474**			8,121,819

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

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

	The Group							
		Fair value gains or (losses)						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in $'000	Balance at 31 December $'000	Unrealised gains included in income statement $'000
2014								
Assets								
Derivative financial assets	**168,223**	**30,863**	**–**	**–**	**–**	**–**	**199,086**	**30,863**
Investment securities-debt	**2,002**	**–**	**(73)**	**904**	**(1,927)**	**–**	**906**	**–**
Investment securities-equity	**92,005**	**12,504**	**318,867**	**17,275**	**(63,064)**	**1,693,451**	**2,071,038**	**–**
Liabilities								
Derivative financial liabilities	**168,223**	**30,863**	**–**	**–**	**–**	**–**	**199,086**	**30,863**
2013								
Assets								
Derivative financial assets	–	168,223	–	–	–	–	168,223	168,223
Investment securities-debt	2,028	–	75	1,927	(2,028)	–	2,002	–
Investment securities-equity	82,181	(257)	(805)	15,726	(4,840)	–	92,005	–
Liabilities								
Derivative financial liabilities	–	168,223	–	–	–	–	168,223	168,223

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

(f) (continued)

	The Bank							
		Fair value gains or (losses)						
	Balance at 1 January $'000	Income statement $'000	Other comprehensive income $'000	Purchases $'000	Settlements $'000	Transfer in $'000	Balance at 31 December $'000	Unrealised gains included in income statement $'000
2014								
Assets								
Derivative financial assets	**168,223**	**30,863**	**–**	**–**	**–**	**–**	**199,086**	**30,863**
Investment securities-debt	**2,002**	**–**	**(73)**	**904**	**(1,927)**	**–**	**906**	**–**
Investment securities-equity	**60,963**	**12,580**	**264,157**	**12,708**	**(58,779)**	**1,529,880**	**1,821,509**	**–**
Liabilities								
Derivative financial liabilities	**168,223**	**30,863**	**–**	**–**	**–**	**–**	**199,086**	**30,863**
2013								
Assets								
Derivative financial assets	–	168,223	–	–	–	–	168,223	168,223
Investment securities-debt	1,996	–	75	1,927	(1,996)	–	2,002	–
Investment securities-equity	61,280	(850)	138	2,414	(2,019)	–	60,963	–
Liabilities								
Derivative financial liabilities	–	168,223	–	–	–	–	168,223	168,223

(g) Effect of changes in significant unobservable inputs to reflect reasonably possible alternatives

As at 31 December 2014, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted equity investments and funds, unquoted debt securities, and long dated equity derivatives, summarised as follows:

	Classification	Valuation technique	Unobservable inputs
2014			
Assets			
Derivative financial assets	FVPL[1]	Option Pricing Model	Standard deviation
Investment securities-debt	AFS[2]	Discounted Cash Flow	Credit spreads
Investment securities-equity	AFS[2]	Multiples and Net Asset Value	Net asset value, Earnings and financial ratios multiples
Liabilities			
Derivative financial liabilities	FVPL[1]	Option Pricing Model	Standard deviation

1 Financial instruments classified as fair value through profit or loss.

2 Financial instruments classified as available-for-sale.

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

(g) (continued)

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised into Level 3 because of a single unobservable input.

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

The movement in fair value arising from reasonably possible changes to the significant unobservable input is assessed as not significant.

18. Deposits and Balances of Non-Bank Customers

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Fixed deposits	**129,787,002**	120,773,293	**94,341,385**	86,357,748
Savings deposits	**51,654,000**	45,491,566	**41,246,101**	37,349,034
Current accounts	**45,481,692**	40,289,443	**38,691,177**	34,210,913
Others	**6,826,950**	7,993,240	**4,844,226**	5,574,594
	233,749,644	214,547,542	**179,122,889**	163,492,289

19. Other Liabilities

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Accrued interest payable	**552,135**	541,313	**276,164**	259,333
Accrued operating expenses	**648,304**	640,794	**351,195**	366,991
Sundry creditors	**1,419,410**	1,359,588	**451,510**	651,846
Others	**537,874**	386,800	**393,316**	362,681
	3,157,723	2,928,495	**1,472,185**	1,640,851

20. Deferred Tax

Deferred tax comprises the following:

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities on:				
Unrealised gain on available-for-sale financial assets	**97,677**	72,420	**76,143**	64,271
Accelerated tax depreciation	**88,223**	78,216	**78,902**	68,651
Fair value of depreciable assets acquired in business combination	**28,045**	29,249	**28,045**	29,249
Others	**71,245**	83,630	**808**	519
	285,190	263,515	**183,898**	162,690
Amount offset against deferred tax assets	**(124,701)**	(177,130)	**(100,710)**	(162,690)
	160,489	86,385	**83,188**	–
Deferred tax assets on:				
Unrealised loss on available-for-sale financial assets	**614**	513	**297**	209
Allowance for impairment	**155,377**	268,671	**115,030**	171,619
Tax losses	**49,719**	7,682	**48,050**	–
Unrealised loss on financial instruments fair value to profit and loss	**70,803**	84,480	**4,289**	7,284
Others	**79,824**	103,494	**34,780**	49,974
	356,337	464,840	**202,446**	229,086
Amount offset against deferred tax liabilities	**(124,701)**	(177,130)	**(100,710)**	(162,690)
	231,636	287,710	**101,736**	66,396
Net deferred tax assets	**71,147**	201,325	**18,548**	66,396

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

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**201,325**	275,024	**66,396**	94,001
Currency translation adjustments	**(3,115)**	(13,832)	**(3,356)**	(8,133)
Charge to income statement	**(103,190)**	(45,736)	**(32,711)**	(3,219)
Charge to equity	**(23,873)**	(14,131)	**(11,781)**	(16,253)
Balance at 31 December	**71,147**	201,325	**18,548**	66,396

The Group has not recognised deferred tax asset in respect of tax losses of $23,353,000 (2013: $15,088,000) 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 $334,000 (2013: $115,000) which will expire between the years 2017 and 2034 (2013: 2024 and 2031).

21. Debts Issued

(a)

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Subordinated notes				
S$1 billion 4.100% subordinated notes due 2014	**–**	1,018,864	**–**	1,018,864
S$1 billion 3.45% subordinated notes due 2021 callable in 2016	**1,012,708**	1,026,388	**1,012,708**	1,026,388
S$1.2 billion 3.15% subordinated notes due 2022 callable in 2017	**1,187,170**	1,194,512	**1,187,170**	1,194,512
S$500 million 3.50% subordinated notes due 2026 callable in 2020	**495,315**	–	**495,315**	–
US$1 billion 5.375% subordinated notes due 2014	**–**	1,306,585	**–**	1,306,585
US$800 million 3.75% subordinated notes due 2024 callable in 2019	**1,058,346**	–	**1,058,346**	–
US$500 million 2.875% subordinated notes due 2022 callable in 2017	**651,687**	618,555	**651,687**	618,555
US$500 million 5.796% subordinated note	**–**	–	**660,700**	632,350
RM500 million 4.88% subordinated notes due 2020 callable with step-up in 2015	**189,003**	192,553	**–**	–
IDR433 billion 11.35% subordinated notes due 2021	**45,320**	–	**–**	–
	4,639,549	5,357,457	**5,065,926**	5,797,254
Of which, fair value hedge (gain)/loss	**(765)**	72,632	**(765)**	72,632
Other debts issued				
Credit-linked notes	**74,725**	16,461	**74,725**	16,461
Interest rate-linked notes	**559,835**	7,209	**559,835**	7,209
Equity-linked notes	**962,905**	897,229	**962,905**	897,229
Floating rate notes	**2,031,646**	860,152	**2,031,646**	860,152
Fixed rate notes	**2,179,156**	1,219,803	**1,938,021**	1,219,803
US commercial papers	**10,502,137**	9,733,808	**10,502,137**	9,733,808
Others	**3,350**	889,203	**3,350**	14,191
	16,313,754	13,623,865	**16,072,619**	12,748,853
Of which, fair value hedge (gain)/loss	**11,333**	5,455	**11,333**	5,455
Total debts issued	**20,953,303**	18,981,322	**21,138,545**	18,546,107

(b) Subordinated notes

(i) The S$1 billion 3.45% subordinated notes were issued by the Bank at par on 1 April 2011 and will mature on 1 April 2021. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 1 April 2016 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 3.45% per annum up to and including 31 March 2016. From and including 1 April 2016, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year Singapore Dollar Interest Rate Swap Offer Rate on 1 April 2016 plus 1.475%.

Notes to the Financial Statements

for the financial year ended 31 December 2014

21. Debts Issued (continued)

(b) Subordinated notes (continued)

(ii) The S$1.2 billion 3.15% subordinated notes were issued by the Bank at par on 11 July 2012 and will mature on 11 July 2022. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 11 July 2017 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 3.15% per annum up to and including 10 July 2017. From and including 11 July 2017, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year Singapore Dollar Interest Rate Swap Offer Rate on 11 July 2017 plus 2.115%.

(iii) The S$500 million 3.50% subordinated notes were issued by the Bank at par on 22 May 2014 and will mature on 22 May 2026. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 22 May 2020, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.50% per annum up to but excluding 22 May 2020. From and including 22 May 2020, the interest rate shall be reset to a fixed rate equal to the prevailing Singapore 6-year Swap Offer Rate on 22 May 2020 plus 1.607%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(iv) The US$800 million 3.75% subordinated notes were issued by the Bank at 99.357 on 19 March 2014 and will mature on 19 September 2024. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 19 September 2019, or at the occurrence of a tax event or change of qualification event, subject to the prior approval of the MAS and other redemption conditions. Interest is payable semi-annually at a fixed rate of 3.75% per annum up to but excluding 19 September 2019. From and including 19 September 2019, the interest rate shall be reset to a fixed rate equal to the prevailing United States Dollar 5-year Mid Swap Rate on 19 September 2019 plus 1.995%. As a Basel III capital instrument, the subordinated notes can be written off in whole or in part if the Bank was determined by the MAS to be non-viable.

(v) The US$500 million 2.875% subordinated notes were issued by the Bank at 99.575 on 17 October 2012 and will mature on 17 October 2022. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 17 October 2017 or any subsequent interest payment date, or on any date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the MAS and certain other conditions. Interest is payable semi-annually at a fixed rate of 2.875% per annum up to and excluding 17 October 2017. From and including 17 October 2017, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year U.S. Treasury Rate on 17 October 2017 plus initial spread of 2.30%.

(vi) The US$500 million 5.796% subordinated note was issued by the Bank at par to UOB Cayman I Limited on 13 December 2005. It matures on 12 December 2055 which is subject to extension. The note may be redeemed, in whole but not in part, at the option of the Bank, on 15 March 2016 or any interest payment date thereafter, subject to the approval of MAS and certain other conditions. Interest is payable semi-annually at 5.796% per annum beginning 15 March 2006. From and including 15 March 2016, interest is payable quarterly at a floating rate per annum equal to the three-month LIBOR plus 1.745%.

The S$ and US$ subordinated notes issued by the Bank are unsecured obligations with the US$500 million 5.796% subordinated note ranking junior to all other S$ 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.

(vii) The RM500 million 4.88% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd (UOBM) on 29 March 2010 and will 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.

(viii) The IDR433 billion 11.35% subordinated notes were issued by PT Bank UOB Indonesia on 28 May 2014 and will mature on 28 May 2021. Interest is payable quarterly at a fixed rate of 11.35% per annum beginning 28 August 2014.

21. Debts Issued (continued)

(c) Other debts issued

(i) The credit-linked notes, with embedded credit default swaps, were issued at par with maturity on 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 maturity ranging from 15 August 2015 to 26 September 2044. 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 5 January 2015 to 2 December 2016. 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 ranging from 12 March 2015 to 11 March 2019. Interest is payable quarterly at a floating rate.

(v) The fixed rate notes comprise mainly notes issued by the Bank with maturity ranging from 24 June 2016 to 18 March 2020. Interest is payable semi-annually and quarterly at a fixed rate ranged from 2.2% to 2.5% per annum.

(vi) The US commercial papers were issued by the Bank with maturity ranging from 2 January 2015 to 10 July 2015. Interest rates of the papers ranged from 0.17% to 0.31% per annum (2013: 0.17% to 0.25% per annum).

(vii) Others comprise mainly foreign exchange-linked note issued by the Bank with maturity ranging from 3 March 2015 to 22 May 2018.

