

Elephants Crossing the Water  
Tang Kok Soo

## About This Report

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

In addition to the International Integrated Reporting Council's Integrated Reporting principles, the UOB Annual Report 2016 includes sustainability reporting in accordance with the Global Reporting Initiative's (GRI) G4 guidelines, and selected indicators from GRI's Financial Services Sector Disclosures paper.

This report and more information on UOB can be found at [www.uobgroup.com/AR2016](http://www.uobgroup.com/AR2016). Hard copies of the report have been printed on sustainably-sourced, Forest Stewardship Council-certified paper.

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## Elephants Crossing the Water

by Tang Kok Soo  
Mixed media  
121 x 160 cm

Mr Tang Kok Soo's *Elephants Crossing the Water* is the inspiration for the design of this year's Annual Report. The abstract painting of a herd of elephants crossing a river received the Gold Award for the Established Artist Category in the 2016 UOB Painting of the Year (Singapore) Competition.

With each step forward, the steady and strong-willed elephants make their journey as one, advancing with purpose and determination whatever the terrain. *Elephants Crossing the Water* symbolises strength in unity and celebrates the focus and wherewithal needed to stay the course.

The UOB Painting of the Year Competition, in its 35<sup>th</sup> year in 2016, promotes awareness and appreciation of art, and challenges Southeast Asian artists to produce works that inspire.



# About United Overseas Bank Limited



## Who We Are

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

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

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

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

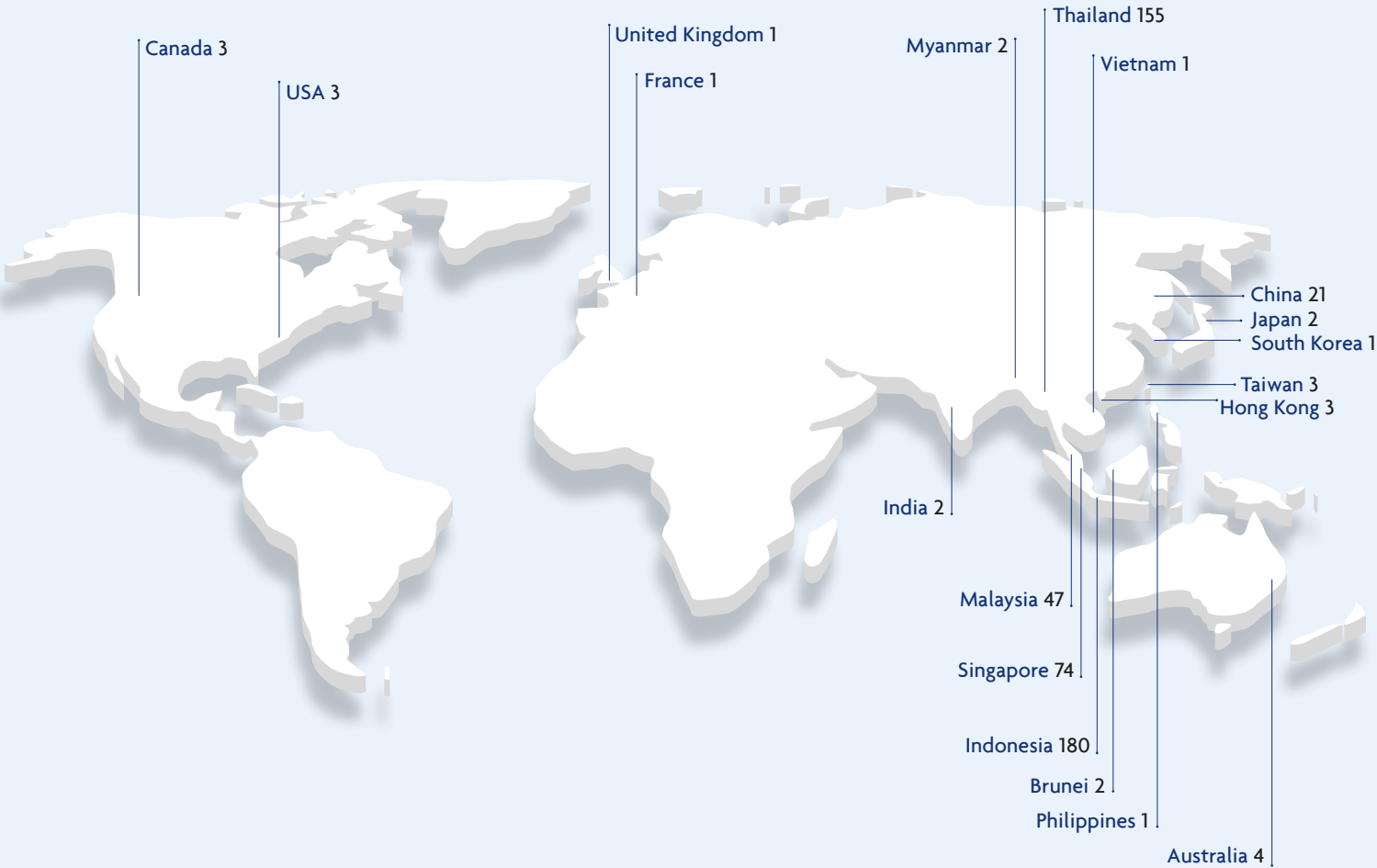
At UOB, we believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

## What We Do

UOB provides a wide range of financial services globally through our three core business segments – Group Retail, Group Wholesale Banking and Global Markets. Our offering includes 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. Through our subsidiaries, we also provide asset management, venture capital management and insurance services.

# Where We Operate

**>500** branches and offices  
in Asia Pacific, Europe and North America



# Creating Long-term Value Across Our Franchise

Guided by our values, we help our customers grow their wealth, manage their businesses and seize opportunities across the region and through economic cycles. Deep relationships and the progress of the economies and communities in which we operate are important to us. We are committed to achieving sustainable and stable growth that creates long-term value for our stakeholders and across our franchise.

## ► Our Values shape our thinking and behaviour.



### Honourable

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



### Enterprising

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



### United

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



### Committed

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

## ► Our Fundamental Strengths

when combined, make us unique and enable us to provide our customers solutions with the right balance of prudence and enterprise.

# 96%

of colleagues in our key markets are local

### Asian Heritage and Southeast Asian Roots

Our Asian perspective, honed over time, gives us a strong appreciation of what is unique to Southeast Asia. Our deep local knowledge of each business environment enables us to help our customers manage their finances, from simple to complex, and within and across borders.

# >500

branches and offices across our network

### Established and Integrated Network

Our integrated Southeast Asian network and strong global presence enable us to provide a consistent quality of experience as we connect our customers across the region and to the rest of the world.

# \$19.6 million

invested in training programmes

### Deep Pool of Talent and Expertise

Our people draw on their expertise and experience to advise and to act in the best interests of our customers. We are steadfast in nurturing our relationships with customers and our colleagues for the long term.

## 154% Robust Risk Management and Corporate Governance

Total Liquidity Coverage Ratio (full-year average)

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

## 12.1% Strong Credit Ratings, Capital and Funding Base

Fully-loaded Common Equity Tier 1 Capital Adequacy Ratio

Our robust capital position and strong balance sheet enable us to be agile in responding to our customers' needs through changing economic cycles and to seize opportunities as they arise.

► **Our Customer-focused Business** is built on more than eight decades of knowledge and experience.

### ► Group Retail

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

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

### ► Group Wholesale Banking and Global Markets

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

We offer them the Group's comprehensive and customised banking and financial risk management services. Through our seamless, cross-border banking solutions and on-the-ground coverage, we support our clients as they manage and expand their businesses across Asia.

# Our Strategic Priorities

## Capitalising on Regional Growth Drivers



Fulfilling consumers' financial needs with the right solutions in the manner they prefer

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

Supporting businesses in the region by providing greater connectivity and specialisation in key sectors

- Leveraging our strong regional franchise, deep local knowledge and industry expertise to help our clients seize intra-regional business and investment opportunities;
- Providing holistic and integrated solutions to our clients through enhanced products, channels and industry specialisation; and
- Partnering financial institutions as they grow in Asia.

## Strengthening Our Enablers to Sustain Business Growth



Developing our people and building meaningful careers

- Nurturing an innovative and entrepreneurial culture to stay competitive;
- Investing in training and careers for our people to be able and agile to seize the opportunities before them; and
- Attracting and retaining enterprising minds with the right values and passion for exceptional service.

Augmenting our digital capabilities and technology systems to make banking simpler and safer

- Offering our customers intuitive and seamless service across different touchpoints and geographies;
- Using financial technology to create innovative solutions for consumers and businesses;
- Enhancing monitoring and risk systems continuously to maintain a secure banking environment; and
- Streamlining processes to increase productivity and to enhance our customers' experience.

## Balancing Growth with Stability



Sharpening our risk management and service capabilities

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



## Chairman Emeritus' Statement



Events unfolded in the global arena that added to the uncertainties brought about by market volatility... We chose to be cautious and to keep an open mind.

At the start of 2016, I said the year ahead was going to be tough and so it was. Events unfolded in the global arena that added to the uncertainties brought about by market volatility. Technological innovations altered and accelerated the way business is done and lifestyles are lived. On the political front, people made collective choices that brought surprising changes. We chose to be cautious and to keep an open mind.

Management spent 2016 strengthening the Bank's infrastructure to build capabilities for the future. We will keep assessing opportunities and exploring new business models, while prudently managing risks.

I am pleased to note that Management, in its focus and approach to banking and service to customers, continues to promote the Bank's values of honour, enterprise, unity and commitment. These values will stand us in good stead to face the challenges that 2017 will bring.

I am indeed honoured to carry on as a Director, Chairman Emeritus and Adviser to the Bank. As before, I shall ensure that we look after the interests of all our stakeholders.

I thank all our customers and shareholders for your loyal support.

**Wee Cho Yaw**  
*Chairman Emeritus and Adviser*

February 2017

# Chairman's Statement

Even in these trying times, UOB is pressing ahead with our investments in technology, infrastructure, capabilities and new models of service.



2016 proved a challenging year with the prevailing effects of the volatility in commodities and currencies playing out on the global economy and local environment. Subdued economic growth and an uncertain international arena also affected many businesses. That, in turn, had some impact on ours. Nevertheless, the Group recorded an operating income of \$8.06 billion, pipping the performance of 2015. The Group posted net profit after tax of \$3.10 billion for the year, 3.5 per cent lower than the year before. The Board has recommended a final one-tier tax-exempt dividend of 35 cents per ordinary share, taking the total dividend for 2016 to 70 cents per ordinary share.

## New Models of Service

Even in these trying times, UOB is pressing ahead with our investments in technology, infrastructure, capabilities and new models of service. We set new standards of leadership in the areas of contactless banking and payments, but always attuned to what is relevant to our customers. In 2016, we extended our lead in mobile applications to digital issuance of credit cards, turned the smartphone into a security token and through our contactless ATMs, enabled our customers to withdraw cash with their smartphones. Our customer-focused approach for the digital future was showcased in September and was well received by more than 700 delegates including customers, analysts and investors.

We have been building an ecosystem where business models are being developed and deployed through partnerships that enable innovation and growth for our clients. It begins with The FinLab – our accelerator and innovation hub for startups. We provide various funding options as they grow such as equity crowdfunding (OurCrowd) and venture debt (InnoVen Capital, a UOB-Temasek joint venture). We also help small businesses in their productivity efforts. Our UOB BizSmart solution, for instance, could cut their administrative costs by up to 60 per cent.

As global trade is facing a slowdown, we must persevere all the more in helping our corporate clients expand beyond their home markets and seize opportunities across Asia. We form strategic alliances for this purpose, such as our most recent one with International Enterprise (IE) Singapore – their first with a Singapore bank. Fundamentally, our experience and network presence position us best to help our customers benefit from the increasing openness and connectivity across the region.

## Managing Risk and Maintaining Strength

Having supported home-grown businesses for more than 80 years, we are conscious that the success of these companies often depends on

strong economic growth. In periods of slow growth and in keeping with our prudential discipline, we are judicious in our lending. We have made adequate provisions especially in our exposure to the oil and gas, and shipping sectors as we preserve our balance sheet strength.

The Group continued to maintain a strong capital position in 2016. We also applied our scrip dividend scheme to the 2016 interim dividend and will again to the final one. Overall, we are operating comfortably within our risk appetite.

While we remain sanguine about the region's long-term prospects, we expect 2017 to be another challenging year for our customers and for us. In these uncertain times, the Board has worked closely with the CEO and his team on the strategy for the continued growth of the Bank as it navigates through increasing risks.

## The Board

Underlying the effectiveness of any good board are capable and experienced directors committed to contributing insights and robust views to board deliberations. In this regard, I would like to highlight the outstanding contributions of Wong Meng Meng who has given more than 17 years of service to the Bank through an eventful period of change and expansion of the UOB Group. In particular, he guided us through various board transitions while he was the Nominating Committee Chairman. He retires at the forthcoming AGM with our gratitude and heartiest wishes.

In the past year, the Board reconstituted several committees and refreshed the membership. Having decided to expand the size of the Board up to 12 directors, we are in the process of recruiting new directors.

I thank my fellow Board members and the CEO and his team for their contributions this past year. On behalf of the Board, I also express my gratitude to our colleagues for upholding the UOB values. Finally, I am grateful for the loyal support of our customers and shareholders.

**Hsieh Fu Hua**  
Chairman

February 2017

# Deputy Chairman and CEO's Report

In 2016, we continued to build on our strengths in connecting businesses with opportunities domestically and across the region, in harnessing technology to make banking more convenient and in providing the right solutions for our customers.



## Stability and Steady Progress Amid Volatility

In a period of uncertainty and upheaval, UOB has remained as sure-footed as the elephants on the cover of this year's Annual Report. Despite the waves of uncertainty caused by volatile commodity markets, slowing global economic growth and the changing geopolitical landscape, we have stayed resilient with our strong balance sheet and steady financial results. We have always believed in balancing growth with stability, creating value for our stakeholders and being able to support our customers through economic cycles.

## 2016 Financial Performance

Against a slowing economic environment, we achieved net profit after tax of \$3.10 billion in 2016, 3.5 per cent lower than a year ago. Our core businesses delivered stable results with total income of \$8.06 billion, driven by loan and fee income.

Net interest income was up 1.3 per cent in 2016 to \$4.99 billion, led by healthy loan growth in the consumer and non-bank financial institution segments. Gross loans rose 8.8 per cent to reach \$226 billion as at the end of the year. Net interest margin decreased 6 basis points to 1.71 per cent.

Non-interest income declined 1.6 per cent to \$3.07 billion. Fee and commission income grew by 2.5 per cent to \$1.93 billion, driven by higher credit card and fund management fees. Trading and investment income fell 8.1 per cent to \$877 million due to lower gains from the sale of investment securities, partially offset by higher trading income.

Total operating expenses rose 2.8 per cent to \$3.70 billion from a year ago. We were disciplined in managing total headcount as we continued to invest in technology and infrastructure to sharpen our capabilities. Our expense-to-income ratio for the year was 45.9 per cent.

Apart from some ongoing issues in the shipping industry, and oil and gas segment, the asset quality of our broader portfolio was stable. Our non-performing loans (NPL) ratio rose marginally from 1.4 per cent a year ago to 1.5 per cent as at 31 December 2016. Total credit cost was maintained at 32 basis points as we released some general allowance to offset an increase in specific allowance last year, in line with our approach to loan provisioning where we build reserves during periods when specific allowance is low. NPL coverage and the ratio of general allowance to gross loans remained strong at 118.0 per cent and 1.2 per cent respectively.

We maintained our strong funding position. Customer deposits grew 6.1 per cent to \$255 billion. The Group's loan-to-deposit ratio remained healthy at 86.8 per cent.

During the year, we tapped alternative sources to diversify our funding mix and to optimise overall funding costs such as through the issuance of \$3.9 billion in debt and capital securities. These included the €500 million five-year covered bonds and US\$700 million Tier 2 subordinated notes in March, \$750 million Additional Tier 1 perpetual capital securities in May, and US\$600 million Tier 2 subordinated notes in September. All four issuances were well-received by investors, largely due to the strong confidence they have in UOB's credit standing.

The average Singapore dollar and all-currency liquidity coverage ratios during the fourth quarter were 275 per cent and 162 per cent respectively, well above the corresponding regulatory requirements of 100 per cent and 70 per cent.

Our capital position remained healthy. As at 31 December 2016, the Group's Common Equity Tier 1 and Total Capital Adequacy Ratios (CAR) remained strong at 13.0 per cent and 16.2 per cent respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR stood at 12.1 per cent. The Group's leverage ratio was 7.4 per cent, well above Basel's minimum requirement of 3 per cent.

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

## Building on Our Strengths

In 2016, we continued to build on our strengths in connecting businesses with opportunities domestically and across the region, in harnessing technology to make banking more convenient and in providing the right solutions for our customers.

## Connecting Businesses to Regional Opportunities

Our integrated regional network provides a strong foundation on which we can serve our customers across countries seamlessly. We have continued to enhance our cross-border capabilities in line with our customers' needs for increasing regional connectivity.

# Deputy Chairman and CEO's Report

Multilateral efforts such as the Belt and Road initiative and the Association of Southeast Asian Nations (ASEAN) Economic Community reinforce how important cross-border trade, investment and integration are as growth drivers in Asia.

In 2016, we continued to support our customers with their overseas expansion plans via our integrated network and effective in-market and cross-border solutions. As a direct result of the value we offer our customers, our cross-border activities grew faster than our onshore business, with income accounting for 21 per cent of our Wholesale Banking income.

In 2016, our Foreign Direct Investment (FDI) Advisory Unit, a one-stop shop dedicated to helping our customers access inter- and intra-regional opportunities, broadened its reach to help companies from Japan and Europe expand into Southeast Asia. As part of building our ecosystem of strategic alliances with local regulatory and industry bodies, we signed three more agreements in Chongqing, China and a Memorandum of Understanding with IE Singapore to facilitate our customers' meeting their regionalisation, trade and investment objectives.