22. Cash, Balances and Placements with Central Banks

	The Group		**The Bank**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash on hand	**1,526,271**	1,592,055	**1,185,177**	1,300,306
Balances with central banks				
Restricted balances	**5,378,590**	5,636,546	**3,429,404**	3,724,637
Non-restricted balances	**28,178,047**	19,651,980	**20,192,788**	8,829,032
	35,082,908	26,880,581	**24,807,369**	13,853,975

23. Trading Securities

	The Group		**The Bank**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Quoted securities				
Debt	**678,682**	554,176	**678,682**	500,110
Equity	**45,275**	48,198	**45,275**	48,198
Unquoted securities				
Debt	**14,305**	25,757	**14,305**	18,030
	738,262	628,131	**738,262**	566,338

24. Loans to Non-Bank Customers

(a)

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Loans to non-bank customers (gross)	**199,342,620**	181,977,609	**151,945,533**	138,753,959
Individual impairment (Note 24d)	**(656,977)**	(797,853)	**(374,437)**	(529,592)
Collective impairment (Note 24d)	**(2,783,080)**	(2,322,893)	**(2,041,443)**	(1,686,101)
Loans to non-bank customers (net)	**195,902,563**	178,856,863	**149,529,653**	136,538,266
Comprising:				
Trade bills	**2,861,326**	2,501,182	**896,803**	407,106
Advances to customers	**193,041,237**	176,355,681	**148,632,850**	136,131,160
	195,902,563	178,856,863	**149,529,653**	136,538,266

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

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Transport, storage and communication	**10,014,207**	7,982,519	**8,559,673**	6,616,853
Building and construction	**25,160,490**	23,845,072	**20,395,180**	19,788,728
Manufacturing	**17,138,603**	15,998,638	**10,465,496**	9,559,855
Financial institutions	**29,550,701**	29,172,602	**26,663,781**	26,623,001
General commerce	**27,118,835**	22,159,012	**19,116,404**	15,000,009
Professionals and private individuals	**26,007,428**	24,610,845	**18,293,684**	17,732,965
Housing loans	**54,711,159**	50,486,511	**40,442,405**	37,589,734
Others	**9,641,197**	7,722,410	**8,008,910**	5,842,814
	199,342,620	181,977,609	**151,945,533**	138,753,959

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

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Singapore dollar	**106,784,698**	101,538,336	**106,451,643**	101,245,958
US dollar	**33,471,284**	26,922,643	**29,769,476**	23,888,206
Malaysian ringgit	**24,364,127**	23,307,587	**–**	5,342
Thai baht	**10,154,988**	9,147,796	**351**	142
Indonesian rupiah	**4,776,767**	4,242,116	**–**	–
Others	**19,790,756**	16,819,131	**15,724,063**	13,614,311
	199,342,620	181,977,609	**151,945,533**	138,753,959

24. Loans to Non-Bank Customers (continued)

(d) Movements of allowance for impairment on loans

	2014		2013	
	Individual impairment $'000	**Collective impairment $'000**	Individual impairment $'000	Collective impairment $'000
The Group				
Balance at 1 January	**797,853**	**2,322,893**	960,369	1,964,347
Currency translation adjustments	**8,972**	**1,098**	(38,142)	(19,742)
Write-off/disposal	**(322,960)**	**–**	(226,459)	–
Reclassification	**(983)**	**71,027**	2,627	(2,619)
Net charge to income statement	**174,095**	**388,062**	99,458	380,907
Balance at 31 December	**656,977**	**2,783,080**	797,853	2,322,893
The Bank				
Balance at 1 January	**529,592**	**1,686,101**	640,137	1,470,802
Currency translation adjustments	**3,772**	**351**	(26,740)	(46)
Write-off/disposal	**(230,870)**	**–**	(140,415)	–
Reclassification	**–**	**70,000**	–	–
Net charge to income statement	**71,943**	**284,991**	56,610	215,345
Balance at 31 December	**374,437**	**2,041,443**	529,592	1,686,101

25. Financial Assets Transferred

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

(a) Assets pledged or transferred

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

	The Group		**The Bank**	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Assets pledged and transferred, at carrying amount				
Singapore Government treasury bills and securities	**673,269**	447,534	**673,269**	447,534
Other government treasury bills and securities	**632,293**	950,715	**510,445**	716,946
Placements and balances with banks				
Negotiable certificates of deposit	**523,449**	1,183,455	**523,449**	1,183,455
Bankers' acceptances	**27,094**	39,524	**27,094**	39,524
Investment securities	**79,113**	33,878	**79,113**	33,878
	1,935,218	2,655,106	**1,813,370**	2,421,337

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

25. Financial Assets Transferred (continued)

(b) Collateral received

For repurchase agreements (Repo) where the Group receives assets as collateral is as follows:

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Assets received for reverse Repo transactions, at fair value	**3,179,044**	3,886,401	**2,469,795**	1,890,097
Of which, sold or repledged	**63,161**	20,658	**63,161**	20,658

(c) Repo and reverse Repo transactions subject to netting agreements

To mitigate credit risk, the Bank and the Group enter into global master repurchase agreements which allow the Bank and the Group to settle all amounts with a counterparty on a net basis in the event of default by that counterparty.

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

		2014		2013	
		Reverse Repo	**Repo**	Reverse Repo	Repo
		$'000	**$'000**	$'000	$'000
The Group					
Amount before/after unconditional netting agreements as included in the balance sheet		**3,076,500**	**1,859,436**	3,757,258	3,093,716
Amount subject to conditional netting agreements		**(3,076,500)**	**(1,859,436)**	(3,757,258)	(3,093,716)
Of which:	Amount nettable	**(555,426)**	**(555,426)**	(374,154)	(374,154)
	Financial collateral	**(2,516,957)**	**(1,303,478)**	(3,382,095)	(2,715,954)
Amount not subject to netting agreements		**–**	**–**	–	–
The Bank					
Amount before/after unconditional netting agreements as included in the balance sheet		**2,369,912**	**1,738,868**	1,766,508	2,862,439
Amount subject to conditional netting agreements		**(2,369,912)**	**(1,738,868)**	(1,766,508)	(2,862,439)
Of which:	Amount nettable	**(555,439)**	**(555,439)**	(374,154)	(374,154)
	Financial collateral	**(1,810,368)**	**(1,182,923)**	(1,391,345)	(2,484,677)
Amount not subject to netting agreements		**–**	**–**	–	–

26. Investment Securities

(a)

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Quoted securities				
Debt	**6,411,242**	6,519,002	**5,849,179**	5,945,380
Equity	**1,022,769**	1,659,732	**849,317**	1,478,789
Unquoted securities				
Debt	**2,158,720**	2,420,797	**1,964,378**	2,158,178
Equity	**2,130,274**	2,017,828	**1,868,805**	1,833,125
Allowance for impairment (Note 30)	**(283,456)**	(477,453)	**(237,333)**	(446,218)
	11,439,549	12,139,906	**10,294,346**	10,969,254

26. Investment Securities (continued)

(b) Investment securities analysed by industry

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Transport, storage and communication	**794,124**	992,584	**782,013**	888,931
Building and construction	**282,339**	365,150	**210,784**	294,883
Manufacturing	**1,175,105**	1,287,296	**1,146,771**	1,251,520
Financial institutions	**5,340,325**	5,609,591	**4,744,712**	5,081,342
General commerce	**609,651**	607,471	**488,104**	471,854
Others	**3,238,005**	3,277,814	**2,921,962**	2,980,724
	11,439,549	12,139,906	**10,294,346**	10,969,254

27. Other Assets

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Interest receivable	**808,701**	740,279	**523,483**	496,218
Sundry debtors	**770,400**	1,550,985	**47,068**	874,078
Foreclosed properties	**128,513**	131,197	**–**	–
Others	**1,272,461**	1,077,326	**909,656**	764,910
Allowance for impairment (Note 30)	**(261,636)**	(287,264)	**(14,775)**	(35,831)
	2,718,439	3,212,523	**1,465,432**	2,099,375

28. Investment in Associates and Joint Ventures

(a)

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Material associates:				
UOB-Kay Hian Holdings Limited	**491,723**	460,339	**51,763**	32,916
Network for Electronic Transfers (Singapore) Pte Ltd	**54,819**	52,832	**7,399**	7,399
	546,542	513,171	**59,162**	40,315
Other associates/joint ventures	**647,894**	483,434	**485,496**	272,123
	1,194,436	996,605	**544,658**	312,438
Allowance for impairment (Note 30)	**(4,987)**	–	**(21,520)**	(43,205)
	1,189,449	996,605	**523,138**	269,233
Market value of quoted equity securities at 31 December	**456,824**	478,419	**456,824**	478,419

			Effective equity interest of the Group	
		Country of	**2014**	2013
Name of associate	**Principal activities**	**incorporation**	**%**	%
Quoted				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	**40**	40
Unquoted				
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	**33**	33

28. Investment in Associates and Joint Ventures (continued)

(b) Aggregate information about the Group's investments in associates that are not individually material are as follows:

	The Group	
	2014	2013
	$'000	$'000
Profit for the financial year	**120,002**	133,335
Other comprehensive income	**23,717**	(96,416)
Total comprehensive income	**143,719**	36,919

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

Summarised statements of comprehensive income

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Operating income	**408,897**	423,000	**147,890**	132,148
Profit for the financial year	**73,318**	89,728	**23,243**	14,235
Other comprehensive income	**4,149**	660	**43**	16
Total comprehensive income	**77,467**	90,388	**23,286**	14,251

Summarised balance sheets

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Current assets	**2,438,234**	2,873,188	**311,511**	301,153
Non-current assets	**173,270**	211,812	**43,526**	35,699
Total assets	**2,611,504**	3,085,000	**355,037**	336,852
Current liabilities	**1,389,110**	1,929,801	**180,969**	173,211
Non-current liabilities	**3,185**	4,619	**9,611**	5,145
Total liabilities	**1,392,295**	1,934,420	**190,580**	178,356
Net assets	**1,219,209**	1,150,580	**164,457**	158,496
Proportion of the Group's ownership	**40%**	40%	**33%**	33%
Group's share of net assets	**491,659**	460,339	**54,819**	52,832
Other adjustments	**64**	–	**–**	–
Carrying amount of the investment	**491,723**	460,339	**54,819**	52,832

Dividend of $18,847,000 (2013: $11,598,000) and $5,775,000 (2013: $5,756,000) were received from UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd respectively.

29. Investment in Subsidiaries

(a)

	The Bank	
	2014	2013
	$'000	$'000
Quoted equity securities	**45,024**	45,024
Unquoted equity securities	**5,249,508**	5,033,531
	5,294,532	5,078,555
Allowance for impairment (Note 30)	**(313,794)**	(326,056)
	4,980,738	4,752,499
Market value of quoted equity securities at 31 December	**163,183**	153,185

(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 2014 %	2013 %
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
Investment			
UOB Capital Investments Pte Ltd	Singapore	**100**	100
UOB Capital Management Pte Ltd	Singapore	**100**	100
UOB International Investment Private Limited	Singapore	**100**	100
UOB Property Investments Pte. Ltd.	Singapore	**100**	100
UOB Venture Management (Shanghai) Co., Ltd[1]	China	**100**	100
UOB Holdings (USA) Inc.[2]	United States	**100**	100
UOB Property Investments China Pte Ltd	Singapore	**100**	–
Investment Management			
UOB Asset Management Ltd	Singapore	**100**	100
UOB Venture Management Private Limited	Singapore	**100**	100
UOB Asset Management (Malaysia) Berhad	Malaysia	**70**	100
UOB Asset Management (Thailand) Co., Ltd.	Thailand	**100**	100
UOB Investment Advisor (Taiwan) Ltd	Taiwan	**100**	100
UOB Global Capital LLC[1]	United States	**70**	70
UOB Asia Investment Partners Pte Ltd	Singapore	**100**	100

29. Investment in Subsidiaries (continued)

(b) (continued)

Name of subsidiary	Country of incorporation	Effective equity interest of the Group 2014 %	2013 %
Bullion, Brokerage and Clearing			
UOB Bullion and Futures Limited	Singapore	**100**	100
Property			
Industrial & Commercial Property (S) Pte Ltd	Singapore	**100**	100
PT UOB Property	Indonesia	**100**	100
UOB Realty (USA) Ltd Partnership[2]	United States	**100**	100
Travel			
UOB Travel Planners Pte Ltd	Singapore	**100**	100

Note:

Except as indicated, all subsidiaries incorporated in Singapore are audited by Ernst & Young LLP, Singapore and those incorporated in overseas are audited by member firms of Ernst & Young Global Limited.

1 Audited by other auditors.

2 Not required to be audited.

(c) Interest in subsidiaries with material non-controlling interest (NCI)

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
2014					
United Overseas Insurance Limited	Singapore	**42**	**12,633**	**126,004**	**4,326**
Far Eastern Bank Limited	Singapore	**21**	**401**	**41,167**	**423**
2013					
United Overseas Insurance Limited	Singapore	42	11,422	114,527	4,326
Far Eastern Bank Limited	Singapore	21	307	41,477	425

29. Investment in Subsidiaries (continued)

(d) Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statements of comprehensive income

	United Overseas Insurance Limited		Far Eastern Bank Limited	
	2014 **$'000**	2013 $'000	**2014** **$'000**	2013 $'000
Operating income	**49,571**	45,867	**12,429**	11,755
Profit before tax	**35,579**	30,583	**2,272**	1,663
Tax	**5,220**	3,135	**375**	220
Profit for the financial year	**30,359**	27,448	**1,897**	1,443
Other comprehensive income	**7,619**	(68)	**(85)**	(1,492)
Total comprehensive income	**37,978**	27,380	**1,812**	(49)

Summarised balance sheets

	United Overseas Insurance Limited		Far Eastern Bank Limited	
	2014 **$'000**	2013 $'000	**2014** **$'000**	2013 $'000
Total assets	**576,748**	563,151	**1,012,755**	1,040,581
Total liabilities	**273,939**	287,922	**817,873**	845,511
Net assets	**302,809**	275,229	**194,882**	195,070

Other summarised information

	United Overseas Insurance Limited		Far Eastern Bank Limited	
	2014 **$'000**	2013 $'000	**2014** **$'000**	2013 $'000
Net cash flows from operations	**3,293**	19,778	**1,266**	(8,600)
Acquisition of property, plant and equipment	**175**	59	**–**	–

(e) Interests in unconsolidated structured entities

As at 31 December 2014, the Group had interests in certain investment funds where the Group was the fund manager and the investors had no or limited removal rights over the fund manager. These funds were primarily financed by the investors. The Group's maximum exposure to loss approximates the carrying amount of the Group's investment in the funds. The table below summarises the Group's involvement in the funds.

	The Group
	2014 **$'000**
Assets under management *	**11,207,464**
Investment in funds	**57,373**
Fee income	**106,596**
Investment income	**3,100**

* Based on the latest available financial reports of the structured entities.

30. Movements of Allowance for Impairment on Investments and Other Assets

	Investments		Other assets	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
The Group				
Balance at 1 January	**477,453**	602,609	**287,264**	327,435
Currency translation adjustments	**2,816**	10,190	**5,793**	(3,742)
Write-off/disposal	**(143,547)**	(94,049)	**(22,494)**	(9,600)
Net charge/(write-back) to income statement	**10,289**	(33,109)	**2,549**	(35,009)
Reclassification	**(58,568)**	(8,188)	**(11,476)**	8,180
Balance at 31 December	**288,443**	477,453	**261,636**	287,264

	Investment securities $'000	**Investment in associates and joint ventures $'000**	**Investment in subsidiaries $'000**	**Other assets $'000**
The Bank				
2014				
Balance at 1 January	**446,218**	**43,205**	**326,056**	**35,831**
Currency translation adjustments	**2,933**	**–**	**6**	**100**
Write-off/disposal	**(141,337)**	**–**	**(7,569)**	**(22,368)**
Net (write-back)/charge to income statement	**(481)**	**(21,685)**	**(4,699)**	**1,212**
Reclassification	**(70,000)**	**–**	**–**	**–**
Balance at 31 December	**237,333**	**21,520**	**313,794**	**14,775**
2013				
Balance at 1 January	556,442	43,009	318,809	36,287
Currency translation adjustments	10,558	–	5	(82)
Write-off/disposal	(75,909)	–	–	(374)
Net (write-back)/charge to income statement	(44,873)	196	7,242	–
Balance at 31 December	446,218	43,205	326,056	35,831

31. Investment Properties

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**984,905**	1,015,858	**1,280,779**	1,289,807
Currency translation adjustments	**(4,532)**	(14,446)	**(2,005)**	(1,443)
Additions	**31,283**	8,709	**–**	5,773
Disposals	**(5,616)**	(3,883)	**(5,616)**	(2,164)
Depreciation charge	**(18,929)**	(15,553)	**(17,202)**	(17,792)
Write-back of impairment	**547**	2	**547**	2
Transfers	**(27,366)**	(5,782)	**(27,287)**	6,596
Balance at 31 December	**960,292**	984,905	**1,229,216**	1,280,779
Represented by:				
Cost	**1,226,197**	1,239,072	**1,441,164**	1,480,294
Accumulated depreciation	**(265,905)**	(252,735)	**(211,948)**	(198,083)
Allowance for impairment	**–**	(1,432)	**–**	(1,432)
Net carrying amount	**960,292**	984,905	**1,229,216**	1,280,779
Freehold property	**420,146**	418,561	**810,130**	834,179
Leasehold property	**540,146**	566,344	**419,086**	446,600
	960,292	984,905	**1,229,216**	1,280,779

Market values of the investment properties of the Bank and the Group as at 31 December 2014 were estimated to be $2,771 million and $3,146 million (2013: $2,821 million and $3,146 million) respectively. The valuation was performed by internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using market comparison approach or using a combination of comparable sales and investment approach. These properties are classified under Level 2 of the fair value hierarchy as the valuation is derived primarily from market observable inputs.

32. Fixed Assets

	2014			2013		
	Owner-occupied properties $'000	**Others $'000**	**Total $'000**	Owner-occupied properties $'000	Others $'000	Total $'000
The Group						
Balance at 1 January	**687,931**	**620,459**	**1,308,390**	704,368	529,393	1,233,761
Currency translation adjustments	**12,434**	**4,438**	**16,872**	(6,642)	(14,265)	(20,907)
Additions	**407**	**226,880**	**227,287**	7,546	205,067	212,613
Disposals	**(4,837)**	**(4,107)**	**(8,944)**	(4,530)	(3,844)	(8,374)
Depreciation charge	**(14,893)**	**(129,539)**	**(144,432)**	(18,593)	(95,892)	(114,485)
Write-back of impairment	**1,596**	**–**	**1,596**	–	–	–
Transfers	**27,366**	**–**	**27,366**	5,782	–	5,782
Balance at 31 December	**710,004**	**718,131**	**1,428,135**	687,931	620,459	1,308,390
Represented by:						
Cost	**962,400**	**1,817,538**	**2,779,938**	922,083	1,648,859	2,570,942
Accumulated depreciation	**(252,314)**	**(1,099,407)**	**(1,351,721)**	(233,668)	(1,028,400)	(1,262,068)
Allowance for impairment	**(82)**	**–**	**(82)**	(484)	–	(484)
Net carrying amount	**710,004**	**718,131**	**1,428,135**	687,931	620,459	1,308,390
Freehold property	**479,094**			475,732		
Leasehold property	**230,910**			212,199		
	710,004			687,931		
The Bank						
Balance at 1 January	**661,174**	**399,491**	**1,060,665**	677,147	323,822	1,000,969
Currency translation adjustments	**1,556**	**255**	**1,811**	(212)	(357)	(569)
Additions	**–**	**147,160**	**147,160**	–	128,805	128,805
Disposals	**(424)**	**(2,627)**	**(3,051)**	–	(1,488)	(1,488)
Depreciation charge	**(9,640)**	**(78,896)**	**(88,536)**	(9,165)	(51,291)	(60,456)
Write-back of impairment	**1,118**	**–**	**1,118**	–	–	–
Transfers	**27,287**	**–**	**27,287**	(6,596)	–	(6,596)
Balance at 31 December	**681,071**	**465,383**	**1,146,454**	661,174	399,491	1,060,665
Represented by:						
Cost	**807,640**	**1,118,524**	**1,926,164**	777,956	1,017,205	1,795,161
Accumulated depreciation	**(126,569)**	**(653,141)**	**(779,710)**	(116,526)	(617,714)	(734,240)
Allowance for impairment	**–**	**–**	**–**	(256)	–	(256)
Net carrying amount	**681,071**	**465,383**	**1,146,454**	661,174	399,491	1,060,665
Freehold property	**568,031**			532,418		
Leasehold property	**113,040**			128,756		
	681,071			661,174		

Market values of the owner-occupied properties of the Bank and the Group as at 31 December 2014 were estimated to be $1,837 million and $2,748 million (2013: $1,789 million and $2,624 million) respectively. The valuation was performed by internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using market comparison approach or using a combination of comparable sales and investment approach. These properties are classified under Level 2 of the fair value hierarchy as the valuation is derived primarily from market observable inputs.

Others comprise mainly computer equipment, application software and furniture and fittings.

33. Intangible Assets

(a)

	Goodwill	
	2014	2013
	$'000	$'000
The Group		
Balance at 1 January	**4,143,810**	4,168,332
Currency translation adjustments	**5,470**	(24,522)
Balance at 31 December	**4,149,280**	4,143,810
Represented by:		
Cost	**4,149,280**	4,143,810
Accumulated impairment	**–**	–
Net carrying amount	**4,149,280**	4,143,810

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

	Discount rate		Growth rate	
	2014	2013	**2014**	2013
Singapore	**7.37**	7.41	**3.72**	3.13
Thailand	**11.75**	11.64	**3.37**	4.27
Indonesia	**12.65**	12.39	**5.81**	5.68

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.

34. Contingent Liabilities

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

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Direct credit substitutes	**5,022,165**	6,025,304	**3,079,419**	2,296,770
Transaction-related contingencies	**7,267,863**	6,181,043	**4,647,314**	3,877,386
Trade-related contingencies	**6,223,766**	11,881,078	**4,966,866**	9,684,920
Others	**1,197**	10,427	**1,197**	1,155
	18,514,991	24,097,852	**12,694,796**	15,860,231

35. 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 42.

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

	2014			2013		
	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	**39,133,210**	**817,848**	**439,200**	29,025,186	481,150	332,853
Swaps	**158,348,409**	**1,280,803**	**1,483,875**	141,205,352	1,145,522	1,172,207
Futures	**15,911**	**–**	**–**	–	–	–
Options purchased	**9,150,276**	**131,611**	**–**	7,725,440	102,358	–
Options written	**11,134,020**	**–**	**134,744**	7,437,378	–	103,433
Interest rate contracts						
Swaps	**367,004,380**	**3,518,624**	**3,711,277**	244,357,862	3,484,324	3,705,365
Futures	**496,609**	**744**	**439**	4,600,007	20,105	957
Options purchased	**878,576**	**6,705**	**–**	819,897	12,680	–
Options written	**3,418,000**	**–**	**11,458**	3,909,749	–	18,857
Equity-related contracts						
Swaps	**1,735,206**	**16,219**	**27,639**	2,385,025	152,554	162,845
Options purchased	**5,439,584**	**442,827**	**–**	4,152,367	375,130	–
Options written	**5,442,300**	**–**	**442,717**	4,150,024	–	375,240
Credit-related contracts						
Swaps	**1,242,421**	**2,022**	**40,942**	437,804	1,300	688
Others						
Forwards	**793,871**	**960**	**711**	697,416	613	1,061
Swaps	**950,169**	**75,269**	**79,275**	221,327	2,427	2,787
Futures	**286,104**	**11,575**	**10,757**	125,209	136	282
Options purchased	**8,797**	**721**	**–**	161,498	1,198	–
Options written	**8,816**	**–**	**945**	161,521	–	1,198
	605,486,659	**6,305,928**	**6,383,979**	451,573,062	5,779,497	5,877,773

35. Financial Derivatives (continued)

(a) (continued)

	2014			2013		
	Contract/ notional amount $'000	**Positive fair value $'000**	**Negative fair value $'000**	Contract/ notional amount $'000	Positive fair value $'000	Negative fair value $'000
The Bank						
Foreign exchange contracts						
Forwards	**32,095,309**	**471,659**	**210,789**	23,286,983	285,129	165,860
Swaps	**119,675,217**	**1,194,382**	**1,395,838**	112,329,287	905,033	998,836
Futures	**15,911**	**–**	**–**	–	–	–
Options purchased	**8,704,603**	**116,004**	**–**	7,195,472	80,281	–
Options written	**8,570,345**	**–**	**163,094**	6,862,781	–	86,129
Interest rate contracts						
Swaps	**325,575,251**	**3,403,366**	**3,583,906**	205,739,833	3,222,741	3,422,556
Futures	**496,609**	**744**	**439**	4,582,769	20,105	839
Options purchased	**6,531,449**	**6,705**	**–**	819,897	12,680	–
Options written	**4,270,352**	**–**	**11,458**	3,663,357	–	18,857
Equity-related contracts						
Swaps	**715,945**	**7,154**	**10,759**	1,132,084	125,101	124,863
Futures	**–**	**–**	**–**	–	–	–
Options purchased	**5,331,486**	**439,969**	**–**	4,040,004	374,504	–
Options written	**5,334,634**	**–**	**442,667**	4,037,354	–	374,587
Credit-related contracts						
Swaps	**1,242,421**	**2,022**	**40,942**	437,804	1,300	688
Others						
Forwards	**573,134**	**1,083**	**914**	238,450	1,237	1,169
Swaps	**818,539**	**62,353**	**62,331**	248,216	865	657
Futures	**200,468**	**4,542**	**4,743**	107,438	128	267
Options purchased	**5,807**	**375**	**–**	159,276	1,198	–
Options written	**5,807**	**–**	**375**	159,276	–	1,198
	520,163,287	**5,710,358**	**5,928,255**	375,040,281	5,030,302	5,196,506

35. Financial Derivatives (continued)

(b) Financial derivatives subject to netting agreements

The Bank and the Group enter into derivative master agreements (including the International Swaps and Derivatives Association Master Agreement) to mitigate credit exposure. Such agreements allow the Bank and the Group to offset what is owed to a counterparty against what is due from that counterparty in the event of default by that counterparty.