These arrangements are in addition to our agreements with the Economic Development Board of Singapore and the China Council for the Promotion of International Trade. As the only Singapore bank to have signed strategic alliances with the main trade bodies in Singapore and China, we are best-placed to connect our customers comprehensively with opportunities in the region.

We will continue to deepen our relationships with clients through sectoral focus and industry specialisation. The past year saw strong growth in the corporate and institutional client businesses, as we strengthened our product capabilities in the areas of cash management, interest rate and currency derivatives, investment solutions, trade finance and specialised finance structures. Transaction banking remains one of our stable income generators, supporting our liability management, which is a key priority as we seek to optimise our funding costs.

We recognise the important role that small- and medium-sized enterprises (SMEs) play as the bedrock of development in most economies. To help them achieve sustainable business growth through productivity enhancement, we worked with technology partners to develop financial technology (FinTech) solutions. One such example is Singapore's first cloud-based integrated solution, BizSmart, which is linked to a business' UOB account and helps them improve management of their back office processes such as payroll, accounting, inventory and resourcing. For the property management and education sectors, where the manual collection of monthly fees can be a laborious task, we introduced a convenient mobile payment function on the hiLife and snaapp apps.

Through the ecosystem we are building, we are helping Asia's promising startups thrive. Critical to their growth is having the funding they need to develop further. As part of our plan to provide non-traditional forms of funding to startups, we strengthened our strategic alliances with alternative financing providers such as OurCrowd and our joint venture with Temasek, InnoVen Capital.

We constantly seek new avenues through which we can collaborate with FinTech startups. The FinLab, our joint venture with SGInnovate, is one example. The FinLab is a FinTech accelerator that supports FinTech startups in going to market with solutions in areas ranging from wealth management to SME support. These initiatives supplement our efforts to help businesses through every stage of their growth.

## Connecting with Consumers' Lifestyles

Likewise, we continue to anticipate and to serve the needs of our customers through the different stages of their lives. Young consumers or millennials, a force of growth in Asia with their spending power and entrepreneurial mindset, were of particular focus for us in 2016. As more of these millennials join the workforce and start families, they require savings and investment products in keeping with their lifestyle needs. In 2016, we developed a full suite of these solutions to help them right from the very first steps in their careers. The UOB YOLO card which we designed specifically for the millennials' lifestyle has been launched in Singapore, Malaysia and Thailand. For parents with young children, we launched the UOB KidSmart programme.

We recognise in particular, that young, digital natives expect their banking and payment experiences to be highly customised to their mobile-reliant lifestyles. Our UOB Mighty is an example of how we are fulfilling this need. It is Singapore's only all-in-one mobile banking app that combines banking services, contactless payments, dining and rewards features.

Through UOB Mighty, our customers were the first in the world to enjoy instant digital credit card issuance in 2016. They were the first in Southeast Asia to be able to use our contactless ATMs with just a tap of their smartphones. They were also the first in Singapore to be able to turn their mobile phones into a digital security token. We plan to make the UOB Mighty app available to our customers in Malaysia and Thailand in 2017.

UOB's long-term strategic investments in technology and innovation have provided a solid engine to propel our future successes in the digital world. Our FinTech partnerships and digital case studies were showcased to analysts and other stakeholders at our annual Corporate Day.

### Connecting Our People with Growth Opportunities

In this increasingly tech-savvy world, we are developing enterprising minds and digital skills among our people to ensure they are well-prepared to address and to anticipate our customers' changing needs. We have various initiatives to embed a culture of innovation among our people, including The FinLab accelerator programmes, regional hackathons and digital workgroups.

The UOB 2020 Ideas Contest, for instance, taps the creativity and expertise of our employees to conceptualise innovative solutions for the banking industry. In 2016, the contest drew more than 200 submissions from colleagues in Singapore, Indonesia, Malaysia and Thailand. Twenty-one teams were shortlisted for the inaugural UOB 2020 Regional Hackathon in Singapore, where they were guided on designing apps, building sound business models and delivering compelling pitches by senior managers and industry experts.

In addition, we have continued to strengthen the capabilities of our people to provide quality advice and solutions to our customers. For instance, in the area of wealth management, we have improved the depth and quality of advice we provide our Private Bank clients through strategic hires and specialised training for our investment advisers and relationship managers. In the area of Business Banking, we have been teaming up with tertiary education institutions across the region to develop specialised programmes to deepen the expertise of our business bankers.

While we attract people with aptitude for their specific roles, we focus on ensuring they also possess and demonstrate the right attitude – one that is based on our values of honour, enterprise, unity and commitment. At every stage in an employee's career with us – from hiring and training to progression, rewards and recognition – we review and reinforce the strength with which the individual upholds the values of UOB.

Ultimately, we want our customers to experience a quality of service that is distinctively that of UOB – the spirit of a handshake, where they can always count on our word. We held our inaugural Customer Commitments Awards which recognise the role models from across the organisation who live up to our values and who meet our customer commitments: to treat our customers fairly, to provide them with the right solutions, to know them personally and to be there for them when it matters.

### Connecting Communities Through Art, Children and Education

Our deep and strong presence across the region comes with other responsibilities beyond that to our customers. We are deeply committed to supporting communities through art, children and education which we believe are essential for the progress of a country, its economy and its people.

In 2016, we contributed to the community through sponsorships, donations and scholarships by the Bank, and funds raised by our employees and our customers. Our initiatives included our annual Heartbeat Run/Walk where we raised funds for beneficiaries across six markets to improve the lives of children including those with financial difficulties or special needs. Our people have volunteered more than 49,600 hours to support local community initiatives across Asia. We maintained our long-term commitment to championing Southeast Asian art and artists through our annual UOB Painting of the Year competition, which has run for more than three decades, as well as through our art partnerships and outreach programmes.

For more than eight decades, UOB has pursued a sustainable business as we have supported customers, employees, communities and economies.

### 2017 Outlook

Looking ahead, we can expect the ongoing volatility and a less predictable environment to persist. Focus will be on policy uncertainties in the US and China's economic transition. The prospects of higher interest rates in the US in 2017 may be a positive driver for banks' margins.

Despite the uncertainties, ASEAN's fundamentals remain sound and the major trends driving growth – a vast and growing consumer market, rising intra-regional trade and continued investment flows – remain promising. We are confident of the region's mid- to long-term growth prospects and its ability to weather external shocks.

The current environment presents unique opportunities for long-term players such as UOB. With our deep and strong connectivity across the region, we are well-placed to support customers in trade and investment across the region. We remain committed to investing in our capabilities, including digital initiatives and strategic partnerships, to anticipate and to meet our customers' needs, for banking and other services across market cycles.

Like the herd of elephants on our annual report cover with their firmness of purpose and stability in unity, we will draw upon the combined and time-tested strengths of the UOB Group – our integrated network, deep customer insights and strong balance sheet – to face new challenges and to seize the opportunities ahead with purpose, vigour and determination.

### Acknowledgements

I would like to thank the Board directors for their insight and guidance, and our people for their dedication in doing what is right for our Bank, our customers and our community. To our valued customers and our investors, thank you for your continued confidence in UOB.

**Wee Ee Cheong**

*Deputy Chairman and Chief Executive Officer*

February 2017



# Board of Directors



## **Wee Cho Yaw, 88**

*Chairman Emeritus and Adviser  
Non-Executive and Non-Independent*

First appointed as a director: 14 May 1958  
Last re-appointed as a director: 21 April 2016  
Conferred the title of Chairman Emeritus: 25 April 2013

A banker with more than 50 years' experience, Dr Wee was Chairman and Chief Executive Officer of United Overseas Bank from 1974 to 2007. In recognition of his long-standing support of education, community welfare and the business community, he received Honorary Degrees of Doctor of Letters from the National University of Singapore in 2008 and from the Nanyang Technological University in 2014. For his outstanding contributions to the economy, education, and social and community development in Singapore, he was conferred The Distinguished Service Order, Singapore's highest National Day Award, in 2011.

### **Board Committee Positions**

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

### **Current Directorships and Principal Commitments**

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

### **Past Directorships in Listed Companies in the Last Three Years**

- Singapore Land (till October 2014)

### **Education and Achievements**

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



**Hsieh Fu Hua, 66**  
*Chairman*  
*Non-Executive and Independent*

First appointed as a director: 16 January 2012  
 Last re-elected as a director: 24 April 2015  
 Appointed as Chairman: 25 April 2013

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

**Board Committee Positions**

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

**Current Directorships and Principal Commitments**

- Far Eastern Bank (Chairman)
- GIC (Director)
- Jurong Health Services (Chairman)/ MOH Holdings (Director)
- National Council of Social Service (President)
- National Gallery Singapore (Chairman)
- Stewardship Asia Centre (Chairman)
- PrimePartners Group (Adviser)

**Past Directorships in Listed Companies in the Last Three Years**

- Tiger Airways Holdings (till May 2016)

**Education and Achievements**

- Business Administration (Hons), University of Singapore

**Wee Ee Cheong, 64**  
*Deputy Chairman and Chief Executive Officer*  
*Executive and Non-Independent*

First appointed as a director: 3 January 1990  
 Last re-elected as a director: 24 April 2015  
 Appointed as Chief Executive Officer: 27 April 2007

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

**Board Committee Positions**

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

**Current Directorships and Principal Commitments**

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

**Past Directorships in Listed Companies in the Last Three Years**

- Nil

**Education and Achievements**

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

## Board of Directors



**Wong Meng Meng, 68**  
*Non-Executive and Non-Independent*

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

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

### Board Committee Positions

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

### Current Directorships and Principal Commitments

- WongPartnership (Founder-Consultant)
- Energy Market Company (Chairman)
- Mapletree Industrial Trust Management (Chairman)
- Competition Appeal Board (Member)
- Singapore Institute of Directors (Fellow)

### Past Directorships in Listed Companies in the Last Three Years

- Nil

### Education and Achievements

- Bachelor of Law (Hons), University of Singapore
- Public Service Medal, Singapore (2001)



**Franklin Leo Lavin, 59**  
*Non-Executive and Independent*

First appointed as a director: 15 July 2010  
Last re-elected as a director: 21 April 2016

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

### Board Committee Positions

- Nominating Committee (Member)
- Strategy Committee (Member)

### Current Directorships and Principal Commitments

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

### Past Directorships in Listed Companies in the Last Three Years

- Globe Specialty Metals (till December 2015)

### Education and Achievements

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





**Willie Cheng Jue Hiang, 63**  
*Non-Executive and Independent*

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

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

**Board Committee Positions**

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

**Current Directorships and Principal Commitments**

- FEO Hospitality Asset Management (Director)
- FEO Hospitality Trust Management (Director)
- Integrated Health Information Systems (Director)
- NTUC Health Co-operative (Director)
- Singapore Health Services (Director)
- Asia Philanthropic Ventures (Director)
- Caritas Humanitarian Aid & Relief Initiatives Singapore (Director)
- Council for Third Age (Director)
- SymAsia Foundation (Director)
- Singapore Institute of Directors (Chairman)

**Past Directorships in Listed Companies in the Last Three Years**

- Nil

**Education and Achievements**

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

**James Koh Cher Siang, 71**  
*Non-Executive and Independent*

First appointed as a director: 1 September 2012  
 Last re-elected as a director: 21 April 2016

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

**Board Committee Positions**

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

**Current Directorships and Principal Commitments**

- CapitaLand Hope Foundation (Director)
- Thye Hua Kwan Moral Charities (Director)
- Pioneer Generation Package Appeals Committee (Deputy Chairman)
- Ministry of Home Affairs – Independent Review Committee (Member)

**Past Directorships in Listed Companies in the Last Three Years**

- CapitaLand (till April 2016)

**Education and Achievements**

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

## Board of Directors



**Ong Yew Huat, 61**  
*Non-Executive and Independent*

First appointed as a director: 2 January 2013  
Last re-elected as a director: 21 April 2016

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

### Board Committee Positions

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

### Current Directorships and Principal Commitments

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

### Past Directorships in Listed Companies in the Last Three Years

- Nil

### Education and Achievements

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



**Lim Hwee Hua, 58**  
*Non-Executive and Independent*

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

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

### Board Committee Positions

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

### Current Directorships and Principal Commitments

- Tembusu Partners (Director)
- BW Group (Director)
- Jardine Cycle & Carriage (Director)
- Kohlberg Kravis & Roberts (Senior Advisor)
- Asia Advisory Board of Westpac Institutional Bank (Member)

### Past Directorships in Listed Companies in the Last Three Years

- Stamford Land Corporation (till November 2015)

### Education and Achievements

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

# Group Management Committee

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

## Management Executive Committee

**Wee Ee Cheong**

*Deputy Chairman and Chief Executive Officer*

**Chan Kok Seong**

*Group Chief Risk Officer*

Mr Chan joined UOB in 1998. He is the Head of Group Risk Management. Prior to his appointment in Singapore in September 2012, Mr Chan was the CEO of UOB (Malaysia). He holds a Bachelor of Accounting from the University of Malaya, Malaysia and is a member of The Malaysian Institute of Certified Public Accountants. He has more than 30 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 30 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, overseeing the global technology infrastructure and operations for the Group. She holds a Bachelor of Science from the National University of Singapore and has more than 30 years of experience in banking technology and operations.

**Lee Chee Pin**

*Global Markets*

Mr Lee joined UOB in May 2016. He is the Head of Group Global Markets which includes market making, sales and structuring, portfolio and liquidity management as well as bullion, brokerage and clearing. He holds a Bachelor of Science (Building) from the National University of Singapore and is a Chartered Financial Analyst. He has more than 25 years of experience in the financial industry.

**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 35 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 25 years of experience in banking.

# Group Management Committee

## Management Committee

### **Chew Mei Lee (till 31 March 2017)**

#### *Group Compliance*

Ms Chew joined UOB in 2006 and heads Group Compliance. She holds a Bachelor of Laws (Hons) from the University of Malaya, Malaysia and has more than 35 years of experience in bank compliance.

### **Peter Foo Moo Tan**

#### *President and Chief Executive Officer, United Overseas Bank (China) Limited*

Mr Foo joined UOB in 2011. He was appointed President and CEO of UOB (China) in December 2016. Prior to this, he served as President and CEO of UOB (Thai) from 2012. He was also previously 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 30 years of experience in managing banking and financial markets businesses.

### **Eddie Khoo Boo Jin**

#### *Group Personal Financial Services, Private Banking and Bancassurance, Group Retail*

Mr Khoo joined UOB in 2005. He oversees the Group's Consumer and Private Banking businesses. He holds a Bachelor of Business Administration in Finance and Management from the University of Oregon, USA and has more than 30 years of experience in consumer banking.

### **Kevin Lam Sai Yoke**

#### *President Director, PT Bank UOB Indonesia*

Mr Lam joined UOB in 2005 and was appointed the CEO of UOB Indonesia in May 2016. Prior to this, he served as deputy CEO of UOB (Malaysia) and oversaw its wholesale banking business. His previous appointments within the Group included the head of consumer banking loans, and sales and distribution in Singapore and the region, and head of Personal Financial Services in Malaysia. He holds a Bachelor of Business Administration from the National University of Singapore and has more than 20 years of experience in the financial industry.

### **Victor Ngo (from 1 April 2017)**

#### *Group Compliance*

Mr Ngo joined UOB in 2004. Prior to his appointment as Head of Group Compliance, he was Head of Group Internal Audit since 2006. He holds a Bachelor of Applied Science (Operations Management) from the University of Technology Sydney, Australia, a Business Management Graduation Certificate (Graduate Diploma in Accounting) from the University of Southern Queensland, Australia, a Master of Science (Finance) from the City University of New York, USA, and a Master of Business Administration in Business Management from Deakin University, Australia. Mr Ngo has more than 30 years of experience in the banking industry.

### **Tan Choon Hin**

#### *President and Chief Executive Officer, United Overseas Bank (Thai) Public Company Limited*

Mr Tan joined UOB in 2012 as Head of Group Retail Credit and was appointed the President and CEO of UOB (Thai) in November 2016. Prior to this, he headed Group Business Banking. He holds a Bachelor of Business (Hons) from the Nanyang Technological University, Singapore. He has more than 15 years of experience in consumer banking, risk management and credit management.

## 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 30 years of experience in human resource management.

## Ian Wong Wah Yan

*Group Strategy and International Management*

Mr Wong joined UOB in 2012. He heads Group Strategy and International Management 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 25 years of experience in corporate, institutional and investment banking.

## Christine Yeung See Ming

*Chief Executive Officer, UOB Hong Kong Branch*

Ms Yeung was appointed CEO of UOB Hong Kong Branch in 2011. She holds a Master of 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.

## Janet Young Yoke Mun

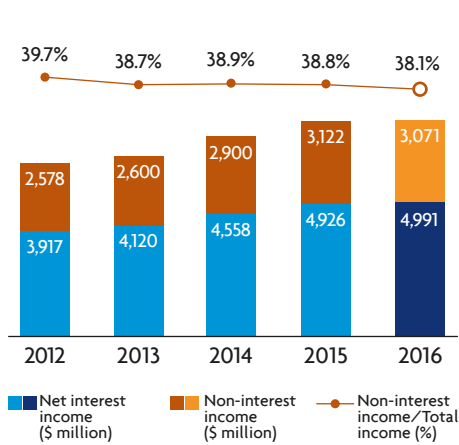
*Group Channels and Digitalisation*

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 the Nanyang Technological University, Singapore. Ms Young has more than 25 years of banking and corporate experience.



# Financial Highlights

Stable core earnings in a slowing operating environment.



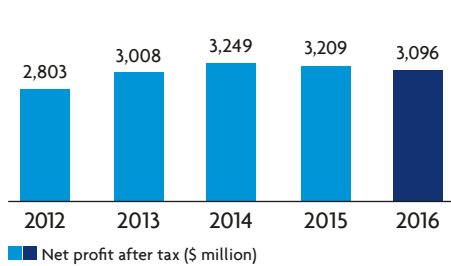
## Total Income

Total income was stable at \$8.06 billion, reflecting the resilience of the Group's core businesses in a slowing economic environment.

**\$8,061 million**  
+ 0.2%

Net interest income increased 1.3% to \$4.99 billion, led by healthy loan growth in the consumer and non-bank financial institution customer segments. Net interest margin decreased 6 basis points to 1.71%.

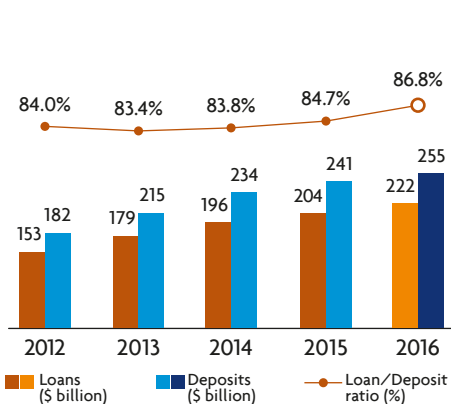
Non-interest income declined 1.6% to \$3.07 billion. Trading and investment income fell 8.1% to \$877 million due to lower gains from sale of investment securities, partially offset by higher trading income. Fee and commission income increased 2.5% to \$1.93 billion, driven by higher credit card and fund management fees.



## Net Profit After Tax

The Group reported net earnings of \$3.10 billion for the full year of 2016, 3.5% lower than a year ago.

**\$3,096 million**  
- 3.5%



## Customer Loans/Deposits

Net customer loans grew 8.9% from a year ago to \$222 billion in 2016.

Customer Loans  
**\$222 billion**  
+ 8.9%

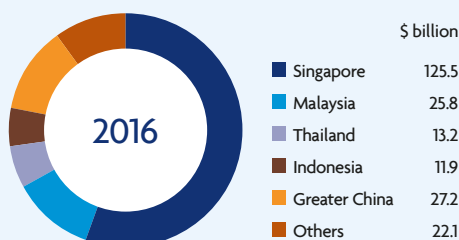
Customer deposits grew 6.1% to \$255 billion, mainly led by growth in Singapore dollar and US dollar deposits.

Customer Deposits  
**\$255 billion**  
+ 6.1%

The Group's funding position continues to be strong with loan-to-deposit ratio at 86.8% in 2016.

Loan/Deposit ratio  
**86.8%**  
+ 2.1% pt

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



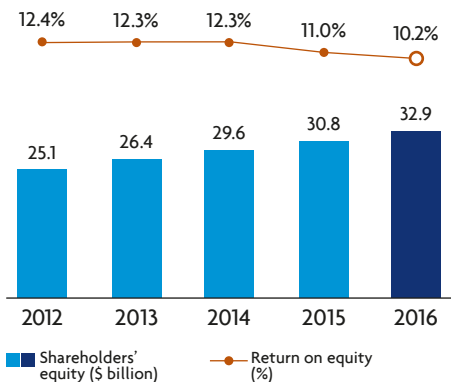
## Loans By Geography

Gross loans grew 8.8% year-on-year to \$226 billion as at 31 December 2016.

**\$226 billion**  
+ 8.8%

Singapore, which accounted for 56% of Group loan base, registered 8.1% growth year-on-year to reach \$126 billion while loans outside Singapore grew 9.7%.

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



## Shareholders' Equity/Return on Equity

Shareholders' equity increased 6.8% from a year ago to \$32.9 billion as at 31 December 2016, due to retained earnings and strong shareholder take-up from the scrip dividend scheme.

Return on equity was 10.2% for 2016.

Shareholders' Equity

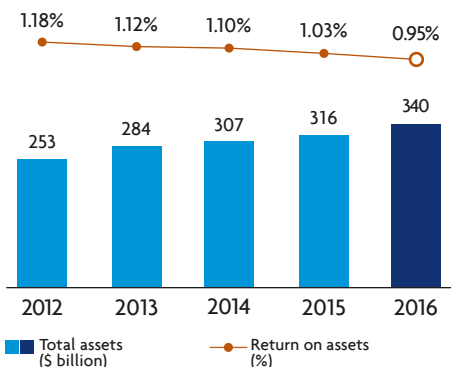
**\$33 billion**

+ 6.8%

Return on Equity

**10.2%**

- 0.8% pt



## Total Assets/Return on Assets

The Group's total assets grew 7.6% to \$340 billion in 2016 mainly on higher loan volume.

Return on assets for 2016 was 0.95%.

Total Assets

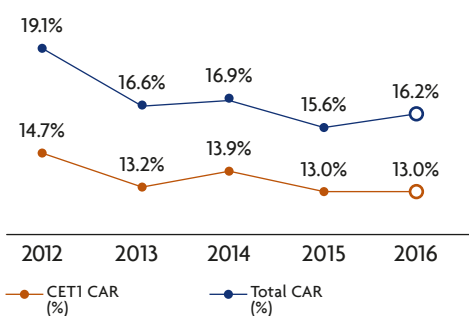
**\$340 billion**

+ 7.6%

Return on Assets

**0.95%**

- 0.08% pt



## Capital Adequacy Ratio (CAR)

As at 31 December 2016, the Group's strong capital position remained well above the MAS minimum requirements with Common Equity Tier 1 and Total CAR at 13.0% and 16.2% respectively. The Group's leverage ratio stood at 7.4% as at 31 December 2016, above the minimum requirement of 3%.

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

CET1 CAR

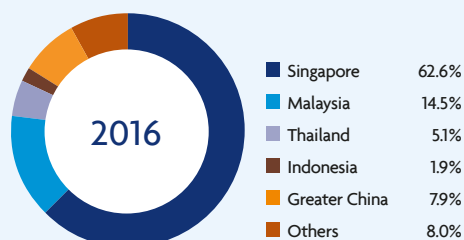
**13.0%**

0.0% pt

Total CAR

**16.2%**

+ 0.6% pt



## Overseas Profit Before Tax Contribution

The Group's net profit before tax was 2.4% lower at \$3.78 billion.

Overseas profit contribution was lower at 37.4% in 2016 when compared with 38.9% a year ago.

**37.4%**

- 1.5% pt

# Financial Highlights

## Five-Year Group Financial Summary

	2012	2013	2014	2015	2016
<b>Selected Income Statement Items (\$ million)</b>					
Total income	6,495	6,720	7,457	8,048	8,061
Total expenses	2,747	2,898	3,146	3,597	3,696
Operating profit	3,748	3,822	4,311	4,451	4,365
Net profit after tax <sup>1</sup>	2,803	3,008	3,249	3,209	3,096
<b>Selected Balance Sheet Items (\$ million)</b>					
Net customer loans	152,930	178,857	195,903	203,611	221,734
Customer deposits <sup>2</sup>	182,029	214,548	233,750	240,524	255,314
Total assets	252,900	284,229	306,736	316,011	340,028
Shareholders' equity <sup>1</sup>	25,080	26,388	29,569	30,768	32,873
<b>Financial Indicators (%)</b>					
Expense/Income ratio	42.3	43.1	42.2	44.7	45.9
Non-performing loans ratio	1.5	1.1	1.2	1.4	1.5
Return on average total assets	1.18	1.12	1.10	1.03	0.95
Return on average ordinary shareholders' equity	12.4	12.3	12.3	11.0	10.2
Capital adequacy ratios <sup>3</sup>					
Common Equity Tier 1	14.7	13.2	13.9	13.0	13.0
Tier 1	14.7	13.2	13.9	13.0	13.1
Total	19.1	16.6	16.9	15.6	16.2
Per ordinary share					
Basic earnings (\$)	1.72	1.84	1.98	1.94	1.86
Net asset value (\$)	14.56	15.36	17.09	17.84	18.82
Net dividend (cents) <sup>4</sup>	70	75	75	90	70
Dividend cover (times) <sup>4</sup>	2.54	2.54	2.70	2.22	2.73

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

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

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

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



## Economic Value of Our Contributions

In the course of conducting our business, we create direct and indirect economic value for our stakeholders and contribute to the development of local economies.

In 2016, we generated total income of  
**\$8,061 million**



from which we distributed  
**\$2,050 million**  
 in employee compensation and benefits



and accrued  
**\$669 million**  
 in income tax to governments.



From profit after tax of  
**\$3,096 million**



we distributed dividends of  
**\$1,232 million**  
 to shareholders.



We also support local businesses and help create jobs through the goods and services we buy from more than

**10,800**

suppliers in our six main markets



of which local suppliers accounted for

**93.1%**



of our total purchases of  
**\$1,324 million.**



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

31 December 2016

## Year in Review

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# Our Approach to Sustainability

As a leading financial institution in Asia, we focus on creating sustainable value for our stakeholders. This includes appreciating what is material to them and aligning our long-term business strategies with their interests.

Wee Ee Cheong  
Deputy Chairman and CEO

As we continue to deepen our presence across the region, we identify and manage the environmental, social and governance (ESG) effects of our strategy and operations to ensure business sustainability.

Our priorities include building an ecosystem where enterprise and innovation can thrive, enabling simpler and safer banking for all through the use of technology, supporting corporate clients in managing their businesses locally and as they expand across borders, and helping retail customers plan, save, spend and invest wisely.

We believe that security is paramount given the rapid development of technologies and disruptive business models, and the changing regulatory landscape. There is also growing sophistication of financial crime and cyber threats. In safeguarding the interests of our stakeholders, we maintain the robustness of our systems and processes and uphold our role in ensuring a safe, secure and trusted banking system.

Our investments are also directed to nurturing our people, embracing diversity and inclusiveness, promoting trade and industry, focusing on responsible financing, encouraging entrepreneurship and making our financial services accessible to all sections of society. We support the development of the communities in which we operate and play our part in managing our environmental impact.

Our sustainability approach seeks to address these priorities, opportunities, risks and effects in a manner consistent with our time-tested values of honour, enterprise, unity and commitment. We do so in accordance with the Global Reporting Initiative's (GRI) guidelines for materiality analysis to identify the ESG factors that matter the most to our stakeholders and to us. We have also followed the GRI G4 principles to define our reporting content and quality.

Our material ESG factors are categorised into three groups, namely Highly Material, Material and Important.

## Our Material ESG Factors

### Highly Material Factors



Customer experience



Risk-focused organisational culture



Digital transformation



Cyber security, fraud prevention and anti-money laundering



Economic value of our contributions



Regulatory compliance



Responsible lending



Access to financial services



Social impact



Attracting, developing and retaining talent



Diversity and inclusion

### Important Factors



Environmental footprint



Workplace safety, health and well-being



Supply chain responsibility

More information on our approach to material ESG factors and sustainable value creation can be found in the Sustainability section of this report.

# Customers

At UOB, we build on our heritage and values to ensure that we act in the best interests of our customers. Our people help our customers meet their business and financial goals by offering the most appropriate solutions and services, based on our expertise and understanding of what matters to them. We wrap our use of technology with the human touch to ensure our customers' needs are met efficiently, professionally and personally.

## Our Customer Commitments

In serving our customers, we uphold four customer commitments built on our values of being Honourable, Enterprising, United and Committed.



**Honourable**

### Treat You Fairly

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



**Enterprising**

### Provide You with the Right Solution

We draw on our experience, insight and entrepreneurial spirit to provide our customers with solutions that help them achieve their financial goals and aspirations, and manage their daily and future requirements, however simple or complex.



**United**

### Know You Personally

We learn our customers' preferences and know what matters to them with every interaction. By understanding them better, we anticipate our customers' needs and offer them the most relevant financial solutions.



**Committed**

### Be There When It Matters

We always stand by our customers and this is enabled by our long-term business approach, strength and stability.



We attend to our customers' needs and keep their interests at the heart of all that we do.

## Treating You Fairly

### Ensuring a Culture of Fair Dealing

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

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

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

Our Fair Dealing Guidelines Committee is responsible for championing Fair Dealing across the Group. Some of its key responsibilities include:

- assisting the Board and the Senior Management to oversee the delivery of Fair Dealing outcomes to our customers;
- reviewing and approving action plans, guidelines, processes and practices in relation to achieving Fair Dealing outcomes; and
- establishing a management information framework to measure and to monitor achievements of Fair Dealing outcomes.

Our Product Sales Committee reviews and approves investment products and the relevant governance frameworks to ensure that UOB offers products and services that are suitable for our targeted customer segments.

To ensure that our people are aware of the importance of Fair Dealing, all employees are required to complete a compulsory e-learning module every year. We also run awareness campaigns on our intranet throughout the year to reinforce our people's understanding of the importance of Fair Dealing.

We conduct surveys regularly across all customer segments to gather feedback, which is reviewed by various business and support units and at our annual Fair Dealing workshops. This enables us to identify proactively the areas to improve our processes and service standards and to enhance the customer experience.

### Measuring Customer Satisfaction and Retention

In 2016, we received more than 15,500 compliments from our customers, a 21 per cent increase over 2015. We also use the Net Promoter Score programme to measure customer satisfaction

and retention across a number of business and product groups. Of the retail customers who have purchased investment and insurance products, 51 per cent stated they would recommend UOB to their friends and family in 2016 compared with 31 per cent the year before.

### Resolving Customer Concerns Effectively

We take customer complaints seriously and have robust procedures to address them. We have guidelines that govern the end-to-end complaint investigation and resolution process and an independent review panel to review complaints effectively. In 2016, we exceeded our target of resolving 90 per cent of complaints within five business days.

In addition, through our Group-wide training programme, The Art of Service Recovery, we equip our employees with the necessary skills to attend to customer complaints, to resolve issues and to turn difficult situations around.

### Responsible Financing

We are committed to responsible financing to support sustainable development and to mitigate environmental, social and governance (ESG) risks in our lending. UOB's Group Corporate Credit Policy includes a Responsible Financing Policy and guidelines with clear roles and responsibilities for due diligence. Group Credit is responsible for ensuring that all ESG-related risks are adequately addressed.

Our Responsible Financing Policy applies to all of the Bank's direct borrowers within Group Wholesale Banking. Companies subject to enhanced due diligence with sector specific guidance are within the following eight defined high-risk industries:

- Agriculture
- Metals and Mining
- Chemical
- Infrastructure
- Forestry
- Defence
- Energy
- Waste Management

The Responsible Financing Policy, supported by a comprehensive set of guidelines, requires our borrowers to comply with local ESG regulations in the respective countries in which they operate. The borrowers are also recommended to follow established industry standards and to obtain relevant certifications.

The policy also prohibits our financing of companies:

- with operations in UNESCO World Heritage Sites, RAMSAR Wetlands, forests of high conservation value or sites with critical natural habitat;
- without measures in place to manage or to mitigate the risk of air, soil and water pollution;

# Customers

- involved in the exploitation of labour, including forced labour and child labour;
- that violate the rights of local communities;
- involved in land clearance by burning; and
- involved in animal cruelty and the trade of endangered species as defined by the Convention on International Trade in Endangered Species of Wild Fauna and Flora.

## Protecting Customer Data and Privacy

Personal data protection and customer privacy are top priorities at UOB, as we believe that they are crucial to maintaining customers' trust. Aligned and complying with the Personal Data Protection Act (PDPA) of Singapore, our Personal Data Protection Policy outlines how the Group ensures the confidentiality and security of our customers' personal data. We also conduct regular tests to assess and to ensure the security of our systems.

We respect our customers' marketing preferences and have policies and processes in place to record their consent to receive telemarketing calls and to allow hassle-free withdrawal of such consent.

Information on our privacy and data protection notices and details of our Data Protection Officer are available on our website. Our UOB Privacy Notice is also available at all branches in Singapore.

## Providing You with the Right Solution

### Making Banking Safe and Simple Through the Use of Technology

We continue to invest in technology to enhance our product and service capabilities that fit our customers' fast-changing lifestyles and business needs. In 2015, we revamped our internet banking platforms and public websites to offer a better and more consistent customer experience. In 2016, we deepened our online engagement with our customers through social media.

In addition to our investments in mobility, payments, connectivity and data initiatives, we have been increasing our information technology (IT)-related spend to address regulatory changes and cyber security threats. Altogether we have invested nearly \$700 million in IT in the last three years to help ensure a safe and delightful banking experience for our customers.

### UOB Mighty and UOB Business Mobile Apps

Smartphones are changing the way people connect with their financial institution. The UOB Mighty mobile app, which was launched in 2015, enables our retail customers to conduct their most frequent banking transactions – paying bills and transferring funds – in a few easy steps. We also designed the dining feature on the app around our customers' lifestyle preferences to help customers select and make bookings at recommended restaurants.

In 2016, we rolled out more services on the UOB Mighty app – from instant credit card issuance (the first in the world) to contactless ATM cash withdrawals (the first in Southeast Asia), to making the smartphone a security token (the first in Singapore). All were aimed at making banking simpler, faster and more secure for our customers.

More information on UOB Mighty can be found in the Group Retail section of this report.

For small- and medium-sized enterprises (SMEs), the UOB Business mobile app offers a convenient way to access financial information including foreign exchange rates and UOB's economic and market research reports. The app also provides information on UOB's banking products and services, such as loans, deposits, trade finance and cash management solutions. The app is currently available to our SME customers in Singapore, Malaysia and Thailand.

More information on UOB Business can be found in the Group Retail section of this report.

### UOB BIBPlus

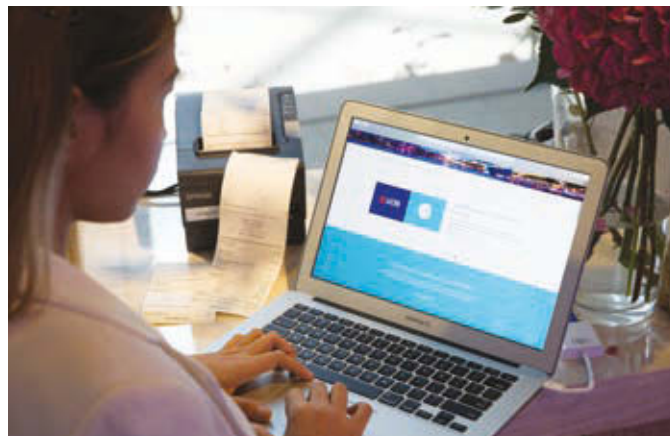
UOB Business Internet Banking Plus (BIBPlus) is our global electronic banking platform that helps our corporate clients manage cash and trade transactions more efficiently. We also offer BIBPlus Mobile that enables our clients to manage their banking needs on-the-go in a secure and convenient manner.