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

	2014		2013	
	Positive fair value $'000	**Negative fair value $'000**	Positive fair value $'000	Negative fair value $'000
The Group				
Amount before/after unconditional netting agreements as included in the balance sheet	**6,305,928**	**6,383,979**	5,779,497	5,877,773
Amount subject to conditional netting agreements	**(5,988,611)**	**(6,342,859)**	(5,712,570)	(5,855,652)
Of which: Amount nettable	**(4,336,034)**	**(4,336,034)**	(4,095,130)	(4,095,130)
Financial collateral	**(139,884)**	**(1,122,446)**	(232,249)	(801,150)
Amount not subject to netting agreements	**317,317**	**41,120**	66,927	22,121
The Bank				
Amount before/after unconditional netting agreements as included in the balance sheet	**5,710,358**	**5,928,255**	5,030,302	5,196,506
Amount subject to conditional netting agreements	**(5,710,358)**	**(5,928,255)**	(5,030,302)	(5,196,506)
Of which: Amount nettable	**(4,320,806)**	**(4,320,806)**	(3,929,424)	(3,929,424)
Financial collateral	**(112,586)**	**(1,110,593)**	(172,957)	(792,977)
Amount not subject to netting agreements	**–**	**–**	–	–

36. Hedge Accounting

(a) Fair value hedge

Interest rate swap was contracted to hedge certain of the Group's loans, investment in debt securities and debts issued against interest rate risk. As at 31 December 2014, the cumulative net fair value of such interest rate swap was a loss of $82 million (2013: loss of $34 million) at the Bank and a loss of $84 million (2013: loss of $34 million) at the Group. During the financial year, fair value loss of $46 million (2013: gain of $27 million) and fair value loss of $48 million (2013: gain of $27 million) on the swaps was recognised in the Bank's and the Group's income statements respectively which was offset by an equal amount of fair value gain (2013: loss) attributable to the interest rate risk on the hedged items.

As at 31 December 2014, non-bank customer deposits of $699 million (2013: $809 million) were designated to hedge the foreign exchange risk arising from certain of the Bank's available-for-sale equity securities. During the financial year, foreign exchange loss of $53 million (2013: loss of $48 million) on the deposits were recognised in the Bank's and the Group's income statements respectively. These were offset by equal amounts of foreign exchange gain (2013: gain) on the hedged items.

(b) Hedge of net investment in foreign operations

As at 31 December 2014, non-bank customer deposits of $1,128 million (2013: $821 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 (2013: nil) arising from hedge ineffectiveness was recognised in the Bank's and the Group's income statements.

37. Commitments

(a)

	The Group		The Bank	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Undrawn credit facilities	**92,119,645**	68,264,502	**73,667,443**	52,957,263
Spot/forward contracts	**3,232,880**	658,450	**3,510,259**	627,772
Capital commitments	**421,748**	68,380	**53,789**	52,946
Operating lease commitments	**134,482**	95,218	**65,847**	35,604
Others	**3,684,064**	670,007	**2,594,476**	310,156
	99,592,819	69,756,557	**79,891,814**	53,983,741

(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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Minimum lease payable				
Within 1 year	**60,232**	46,499	**25,738**	16,744
Over 1 to 5 years	**65,984**	46,052	**33,795**	18,803
Over 5 years	**8,266**	2,667	**6,314**	57
	134,482	95,218	**65,847**	35,604
Minimum lease receivable				
Within 1 year	**106,421**	105,455	**86,778**	86,554
Over 1 to 5 years	**169,726**	156,133	**129,479**	135,683
Over 5 years	**8,452**	11,488	**3,708**	7,187
	284,599	273,076	**219,965**	229,424

38. 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	
	2014	2013
	$'000	$'000
Cash on hand	**1,526,271**	1,592,055
Non-restricted balances with central banks	**28,178,047**	19,651,980
	29,704,318	21,244,035

39. Share-Based Compensation Plans

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

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

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

Grants made in 2011 to 2013 are subject to the achievement of predetermined return on equity (ROE) targets as shown below, half of the grants will vest after two years, and the remainder after three years from the dates of grant.

	Percentage of award to be vested	
Percentage of ROE target achieved	**2011 and 2012 grants**	**2013 grant**
≥ 115%	130%	130%
≥ 110%	120%	120%
≥ 105%	110%	110%
≥ 100%	100%	100%
≥ 95%	100%	100%
≥ 90%	90%	90%
≥ 85%	80%	80%
≥ 80%	At the discretion of the Remuneration Committee	70%
< 80%		At the discretion of the Remuneration Committee

For grants made in 2014, thirty per cent will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy per cent will vest after three years, subject to the achievement of the three-year ROE targets. The vesting levels for the 2014 grant are shown below.

Percentage of ROE target achieved	**Percentage of award to be vested * for 2014 grant**
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

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

Participating employees who leave the Group before vesting of the RS and SAR will forfeit their rights unless otherwise decided by the Remuneration Committee.

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	
	2014 ’000	2013 ’000
Balance at 1 January	**2,351**	2,575
Granted	**1,843**	943
Additional shares awarded arising from targets met	**–**	103
Forfeited/cancelled	**(38)**	(138)
Vested	**(945)**	(1,132)
Balance at 31 December	**3,211**	2,351

39. Share-Based Compensation Plans (continued)

	Share appreciation rights	
	2014	2013
	’000	’000
Balance at 1 January	**9,746**	9,283
Granted	**–**	4,126
Additional rights awarded arising from targets met	**–**	316
Forfeited/cancelled	**(158)**	(497)
Vested	**(3,753)**	(3,482)
Balance at 31 December	**5,835**	9,746

	Exercisable rights	
	2014	2013
	’000	’000
Balance at 1 January	**5,722**	6,633
Vested	**3,753**	3,482
Forfeited/lapsed	**(28)**	(1,677)
Exercised	**(4,794)**	(2,716)
Balance at 31 December	**4,653**	5,722

Year granted	Expiry date	Fair value per grant at grant date $	Number of outstanding grants 2014 ’000	2013 ’000
Restricted shares				
2011	15 Dec 2013 and 15 Dec 2014	14.53	**–**	517
2012	14 Dec 2014 and 14 Dec 2015	18.52	**436**	891
2013	13 Dec 2015 and 13 Dec 2016	18.96	**932**	943
2014	19 Sep 2016 and 19 Sep 2017	20.70	**1,843**	–
			3,211	2,351
Share appreciation rights				
2011	15 Dec 2017	2.46	**–**	2,024
2012	14 Dec 2018	3.04	**1,761**	3,596
2013	13 Dec 2019	2.87	**4,074**	4,126
			5,835	9,746

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	
	2014	2013	**2014**	2013
Exercise price ($)	Not applicable		Not applicable	20.43
Expected volatility (%)[1]	**18.81**	19.06	Not applicable	19.06
Risk-free interest rate (%)	**0.80 – 1.12**	0.37 – 0.58	Not applicable	1.46
Contractual life (years)	**2 and 3**	2 and 3	Not applicable	6
Expected dividend yield (%)	Management’s forecast in line with dividend policy			

1 Based on past three years’ historical volatility.

40. 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.

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	
		2014	2013	**2014**	2013
		$ million	$ million	**$ million**	$ million
(a)	**Interest income**				
	Subsidiaries	**–**	–	**81**	52
	Associates and joint ventures	**6**	7	**6**	6
	Interest expense				
	Subsidiaries	**–**	–	**11**	19
	Associates and joint ventures	**6**	4	**2**	2
	Dividend income				
	Subsidiaries	**–**	–	**146**	200
	Associates and joint ventures	**–**	–	**79**	36
	Rental income				
	Subsidiaries	**–**	–	**4**	4
	Rental and other expenses				
	Subsidiaries	**–**	–	**129**	126
	Associates and joint ventures	**7**	6	**5**	4
	Fee and commission and other income				
	Subsidiaries	**–**	–	**68**	96
	Associates and joint ventures	**4**	7	**2**	*
	Placements, securities, loans and advances				
	Subsidiaries	**–**	–	**8,203**	8,105
	Associates and joint ventures	**393**	497	**391**	487
	Deposits				
	Subsidiaries	**–**	–	**2,767**	2,630
	Associates and joint ventures	**680**	1,030	**543**	851
	Off-balance sheet credit facilities [1]				
	Subsidiaries	**–**	–	**226**	364
	Associates and joint ventures	**1**	*	**1**	*
(b)	**Compensation of key management personnel**				
	Short-term employee benefits	**17**	11	**17**	11
	Long-term employee benefits	**6**	6	**6**	6
	Share-based payment	**2**	2	**2**	2
	Others	*	*	*	*
		25	19	**25**	19

1 Includes guarantees issued of the Group $1 million (2013: $*) and the Bank $211 million (2013: $322 million).

* Less than $500,000.

41. Segment Information

(a) Operating segments

The Group is organised to be segment-led across key markets. Global segment heads are responsible for driving business, with decision-making balanced with a geographical perspective. For internal management purposes, the following segments represent the key customer segments and business activities:

Group Retail (GR)

GR segment covers Consumer, Privilege, Business and Private Banking. Consumer Banking serves the individual customers, while Business Banking serves small enterprises with a wide range of products and services, including deposits, loans, investments, credit and debit cards and insurance products. Privilege Banking provides an extended range of financial services, including wealth management, and restricted products such as structured notes, funds of hedge funds, and insurance plans to the wealthy and affluent customers. Private Banking caters to the high net worth individuals and accredited investors, offering financial and portfolio planning, including investment management, asset management and estate planning.

Group Wholesale Banking (GWB)

GWB segment encompasses Commercial Banking, Corporate Banking, 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 global markets products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, precious metals products, as well as an array of structured products. It is a dominant player in Singapore dollar instruments as well as a provider of banknote services in the region. It also engages in asset management, proprietary investment activities and management of excess liquidity and capital funds. Income from global markets products and services offered to customers of other operating segments, such as GR and GWB is reflected in the respective customer segments.