### BizSmart

BizSmart is an integrated business solution based on cloud-based technology that enables small businesses in Singapore, especially those in the retail industry, to handle their administrative processes such as payroll, accounting, inventory and resourcing online and in an automated manner.

It is also the first solution in Singapore that gives small businesses a direct feed from their operating accounts with UOB, enabling them to reconcile with their bank statement, transactions such as purchase orders to suppliers and daily takings, in one simple click, on a daily basis.

More information on BizSmart can be found in the Group Retail section of this report.



Through digital solutions such as BizSmart, we help our customers manage their day-to-day banking needs.



The FinTech startups that graduated from The FinLab's accelerator programme presented their ideas at an investor showcase held at the National Gallery Singapore.

### Supporting Businesses Across All Stages of Growth

We understand the ambitions of startups and emerging enterprises and want to help them grow into sustainable businesses. This is why we have strengthened our strategic alliances with alternative financing providers and train our commercial bankers across our network to provide clients with the most up-to-date information on alternative funding options.

#### The FinLab

Through The FinLab, a joint venture between UOB and SGInnovate, we help to accelerate the growth of FinTech startups in Asia. These startups focus on developing solutions in areas ranging from payments, wealth management, data analytics and blockchain to banking solutions for SMEs. The FinLab's inaugural 12-week accelerator programme in 2016 saw the participation of eight startups, and mentors including management from UOB helped them to refine their business solutions through rigorous assessment and practical application.

By collaborating with FinTechs, we can also harness their creative strengths for our digital transformation. For example, we acquired one of the participating FinTech startups, CardUp, as a merchant to test its business model of enabling consumers to make payments by credit card especially where the recipient does not generally accept payment by plastic. This means that through CardUp, a tenant would be able to pay their rent to their landlord by credit card and earn reward points, air miles or rebates.

#### OurCrowd

OurCrowd, an equity crowdfunding platform, invests in startups with differentiated and highly scalable technology products and services. It also assists innovative companies in Asia seeking investments from accredited investors in return for equity or shares in the company.

In addition, accredited investors among UOB's clients are able to broaden their investments into OurCrowd's portfolio companies.



Through UOB's investment in OurCrowd, we provide alternative financing to startups to help them as they grow their business.

#### InnoVen Capital

Through InnoVen Capital, our joint venture with Temasek Holdings, we encourage entrepreneurs and startups in the region by providing them with venture debt financing to help them accelerate their commercial viability and increase the value of their businesses. InnoVen Capital focuses on sectors such as technology, consumer, healthcare and clean technology.

#### Providing Shariah-Compliant Products and Services

In 2016, we launched Islamic banking in Malaysia to provide Shariah-compliant products and services to both retail customers and corporate clients.

During the year, we were also appointed the principal adviser, lead arranger and lead manager of Perdana Petroleum Bhd's RM650 million Sukuk Murabahah, or Islamic bonds programme.



Our Shariah-compliant banking solutions are designed around the lifestyle and business needs of our Muslim customers in Malaysia.

# Customers



At the ABS EXSA Ceremony 2016, our employees were recognised for their service excellence and for the fourth time, UOB won the top industry award.

## Knowing You Personally

### Setting the Standard for Excellent Customer Experience

The passion to serve our customers is reflected in the accolades we have received over the years. In 2016, a total of 1,180 UOB employees were recognised for their service excellence at The Association of Banks in Singapore's (ABS) Excellent Service Awards (EXSA). This is 18 per cent more than the year before and accounted for close to a quarter of the 5,300 awards given out. UOB also received, for the sixth consecutive year, the highest number of Star Awards, with 814 of our EXSA recipients winning this highest tier award.

UOB also won the ABS Service Excellence Champion Award for the fourth time – the highest individual award given in the industry for exemplary banking and financial service.

Our own Group-wide Customer Commitments Awards also serves to encourage and to inspire our people to act always in the interests of our customers as we uphold the UOB values.

More information on our employee recognition programme can be found in the People section of this report.

### Building Relationships That Last

Knowing what is important for his customers has enabled Seth Tan, Vice President, Business Banking, to build trusted and lasting relationships with them. Seth responded quickly to a customer's request for a trade facility application despite the customer having previously declined a similar offer. Understanding that the customer needed the loan urgently, Seth helped him complete his application and implemented a trade facility that met his business needs.

## Being There When It Matters

### Providing Access to Banking Through Our Comprehensive Network of Touchpoints

UOB's financial products and services for retail customers and corporate clients are supported by an extensive global network of more than 500 branches and offices, and close to 1.2 million ATMs (including shared ATMs), and cash deposit, coin and cheque machines. These enable our customers to bank anytime, anywhere.

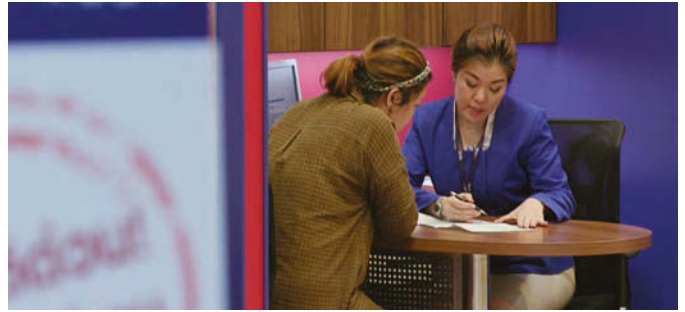
In 2016, we renovated eight branches at both residential and commercial areas to make them more accessible for our customers. Adopting an open-space concept, the refurbished branches allow for greater flow of traffic and easy navigation for those with disabilities.

We also upgraded our ATMs at 20 locations in Singapore to provide visually-impaired customers with audio assistance for transactions such as cash withdrawal and balance enquiry. The ATMs also have Braille features to guide these customers.

*"Seth has been truly responsive and helpful with my banking requirement. He exceeded my expectations by being sensitive to my needs; he was proactive in recommending me alternative products and solutions. I am now considering expanding my banking relationship with UOB. I believe that we are in good hands from the consistent dedication and commendable service rendered to us."*

UOB Customer





We offer a comprehensive and accessible network of touchpoints for our customers to conduct their banking.

In Indonesia and Malaysia, we helped to increase the local communities' access to banking services through our branches in rural areas. More than 20 per cent of our branches in Indonesia are in areas designated as 'less developed' by the local government. In Malaysia, we have two semi-urban branches and one rural branch for every branch opened in market centres. New branches are planned at least 1.5 kilometres away from the nearest domestic bank to achieve a wider dispersion of bank branches nationwide.

Our online banking platforms also make our products and services available and easily accessible.

### Enhancing Our Cyber Security Continuously

We are committed to protecting our customers from cyber security threats through maintaining the robustness of our risk management systems and processes.

We keep our customers informed about the latest information on cyber security tips and threats via website, electronic mailers, text messages and mobile apps. In addition, BIBPlus customers can download security software to enhance the security of their online banking experience.

Our Group Technology Risk Management Framework outlines our cyber security policies, guidelines and tools to protect our customers' and the Bank's data and assets. The framework also incorporates comprehensive control requirements set out by the Monetary Authority of Singapore in its Technology Risk Management Guidelines. We collaborate with ABS and participate in the Financial Services – Information Sharing and Analysis Center to share with industry players the potential threats, as well as best practices to prevent cyber attacks

We have a team of Security Operations Centre specialists who monitor, detect and respond to potential cyber security threats. We also provide all employees with ongoing training about cyber security risks.

Through these efforts, we contribute to the security and stability of the global financial system and trust in the banking environment.

### Offering Assistance in Times of Need

Zahilah Zainal Abidin, Assistant Vice President at UOB (Malaysia)'s Call Centre, proactively sought exceptional approval for an immediate increase in the credit limit for a customer who needed to admit her husband into the hospital. Zahilah's initiative enabled the customer's husband to receive medical treatment promptly.

*“Sometimes our job can have a very real and direct impact on our customers' lives. Therefore we must be willing to see their problems as our own and put ourselves in their shoes. This is so that our customers can turn to us whenever they have difficulties. That is what ‘being there when it matters’ means to me.”*

Zahilah Zainal Abidin

Being vigilant and alert is also how we support our customers and put their interests at the heart of all that we do. This is how Mayrick Lee, Assistant Vice President at UOB Northpoint Branch, helped to prevent a customer falling victim to a lottery scam. He advised her not to make a suspicious transaction. With her permission, Mayrick also promptly informed the customer's son who then lodged a police report.

*“The alertness, civic-mindedness and care demonstrated by Mr. Lee was exemplary and most commendable. This incident once again attests to the importance of the partnership between the Police and community in fighting crime.”*

Singapore Police Force

# Group Retail

Our Group Retail business provides Personal and Business Banking customers with financial solutions tailored to their needs. The products and services we offer consumers include deposit, insurance, secured and unsecured loans, investment and wealth advisory services to help them manage their money wisely and to meet their financial goals. We provide our Business Banking customers with loans, cash management and trade financing products to support their growth ambitions. Customers can easily access these services across our global network of branches, ATMs, and internet and mobile banking platforms.

## 2016 Highlights

- Registered an 8.5 per cent year-on-year increase in revenue for our consumer banking business, led by strong growth in credit cards and wealth management activities; grew our deposits base by nine per cent;
- Launched products and services to meet the lifestyle and business needs of our customers:
  - UOB YOLO, our first credit card for millennials;
  - UOB KidSmart Programme, which utilises the MIDAS™ (Multiple Intelligences Developmental Scales) aptitude assessment tool to help parents identify their children's natural talents and plan appropriately for their future;
  - UOB Privileges Passport, a regional rewards programme that offers cardmembers access to exclusive local benefits when travelling in Singapore, Indonesia, Malaysia and Thailand; and
  - BizSmart, a cloud-based integrated business solution that helps small businesses to be more productive by automating their business processes.
- Continued to lead in contactless and mobile banking solutions with a series of market-first innovations such as:
  - The world's first instant digital card issuance through our mobile app, UOB Mighty;
  - Southeast Asia's first Near Field Communication (NFC) contactless ATMs; and
  - Singapore's first digital security token for mobile banking with the launch of UOB Mighty Secure; and
- Increased by 20 per cent our Business Banking operating profit through our deep understanding of our customers' needs and strong support of their business growth through the delivery of relevant products and services.

## Our Customer-Centric Approach

Our retail banking products and services are designed to help our customers – from Personal Banking, Wealth Banking and Privilege Banking to Privilege Reserve and UOB Private Bank – plan, grow and protect their wealth and support their lifestyle needs as well.

Drawing on our understanding of our customers' financial needs, we provide a comprehensive range of products and services,

from savings and investment solutions to personal loans and mortgages. We also offer solutions on capital investment, trade financing and foreign exchange for small businesses.

We harness digital technology and data analytics to make our customers' banking experience simple, secure and widely accessible, such as by providing convenient payment options that suit their lifestyle needs.

## 2016 Performance

In 2016, increasing middle class affluence continued to be the core growth driver for the Group Retail business. Our overall revenue registered an 8.5 per cent year-on-year growth as we remained committed to providing our customers with tailored financial solutions and wealth advisory services. We stayed prudent in managing our expenses and lowered expense growth from 9.3 per cent to 2.2 per cent in 2016. As a result, we maintained our cost-to-income ratio at 50 per cent and recorded return on assets (ROA) at 1.37 per cent. Our higher fee income and larger client base also led to a 16 per cent increase in the total operating profit contribution of the retail business to the Group.

From our Personal Banking customers, we continued to see stable and active current and saving account balances as well as active credit card use, especially through our UOB One Account and credit card solution. In particular, we have seen more than \$2 billion in deposits since the launch of the One Account in Singapore in 2015. Overall, our total retail deposit base strengthened by nine per cent compared with the previous year.

Given the ease and convenience that digital banking enables, we are encouraging more of our customers to sign up for online and mobile banking. In 2016, our Group-wide online banking penetration rate was 53 per cent. In Singapore it was 88 per cent. To enhance the user experience and to make applications easier, we also tapped data analytics to simplify the fields required for online forms. This contributed to a 32 per cent increase in the total number of online submissions for our unsecured products. Our regional cards and unsecured loans also grew nearly 10 per cent in terms of billings. This has outpaced the average market growth in the four markets in which we have a cards presence, namely Indonesia, Malaysia, Singapore and Thailand.

In wealth management, our total assets under management as at the end of 2016 were \$93 billion, up 9.4 per cent from a year ago.

Business Banking's operating profit continued to grow strongly, by 20 per cent in 2016. It remains one of the fastest-growing business units within the UOB Group and is a significant contributor to the Group Retail business. Our ROA also improved to 2.58 per cent as a result of our prudent cost management and sustained improvement in sales productivity. We continued to see a healthy contribution of 40 per cent in operating profit from our key overseas markets, namely Indonesia, Malaysia and Thailand, as we strengthened support of our customers across the region. Our growing customer base and strong product propositions, such as the BizTransact current account across the region and BizSmart in Singapore, also led to increased deposits in Business Banking accounts.

## Outlook

With the uncertain economic and market outlook for 2017, we will continue to help our customers save for their future and grow their wealth by investing wisely.

In 2016, the Monetary Authority of Singapore launched the "Regulatory Sandbox" Guidelines for FinTech Experiments and the Financial Sector Technology and Innovation-Proof of Concept Scheme. These initiatives encourage firms to experiment with promising innovation on a limited scale and to accelerate the development of innovative technologies within the financial services sector in Singapore. We will tap on these initiatives to develop and to introduce more innovative banking solutions relevant to our customers' banking and lifestyle needs.

A key industry development in 2017 will be the implementation of the Central Addressing Scheme in Singapore. This will enable faster and simpler funds transfers using only a recipient's mobile number, National Registration Identity Card number or Unique Entity Number. With our digital capabilities and regional core operating platform, UOB is well-positioned to roll out more of such innovative products and services to our customers in Singapore and the region.

## Personal Financial Services

### Providing Contactless Solutions that Fit Consumers' Fast-Changing Lifestyles

We have sharpened our focus on mobile banking and payment solutions given how indispensable the smartphone has become to our customers. We see how it shapes their expectations, changes their preferences and influences their lifestyles. In 2016, we continued to build on the programmes we have for our customers to access simply and securely a host of services through their smartphones at their convenience.

UOB is developing a robust contactless ecosystem to make banking and payments hassle-free and intuitive for our customers. We began our contactless journey in 2007 when we introduced Singapore's first contactless card, the UOB One Card. In 2015, UOB again led the industry when we launched UOB Mighty, Singapore's first all-in-one mobile banking app that combines banking services, contactless payments, and dining and rewards features. The launch of Apple Pay in 2016 meant that UOB cardmembers were the first in the country to be able to make mobile contactless payments through either their iOS or Android devices. Since the launch of UOB Mighty, we have seen monthly mobile contactless payments made on UOB cards grow by more than 20 times.



With Apple Pay and UOB Mighty, UOB cardmembers can make mobile contactless payments through either their iOS or Android devices.

## Group Retail

In 2016, we stretched our leadership position in contactless banking solutions in Singapore. Building on UOB Mighty, we introduced two market-firsts – instant digital credit card issuance and cash withdrawal from contactless ATMs. With instant digital credit card issuance, existing UOB credit cardmembers can apply for, receive and use any UOB credit card through the Mighty app in minutes. They no longer need to wait for days for a physical card to arrive in the mail. This means our customers can take advantage of promotions specific to the credit card on the spot, or obtain a new card in minutes if they have misplaced theirs.

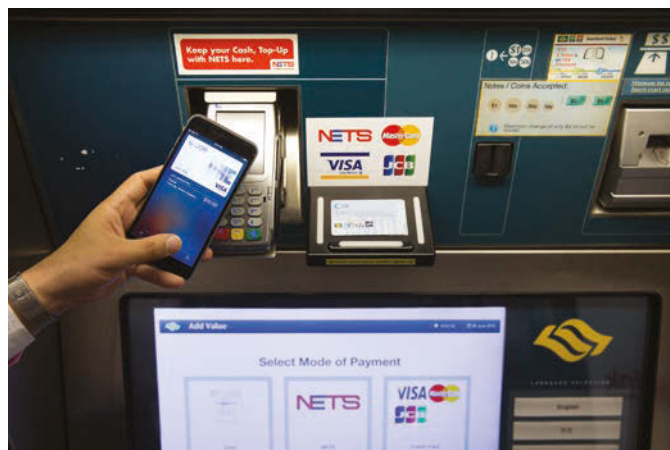
As digital cards use tokenised security, which is a method of encrypting a customer's card payment data on the mobile device to protect sensitive card information, it is safer for customers and reduces the risk of stolen credit cards. In addition to customer convenience, the use of digital credit cards also helps to reduce the number of plastic cards, thereby decreasing the associated impact on the environment.

Through our 38 NFC contactless ATMs in Singapore, Southeast Asia's first such ATMs, our customers can withdraw cash simply with the tap of their smartphones. The service also helps to reduce the number of physical cards carried in their wallets. Customers with MasterCard credit and debit cards on Apple Pay were the first to enjoy this service, followed by Android phone users. We will replace all current ATMs with new machines enabled with NFC contactless capabilities.

In 2016, UOB also became the first bank in Singapore to enable customers to use their smartphone as their digital security token with the launch of UOB Mighty Secure, which was added as a new feature to our UOB Mighty app. UOB Mighty Secure ensures the necessary additional layer of security traditionally provided by physical tokens for conducting certain banking transactions. With UOB Mighty Secure, customers can enjoy mobile banking without having to toggle between their physical token and their smartphone.

The contactless ecosystem we are building for the convenience of our customers requires adoption and a strong acceptance network. In 2016, we continued to increase the number of our contactless payment acceptance points, which included payment for petrol and purchase of groceries at Dairy Farm Singapore Group's more than 260 outlets islandwide. We added more than 4,000 new contactless point-of-sale (POS) terminals, taking our total number of such terminals to 5,723 in Singapore. In addition, we aim to lift the \$100 transaction limit on mobile contactless payments at all UOB POS terminals islandwide by the end of 2017 to enable our customers to pay for larger ticket items.

We also introduced contactless payment acceptance in transit, offering commuters the option of topping up their Contactless e-Purse Application, or CEPAS, cards with a tap of their card or smartphone at the General Ticketing Machines at all Singapore's Mass Rapid Transit stations.



We offer a myriad contactless payment options to meet our customers' needs, including transit.

As a result of our efforts, contactless payments made on UOB cards grew by 100 per cent year-on-year. We expect that mobile contactless payments will account for one in five transactions made on all UOB credit and debit cards by 2020.

### Helping Customers Safeguard Their Assets and Achieve Greater Investment Yields

With the continued low interest rate environment, our customers are looking for products that can help them extract the most value from their money. This is why we launched the UOB One Account in 2015 to enable our customers to earn more on their deposits. Based on the frequency of their transactions, customers can enjoy interest rates ranging from 1.5 per cent to 3.33 per cent per annum on the first \$50,000 in their One Account. To enable our customers to enjoy the benefits of the One Account and those of a UOB credit card that best meet their lifestyle needs, we opened the credit card eligibility from the UOB One card to all UOB credit cards. This helped to contribute to the doubling of the balances of active deposits in UOB One Accounts in 2016.

The UOB Income Builder, which was launched in 2014, remains popular among our customers as they look for a holistic approach to investing and to hedge against market volatility. The UOB Income Builder helps customers to build passive income through a solution that provides consumers with a 'moderate risk, moderate returns' investment strategy to complement their cash savings. Actively managed and overseen by professional fund managers, the funds under the UOB Income Builder invest across geographies and asset classes such that no single component can significantly impact performance. In 2016, we added more funds to the UOB Income Builder suite to provide customers with more choices. The number of customers investing through the UOB Income Builder increased by 30.9 per cent in 2016, while assets under management rose 24.0 per cent from the year before.

## Helping Millennials Save and Invest for the Long Term

In 2016, we continued to expand the depth and range of our card products to match our customers' lifestyle needs across their different life stages. To meet the lifestyle demands of millennials, we launched our first millennial-focused credit card, the UOB YOLO, in Singapore and Malaysia. This new card features Southeast Asia's first "quick-read" design which has the card number laid out in a 4-by-4 stack on the top right hand corner of the card instead of in a horizontal line. This card face makes it easier for our customers to read the numbers when they conduct online transactions.

For parents with young children, we launched the UOB KidSmart programme, designed to help parents identify their children's natural talents so that they can plan and prepare for their child's future. Its two-step approach starts with discovering a child's abilities with the MIDAS™ assessment. Using the test results and a UOB KidSmart programme guide that provides a detailed explanation of the child's natural talents and different learning patterns, we help parents plan, invest and save for their child's education needs and interests with our suite of financial solutions.



In 2016, we developed a range of solutions, from the UOB YOLO credit card to the UOB KidSmart programme, to meet the savings and investment needs of millennials.

## Delighting Our Customers with Rewards and Rebates

To satisfy their increasing desire for intra-regional travel and to help our customers stretch their travel dollar, we introduced the UOB Privileges Passport programme. The regional rewards programme offers our cardmembers access to exclusive local benefits when they travel in Singapore, Indonesia, Malaysia and Thailand. For example, through partnerships with premier brands such as Bangkok's Siam Paragon, Siam Centre and EM District, a Singapore cardmember can enjoy the same benefits and rewards available on a Thai-issued UOB credit card. We also partnered with established names in the travel sector such as Singapore Airlines and Kaligo in our first region-wide travel campaign at the end of 2016 to help customers derive more value out of their shopping and travelling during the festive season.

For the contemporary women of Singapore, we revamped our suite of Lady's Cards. The refreshed card face, by acclaimed designer Vivienne Tam, is the latest generation of UOB Lady's cards and Singapore's first and only designer credit card. The card suite enhancement also includes a new UOB Lady's Debit card.

## Asian Perspectives for Managing Wealth

Our approach to managing our customers' wealth is based on a deep understanding of their current and long-term financial needs, risk appetites and lifestyles. With our customers' interests at the core of our wealth management philosophy, our approach follows three key principles:

1. Understanding our clients' needs and aspirations;
2. Ensuring that our clients understand the risks associated with their investments; and
3. Helping our clients to prioritise their goals.

Keeping in mind the family, business and lifestyle needs of our Wealth Banking, Privilege Banking, Privilege Reserve and Private Bank clients, we offer thoughtful financial advice and tailored solutions for them.

In 2016, we introduced to our Privilege Banking customers a new investment approach, 'Smart Risk', which guides clients to meet their basic investment needs before making tactical investments that could be of a higher risk. This approach is coupled with our investment methodology that was designed to match the solutions with our clients' financial goals, investment objectives and risk appetites.

## UOB Private Bank

### Growing Wealth and Preserving it for the Next Generation

UOB's Private Bank is dedicated to managing the wealth of high-net-worth individuals with \$3 million and above of investment assets. We help our Private Bank customers to grow and to preserve their wealth through generations. Drawing on the Group's comprehensive suite of personal, business and investment services, we develop sound investment strategies and market analysis, and tailored products and solutions as part of our one-bank approach to meet the financial objectives of our clients.

To meet the rising demand for wealth management advisory services, we strengthened our capabilities with the launch of our Discretionary Portfolio Management service.

We advise our clients to be guided by three principles. First, to ensure that their investment portfolios are resilient to various economic scenarios and uncertainties, clients should diversify and invest across various asset classes. Second, as it is often difficult to predict market movements, they could adopt a dollar-cost averaging strategy or a valuation-driven approach

## Group Retail

with a mid- to long-term view. Third, clients should consider investing in higher quality assets that could stand the test of time and avoid low-quality speculative-driven investments.

Hiring the best and brightest talent with the right skillsets and values is crucial to serve the needs of our clients. During the year, we expanded our talent pool with the hire of 18 highly-experienced private bankers. We also set up a dedicated alternative investment solutions team and grew our wealth planning team.

### Business Banking

#### Helping Small Businesses Increase Productivity and Manage Costs

At UOB Business Banking, we have a deep understanding of the opportunities and challenges that small businesses face and the support they require. Our integrated products and services are targeted at helping them as they progress through different stages of growth. For example, the UOB eBusiness Account bundle enables entrepreneurs who are in the early years of establishing their business to enjoy full rebates on bulk payroll transaction charges via UOB Business Internet Banking Plus or BIBPlus.

To help increase small businesses' operating efficiency, which is crucial for their productivity, and to maximise their bottom line, we are also helping them to become more efficient and competitive through digital technology and automation.

In 2016, we launched BizSmart, a cloud-based integrated business solution, to help these companies be more productive. BizSmart helps them automate their business processes such as inventory management, employee scheduling and leave, payroll automation, accounting and security for data protection on a single digital platform. With BizSmart, small businesses can benefit from cost savings of up to 60 per cent, as compared with using multiple software programmes which cost more when purchased individually. It is also the only solution that gives small businesses a direct feed from their operating accounts with UOB, enabling them to reconcile transactions, such as purchase orders to suppliers and daily takings, with their bank statement in one simple click, on a daily basis. More than 200 small businesses in Singapore have benefitted from BizSmart since its launch in August 2016.

*"As one of the pilot users of BizSmart, managing my human resource, payroll and sales inventory processes is now simpler and faster. I no longer have to spend days on administrative work and can dedicate more time to growing the business instead."*

Pinko Celine Chua,  
Business Manager, ApexHub

Since the launch of UOB Payroll in 2015, more than 600 Business Banking customers in Singapore have used the service to improve their efficiency and to save costs. This service,

which includes a UOB Business Banking operating account and HREasily payroll software, enables small businesses to pay their employees in a few easy steps and saves them at least 40 per cent in payslip management costs. The service also eliminates the need for manual payslips which can be time-consuming for small businesses to produce. In addition, UOB Payroll helps our customers to meet the regulatory requirement of providing employees with itemised payslips and key employment terms, and in maintaining detailed employment records.

In a tight credit environment, cash flow remains a key concern for many small businesses. Understanding that many of these companies may need working capital to fund their businesses, we provided more than \$1.8 billion in loans to nearly 8,500 small businesses in Singapore and Malaysia. We also enhanced our offering in Singapore by bundling our collateral-free working capital loan, UOB BizMoney, with the SME Working Capital Loan, a government assistance funding scheme for SMEs that is administered by SPRING Singapore. The enhanced BizMoney package allows higher loan quantum of up to \$650,000 and flexible repayment period of up to five years without any collateral requirement.

Rising business costs remain as one of the biggest challenges small businesses face. To help our customers manage their costs, we signed an agreement with cloudBuy, a global provider of cloud-based e-commerce and business-to-business solutions, to create a virtual marketplace, BizExchange, for launch in 2017. Through BizExchange, our customers will be able to view and to purchase online a wide range of business essentials, such as travel, stationery, general insurance, as well as courier and logistics services. They also enjoy cost savings from bulk-purchase deals negotiated by the Bank with suppliers. BizExchange will be launched first in Singapore and subsequently in Thailand, Malaysia and Indonesia.

#### Helping SMEs Expand Across Borders

As small businesses navigate a subdued economic growth environment, we expect more of our customers to expand



Our customers can use the UOB Business mobile app to access live updates on currency rates, economic and market reports and information on our products and services.



UOB collaborates with tertiary institutions such as the Asian Banking School in Malaysia to deepen the expertise of our business bankers across the region.

overseas and to find new markets for their products and services. To support their ambitions, we introduced several initiatives to help our customers as they seize these opportunities. Since 2015, we have been partnering Google, SPRING Singapore, International Enterprise Singapore and other industry players on Go Global, an initiative to help Singapore's SMEs to expand their businesses internationally. Go Global is a web-based learning platform to help SMEs understand international trade and industry best practices and how they can apply the lessons they learn to their business. As part of this initiative, our senior bankers and economists also engage with these companies and share their insights at workshops.

To help our customers manage their currency exposure and risk more effectively, we introduced UOB Business. The mobile app for SMEs offers live updates on foreign exchange (FX) rates and insights into global markets through UOB's economic and market research reports. Users can set alerts within the app for when the price of a currency reaches a specified level. When the alert is triggered, they can connect with UOB's FX specialists, who will then provide advice on FX solutions or help execute trades. The app, which is available in Singapore, Malaysia and Thailand, was launched in response to the growing demand from SMEs seeking real-time FX information as their operations increasingly cross borders. Also available through the app is information on our products and services, such as loans, deposits, trade finance and cash management, as well as exclusive business-related offers through the app's SME Exchange function.

### Enhancing Our Business Bankers to Serve SMEs' Needs Better

In 2016, we reinforced our commitment to serve the needs of our SME customers across the region. We worked with the Asian Banking School in Malaysia and Institut Teknologi Bandung (ITB) in Indonesia to introduce the finance industry's first tertiary education programme designed for small business bankers. The programme will deepen the expertise of our bankers in the areas of financial management, credit knowledge and trade to provide specialist advisory services to support the cross-border demands of small businesses.

The industry partnerships add to the UOB-Singapore Management University (SMU) Banker's Executive Certificate programme, which is the first executive certification programme for business bankers in Singapore. In 2016, a total of 125 participants graduated from these programmes.

During the year, our business bankers also provided consultancy sessions to SMEs on how they could grow and build their business. We held monthly business seminars and business coaching sessions in partnership with ITB in the Indonesian cities of Bandung, Jakarta and Semarang, as well as in Singapore with SPRING Singapore. These efforts are part of our Customer-Centric Seminars initiative, under which in 2016, we engaged more than 200 SMEs across the region, providing them with business consulting, research and industry insights.

# Group Wholesale Banking

Our Group Wholesale Banking business provides tailored financial solutions to companies and institutions to help them optimise their business operations and cash flow, manage risks, expand into new markets and manage their capital needs. Our teams develop trusted partnerships by focusing on our clients' long-term interests to help them meet their strategic objectives. Our unique combination of local, in-country presence and expertise, astute Asian market insights and regional network connectivity enable us to help unlock Asia's potential for our clients.

## 2016 Highlights

- Generated strong year-on-year revenue growth of 16 per cent and 23 per cent for our cash management and Financial Institutions businesses respectively;
- Enhanced our support of companies expanding across borders through strategic alliances with government agencies in Singapore and Chongqing, China;
- Offered venture debt funding through our joint venture InnoVen Capital and through SPRING Singapore's Venture Debt Programme to help startups and high-growth enterprises in Asia expand;
- Maintained our strong leadership position in both debt and equity capital markets across the region; and
- Received 26 industry awards for our domestic and regional cash management services and trade finance solutions across Asia.

## Our Customer-Centric Approach

As a leading financial institution in Asia, we have built strong multi-generational relationships with many of our clients. Our customer-centric service refined over the last eight decades, has enabled us to retain primary bank status with these clients, as well as to continue attracting new clients.

Our Asian heritage and intimate knowledge of the region enable us to offer unique value to our clients across geography, industry and size, including small- and medium-sized enterprises (SMEs), regional and multinational corporations (MNCs), banks and non-bank financial institutions. Our extensive branch network in Southeast Asia and a strategic presence in the rest of Asia enable us to offer seamless, cross-border banking solutions to our clients.

Our dedicated Client Coverage Teams across different client segments work with product specialists in Transaction Banking, Investment Banking and Global Markets to provide a full suite of financial solutions seamlessly. These include working capital and term lending, cash management, trade finance, financial supply chain management, treasury and risk management solutions as well as capital-raising and advisory capabilities.

Our Client Coverage Teams are also aligned along country and industry lines to focus on our clients' strategic objectives and to meet their specific priorities at each stage of their growth. The performance of these teams is measured by how well they meet the long-term needs of our clients through the full capabilities of our franchise.

## 2016 Performance

Macroeconomic challenges in 2016, including the fall in commodity prices, particularly oil and gas, and muted growth in the US and Europe that affected trade flows in China and Southeast Asia, impacted our clients. They also faced market uncertainty arising from the US presidential election and impending Brexit.

Nevertheless, Group Wholesale Banking's revenue increased 3.1 per cent in 2016, led by the strong performance of our cash management and Financial Institutions businesses, which saw year-on-year growth of 16 per cent and 23 per cent respectively. This was attributed to continued investments in our Transaction Banking capabilities and in serving our financial institution clients across our network. Operating profit was up by 3.3 per cent, as we remained disciplined in our expense and process management, keeping the increase in expenses to 2.8 per cent during the year. However, the rise in our allowances for credit losses resulted in a year-on-year decline in net profit before tax.



Our Client Coverage Teams stayed focused on expanding our product and service capabilities to offer market-leading solutions that would help our clients increase their business efficiency. Backed by UOB's unique combination of Asian expertise, on-the-ground coverage, strong balance sheet and credit ratings, we continued to deepen existing client relationships as we increased the breadth of solutions offered to them across our network. This in turn helped us diversify our revenue streams in 2016.

## Outlook

The challenging macroeconomic environment is expected to persist in 2017, as depressed commodity prices, particularly in oil and gas, will continue to have an impact on economic growth rates and companies across Asia. Exports in the region are also likely to be constrained by political uncertainties in the US and Europe, placing pressure on corporate profits. In addition, the increased domestic focus in the US and UK may result in capital flows moving away from Asia, with a resulting impact on new regional business initiatives.

Although the pace of near-term growth may moderate in response to global trends and developments, we remain confident of the fundamental strengths of Asian economies and the long-term growth potential of the region. We anticipate continued expansion of the consumer base in Southeast Asia and Greater China, as well as progress in key regional initiatives such as infrastructure investments, the Belt and Road and the ASEAN Economic Community.

As such, we remain optimistic about the opportunities that these regional initiatives could bring to our clients and our business. Our unique combination of scale and expertise in local markets and regional network capabilities enables us to support the long-term growth aspirations of existing and new clients. To help them seize the business opportunities arising from the region's growing consumption and multilateral economic initiatives, we will maintain our investments in the areas of domestic and regional cash management, trade finance and financial supply chain management. Our continued strong partnership with Global Markets' product teams will also enable us to meet the financial needs of our clients and their operations across borders. As we deepen our product capabilities, we will also strengthen our teams in key markets such as Indonesia and Greater China.

## Commercial Banking

### Helping Medium-Sized Enterprises Grow Their Businesses Within and Across Borders

Group Commercial Banking teams focus on helping medium-sized enterprises across the UOB network achieve their business goals and objectives by providing them with the full spectrum of Wholesale Banking solutions.

In 2016, we strengthened our capabilities in Greater China, in particular in the Pearl River Delta region and the Yangtze River Economic Belt, as well as in Taiwan, to help our clients seize opportunities. We also expanded our teams in Jakarta and

Surabaya to serve the local clients in Indonesia more effectively. In Vietnam, we hosted our first investment and networking forum in Ho Chi Minh City to connect more than 200 clients from across Asia to the business potential and opportunities opening up in the country.



We hosted more than 200 companies from across Asia at an investment seminar in Ho Chi Minh City to share insights into Vietnam's business potential and opportunities.

Our Foreign Direct Investment (FDI) Advisory Unit is critical to connecting our customers with cross-border opportunities. Through nine FDI Centres located in Singapore, Malaysia, Indonesia, Thailand, China, Hong Kong, Myanmar, Vietnam and India, we work closely with government agencies, trade and industry associations and professional service providers to promote regional connectivity in the areas of trade, finance and logistics.

In 2016, we added another dedicated team to the FDI Advisory Unit in Singapore to help Japanese companies expand into Southeast Asia. We also strengthened our collaboration with our partners in Japan, including the Japan Finance Corporation (JFC), a public organisation that provides financing and business support to Japanese companies. UOB is JFC's largest Southeast Asian banking partner in its programme aimed at helping Japanese SMEs expand beyond their borders. Within Japan, we also received the approval from Japan's Foreign Bank Agency Business in 2015 to offer our regional FDI advisory services locally to assist Japanese companies venturing out of the country.