Others

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

Notes to the Financial Statements

for the financial year ended 31 December 2014

41. Segment Information (continued)

(a) Operating segments (continued)

	The Group					
	GR $ million	GWB $ million	GMIM $ million	Others $ million	Elimination $ million	Total $ million
2014						
Operating income	**3,017**	**3,023**	**884**	**705**	**(172)**	**7,457**
Operating expenses	**(1,631)**	**(674)**	**(410)**	**(603)**	**172**	**(3,146)**
Impairment charges	**(139)**	**(131)**	**(59)**	**(306)**	**–**	**(635)**
Share of profit of associates and joint ventures	**–**	**–**	**37**	**112**	**–**	**149**
Profit before tax	**1,247**	**2,218**	**452**	**(92)**	**–**	**3,825**
Tax						**(561)**
Profit for the financial year						**3,264**
Segment assets	**88,706**	**126,424**	**87,743**	**2,605**	**(4,080)**	**301,398**
Intangible assets - goodwill	**1,319**	**2,090**	**660**	**80**	**–**	**4,149**
Investment in associates and joint ventures	**–**	**–**	**333**	**856**	**–**	**1,189**
Total assets	**90,025**	**128,514**	**88,736**	**3,541**	**(4,080)**	**306,736**
Segment liabilities	**108,874**	**110,574**	**52,731**	**9,526**	**(4,741)**	**276,964**
Other information						
Inter-segment operating income	**346**	**(336)**	**(412)**	**574**	**(172)**	**–**
Gross customer loans	**88,571**	**109,853**	**909**	**10**	**–**	**199,343**
Non-performing assets	**784**	**1,697**	**25**	**82**	**–**	**2,588**
Capital expenditure	**20**	**6**	**14**	**219**	**–**	**259**
Depreciation of assets	**10**	**5**	**4**	**144**	**–**	**163**
2013						
Operating income	2,772	2,738	870	526	(186)	6,720
Operating expenses	(1,515)	(607)	(406)	(556)	186	(2,898)
Impairment charges	(89)	(24)	(76)	(240)	–	(429)
Share of profit of associates and joint ventures	–	–	3	188	–	191
Profit before tax	1,168	2,107	391	(82)	–	3,584
Tax						(559)
Profit for the financial year						3,025
Segment assets	82,721	118,766	79,907	2,185	(4,491)	279,088
Intangible assets – goodwill	1,317	2,087	660	80	–	4,144
Investment in associates and joint ventures	–	–	9	988	–	997
Total assets	84,038	120,853	80,576	3,253	(4,491)	284,229
Segment liabilities	103,492	90,641	59,777	8,865	(5,123)	257,652
Other information						
Inter-segment operating income	392	(257)	(342)	393	(186)	–
Gross customer loans	82,114	99,509	330	25	–	181,978
Non-performing assets	577	1,637	20	80	–	2,314
Capital expenditure	11	5	9	196	–	221
Depreciation of assets	9	4	3	114	–	130

Notes:

No operating income from transactions with a single external customer or counterparty amounted to 10% or more of the Group's operating income in 2014 or 2013.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

Long term investment has been reclassified from Others to GMIM and prior year comparatives have been restated accordingly.

41. 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**	
	2014	2013	**2014**	2013	**2014**	2013
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Singapore	**4,313**	3,775	**2,345**	2,181	**187,529**	176,590
Malaysia	**1,047**	969	**593**	555	**37,269**	35,647
Thailand	**691**	632	**159**	146	**15,915**	15,608
Indonesia	**410**	436	**99**	178	**8,143**	7,173
Greater China	**587**	502	**305**	272	**31,977**	27,395
Others	**409**	406	**324**	252	**21,754**	17,672
	7,457	6,720	**3,825**	3,584	**302,587**	280,085
Intangible assets	**–**	–	**–**	–	**4,149**	4,144
	7,457	6,720	**3,825**	3,584	**306,736**	284,229

42. 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 Group Board Risk Management Committee.

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

The main financial risks that the Group is exposed to and how they are 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.

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.

42. Financial Risk Management (continued)

(a) Credit risk (continued)

(i) Credit exposure

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

	The Group			
	Average 2014 $ million	Average 2013 $ million	**2014 $ million**	2013 $ million
Balances and placements with central banks	**30,871**	28,469	**33,557**	25,289
Singapore Government treasury bills and securities	**8,138**	10,827	**7,757**	9,655
Other government treasury bills and securities	**10,258**	9,313	**10,141**	7,943
Trading debt securities	**784**	412	**693**	580
Placements and balances with banks	**30,112**	23,701	**28,692**	31,412
Loans to non-bank customers	**190,863**	165,893	**195,903**	178,857
Derivative financial assets	**5,592**	5,618	**6,306**	5,779
Investment debt securities	**8,526**	8,365	**8,395**	8,766
Others	**1,831**	2,259	**1,579**	2,291
	286,975	254,857	**293,023**	270,572
Contingent liabilities	**20,339**	21,257	**18,514**	24,087
Commitments (excluding operating lease and capital commitments)	**88,745**	64,587	**99,037**	68,923
	396,059	340,701	**410,574**	363,582

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

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

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

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

For internal risk management, agreements such as 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.

42. Financial Risk Management (continued)

(a) Credit risk (continued)

(ii) Major on-balance sheet credit exposures

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

	The Group				
	Loans to non-bank customers (gross) $ million	Government treasury bills and securities $ million	Placements and balances with banks $ million	Debt securities $ million	Total $ million
Analysed by geography					
2014					
Singapore	**109,700**	**7,757**	**1,491**	**2,743**	**121,691**
Malaysia	**25,768**	**1,466**	**2,748**	**1,236**	**31,218**
Thailand	**10,836**	**3,521**	**720**	**119**	**15,196**
Indonesia	**11,100**	**389**	**1,029**	**44**	**12,562**
Greater China	**25,308**	**2,026**	**12,406**	**1,385**	**41,125**
Others	**16,631**	**2,739**	**10,298**	**3,561**	**33,229**
Total	**199,343**	**17,898**	**28,692**	**9,088**	**255,021**
2013					
Singapore	103,726	9,655	1,873	2,953	118,207
Malaysia	24,197	907	2,487	1,376	28,967
Thailand	9,883	2,978	661	99	13,621
Indonesia	9,607	674	704	24	11,009
Greater China	19,134	1,237	17,225	1,187	38,783
Others	15,431	2,147	8,462	3,707	29,747
Total	181,978	17,598	31,412	9,346	240,334
Analysed by industry					
2014					
Transport, storage and communication	**10,014**	**–**	**–**	**801**	**10,815**
Building and construction	**25,160**	**–**	**–**	**248**	**25,408**
Manufacturing	**17,139**	**–**	**–**	**1,229**	**18,368**
Financial institutions	**29,551**	**–**	**28,692**	**3,358**	**61,601**
General commerce	**27,119**	**–**	**–**	**494**	**27,613**
Professionals and private individuals	**26,008**	**–**	**–**	**–**	**26,008**
Housing loans	**54,711**	**–**	**–**	**–**	**54,711**
Government	**–**	**17,898**	**–**	**–**	**17,898**
Others	**9,641**	**–**	**–**	**2,958**	**12,599**
Total	**199,343**	**17,898**	**28,692**	**9,088**	**255,021**
2013					
Transport, storage and communication	7,982	–	–	920	8,902
Building and construction	23,845	–	–	259	24,104
Manufacturing	15,999	–	–	1,172	17,171
Financial institutions	29,173	–	31,412	3,533	64,118
General commerce	22,159	–	–	456	22,615
Professionals and private individuals	24,611	–	–	–	24,611
Housing loans	50,487	–	–	–	50,487
Government	–	17,598	–	–	17,598
Others	7,722	–	–	3,006	10,728
Total	181,978	17,598	31,412	9,346	240,334

42. Financial Risk Management (continued)

(a) Credit risk (continued)

(iii) Major off-balance sheet credit exposures

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

	The Group			
	2014		2013	
	Contingent liabilities $ million	**Commitments[1] $ million**	Contingent liabilities $ million	Commitments[1] $ million
Analysed by geography				
Singapore	**7,858**	**54,453**	11,154	44,809
Malaysia	**2,452**	**8,917**	2,636	7,091
Thailand	**1,270**	**6,459**	1,282	5,994
Indonesia	**618**	**3,684**	759	2,572
Greater China	**2,498**	**15,100**	3,783	2,985
Others	**3,818**	**10,424**	4,473	5,472
Total	**18,514**	**99,037**	24,087	68,923

1 Excluding operating lease and capital commitments.

(iv) Credit quality of gross loans and debt securities

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

	The Group	
	2014 $ million	2013 $ million
Pass	**196,311**	179,157
Special mention	**674**	747
Substandard	**1,791**	1,179
Doubtful	**178**	461
Loss	**389**	434
	199,343	181,978

Credit quality of Government treasury bills and securities and debt securities

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

	The Group					
	2014			2013		
	Singapore Government treasury bills and securities $ million	**Other government treasury bills and securities $ million**	**Debt securities $ million**	Singapore Government treasury bills and securities $ million	Other government treasury bills and securities $ million	Debt securities $ million
External rating:						
Investment grade (AAA to BBB-)	**7,757**	**10,047**	**5,632**	9,655	7,907	5,666
Non-investment grade (BB+ to C)	**–**	**66**	**357**	–	18	337
Unrated	**–**	**28**	**3,099**	–	18	3,343
Total	**7,757**	**10,141**	**9,088**	9,655	7,943	9,346

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

(a) Credit risk (continued)

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

	The Group			
	2014		2013	
	Past due but not impaired loans $ million	**Non-performing assets $ million**	Past due but not impaired loans $ million	Non-performing assets $ million
Current	**–**	**536**	–	295
Within 90 days	**3,641**	**152**	4,110	197
Over 90 to 180 days	**–**	**319**	–	241
Over 180 days	**–**	**1,581**	–	1,581
	3,641	**2,588**	4,110	2,314

(vi) Past due but not impaired and non-performing assets analysed by geographical[1] segment

	The Group					
	2014			2013		
	Past due but not impaired loans $ million	**Non-performing assets $ million**	**Individual impairment $ million**	Past due but not impaired loans $ million	Non-performing assets $ million	Individual impairment $ million
Singapore	**2,099**	**882**	**209**	2,358	548	181
Malaysia	**921**	**412**	**92**	1,219	409	109
Thailand	**154**	**364**	**210**	359	312	191
Indonesia	**170**	**306**	**87**	53	155	57
Greater China	**57**	**151**	**81**	34	148	78
Others	**240**	**473**	**140**	87	742	342
	3,641	**2,588**	**819**	4,110	2,314	958

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

42. Financial Risk Management (continued)

(a) Credit risk (continued)

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

	The Group					
	2014			2013		
	Past due but not impaired loans $ million	**Non-performing assets $ million**	**Individual impairment $ million**	Past due but not impaired loans $ million	Non-performing assets $ million	Individual impairment $ million
Transport, storage and communication	**65**	**745**	**256**	243	849	395
Building and construction	**339**	**269**	**63**	304	149	33
Manufacturing	**380**	**282**	**128**	443	227	125
Financial institutions	**244**	**234**	**89**	224	240	99
General commerce	**982**	**267**	**111**	742	272	129
Professionals and private individuals	**572**	**209**	**74**	758	192	90
Housing loans	**971**	**507**	**59**	1,346	311	28
Others	**88**	**75**	**39**	50	74	59
	3,641	**2,588**	**819**	4,110	2,314	958

(viii) Security coverage of non-performing assets

	The Group	
	2014 $ million	2013 $ million
Non-performing assets secured by:		
Properties	**1,052**	772
Marketable securities, fixed deposits and others	**336**	316
Unsecured non-performing assets	**1,200**	1,226
	2,588	2,314

(ix) Collateral possessed during the financial year

	The Group	
	2014 $ million	2013 $ million
Properties	**6**	5

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.

(b) Foreign exchange risk and equity risk

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

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

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

(b) Foreign exchange risk and equity risk (continued)

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

At 31 December 2014, banking book foreign currency Value-at-Risk (VaR) inclusive of structural foreign currency VaR was $45.2 million (2013: $31.3 million).

Equity price risk in the banking book arises from equity investment held for long-term strategic reasons and management does not assess the viability of such strategic investments from an equity price volatility perspective.