Since it was set up in 2011, the FDI Advisory Unit has engaged and supported more than 1,700 companies from around the world in their expansion into Asia. We have facilitated capital flows of more than \$50 billion into the region in the past five years.

*"In order to enhance our support for Japanese companies expanding into Southeast Asia, it is important for us to work with reliable partners, who can provide the necessary services and financial assistance to help these companies succeed. Through our partnership with UOB's FDI Advisory Unit in Singapore, we have been able to address the diverse yet precise needs of Japanese investments."*

Jun Miyoshi,  
Head of Japan Finance Corporation's International Operations Department

## Group Wholesale Banking

To facilitate FDI flows between Southeast Asia and China, in 2016 we signed three Memoranda of Understanding (MOU) with the Financial Affairs Office of the Chongqing Municipal People's Government, Yubei District Government and the Shanghai Pudong Development Bank's Chongqing Branch, as well as China Import and Export Bank's Chongqing Branch. Chongqing, holding the third government-to-government project between Singapore and China, is a gateway city for bilateral trade and investment. As such, the three MOUs pave the way for us to help Chongqing-based companies seize market opportunities in Southeast Asia and vice versa.

In Singapore, we also signed an MOU with International Enterprise (IE) Singapore to assist Singapore companies in their internationalisation efforts. IE Singapore is the government agency that promotes international trade and partners Singapore companies in going global. The MOU was IE Singapore's first strategic partnership with a Singapore bank, and under which, Singapore companies will gain access to more customised trade and financing solutions, deeper access to in-market connections, business partners and professional service providers across Asia, including business tie-ups with UOB's global clients. This is in line with IE Singapore's strategy to build and to strengthen wholesale trade in the country and to provide more support to help Singapore companies overcome financing challenges when they internationalise.



Through our MOU with IE Singapore, we aim to assist Singapore companies in their overseas expansion.

### Supporting Economic Development and Entrepreneurship

Through supporting our clients and in encouraging sustainable investments, we contribute to the economic development in the markets in which we operate. In addition to facilitating the construction of gas-fired power plants in Myanmar in 2014, in 2016 we helped finance the building of more than 900 telecommunications towers in the country to meet the rising demand for related services. This also reinforced our commitment to Myanmar and to projects that help meet the country's growing urbanisation needs.

We also encourage entrepreneurship in Asia through InnoVen Capital, our joint venture with Temasek Holdings. In 2016, InnoVen Capital provided US\$5 million in venture debt funding for two startups, namely Malaysia-based KFit Holdings, an e-commerce health and fitness company, and Thailand-based Pomelo Fashion, an e-commerce fashion company. Set up in 2015, InnoVen Capital's remit is to provide high-growth and innovative Asian startups from sectors such as e-commerce, financial technology, logistics and big data with up to US\$500 million in venture debt loans.

*"For a startup such as Pomelo, funding is often critical as we accelerate our growth, expand into new markets and invest in new capabilities. The venture debt from InnoVen will help us accomplish these goals more efficiently. InnoVen has been a great partner who understands our business dynamics and was able to tailor a financing structure that met our business needs."*

Casey Liang,  
Co-Founder of Pomelo Fashion

In 2016, we also participated in SPRING Singapore's Venture Debt Programme (VDP) to support local high-growth enterprises in their expansion plans. Under the VDP administered by UOB, SMEs in Singapore, particularly those with innovative business ideas or are operating in nascent sectors, can apply for venture debt loans of up to \$5 million each for their working capital or mergers and acquisitions to grow their business. One such company that has benefitted from UOB's VDP is Conversant Pte Ltd, a provider of digital media enablement services in Asia Pacific, which utilised the funds to further its investments in research and development.

## Corporate Banking

### Providing Multi-product Solutions for Large Corporate Clients

Our Client Coverage Teams in Corporate Banking and specialised teams for MNCs and Structured Trade and Commodity Financing serve large corporates headquartered in Asia as well as US and European MNCs operating in the region. We provide them with integrated financial solutions that leverage our regional network capabilities, deep in-market insights and our unique combination of local and regional expertise.

UOB is distinctive in its provision of multi-product solutions to large corporates across the region. These solutions span domestic and cross-border cash management, trade finance, financial supply chain management, treasury and investments in fixed income, currencies and commodities, as well as capital market advisory services.

*"Through its extensive regional network, UOB has provided us with a comprehensive risk-mitigation trade solution to support us in our business across Greater China, Singapore, Malaysia, Thailand, Indonesia, Japan and Vietnam."*

Lawrence Chen,  
Director and Head, Overseas Financing Centre, Asia Pacific, Huawei Technologies

In 2016, we combined our regional expertise and our product capabilities to provide our private equity clients with leveraged finance solutions to support them in their cross-border mergers and acquisitions of companies in Australia, China, Hong Kong, Malaysia and Vietnam. We also worked with our FDI Advisory Unit to serve clients making forays into new markets such as Myanmar. In addition, we offered cash management solutions to help our clients increase operating efficiencies and maximise their returns on investment. During the year, we also continued to build new client relationships. These include Indonesia's Mayora Group, to which we provided supply chain financing solutions to help the company meet its working capital requirements and offer its suppliers early payment options.

*"We are a new customer to UOB and are impressed with the Bank's commitment to service and the promptness with which decisions are made. We are pleased to work with a regional bank that understands the needs of businesses operating here in Indonesia."*

Hendrik Polisar,  
Finance Director of Mayora Group

Despite the continued volatility in commodity prices in 2016, our Structured Trade and Commodity Finance teams continued to deepen client relationships through sustained support of their trade flows across our franchise in Southeast Asia. Although trade volumes declined, we increased our assistance by financing the export of raw materials into China and the export of commodity products out of the country.

To help our clients navigate the prolonged challenges in the macroeconomic environment, our Client Coverage Teams worked closely with Global Markets on customised hedging solutions across commodities and derivatives. This is in line with our increasing focus on serving the needs of companies in target industries across the region, to help them achieve working capital efficiencies and improve their risk management.

Our continued investments in our regional operating platform, product and service capabilities will enable us to continue providing innovative financial products and services for large



We work across teams and geographies to provide our clients with customised financial solutions.

corporate clients. These include financial supply chain management solutions catering to large-scale infrastructure projects in Asia that will help our clients weather the subdued economy and manage their working capital and funding gaps.

## Global Financial Institutions Group

### Partnering Financial Institutions in Their Regional Expansion

Just as we do with our corporate clients, Global Financial Institutions Group harnesses the strengths of our franchise and on-the-ground presence to help our financial institution clients grow their businesses across Asia. These clients include banks, non-bank financial institutions (central banks, diversified financial, public sector, insurers and real money funds) and global property funds and financial sponsors.

We combine our local market knowledge and regional expertise to deliver comprehensive solutions in the areas of cash management, trade financing, interest rate and currency derivatives, hedging, specialised finance structures and capital markets that help drive bottom-line benefits for our clients. This is supported by more than 100 dedicated and sector-specific coverage bankers and analysts across UOB's global network, backed by product and service expertise drawn from Group Transaction Banking, Group Investment Banking and Global Markets.

In 2016, we continued our strong growth with a 23 per cent rise in revenue year on year, attributed to the expansion of our client portfolio and deepening of our existing partnerships with leading financial institutions expanding across Asia. Since 2015, we have been making targeted investments to expand our coverage of this segment and to sharpen our specialisation to serve the strategic needs of these clients better.

## Group Transaction Banking

### Creating Client Value Through Working Capital, Cash Flow and Liquidity Solutions

Group Transaction Banking works together with the Client Coverage Teams and Global Markets to offer our clients integrated financial solutions spanning cash management, trade finance and financial supply chain management. Such products and services enhance our clients' ability to meet their domestic and cross-border operating requirements, to optimise cash flows and returns, and to improve the efficiency of their working capital.

For example, we collaborate strategically with FinTech companies to provide comprehensive financial supply chain management solutions for clients with suppliers and distributors based in Asia. These solutions enable our clients to be more effective in their cash flow management as they widen their supplier and distributor base.

The support we extend to our clients includes cross-border liquidity management services and regional virtual account solutions across our key markets. Also available to our clients across the region is UOB BIBPlus, our enhanced electronic banking platform that helps our corporate clients manage their cash and trade transactions more efficiently through the internet or their mobile phones.

## Group Wholesale Banking

Our continued investments in our resources and technology systems reaped results in 2016 as we increased client acquisitions and market share across the region. Although slowing regional trade finance flows affected our portfolio, Transaction Banking's revenue rose 8.3 per cent during the year, due mainly to the 16 per cent growth in our cash management business. We maintained our contribution of about one-third of Group Wholesale Banking's total income.

In 2016, we received a total of 26 industry awards from across the region. These include awards for Best Local and Foreign Cash Management Bank across the region at *Asiamoney* Cash Management Poll; Best Transaction Bank and Best Cash Management Bank in Singapore at *The Asian Banker* Transaction Banking Awards; as well as Best in Treasury and Working Capital for MNCs/LLCs and SMEs in Singapore and Thailand respectively at *The Asset* Triple A Treasury, Trade and Risk Management Awards 2016.

Our partnership with Singapore Power Group, a government-linked energy utility company, to digitise their end-to-end treasury and payment functions on the SWIFT platform also received the Highly Commended Award for Best SWIFT Solution at *Treasury Today* Adam Smith Awards Asia.



Our Group Transaction Banking team at the annual *The Asset* Triple A Treasury, Trade and Risk Management Awards ceremony.

## Group Investment Banking

### Offering Corporate Finance Advisory Across Client Segments and Asset Classes

Group Investment Banking originates and structures debt and equity capital market solutions and provides corporate finance advisory services to Group Wholesale Banking clients seeking capital financing. In 2016, our strong product and service capabilities enabled us to lead several landmark event-driven transactions and to maintain our market share on flow products, such as fixed income.

During the year, we remained one of the top mandated lead arrangers for debt capital markets (DCM) syndicated loans in Asia (excluding Japan and Australasia) with 60 transactions across our key markets. We ranked second in Singapore with 26 transactions, and fourth in Southeast Asia.

UOB was one of the Original Mandated Lead Arrangers and Bookrunners for BOC Aviation's US\$1.5 billion syndicated revolving credit facility, which was increased from an initial launch size of US\$1.0 billion. We also capitalised on UOB's regional network and cross-border capabilities to arrange two significant financing transactions for IOI Properties Berhad, namely a S\$2.83 billion bridging loan transaction

to finance its land purchase in Singapore's Marina Bay area and a US\$400 million term loan facility for its operations in China.

Our DCM Fixed Income team also facilitated more than 70 bond transactions across the region in 2016. UOB continued to reinforce our position as a leading regional player in local currency fixed income, emerging as one of the top four bookrunners in the Singapore dollar bond market and among the top six bookrunners for corporate bond issuances in the Thai baht bond market. We also maintained our standing as a reputable lead manager in the Malaysian ringgit bond market.

In the Singapore dollar bond market, we acted as joint lead manager and bookrunner for the Housing & Development Board's S\$700 million seven-year notes, Starhub Ltd's S\$300 million 10-year notes and Ascendas Pte Ltd's S\$200 million seven-year notes. Amid volatile market conditions, UOB also successfully launched Perennial Real Estate Holdings' S\$280 million four-year retail bond issuance, acting as the joint lead manager, bookrunner and sole underwriter. In addition, we were involved in benchmark Basel III-compliant subordinated Tier 2 capital issuances for foreign financial institutions, such as BPCE SA's S\$130 million 10 non-call five-year bond issuance.

In the Thai baht corporate bond market, we lead-managed more than 50 issuances from several leading Thai bond issuers in various industries, including the THB38.06 billion notes issued by Charoen Pokphand Food Plc. and its subsidiary. We also demonstrated the robustness of our regional collaboration and capabilities of our cross-currency disciplines with KNM Group Berhad's THB2.78 billion five-year credit enhanced notes – we were the sole lead manager and bookrunner for the Malaysia-domiciled firm's issuance in the Thai baht bond market, a highly complex deal that involved the fixed income desks in Singapore, Malaysia and Thailand.

Despite the challenges in the oil and gas sector, in Malaysia we executed a sukuk programme of RM650 million for Perdana Petroleum Berhad together with Danajamin Nasional Berhad, a financial guarantee insurer. In Greater China, we continued to tap our regional distribution capabilities to provide debt solutions to corporate and financial institutions clients. Our notable roles include being the sole dealer for China Merchants Holdings (HK)'s HK\$320 million 10-year notes, and joint lead manager and bookrunner for Regal Hotels International Holdings' US\$320 million five-year notes.

Our Leveraged Finance team also had a strong year, in particular in the support of our financial sponsor clients. We acted as mandated lead arranger and bookrunner for several landmark leveraged finance transactions, including the acquisition of Interplex Holdings Limited by Baring Private Equity Asia, the acquisition of two businesses from Singapore's Broadway Industrial Group Limited by Platinum Equity LLC, as well as the acquisition of Australia's Genesis Care Pty Ltd by a consortium led by China Resources Group.

In addition, UOB continued to be a major player in the mid-cap initial public offering (IPO) market in Singapore with a joint second position by lead-managed deal count in 2016. During the year, our Equity Capital Markets team facilitated the public listings for Secura Group Limited, the largest Catalyst IPO fundraising deal in 2016, and for Wong Fong Industries Limited. The team also participated as a joint bookrunner and underwriter for the listing of Frasers Logistics & Industrial Trust, the largest Mainboard listing on the Singapore Exchange for the year.

# Global Markets

Global Markets provides financial products and solutions to help our clients manage their investment, liability and risk management needs. We provide comprehensive treasury products and services across multiple asset classes. We also manage UOB's funding and liquidity in accordance with regulatory requirements and optimise the Bank's assets within our risk framework. Our prudent approach to managing liquidity and maintaining balance sheet strength enables us to help ensure the Bank's long-term stability.

## 2016 Highlights

- Expanded our product and service offerings to our Financial Institutions Group and Business Banking clients to help support their cross-border financial needs. This contributed to revenue growth of 13 per cent each for the respective areas;
- Increased the range of our commodity hedging solutions to include bulk commodities such as iron ore and coal;
- Enhanced our product capabilities and services by investing in technology infrastructure and systems, including a web and mobile trading system for our corporate, institutional and professional clients for exchange-traded products; and
- Activated our clearing membership on the CME Group to provide clients with trading and clearing access to its exchanges, namely the Chicago Mercantile Exchange, Chicago Board of Trade, Commodity Exchange and the New York Mercantile Exchange.

## Our Customer-Centric Approach

UOB Global Markets offers a wide range of risk management products and solutions to help our clients manage their market risks across foreign exchange (FX), interest rates, credit, commodities, equities and structured products.

Tapping our extensive knowledge of Asian markets and deep understanding of our clients' unique financial needs, we provide in-depth market insights and timely advice to our clients to help them make informed decisions in the volatile market environment. We work closely with client segment relationship managers to develop effective solutions that are customised to each client's needs. Our sales and structuring capabilities and our electronic execution and distribution channels continuously ensure we are well-equipped to help our clients seize the right market opportunities. Our prudent and dedicated approach to the management of our clients' market risks has enabled us to build enduring client relationships.

## 2016 Performance

In 2016, we expanded our Sales and Structuring teams to strengthen our product capabilities and to serve our customers better. This included the expansion of our product and service offerings to

our Financial Institutions Group and Business Banking clients to meet their cross-border financial needs. Our efforts contributed to revenue growth of 13 per cent each over the year before in the respective areas. We also saw the transaction volume of FX and interest rates derivatives grow by more than 30 per cent. Our operating income, however, decreased slightly by 2 per cent and profit decreased by 17 per cent in 2016, due mainly to higher revenue-related expenses and continued investments in employee and product capabilities.

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

## Outlook

Interest rates and currency markets are expected to remain volatile in 2017 due to political uncertainty and changes in the monetary and fiscal policy stance in developed countries. The expected increase in interest rates by the US Federal Reserve is likely to have a major impact on global interest rates and FX rates in many countries. The central banks in many Asian countries are anticipated to introduce measures to manage their rising interest rates and volatility in their local currencies.

# Global Markets

We expect to see increasing client demand for hedging activities across multiple asset classes, and structured and tailored solutions from UOB Global Markets due to the continued volatility in commodity prices.

## Global Markets Sales and Structuring

### Helping Our Clients Manage Market Risks and Uncertainties

The two major geopolitical events in 2016 – the UK referendum and the US presidential election – led to much volatility in global financial markets and allowed us to play an active role in helping our clients navigate the uncertain market. Our Global Markets Sales team engaged them to understand their hedging needs and to provide advisory for their hedging decisions. We also widened our structured product offering across various asset classes to help our clients mitigate the impact from market fluctuations.

We provided our clients, especially those with cross-border operations, timely advice to help them manage their FX exposure through the use of comprehensive hedging solutions. Beyond our focus on customised FX and interest rates solutions, we also tapped our experience in energy and base metals to introduce hedging solutions for bulk commodities such as iron ore and coal.

In addition, we offered cash deployment alternatives such as principal-protected investment products to help our clients utilise their surplus funds effectively. To cater to the growing demand for secured funding, we expanded our reverse repo business to the region.

During the year, we also saw an increase in demand for bonds and UOB-issued principal-guaranteed products such as fixed-interest equity-linked structured deposits. Our clients' interest in risk assets also rose as global equity markets started to pick up in the second half of 2016.

Across the region, we will continue to build and to strengthen our sales expertise and structuring capabilities to cater to the growing needs of clients.

## Group Bullion, Brokerage and Clearing

### Connecting Clients to Exchanges Around the World

We offer a wide range of products and services across bullion, futures, over-the-counter commodity derivatives, FX and securities to our diverse client base that includes retail investors, high-net-worth individuals, corporate and institutional clients and hedge funds.

In 2016, we activated our clearing membership on the CME Group, which enables our clients to have both trading and clearing access on its four exchanges, namely the Chicago Mercantile Exchange, Chicago Board of Trade, Commodity Exchange and

the New York Mercantile Exchange. The membership is part of our efforts to provide our clients with access to major Asian and global exchanges, including the Dubai Gold & Commodities Exchange, Eurex Exchange, Intercontinental Exchange and Singapore Exchange (SGX).

During the year, the derivatives market in Asia continued to grow in sophistication as financial institutions, companies and asset managers increasingly turned to these instruments to manage their risks. Our clients' trading volumes in products such as leveraged FX, bullion, over-the-counter derivatives, futures and options, commodities and securities on exchanges around the world increased by 50 per cent in 2016.

This growth is also attributed to the 24-hour trading access we offer for our clients to conduct their transactions across Asia, Europe and the US. To ensure timely, convenient and reliable services to our corporate, institutional and professional clients, we continuously enhance our technology infrastructure and systems, including the provision of internet trading services.

For example, in 2016, we enabled web and mobile trading for our corporate, institutional and professional clients for exchange-traded products. Clients are able to configure the trading interface to meet their transaction and workflow needs, including various trading styles and order types. The system also enables us to control our clients' leveraged access to FX liquidity thereby ensuring that their transactions are carried out in a risk-managed environment.

In recognition of our commitment to our clients, our brokerage arm UOB Bullion and Futures (UOBBF) was named Prop Traders' Clearer of the Year at the *Futures and Options World Magazine* Awards for Asia 2016. UOBBF also continued to be named as one of the Top 5 SGX-Derivatives Trading (DT) Members, and for the first time Top 5 SGX-DT Negotiated Large Trade Members.



UOBBF has received consistent recognition from the SGX and the industry for its brokerage and clearing services.

# Investment Management

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UOB Asset Management (UOBAM) offers a comprehensive suite of products such as retail unit trusts, exchange-traded funds and customised portfolio management services across asset classes and geographies to individual and institutional investors in Asia.

UOB Venture Management (UOBVM) focuses on investing in high-growth, privately-held companies in Southeast Asia and Greater China through private equity funds.

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## 2016 Highlights

- Expanded UOBAM's presence to Taiwan with our new Securities Investment Trust Enterprise (SITE) licence. This enables us to offer onshore funds and to provide fund management services for domestic retail and institutional investors in Taiwan;
- Signed a landmark distribution channel agreement with Siam Commercial Bank for the exclusive distribution of UOBAM (Thailand)'s new fixed income fund;
- Deepened integration of asset management solutions into UOB Group Wholesale Banking's product and service offerings, and introduced the United Income Focus Trust fund, which is customised for UOB's retail customers across Southeast Asia;
- Launched the Sino-Singapore Connectivity Private Equity Fund in partnership with three Chinese companies to invest in projects in the fast-growing Chongqing region in China; and
- Invested in Bitexco Power, one of Vietnam's largest privately-owned hydropower companies, enabling us to participate in the growth of the renewable energy sector and to play a role in the country's economic transformation.

## 2016 Performance

Despite the market volatility and uncertain investment landscape in 2016, UOBAM's assets under management (AUM) grew to a record \$30.4 billion as at 31 December 2016. UOBAM is one of the largest unit trust managers in Asia in terms of AUM.

Capitalising on the growth opportunities in Southeast Asia and Greater China, UOBVM's AUM grew 12 per cent to more than \$1 billion in 2016.

## Outlook

The global economy is expected to pick up in 2017 with macroeconomic indicators showing signs of moderate and sustained growth globally even amid geopolitical uncertainties.

This is likely to lead to the return of inflation to normal target levels. In such an environment, UOBAM is optimistic about the performance of growth assets such as global equities, while returns from fixed income will likely be at lower levels. We will continue to strengthen our investment capabilities and to enhance our product offerings to support the long-term investment goals of our clients.

With Asia remaining a bright spot in the global economy, UOBVM sees significant investment opportunities in the region. We have refined our investment focus across five key themes, namely well-being, happiness, energy and logistics, industry 4.0 and technology, where we see attractive growth prospects regionally. We continue to deepen our access to high quality companies by evaluating more than 500 potential investees annually and maintaining a strong pipeline of deals.

# Investment Management

## UOB Asset Management

### Deepening Our Support of Clients Through Our Regional Network

As part of our strategy to grow our presence in existing and new geographies, in 2016, UOBAM became the first fully foreign-owned fund management company since 2001 to be awarded the SITE licence in Taiwan. The licence enables UOBAM (Taiwan) to develop and to offer onshore funds, and to provide fund management services for domestic retail and institutional investors. In August 2016, we launched our first Renminbi (RMB) fund in Taiwan to provide retail customers with the opportunity to invest in RMB-denominated investment-grade bonds in the currency's offshore market.



Through UOBAM (Taiwan), we develop and offer onshore funds, as well as provide fund management services for domestic retail and institutional investors in Taiwan.

We continued to widen our third-party distribution network with insurance and independent financial advisers, and mid-tier regional banks. One example is our landmark distribution channel agreement with Siam Commercial Bank in Thailand for the exclusive distribution rights of UOBAM (Thailand)'s new fixed income fund. This collaboration adds to our existing partnerships with Wellington Management Singapore and UTI International (India), as well as joint ventures, Ping An-UOB Fund Management Company (China) and UOB-SM Asset Management (Singapore), to expand the range of our services to our clients.

To provide UOB clients with greater access to a wider range of investment solutions, UOBAM services are now offered as part of the Bank's core product and service offerings for corporates.

The retail demand for income-generating funds has grown as investors look for lower risk investments that provide a steady income in their retirement. To cater to this demand, in 2016 UOBAM developed and launched the United Income Focus Trust fund, customised for UOB's retail customers in Southeast Asia.

UOBAM also launched the Asian Income Solutions programme in Singapore to help provide investors with a regular income stream amid inflation and the low interest rate environment. Under this programme, individuals can choose to invest in Asian and Singapore assets through four different funds, including the award-winning United SGD Fund and the United Asian High Yield Bond Fund.

UOBAM (Thailand) and UOBAM (Malaysia) also introduced new income-based funds. In Thailand, the United Global Macro Opportunities Fund provides investors with opportunities to diversify into global assets, while the United Flexible Income Fund aims to provide investors with stable income through property assets. In Malaysia, the United Global Quality Equity Fund enables investors to invest in global high-quality, growth-oriented companies, while the United Golden Opportunity Fund focuses on providing long-term capital appreciation to investors.

UOBAM's strong performance during the year continued to garner industry awards and accolades. At the *AsianInvestor* Asset Management Awards 2016, we were named Asia Fund House of the Year, while UOBAM (Malaysia) received the Best Institutional Product/Strategy award.



UOBAM's strong performance continues to be recognised by the industry.

In Singapore, we won a total of 12 awards including those for the United Emerging Markets Bond Fund and United SGD Fund at the FundsSupermart Choice Awards 2016. Our investment team's expertise was recognised at *The Asset Benchmark Research Awards* 2016, where three of our fund managers were honoured for being among the 'Most Astute Investors' in the region.

UOBAM (Thailand) was also ranked second among the Top 5 Investment Houses 2016 at *The Asset Benchmark Research Awards* 2016. It rounded up the year by winning *World Finance's* Best Investment Management Company in Thailand.



## UOB Venture Management

### Investing Responsibly to Facilitate the Development of Economies and Communities

UOBVM is committed to investing responsibly, and we have incorporated environmental, social and governance (ESG) assessments in our investment evaluation process since 2004 with the launch of the ASEAN China Investment Fund (ACIF).

The ACIF invests in privately-held companies that capitalise on growth opportunities in trade, knowledge transfer and capital flows between ASEAN and China. In 2016, we closed the ASEAN China Investment Fund III successfully, quadrupling the size of the ACIF with many repeat investors. Our team of experienced investment professionals in Singapore, Indonesia and China continue to identify and to assist promising entrepreneurs in revenue and profit margin expansion, and to provide them with advisory on enhancing their ESG practices.

In 2016, we also started deploying the Asia Impact Investment Fund, which invests in socially-responsible, high-growth companies that play a part in helping to improve the living standards of certain communities in Southeast Asia and China. Target companies come from sectors including education, healthcare, energy, financial services, water, housing and agriculture.

The Asia Impact Investment Fund combines the institutional expertise of UOBVM and Credit Suisse AG to offer high-net-worth and institutional investors opportunities to bring about social and environmental improvement through social impact investing.

In 2016, we entered into a partnership with three Chinese companies to set up and to manage a Sino-Singapore private equity fund, the Sino-Singapore Connectivity Private Equity Fund. The three Chinese companies are Chongqing Yufu Asset Management Group Co. Ltd., a state-owned capital investment company focused on financial holdings; Ping An Insurance (Group) Company of China, Ltd., a comprehensive financial services group; and Tus-Holdings Co., Ltd., which operates and manages the Tsinghua University Science Park.

The private equity fund, with a target size of up to RMB100 billion, invests primarily in Chongqing-based projects, such as financial services firms that are developing their Sino-Singapore capabilities, as well as aviation companies exploring travel between Chongqing and Singapore and other Southeast Asian countries. The fund also invests in enterprises tapping Sino-Singapore expertise and experience to enhance the transportation logistics and information infrastructure in Chongqing and other parts of western China.

During the year, we also partnered ORIX Corporation, a global financial services group, to invest US\$25 million each in one of Vietnam's largest privately-owned hydropower companies, Bitexco Power Corporation. By investing in Bitexco Power, which owns and operates 18 hydropower plants in Vietnam with a gross power capacity of around one gigawatt, we are able to participate in the growth of Vietnam's renewable energy sector and to play a role in the country's economic transformation.



Through UOBVM's investment in Bitexco Power, we are able to contribute to the infrastructural development in Vietnam.

# People

UOB's values guide us as we attract, develop and retain the best people to advise and to act in the best interests of our customers. We nurture our people through our development and welfare programmes. We are committed to creating an inclusive and diverse workplace where our people can realise their full professional potential in a meaningful and rewarding manner.



We are committed to developing our people's sense of belonging at UOB.

## Our Employee Commitments

Our values give us a shared sense of identity and belonging, and our four employee commitments encourage us to keep raising the standards of our behaviour and performance in service of our customers.



**Honourable**

### Do What is Right

We do what is right for all of our stakeholders and make decisions that are in the best interests of our organisation, our people and our customers.



**Enterprising**

### Build Meaningful Careers

We encourage enterprise and ambition at all levels. We believe in bringing out the best in everyone through professional development and empowering people to take ownership of their career paths.



**United**

### Make a Real Difference

Our unwavering commitment to upholding the UOB values is reflected in how our people serve customers and our communities with passion. We are here to make a real difference to shape our future and to add value to the lives we touch.



**Committed**

### Lead by Positive Example

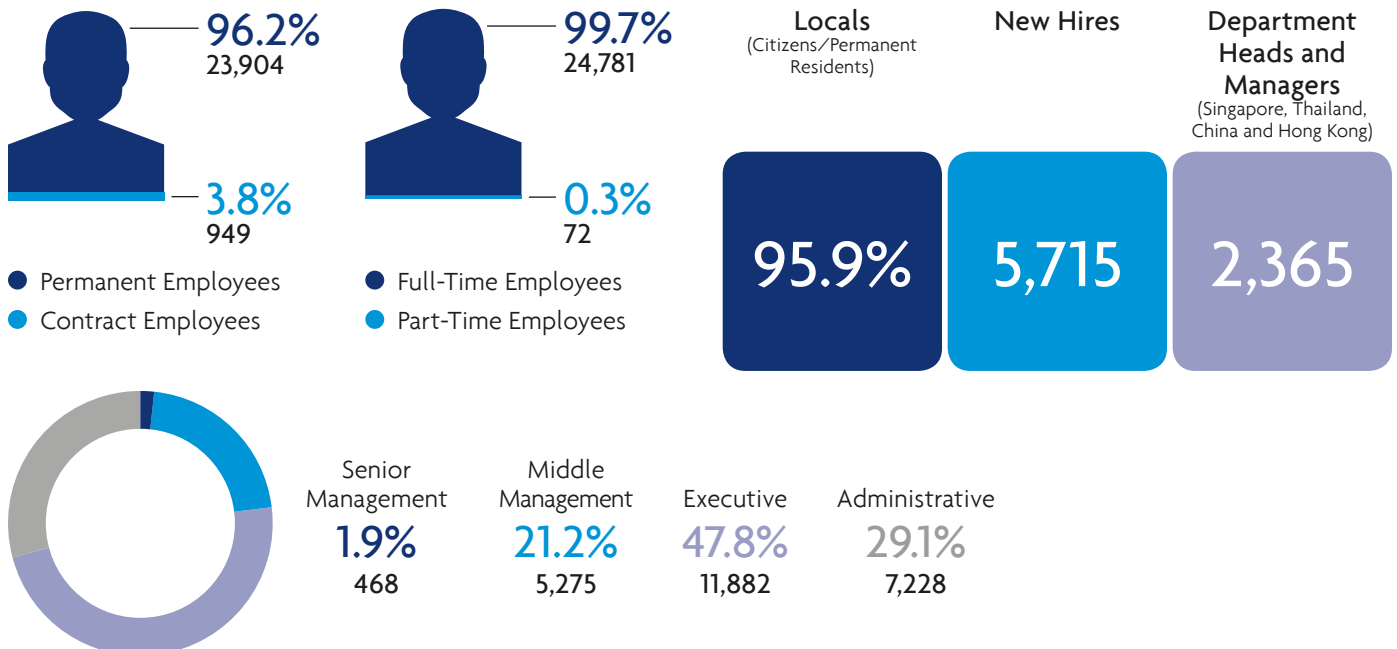
Our leaders act as role models, guiding teams to take on challenges and to take ownership of their actions. Together, we focus on enabling the success and advancement of individuals and teams.

## 2016 Highlights

- Reinforced the importance of living the UOB values by adding a values component to the Group-wide performance assessment structure;
- Invested \$19.6 million in our training programmes for our people;
- Helped our people to deepen their skills and to develop new skills through more than 900,000 training hours;
- Held the UOB 2020 Ideas Contest and Regional Hackathon to embed a culture of innovation;
- Equipped our people with core competencies and role-specific skills under our Group-wide competency framework;
- Created six segment and function-based Talent Management Councils to strengthen the Group's talent management process;
- Expanded our Management Associate Programme to include regional projects and overseas attachment opportunities;
- Provided \$11.2 million worth of healthcare and lifestyle benefits to our people to encourage healthy living;
- Honoured 80 colleagues from across the region at our inaugural UOB Customer Commitments Awards ceremony in recognition of their commitment to service excellence;
- Presented the UOB Dedication Awards to 270 employees in Singapore, four of whom were honoured for 50 years of service; and
- Received seven industry awards in Singapore, Hong Kong and China for our positive workplace practices.

## Our People Profile

(as at 31 December 2016)



# People

## Doing What is Right

### Upholding the Highest Professional and Ethical Standards

The UOB Code of Conduct sets out the principles of personal and professional conduct expected of our people. It also reflects the Bank's commitment to ensure merit-based, equal employment opportunities. It defines the standards we require to offer a safe working environment that is free from discrimination, bullying and harassment. All new employees upon joining UOB are informed of, and sign up to, their obligations and rights under the Code of Conduct. In Singapore, existing employees refresh their knowledge and renew their commitment through the completion of an e-learning module annually.

More information on our ethical standards and compliance practices can be found in the Regulators and Corporate Governance sections of this report.

### Maintaining a Risk-Focused Organisational Culture

At UOB, our commitment to good governance and informed risk-based decision-making enables us to grow sustainably. To maintain a strong risk-focused culture across the organisation, we have put in place a comprehensive framework of policies, processes, methodologies and tools that will help us identify, measure, monitor and manage material risks and opportunities faced by the Group.

Ongoing training is integral to our efforts to promote risk awareness among our people. All employees are required to complete e-learning modules annually on topics related to the material risks of the Group. These topics include anti-money laundering, UK Bribery Act, Insider Trading and Market Misconduct, Banking Secrecy, Computer Misuse and Cybersecurity, IT Security and Fair Dealing. The UOB Group Risk Appetite Framework is also easily accessible on the intranet.

Where applicable, employees' key performance indicators also include risk control metrics. Areas of discussion during performance review sessions include audit, risk and compliance issues identified in internal and external audits, results of compliance reviews and internal audit ratings, significant regulatory breaches and control lapses, as well as customer survey results and customer complaints.

More information on our risk management strategy and approach can be found in the Risk Management section of this report.

### Maintaining Workplace Safety and Health

Our people's health and safety are important to us. Our workplace safety policy and guidelines identify and address health and safety risks Group-wide.

In Singapore, our Workplace Safety and Health (WSH) Workgroup plans and implements various health and safety initiatives. The workgroup includes representation from various business and support units. WSH leaders, assistant leaders, managers and assistant managers are also nominated within each department to assist in making sure that every measure is

taken to eliminate health and safety risks. The representatives attend the risk management course approved by Singapore's Ministry of Manpower.

We are certified as BizSAFE Level 2 by the WSH Council.

### Upholding Human Rights

We are committed to upholding internationally-accepted human rights principles, including those relating to non-discrimination, child labour, forced labour and freedom of association and collective bargaining.

### Ensuring Freedom of Association

We respect our colleagues' lawful right to freedom of association and collective bargaining. The proportion of unionised to non-unionised employees in Singapore, Malaysia and Indonesia at the end of 2016 was 33.2 per cent, 87.7 per cent and 31.6 per cent respectively.

We also maintain mutually trusted and respectful relations with employee unions. In Singapore, we are engaged with three unions, namely The Singapore Bank Officers' Association, Singapore Bank Employees' Union and the Singapore Manual and Mercantile Workers Union. We are engaged with four unions in Malaysia and two in Indonesia.

Our management holds regular meetings with the union representatives to understand and to address their concerns. The collective bargaining agreements with our unions cover a range of topics related to wages and working conditions such as working hours, retirement age and re-employment, shift work, allowances, transport reimbursement, leave benefits, medical benefits, insurance benefits and grievance procedures.

### Creating a Diverse and Inclusive Workplace

We have colleagues from 35 nationalities of different age groups across the Group. The diverse strengths of our people enrich our business competitiveness and enable us to be sensitive and attuned to the range of personal and business banking needs of our customers.