(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
2014							
Cash, balances and placements with central banks	14,822	5,313	6,293	1,034	1,100	6,521	35,083
Securities	11,492	6,314	1,934	3,559	160	6,616	30,075
Placements and balances with banks	600	20,392	785	181	5	6,729	28,692
Loans to non-bank customers	104,728	33,229	23,843	9,836	4,650	19,617	195,903
Investment in associates and joint ventures	816	320	41	–	–	12	1,189
Intangible assets	3,181	–	–	723	245	–	4,149
Derivative financial assets	1,918	2,926	180	204	10	1,068	6,306
Others	3,078	1,054	84	630	280	213	5,339
Total assets	**140,635**	**69,548**	**33,160**	**16,167**	**6,450**	**40,776**	**306,736**
Deposits and balances of non-bank customers	112,608	49,068	27,199	10,970	4,822	29,083	233,750
Deposits and balances of banks, and bills and drafts payable	2,401	2,163	742	384	15	6,472	12,177
Debts issued	3,192	15,638	189	241	45	1,648	20,953
Derivative financial liabilities	1,972	2,785	161	198	14	1,254	6,384
Others	1,340	1,176	362	241	79	502	3,700
Total liabilities	**121,513**	**70,830**	**28,653**	**12,034**	**4,975**	**38,959**	**276,964**
On-balance sheet open position	**19,122**	**(1,282)**	**4,507**	**4,133**	**1,475**	**1,817**	
Off-balance sheet open position	**(3,065)**	**7,418**	**(35)**	**(1,598)**	**(1)**	**(2,718)**	
Net open position	**16,057**	**6,136**	**4,472**	**2,535**	**1,474**	**(901)**	

42. Financial Risk Management (continued)

(b) Foreign exchange risk and equity risk (continued)

(i) (continued)

	The Group						
	Singapore dollar $ million	US dollar $ million	Malaysian ringgit $ million	Thai baht $ million	Indonesian rupiah $ million	Other $ million	Total $ million
2013							
Cash, balances and placements with central banks	8,751	1,773	8,417	2,172	868	4,900	26,881
Securities	13,316	7,059	1,573	3,038	143	5,237	30,366
Placements and balances with banks	428	22,110	67	169	76	8,562	31,412
Loans to non-bank customers	99,790	26,685	22,817	8,877	4,213	16,475	178,857
Investment in associates and joint ventures	885	1	103	–	–	8	997
Intangible assets	3,182	–	–	720	242	–	4,144
Derivative financial assets	1,722	2,391	114	351	5	1,196	5,779
Others	3,019	1,480	146	413	158	577	5,793
Total assets	131,093	61,499	33,237	15,740	5,705	36,955	284,229
Deposits and balances of non-bank customers	106,573	40,902	26,521	9,235	4,320	26,997	214,548
Deposits and balances of banks, and bills and drafts payable	3,756	2,066	746	548	59	7,566	14,741
Debts issued	2,971	14,125	193	660	–	1,032	18,981
Derivative financial liabilities	1,671	2,641	102	281	19	1,164	5,878
Others	1,078	805	407	199	42	973	3,504
Total liabilities	116,049	60,539	27,969	10,923	4,440	37,732	257,652
On-balance sheet open position	15,044	960	5,268	4,817	1,265	(777)	
Off-balance sheet open position	(677)	18,151	(2,873)	(2,455)	*	(12,146)	
Net open position	14,367	19,111	2,395	2,362	1,265	(12,923)	

* Less than $500,000.

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

(b) Foreign exchange risk and equity risk (continued)

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

	The Group		
	Total **$ million**	**Hedged** **$ million**	**Unhedged** **$ million**
2014			
Chinese renminbi	**942**	**–**	**942**
Indonesian rupiah	**1,237**	**–**	**1,237**
Malaysian ringgit	**2,707**	**–**	**2,707**
Thai baht	**2,298**	**–**	**2,298**
US dollar	**1,209**	**1,209**	**–**
Others	**1,436**	**890**	**546**
	9,829	**2,099**	**7,730**
2013			
Chinese renminbi	859	–	859
Indonesian rupiah	1,118	–	1,118
Malaysian ringgit	2,373	–	2,373
Thai baht	2,103	–	2,103
US dollar	724	724	–
Others	1,129	759	370
	8,306	1,483	6,823

(c) Banking book interest rate risk

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

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative $146 million and $280 million (2013: negative $212 million and $390 million) respectively, computed based on the worst case of upward and downward parallel shifts of each yield curve. EVE is the present value of assets less present value of liabilities of the Group. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate, for deposits that do not have maturity dates. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

(d) Liquidity risk

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

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

42. Financial Risk Management (continued)

(d) Liquidity risk (continued)

(i) The following table shows the cash flow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans. In particular, the Group has a significant amount of "core deposits" of 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
2014								
Cash, balances and placements with central banks	14,032	3,992	6,474	4,694	21	–	5,873	35,086
Securities	774	407	2,821	6,791	8,256	9,791	3,250	32,090
Placements and balances with banks	7,618	5,216	7,742	6,028	739	1,376	18	28,737
Loans to non-bank customers	7,338	13,875	14,861	24,050	44,266	110,485	1,255	216,130
Investment in associates and joint ventures	–	–	–	–	–	–	1,189	1,189
Intangible assets	–	–	–	–	–	–	4,149	4,149
Derivative financial assets	–	–	–	–	–	–	6,306	6,306
Others	791	363	79	73	1	954	2,527	4,788
Total assets	30,553	23,853	31,977	41,636	53,283	122,606	24,567	328,475
Deposits and balances of non-bank customers	117,324	37,416	30,945	41,136	5,590	1,740	(11)	234,140
Deposits and balances of banks, and bills and drafts payable	2,794	4,724	3,458	877	318	4	6	12,181
Debts issued	360	886	5,449	5,790	5,804	3,570	10	21,869
Derivative financial liabilities	–	–	–	–	–	–	6,384	6,384
Others	697	166	155	84	118	549	1,682	3,451
Total liabilities	121,175	43,192	40,007	47,887	11,830	5,863	8,071	278,025
Equity attributable to:								
Equity holders of the Bank	–	21	–	44	131	1,439	28,219	29,854
Non-controlling interests	–	–	–	–	–	–	203	203
Total equity	–	21	–	44	131	1,439	28,422	30,057
Net on-balance sheet position	(90,622)	(19,360)	(8,030)	(6,295)	41,322	115,304	(11,926)	
Net off-balance sheet position	(16,763)	(1,108)	(1,006)	(999)	(107)	(1,372)	(3,850)	
Net maturity mismatch	(107,385)	(20,468)	(9,036)	(7,294)	41,215	113,932	(15,776)	

42. Financial Risk Management (continued)

(d) Liquidity risk (continued)

(i) (continued)

	The Group							
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million	Over 1 to 3 years $ million	Over 3 years $ million	No specific maturity $ million	Total $ million
2013								
Cash, balances and placements with central banks	10,280	6,017	2,655	1,839	–	–	6,090	26,881
Securities	121	698	1,519	7,487	8,489	10,792	3,458	32,564
Placements and balances with banks	6,789	5,243	8,616	9,231	684	837	50	31,450
Loans to non-bank customers	5,904	13,443	13,306	21,714	42,322	98,964	2,049	197,702
Investment in associates and joint ventures	–	–	–	–	–	–	997	997
Intangible assets	–	–	–	–	–	–	4,144	4,144
Derivative financial assets	–	–	–	–	–	–	5,779	5,779
Others	884	95	90	115	49	1,236	2,381	4,850
Total assets	23,978	25,496	26,186	40,386	51,544	111,829	24,948	304,367
Deposits and balances of non-bank customers	104,039	42,350	30,737	33,816	2,520	1,355	6	214,823
Deposits and balances of banks, and bills and drafts payable	5,670	4,214	4,049	740	24	49	1	14,747
Debts issued	482	1,412	4,256	7,895	2,470	3,024	49	19,588
Derivative financial liabilities	–	–	–	–	–	–	5,878	5,878
Others	299	2	117	54	49	1,778	664	2,963
Total liabilities	110,490	47,978	39,159	42,505	5,063	6,206	6,598	257,999
Equity attributable to:								
Equity holders of the Bank	–	21	–	44	131	1,505	25,038	26,739
Non-controlling interests	–	–	–	–	–	–	189	189
Total equity	–	21	–	44	131	1,505	25,227	26,928
Net on-balance sheet position	(86,512)	(22,503)	(12,973)	(2,163)	46,350	104,118	(6,877)	
Net off-balance sheet position	(16,917)	(570)	(1,208)	(1,097)	(272)	(1,392)	(1,832)	
Net maturity mismatch	(103,429)	(23,073)	(14,181)	(3,260)	46,078	102,726	(8,709)	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 34 and 37a. These have been incorporated in the net off-balance sheet position for years ended 31 December 2014 and 2013. 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 42d(ii).

42. Financial Risk Management (continued)

(d) Liquidity risk (continued)

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

	The Group			
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million
2014				
Cash, balances and placements with central banks	**14,186**	**3,981**	**6,383**	**4,641**
Securities	**1,218**	**672**	**3,078**	**6,161**
Placements and balances with banks	**7,618**	**5,219**	**7,750**	**6,036**
Loans to non-bank customers	**7,734**	**15,132**	**16,140**	**27,343**
Others	**791**	**370**	**79**	**73**
Total assets	**31,547**	**25,374**	**33,430**	**44,254**
Deposits and balances of non-bank customers[1]	**22,247**	**25,100**	**11,572**	**6,420**
Deposits and balances of banks, and bills and drafts payable	**2,757**	**4,761**	**3,458**	**877**
Debts issued	**360**	**886**	**5,449**	**5,790**
Others	**553**	**148**	**126**	**32**
Total liabilities	**25,917**	**30,895**	**20,605**	**13,119**
Equity attributable to:				
Equity holders of the Bank	**–**	**21**	**–**	**44**
Non-controlling interests	**–**	**–**	**–**	**–**
Total equity	**–**	**21**	**–**	**44**
Net on-balance sheet position	**5,630**	**(5,542)**	**12,825**	**31,091**
Net off-balance sheet position	**(2,759)**	**(3,270)**	**(2,132)**	**(2,891)**
Net maturity mismatch	**2,871**	**(8,812)**	**10,693**	**28,200**

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

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

(d) Liquidity risk (continued)

(ii) (continued)

	The Group			
	Up to 7 days $ million	Over 7 days to 1 month $ million	Over 1 to 3 months $ million	Over 3 to 12 months $ million
2013				
Cash, balances and placements with central banks	10,452	6,040	2,460	1,839
Securities	787	555	1,896	6,473
Placements and balances with banks	6,789	5,243	8,616	9,231
Loans to non-bank customers	6,330	14,846	14,967	26,395
Others	884	103	90	115
Total assets	25,242	26,787	28,029	44,053
Deposits and balances of non-bank customers[1]	16,230	16,221	8,116	6,691
Deposits and balances of banks, and bills and drafts payable	8,532	10,264	6,933	849
Debts issued	482	1,412	4,256	7,895
Others	231	11	117	54
Total liabilities	25,475	27,908	19,422	15,489
Equity attributable to:				
Equity holders of the Bank	–	21	–	44
Non-controlling interests	–	–	–	–
Total equity	–	21	–	44
Net on-balance sheet position	(233)	(1,142)	8,607	28,520
Net off-balance sheet position	(1,844)	(4,130)	(2,789)	(2,587)
Net maturity mismatch	(2,077)	(5,272)	5,818	25,933

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

42. Financial Risk Management (continued)

(e) Value-at-Risk

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

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

	The Group			
	Year end $ million	**High $ million**	**Low $ million**	**Average $ million**
2014				
Interest rate	**2.72**	**5.92**	**1.64**	**3.14**
Foreign exchange	**1.18**	**6.24**	**0.97**	**2.82**
Equity	**0.03**	**0.27**	**0.01**	**0.06**
Commodity	**0.23**	**1.12**	*****	**0.24**
Specific risk[1]	**0.21**	**0.64**	**0.08**	**0.24**
Total VaR	**3.96**	**10.40**	**2.46**	**4.84**
2013				
Interest rate	2.44	4.23	1.40	2.65
Foreign exchange	0.88	4.43	0.51	1.65
Equity	0.02	0.54	0.02	0.19
Commodity	0.01	0.54	*	0.05
Specific risk[1]	0.35	0.72	0.09	0.42
Total VaR	2.33	5.67	1.61	3.37

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

* Less than $5,000.

43. Capital Management

The Group's approach to capital management is to ensure that the Group and all banking entities maintain strong capital levels to support businesses and growth, to meet regulatory capital requirements at all times and to maintain, a good credit rating. The Group and all banking subsidiaries have met the regulatory capital requirements throughout the financial year.

The Group is subject to the Basel III capital adequacy standards required by the MAS. The Group's Common Equity Tier 1 capital comprises mainly paid up ordinary share capital, disclosed reserves and qualifying minority interest; Additional Tier 1 capital includes eligible non-cumulative non-convertible perpetual securities and preference shares (subject to partial recognition under Basel III transitional rules), while Tier 2 capital comprises subordinated notes and excess of accounting provisions over Basel expected loss. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

	The Group	
	2014	2013
	$ million	$ million
Share capital	**3,715**	3,155
Disclosed reserves/others	**23,590**	20,981
Regulatory adjustments	**(2,408)**	(2,348)
Common Equity Tier 1 Capital	**24,897**	21,788
Preference shares/others	**2,180**	2,180
Regulatory adjustments-capped	**(2,180)**	(2,180)
Additional Tier 1 Capital	**–**	–
Tier 1 Capital	**24,897**	21,788
Subordinated notes	**4,405**	4,692
Provisions/others	**918**	867
Regulatory adjustments	**(12)**	(37)
Tier 2 Capital	**5,311**	5,522
Eligible Total Capital	**30,208**	27,310
Risk-Weighted Assets	**178,792**	164,911
Capital Adequacy Ratios (%)		
Common Equity Tier 1	**13.9**	13.2
Tier 1	**13.9**	13.2
Total	**16.9**	16.6

44. Comparatives

During the year, the Group reviewed the nature of deposits from financial institutions to distinguish deposits relating to fund management and operating accounts from those relating to interbank money market activities. Consequently, the definition of "Deposits and balances from customers" has been expanded to include the former.

Prior period comparatives have been restated to conform with the current period presentation.

	As previously reported $'000	Reclassification $'000	As restated $'000
2013			
The Group			
Deposits and balances from banks	26,247,399	(12,541,246)	13,706,153
Deposits and balances from customers	202,006,296	12,541,246	214,547,542
The Bank			
Deposits and balances from banks	24,998,782	(11,867,426)	13,131,356
Deposits and balances from customers	151,624,863	11,867,426	163,492,289

45. Authorisation of Financial Statements

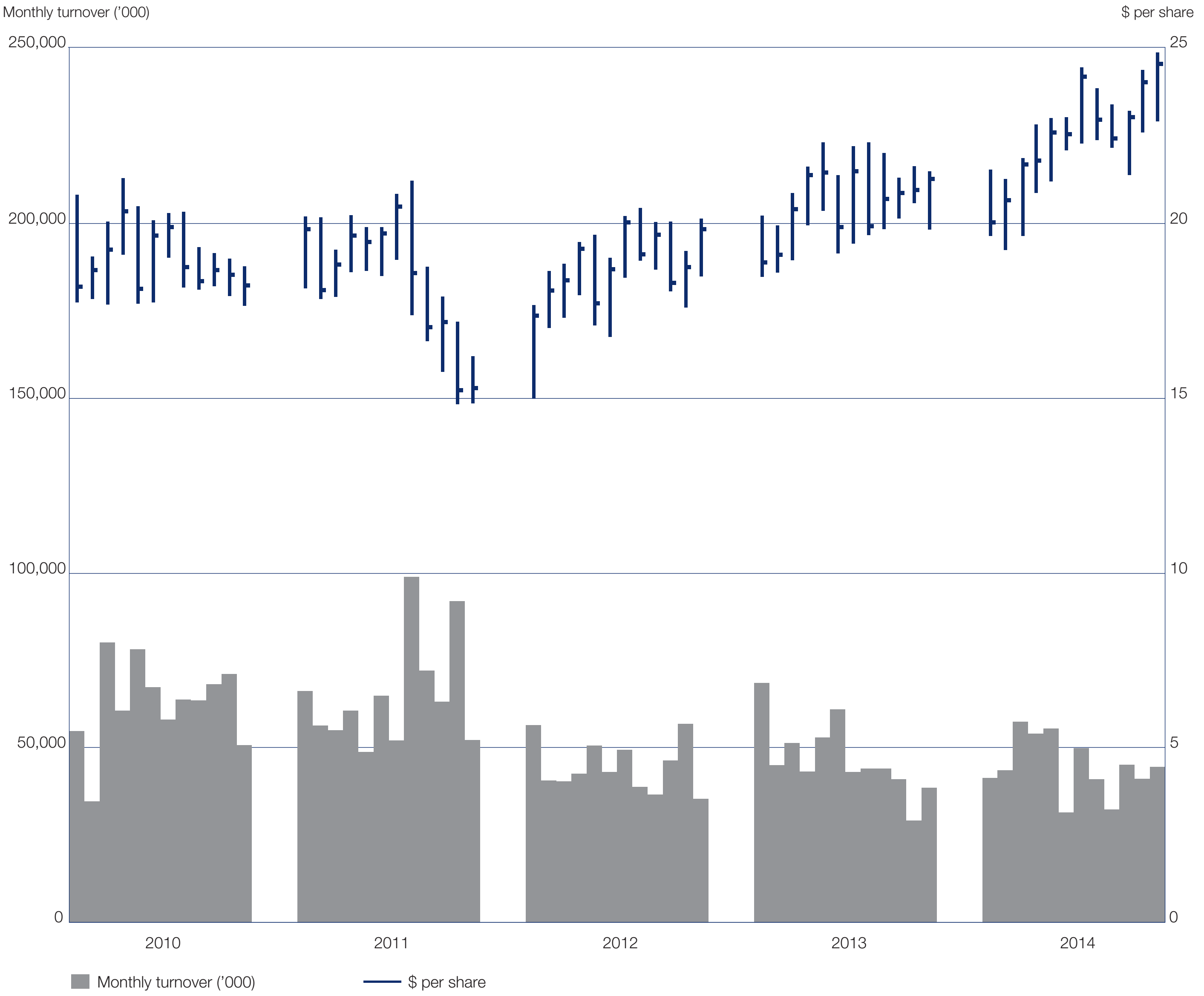
The financial statements were authorised for issue by the Board of Directors on 12 February 2015.

United Overseas Bank Limited (Incorporated in Singapore)
and its subsidiaries
31 December 2014

Investor Reference

UOB Share Price and Turnover

for the financial year ended 31 December 2014



	2010	2011	2012	2013	**2014**
Share price ($)					
Highest	21.08	21.00	20.23	22.10	**24.72**
Lowest	17.80	14.42	15.15	18.63	**19.40**
Average	19.44	17.71	17.69	20.37	**22.06**
Last done	18.20	15.27	19.81	21.24	**24.53**
Price/Earning ratio (times)[1,2]	11.97	12.38	10.28	11.07	**11.14**
Dividend cover (times)[2]	2.25	2.47	2.54	2.54	**2.70**
Net dividend yield (%)[1]	3.60	3.39	3.96	3.68	**3.40**

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.

Statistics of Shareholdings

as at 5 March 2015

Distribution of Shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%
1 – 99	3,661	13.27	126,904	0.01
100 – 1,000	7,863	28.50	5,102,665	0.32
1,001 – 10,000	13,326	48.30	41,761,468	2.60
10,001 – 1,000,000	2,689	9.75	122,090,284	7.62
1,000,001 and above	51	0.18	1,433,752,958	89.45
Total	**27,590**	**100.00**	**1,602,834,279**	**100.00**

Public float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public.

Based on information available to the Company as at 5 March 2015, approximately 76% of the issued shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

Twenty Largest Shareholders (*as shown in the Register of Members and Depository Register*)

No.	Name of shareholders	No. of shares	%*
1.	Citibank Nominees Singapore Pte Ltd	278,721,396	17.39
2.	DBS Nominees (Private) Limited	261,474,265	16.31
3.	United Overseas Bank Nominees (Private) Limited	147,341,338	9.19
4.	DBSN Services Pte Ltd	138,301,168	8.63
5.	Wee Investments Private Ltd	124,093,276	7.74
6.	HSBC (Singapore) Nominees Pte Ltd	83,615,262	5.22
7.	Wah Hin and Company Private Limited	81,223,402	5.07
8.	Tai Tak Estates Sendirian Berhad	67,450,000	4.21
9.	UOB Kay Hian Private Limited	40,049,230	2.50
10.	BNP Paribas Securities Services Singapore Branch	37,742,894	2.35
11.	C Y Wee & Co Pte Ltd	35,177,960	2.19
12.	Raffles Nominees (Pte) Limited	30,460,346	1.90
13.	Wee Cho Yaw	19,301,917	1.20
14.	Tee Teh Sdn Berhad	10,590,307	0.66
15.	UOB Nominees (2006) Private Limited	8,700,093	0.54
16.	Estate of Lo Kwang Pheng Deceased	4,369,500	0.27
17.	SG Investments Pte Ltd	4,360,000	0.27
18.	Sat Pal Khattar, Chew Hwee Ming & Jerry Lee Kian Eng	3,191,228	0.20
19.	Bank of Singapore Nominees Pte. Ltd.	3,187,737	0.20
20.	Wee Ee Cheong	3,125,918	0.20
	Total	**1,382,477,237**	**86.24**

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

Statistics of Shareholdings

as at 5 March 2015

Ordinary Shares

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

Substantial shareholder	Shareholdings registered in the name of substantial shareholders No. of shares	Other shareholdings in which substantial shareholders are deemed to have an interest No. of shares	Total interest No. of shares	%*
Estate of Lien Ying Chow, deceased	316,516	81,334,262(1)	81,650,778	5.09
Lien Ying Chow Private Limited	-	81,233,515(1)	81,233,515	5.07
Wah Hin and Company Private Limited	81,223,402	10,113(2)	81,233,515	5.07
Sandstone Capital Pte Ltd	10,113	81,223,402(3)	81,233,515	5.07
Wee Cho Yaw	19,301,917	267,332,518(4)	286,634,435	17.88
Wee Ee Cheong	3,125,918	161,426,620(4)	164,552,538	10.27
Wee Ee Chao	153,199	128,449,211(4)	128,603,210	8.02
Wee Ee Lim	1,760,658	161,356,642(4)	163,117,300	10.18
Wee Investments (Pte) Limited	124,093,113	186,570	124,279,683	7.75

* 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 (Pte) Limited's total direct and deemed interests of 124,279,683 UOB shares.

Five-Year Ordinary Share Capital Summary

		Number of ordinary shares		
Year	**Particulars**	**Issued**	**Held in treasury**	**In circulation**
2010	Balance at beginning of year	1,524,193,625	(18,174,929)	1,506,018,696
	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
2013	Issue of shares under share-based compensation plans		1,663,957	
	Balance at end of year	1,590,493,941	(14,069,388)	1,576,424,553
2014	**Issue of shares under share-based compensation plans**		**2,212,108**	
	Issue of shares under scrip dividend scheme	**24,050,013**		
	Balance at end of year	**1,614,543,954**	**(11,857,280)**	**1,602,686,674**

Our International Network

Banking Services

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SWIFT: UOVBSGSG
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General Manager, Operations and Corporate Services: Eric Yeo

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General Manager, Operations and Corporate Services: Eric Yeo
State Manager: Geoff Luxton

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General Manager, Operations and Corporate Services: Eric Yeo
State Manager: Gregory Thompson

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Country Manager: Abdul Razak Abdul Malek

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Fax: (1)(604) 662 3356
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Fax: (1)(416) 367 1954
Country Manager: K. Jin Koh
Head of Corporate Banking: John Gleason

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Fax: (1)(403) 716 3637
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Manager: Tan Yee Ho

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Email: CustomerExperience.UOBC@UOBGroup.com
Website: www.UOBChina.com.cn
President and Chief Executive Officer: Eric Lian Voon Fui

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Fax: (852) 2810 5506
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Chief Executive Officer: Christine Ip

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Chief Executive Officer: Christine Ip

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Email: UOB.Mumbai@UOBGroup.com
Country Manager: PV Ananthakrishnan

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Chief Representative: Utami Dewi Suhadi

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(a subsidiary)
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Fax: (62)(21) 2993 6632
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Website: www.UOB.co.id
President Director: Armand B. Arief
Deputy President Director:
Iwan Satawidinata
Deputy President Director: Tan Chin Poh

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Country Manager: Wong Kwong Yew

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United Overseas Bank Limited, Labuan Branch
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Fax: (60)(87) 424 389
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General Manager:
Lourdes Premkumar Sinnappan

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Website: www.UOB.com.my
Chief Executive Officer: Wong Kim Choong

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Country Head, Vietnam and Myanmar:
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Ye.Myint@UOBGroup.com

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Email: info@UOB.com.ph
President and Chief Executive Officer:
Emmanuel T Mangosing

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Website: www.UOB.co.th
President and Chief Executive Officer:
Peter Foo Moo Tan

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Correspondents
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Chief Executive Officer:
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Website: www.UOI.com.sg
Managing Director and Chief Executive:
David Chan Mun Wai

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Representative: Khin Maung Win

Investment Management

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Email: UOBAM@UOBGroup.com
Website: www.UOBAM.com.sg
Managing Director and Group Chief Executive Officer: Thio Boon Kiat

UOB-SM Asset Management Pte. Ltd.
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Phone: (65) 6589 3850
Fax: (65) 6589 3849
Chief Executive Officer: Masashi Ohmatsu

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Managing Director: Seah Kian Wee

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Phone: (673) 242 4806
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General Manager:
Kamal Haji Muhammad

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Contact: Seah Kian Wee

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Managing Director: Seah Kian Wee

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Deputy General Manager: Alina Tao

Ping An UOB Fund Management Company Ltd
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Deputy General Manager: Jasmine Lim

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Fax: (33)(1) 5364 8409
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Managing Director: Michael Landau

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Email: info@UOBVM.com.sg
Chief Representative: Edwin David Liem

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Fax: (81)(3) 3500 5985
Chief Executive Officer: Hideaki Mochizuki

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Website: www.UOBAM.com.my
Chief Executive Officer: Lim Suet Ling

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Greater China Chief Executive Officer:
William Wang

Thailand
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Fax: (66)(2) 786 2377
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Managing Director: David Goss

Money Market

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Fax: (61)(2) 9221 1541
SWIFT: UOVBAU2S
Email: UOB.Sydney@UOBGroup.com
Director and Country Head, Australia and New Zealand: John Liles
Director and General Manager, Operations: Eric Yeo

Stockbroking

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UOB-Kay Hian Holdings Limited
(an associate)
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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 **73rd 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 Friday, 24 April 2015, at 3.00 pm to transact the following business:

AS ORDINARY BUSINESS

Resolution 1 To receive the Financial Statements, the Directors' Report and the Auditor's Report for the year ended 31 December 2014.

Resolution 2 To declare a final one-tier tax-exempt dividend of 50 cents per ordinary share and a special one-tier tax-exempt dividend of five cents per ordinary share for the year ended 31 December 2014.

Resolution 3 To approve Directors' fees of $2,070,000 for 2014 (2013: $2,055,000).

Resolution 4 To approve an advisory fee of $800,000 to Dr Wee Cho Yaw, the Chairman Emeritus and Adviser, for the period from January 2014 to December 2014 (2013: $800,000).

Resolution 5 To re-appoint Ernst & Young LLP as Auditor of the Company and authorise the Directors to fix its remuneration.

To re-elect the following Directors:

Resolution 6 Mr Hsieh Fu Hua

Resolution 7 Mr Wee Ee Cheong

Resolution 8 Mrs Lim Hwee Hua

Resolution 9 To re-appoint Dr Wee Cho Yaw under Section 153(6) of the Companies Act, Cap 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:

Resolution 10 "THAT authority be and is hereby given to the Directors to:

(a) (i) issue ordinary shares in the capital of the Company (**Shares**) whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force,

provided that:

(1) the aggregate number of 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);

Resolution 10 (continued)

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (**SGX-ST**)) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

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

Resolution 11

"THAT authority be and is hereby given to the Directors to allot and issue from time to time such number of ordinary Shares as may be required to be allotted and issued pursuant to the UOB Scrip Dividend Scheme."

Resolution 12

"THAT

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

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

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

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

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

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

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

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

Notice of Annual General Meeting

Resolution 12 (continued)

(c) In this Resolution 12:

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

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

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

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

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

where:

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

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

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

Notes to Resolutions

Resolution 2 is to approve the final and special dividends. The Transfer Books and Register of Members will be closed from 5 May 2015 to 6 May 2015, both dates inclusive, for the preparation of the final and special dividends. Registrable transfers received up to 5.00 pm on 4 May 2015 will be entitled to the final and special dividends. If approved, the final and special dividends will be paid on 13 May 2015.

Resolution 4 is to approve a fee of $800,000 for the period from January 2014 to December 2014 to Dr Wee Cho Yaw, Chairman Emeritus and Adviser of the Bank, for providing advice and guidance to Management drawn from his vast experience, knowledge and expertise acquired over more than 50 years with the Bank.

Resolution 6 is to re-elect Mr Hsieh Fu Hua who will, if re-elected, continue as chairman of the Board and an independent member of the Executive, Nominating, Remuneration and Board Risk Management Committees.

Resolution 7 is to re-elect Mr Wee Ee Cheong who will, if re-elected, continue as deputy chairman and non-independent member of the Executive, Nominating and Board Risk Management Committees.

Resolution 8 is to re-elect Mrs Lim Hwee Hua who will, if re-elected, continue as an independent member of the Board Risk Management Committee.

Resolution 9 is to re-appoint Dr Wee Cho Yaw who will, if re-appointed, remain as Chairman Emeritus and Adviser and continue as the non-independent chairman of the Executive, Remuneration and Board Risk Management Committees and a non-independent member of the Nominating Committee.

Resolution 10 is to empower the Directors to issue ordinary shares in the capital of the Company and to make or grant instruments (such as warrants or debentures or options) convertible into ordinary shares, and to issue ordinary shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company, but with a sub-limit of 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 10 is passed, after adjusting for (a) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 10 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary shares.

Resolution 11 is to authorise the directors to issue ordinary shares pursuant to the UOB Scrip Dividend Scheme (**Scheme**) should the Company decide to apply the Scheme to any dividend declared by the Company from the date of this AGM until the date of the next AGM of the Company.

Resolution 12 is to renew the Share Purchase Mandate, which was originally approved by shareholders on 29 April 2004 and was last renewed at the annual general meeting of the Company on 24 April 2014.

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 5 March 2015 (**Latest Practicable Date**), the purchase by the Company of five per cent of its issued shares (excluding the shares held in treasury) will result in the purchase or acquisition of 80,141,713 shares.

Notice of Annual General Meeting

Assuming that the Company purchases or acquires 80,141,713 Shares at the Maximum Price, the maximum amount of funds required is approximately:

(a) in the case of Market Purchases of Shares, $1,941,833,706 based on $24.23 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, $2,034,798,093 based on $25.39 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 2014, 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 1 April 2015.

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

BY ORDER OF THE BOARD

Vivien Chan
Secretary

Singapore
1 April 2015

Notes

1 A member entitled to attend and vote at the AGM 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 1 APRIL 2015

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 12 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 annual general meeting (**2014 AGM**) of UOB held on 24 April 2014 (**2014 Share Purchase Mandate**).

The 2014 Share Purchase Mandate will expire on the date of the forthcoming 73rd annual general meeting of UOB to be held on 24 April 2015 (**73rd Annual General Meeting**). The approval of Shareholders is being sought for the renewal of the Share Purchase Mandate at the 73rd 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.

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 73rd 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 of the 73rd annual general meeting (**AGM**) 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 the 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. In particular, no purchase or acquisition of the Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of UOB.

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)) and credited with Shares.

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.

Appendix
Renewal of Share Purchase Mandate

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.

2.3.5 **No Purchases During Certain Periods**.

The share buy-back will not be carried out during the period commencing two weeks before the announcement of the financial statements for each of the first three quarters of its financial year and one month before the announcement of UOB's full year financial statements.

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 upon 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 purchased Shares are cancelled, the total number of issued Shares will be reduced 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 at any time exceed ten per cent of the total number of Shares.

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 Rule 704(28) of 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 Shares (of the same class as the treasury shares) before and after the event.

Appendix
Renewal of Share Purchase Mandate

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 2014 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 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 5 March 2015 (**Latest Practicable Date**), the issued share capital of UOB comprised 1,602,834,279 Shares, excluding treasury shares.

Purely for illustrative purposes, on the basis of 1,602,834,279 Shares in issue, excluding treasury shares, as at the Latest Practicable Date, not more than 80,141,713 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$1,941,833,706 based on S$24.23 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$2,034,798,093 based on S$25.39 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 2014 and UOB had on 1 January 2014 purchased 80,141,713 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 0.69 per cent, being the inter-bank one-month offer rate as at 5 March 2015, 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 2014 are set out below:

Market Purchases

As at 31 December 2014	Before Share Purchases	After Share Purchases[(1)]
Total Shareholders' equity (S$'000)	29,569,350	27,616,377
Number of issued and paid-up Shares ('000)	1,602,834	1,522,692
Weighted average number of issued and paid-up Shares ('000)	1,591,356	1,511,214
Net profit attributable to Shareholders (S$'000)	3,249,101	3,237,962
Financial Ratios		
Net Tangible Assets (NTA) per Share (S$)[(2)]	14.50	13.98
Earnings per Share – Basic (S$)[(3)]	1.98	2.07
Return on Equity (ROE) (%)[(3)]	12.3	13.2
Total Capital Adequacy Ratio (%)	16.9	15.8

Notes:

(1) The above financial effects remain the same irrespective of whether:

(a) the purchases of Shares are effected out of capital or profits; and

(b) the Shares repurchased are held in treasury or cancelled.

(2) Preference shares and capital securities are excluded from the computation.

(3) Calculated based on profit attributable to Shareholders net of preference share dividends and capital securities distributions for other capital for the financial year.

Off-Market Purchases

As at 31 December 2014	Before Share Purchases	After Share Purchases[(1)]
Total Shareholders' equity (S$'000)	29,569,350	27,522,880
Number of issued and paid-up Shares ('000)	1,602,834	1,522,692
Weighted average number of issued and paid-up Shares ('000)	1,591,356	1,511,214
Net profit attributable to Shareholders (S$'000)	3,249,101	3,237,429
Financial Ratios		
Net Tangible Assets (NTA) per Share (S$)[(2)]	14.50	13.92
Earnings per Share – Basic (S$)[(3)]	1.98	2.07
Return on Equity (ROE) (%)[(3)]	12.3	13.3
Total Capital Adequacy Ratio (%)	16.9	15.8

Notes:

(1) The above financial effects remain the same irrespective of whether:

(a) the purchases of Shares are effected out of capital or profits; and

(b) the Shares repurchased are held in treasury or cancelled.

(2) Preference shares and capital securities are excluded from the computation.

(3) Calculated based on profit attributable to Shareholders net of preference share dividends and capital securities distributions for other capital for the financial year.

Appendix
Renewal of Share Purchase Mandate

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 Shares Purchased 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, 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, 1,221,889,509 Shares, or approximately 76 per cent of the total 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 1,141,747,796 Shares, or approximately 75 per cent of the total 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, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

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 the purposes of the Banking Act, the percentage of the total number of 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) 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 73rd 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

UOB 大華銀行

UNITED OVERSEAS BANK LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 193500026Z

IMPORTANT
1. The Annual Report 2014 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 (**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 **73rd 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 Friday, 24 April 2015 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 Auditor's Report		
Resolution 2	Final and Special Dividends		
Resolution 3	Directors' Fees		
Resolution 4	Advisory fee to Dr Wee Cho Yaw, Chairman Emeritus and Adviser		
Resolution 5	Auditor and its remuneration		
Resolution 6	Re-election (Mr Hsieh Fu Hua)		
Resolution 7	Re-election (Mr Wee Ee Cheong)		
Resolution 8	Re-election (Mrs Lim Hwee Hua)		
Resolution 9	Re-appointment (Dr Wee Cho Yaw)		
Resolution 10	Authority to issue ordinary shares		
Resolution 11	Authority to issue shares pursuant to the UOB Scrip Dividend Scheme		
Resolution 12	Renewal of Share Purchase Mandate		

By submitting this form, I/we represent and warrant that the consent of the named proxy(ies)/representative(s) has been obtained for the collection, use and disclosure of his/her personal data for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the said meeting, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

Dated this ______ day of ______________ 2015.

Shares in:	No. of Shares
(i) Depository Register	
(ii) Register of Members	
Total	

____
Signature(s) or Common Seal of Shareholder(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 in his stead. 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' names, 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 Emeritus and Adviser)*
Hsieh Fu Hua *(Chairman)*
Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer)*
Wong Meng Meng
Franklin Leo Lavin
Willie Cheng Jue Hiang
James Koh Cher Siang
Ong Yew Huat
Lim Hwee Hua *(Appointed on 1 July 2014)*

Executive Committee
Wee Cho Yaw *(Chairman)*
Hsieh Fu Hua
Wee Ee Cheong
Franklin Leo Lavin
James Koh Cher Siang

Audit Committee
Willie Cheng Jue Hiang *(Chairman)*
James Koh Cher Siang
Ong Yew Huat *(Appointed on 12 June 2014)*

Nominating Committee
Wong Meng Meng *(Chairman)*
Wee Cho Yaw
Hsieh Fu Hua
Franklin Leo Lavin
Willie Cheng Jue Hiang
Wee Ee Cheong (*Alternate to Wee Cho Yaw)*

Remuneration Committee
Wee Cho Yaw *(Chairman)*
Hsieh Fu Hua
James Koh Cher Siang *(Appointed on 12 June 2014)*

Board Risk Management Committee
Wee Cho Yaw *(Chairman)*
Hsieh Fu Hua
Wee Ee Cheong
Ong Yew Huat
Lim Hwee Hua *(Appointed on 1 July 2014)*

Secretary
Vivien Chan

Share Registrar
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360

Auditor
Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Winston Ngan *(Appointed on 24 April 2014)*

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Fax: (65) 6534 2334
SWIFT: UOVBSGSG
Website: UOBGroup.com

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www.UOBGroup.com