### Offering Re-Employment to the Silver Workforce

Recognising the depth of knowledge and experience that our older colleagues bring to the workplace, we enable them to continue working with us beyond the statutory minimum retirement age. In Singapore, we re-hired 126 employees who were retiring in 2016. Their one-year employment contract is renewable every year, up to 31 December of the year when the employees turn 65. Half of this group were female.

### Ensuring Gender Diversity

Females accounted for 61.9 per cent of our permanent employees as at the end of 2016 and 57.5 per cent of all the hires in 2016. In Senior Management and middle management roles, women made up 35.9 per cent and 52.1 per cent respectively. They also account for 47.4 per cent of department heads, who are Senior Management reporting directly to the Group CEO or a Country CEO, in Singapore, Thailand, China and Hong Kong.

## Developing an Inclusive Workplace

At UOB, the practice of diversity extends beyond age and gender differences to include drawing on the range of different experiences and abilities that our colleagues can bring to the organisation.

In some areas, the work requires specific skills that best suit people with special abilities. As an example, Scan Hub is UOB's nerve centre for the checking, digitising and archiving of customer documents. Such work requires a sharp eye for detail, high-levels of concentration and an ability to work methodically. The extent of rigour and focus needed for certain roles in this function make the jobs well-suited for people with autism.



The UOB Scan Hub exemplifies UOB's inclusive employment initiatives.

As such, in partnership with the Autism Resource Centre's Employability and Employment Centre in Singapore, we redesigned work processes, modified the office environment and developed structured training programmes for people with autism to work at our Scan Hub operations centre in Singapore.

Since redesigning the roles and integrating the team at UOB Scan Hub, employee turnover has fallen while overall work productivity has risen. In 2016, UOB Scan Hub expanded its special needs workforce with three new hires. As at 31 December 2016, the team had 18 people with special needs, representing 40 per cent of the workforce of the department.

## Building Meaningful Careers

### Nurturing Our People Through Training and Career Development

Continuous employee training and development is a top priority at UOB. We have infused our values into our training programmes to ensure that our people have the right skills and mindset to build trust with colleagues and customers.

Just as we further our investments in technology across our regional network in service of the customer, we ensure that our people are equipped with the professional and leadership competencies, skills and knowledge they require to be 'future-ready'. This is done through on-the-job, self- and peer-based learning and workshops.

In 2016, we invested \$19.6 million in training our people. They completed about 910,000 training hours in total, which equates to an average of 37 hours for each employee. We also received

## Training Expenditure

2016	2015	2014
<b>Total (\$ million)</b>		
19.6	20.9	19.4
<b>Average per headcount (\$)</b>		
788.9	835.9	774.0

## Training Hours Per Headcount (Singapore)

2016	2015	2014
<b>Male</b>		
46.5	57.3	58.6
<b>Female</b>		
32.9	41.6	44.4

## Training Hours Per Headcount in 2016 (Singapore)

Senior Management	Middle Management	Executive	Administrative
<b>Male</b>			
23.2	29.5	67.2	13.8
<b>Female</b>			
24.9	28.3	41.9	17.3

approximately \$3.0 million in training subsidies and grants from the governments of Singapore and Malaysia.

## Developing Digital Capabilities

Encouraging enterprising thinking and acquiring digital skills are among our top training priorities as we strive to anticipate and to meet the needs of a new generation of increasingly tech-savvy customers.

In 2016, we held the UOB 2020 Ideas Contest for employees to submit innovative ideas on how UOB can harness technology to provide a better customer experience. We saw more than 200 submissions from teams formed by 600 employees across the Group. More than 20 of the teams were shortlisted to test their ideas on commercially-viable solutions for real-life banking challenges at our inaugural UOB 2020 Regional Hackathon in Singapore. The participants were guided on app design and how to pitch their ideas, while mentors from UOB provided advice on customer experience and business realities to challenge the teams.



Our colleagues from across the Group gathered in Singapore for a regional hackathon to develop their business ideas into potential digital banking solutions.

# People

## Deepening Role-Specific Skills

Our Group-wide competency framework – Strategise, Engage, Execute and Develop (SEED) – is the basis for a suite of courses to equip our people with the core competencies and skills they need to perform and to excel in their current roles. Under the SEED programme, employees are able to learn using tools and frameworks that they can refer to easily for their daily work. In 2016, 765 employees graduated from this programme.

During the year, our Channels, Personal Financial Services, Business Banking, Wholesale Banking, and Technology and Operations Training Academies provided business and role-specific skills training. For example in China, our Wholesale Banking Training Academy developed a job grade-specific training programme to equip relationship managers with the required knowledge and practical skills to serve their clients well. A highlight of the programme was having senior leaders provide guidance on business strategy and share their experience through case studies.

In Malaysia, we partnered the Asian Banking School, an affiliate of Bank Negara Malaysia, to launch the finance industry's first executive certification programme for small- and medium-sized enterprise (SME) bankers. The cost of this programme is covered by the Bank Negara Malaysia's Staff Training Fund, which was set up to address talent retention in the banking industry. We also worked with the Institut Teknologi Bandung in Indonesia to introduce a similar programme there to help our bankers gain a deeper understanding of business trends, the characteristics and needs of SMEs, and the financial solutions they require to manage their businesses.

In 2016, 76 of our colleagues from Malaysia also obtained various professional certifications from the Asian Institute of Chartered Bankers.

The UOB SUMMIT (Social, Unity, Motivation, Mastery, Innovation, Technology) programme, which was launched in 2015, complements UOB's employee training and development programme in Singapore. As part of this initiative, we reinvest the grants received under the Singapore government's Wage Credit Scheme into career and personal development courses for our people. In 2016, we enhanced the programme so that employees can also use the training credits for courses under the national SkillsFuture programme. Currently, more than 5,000 training places are available for courses on innovation, productivity, service excellence and IT.

## Serving Customers with Special Needs

UOB takes an active role in championing a more inclusive society. We partner non-profit organisations dedicated to the welfare of persons with disabilities including SG Enable, Autism Resource Centre and Society for the Physically Disabled to review and to update our training programmes for customer service employees. These programmes are aimed at improving disability awareness so that our people can understand better the special needs of such customers and to provide a smooth and seamless banking experience for them in our branches. The training content spans the entire customer service journey, from first impressions to communication, account servicing and helping the customers with their mobility challenges in the branch.

## Developing Our Leaders

Our talent management philosophy centres on developing leadership talent at all levels of the organisation. Our programmes focus on identifying, assessing, developing and deploying talent across the Group.

We have a mix of on-the-job experience-based development, learning through feedback and formal learning and education



The 2016 cohort of the UOB Management Associate Programme.

programmes. For early-career talent, the focus is on deepening functional and technical expertise while for senior leaders it includes improving people management, leadership skills and providing exposure to managing regional operations.

### Grooming Fresh Graduates

Under our 16-month Management Associate Programme, we recruit fresh graduates from top universities in Singapore, Malaysia, Indonesia, Thailand, China and Hong Kong, and groom them to take on leadership and regional roles within UOB through accelerated training.

The 47 fresh graduates hired in 2016 worked on regional projects and had overseas attachment opportunities. Since the programme was launched in 2004, we have recruited 497 management associates, and nearly half of them are still in UOB Group, with many having progressed well in their careers and holding leadership positions.

### Cultivating Leadership Skills

The UOB Leadership Academy plays an important role in the professional development of our high-potential colleagues. The Academy prepares our managers to implement and to manage change and to lead their teams more effectively. We also worked with SMU to incorporate a human-centred design framework that guides the participants at the Academy to develop business impact projects that improve the customer experience. The Academy's programmes are reviewed annually to ensure they stay relevant to the demands of our business and the needs of our customers. In 2016, 195 employees graduated from the UOB Leadership Academy.

### Strengthening Our Talent Management Process

In 2016, we created six Talent Management (TM) Councils, comprising senior business leaders from across our businesses to strengthen our talent management process.

The TM Councils serve as advisory bodies to the respective segment and function heads, and are responsible for identifying, assessing, developing and deploying talent across the Group. They meet as part of our annual Group Organisation and People Review process to define the

development plans of the identified talent and to monitor and to discuss the progress of these employees regularly. The TM Councils also mentor selected employees.

### Planning for Succession

Leadership succession is a key priority for UOB. We have implemented an organisation-wide accountability framework for succession planning and our Board of Directors, through its Nominating Committee, has oversight of all Senior Management talent and succession plans. The TM Councils and segment and function heads are delegated with accountability for their respective talent pools, while the Human Resources Committee has oversight of the Group's collective talent pool.

To ensure proactive planning, succession plans for key positions are developed and reviewed by the senior leadership team as well as at the Board level annually. Individual development plans are put in place to prepare successors. Succession planning is a core component of the Group Organisation and People Review process.

The integration of our talent management activities with the succession planning process helps ensure that we meet the critical leadership requirements of our business.

### Managing Employee Performance

UOB is committed to an objective and fair performance management process to reward performance and to support people development. Our integrated performance management framework, which comprises four stages namely Plan, Engage, Appraise and Keep Track (PEAK), is aimed at promoting a meritocratic, performance excellence culture.

The PEAK framework enables employee-centric and business-focused dialogues between managers and employees to help achieve business as well as personal development goals. Employee goals are established at the start of the year. Throughout the year, managers engage in discussions with team members to review their progress and challenges. Performance Improvement Plans are also developed for the weaker performers.



The UOB Leadership Academy runs a suite of programmes designed to develop our employees' leadership skills.



# People

Formal appraisals are conducted at the end of the year, during which employees are assessed based on the agreed key performance indicators and the competencies defined for their job grades. In 2016, a significant values component was added to the performance assessment structure to reinforce the importance of living the UOB values. All permanent employees participated in performance and career development reviews during the year.

In 2016, we also launched an online version of PEAK across the Group to enhance the performance management and personal development experience for our employees.

## Making a Real Difference

### Caring for Our People

We care about our people and are committed to looking after their well-being. As part of this commitment, we promote a healthy work-life balance because we appreciate that it leads to better productivity and happier colleagues.

### Promoting Work-Life Harmony

Under our work-life harmony programme, full-time employees in Singapore, Malaysia, Indonesia and Hong Kong can opt for staggered working hours to suit their family or personal needs. We also offer family care and child care leave days which gives our people more flexibility in managing on the home front.

In Singapore in 2015, we doubled the paternity leave to two weeks. This was in addition to the shared parental leave we already offer, which allows fathers to share one week of leave with their spouse's maternity leave entitlement. In 2016, the number of our male colleagues who utilised their paternity leave rose by 26 per cent, and about 90 per cent of employees who returned to work after maternity or paternity leave, remained employed for at least 12 months upon return.

### Providing Employee Benefits

Our permanent employees are entitled to a range of benefits, such as social security equivalent contributions, life insurance, accident insurance, annual leave, parental leave, staff loans, special allowances and reimbursements, as well as healthcare and retirement benefits. Our employee benefits, including those for contract and temporary employees, vary according to local regulations and market practices.

### Encouraging Healthy Lifestyles

Our healthcare programme – Healthy Employees, Active Lifestyles (HEAL) – has comprehensive medical and healthcare coverage, as well as flexible wellness benefits for all full-time permanent employees. This programme was launched in Singapore in 2014 and extended to China in 2015.

Under the programme, employees receive HEAL dollars to spend on a wide range of health and wellness benefits for themselves and their dependents. Some of the benefits include health screenings, vaccinations, dental and optical treatments, gym memberships and health-related workshops.

In 2016, we provided \$11.2 million worth of HEAL benefits, compared with \$9.8 million in 2015. A total of \$31.3 million worth of HEAL benefits has been disbursed since the launch of the programme.

Our people also have access to a counselling helpline to seek help for stress or other challenges at work.

### Recognising Our Employees' Dedication

To thank our people for their commitment and loyalty to UOB, we recognise and reward employees' long service at our UOB Dedication Awards. Awards are given to employees who have served 20, 30, 40 and 50 years across the Group. In 2016, 270 employees in Singapore received the award, four of whom were honoured for their 50 years of service.



UOB Deputy Chairman and CEO, Mr Wee Ee Cheong, thanking our employees at the UOB Dedication Awards ceremony for their years of service.

### Engaging Our People

Employee engagement is integral to developing our people's sense of belonging at UOB. Through communication channels such as townhalls, dialogues and our intranet, we inform our people on matters of Group-wide importance, such as business developments, financial performance, organisational changes and new programmes and policies.





Our new intranet portal, MyUOB, enables all colleagues across our global network to connect and to collaborate with each other.

In 2016, we launched a new intranet portal, MyUOB, for all colleagues across our global network. It was designed to encourage colleagues to connect across teams and borders, to improve collaboration and to encourage creative thinking. To help streamline work processes, business teams use MyUOB collaboration sites to manage their work flows. There is also a high frequency of interaction among colleagues enabled by MyUOB's social features which enable our people to comment, to like and to share stories on a range of topics which encompass the full breadth of work-related, social and community activities at UOB.

For employees who enjoy team sport, the UOB Recreation Club organises a variety of games and tournaments annually. Our people are also highly involved in the volunteer events and workshops organised as part of the UOB Heartbeat Corporate Social Responsibility programme focusing on art, children and education.

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

## Leading by Positive Example

### Inspiring and Encouraging Service Excellence

In 2015, we launched the UOB Customer Commitments Awards, our first Group-wide employee recognition programme that aims to cultivate service leadership behaviour among all colleagues. The year-round programme covers six regional countries and overseas branches and is run by the Customer Advocacy and Service Quality team.



At our inaugural UOB Customer Commitments Awards ceremony, our employees from across the region were recognised for their service excellence.

Through the recognition of exemplary colleagues across the Group who best demonstrate our values and fulfil our customer commitments, we hope to inspire and encourage all employees toward service excellence.

In 2016, close to 80 colleagues were honoured at a regional awards ceremony held in Singapore for being role models. The colleagues from China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand were presented with awards by our Deputy Chairman and CEO, Mr Wee Ee Cheong, Country CEOs and senior leaders.

### Receiving Industry Recognition

In acknowledgement of our positive workplace practices, we were recognised with a Plaque of Commendation Award at the 2016 National Trades Union Congress May Day Awards for our contributions to Singapore's labour movement.

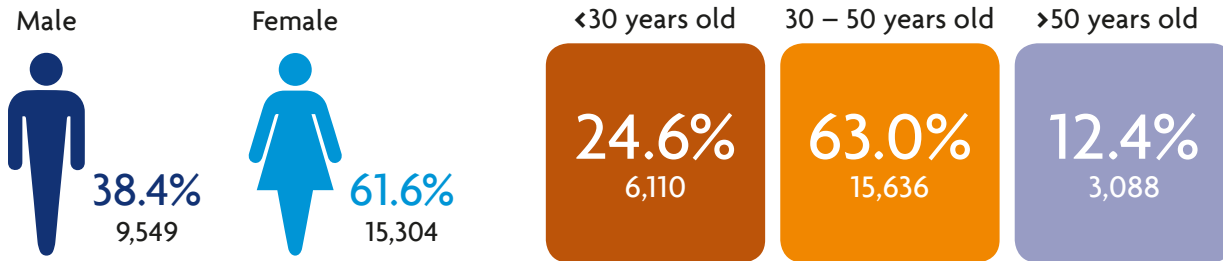
In Hong Kong, UOB was named one of the Best Companies to Work for in Asia by HR Asia in 2016. We also received the Family-Friendly Employers Award and the Award for Breastfeeding Support from the Hong Kong Family Council.

UOB (China) also won top human resource awards, including the Top 100 Employers and Excellence in HR Management Team at China's Employer Excellence Awards presented by 51job Limited; Top 100 Best Employers in China by Zhaopin Limited and Peking University; and the Most Valuable Case Study at the 2016 Best China Talent Development Awards organised by the Shanghai HR Union.

# People

## Diversity of Our People

(as at 31 December 2016)



	Permanent Employees	Contract Employees	< 30 years old	30 – 50 years old	> 50 years old
Male	38.1%	47.5%	41.5%	43.2%	49.6%
Female	61.9%	52.5%	58.5%	56.8%	50.4%

	Total New Hires	< 30 years old	30 – 50 years old	> 50 years old
Male	2,431 (42.5%)	41.5%	43.2%	49.6%
Female	3,284 (57.5%)	58.5%	56.8%	50.4%

	Senior management	Middle management	Executive	Administrative
Male	64.1%	47.9%	37.6%	31.2%
Female	35.9%	52.1%	62.4%	68.8%

Turnover rate	2016	2015	2014
Overall	20.6%	19.8%	23.1%
Male	24.1%	21.1%	25.8%
Female	18.4%	19.0%	21.5%

# Community

Guided by our values of being Honourable, Enterprising, United and Committed, we believe in giving back to the communities where our people and our customers build their lives. With a deep understanding of the markets in which we operate, we are steadfast in our support of the social and economic development of these communities and invest in areas that create long-term value for them. Our programmes connect people, strengthen bonds and enrich lives in the areas of art, children and education.



Our employees and clients, together with our Deputy Chairman and CEO, Mr Wee Ee Cheong, helped to prepare hot meals for the needy at the UOB Commercial Banking Lunar New Year outreach event.

## 2016 Highlights

- Recognised as a Company of Good Founding Member in Singapore – a trailblazer in championing and driving corporate giving;
- Received the Corporate Pinnacle Award, the highest honour from the Community Chest, and the Distinguished Patron of the Arts Award from the National Arts Council for the 12<sup>th</sup> consecutive year in Singapore;
- Received the Outstanding Social Caring Award from the Social Enterprise Research Institute in Hong Kong;



# Community

## 2016 Highlights (continued)

- Facilitated investments in energy and infrastructure development projects in Vietnam, Myanmar and China;
- Enabled enterprise and innovation through an alternative funding ecosystem for Asian startups and small- and medium-sized enterprises (SMEs);
- Championed Southeast Asian art and artists through the 35<sup>th</sup> UOB Painting of the Year (POY) competition, inclusive community-based art classes and exhibitions, and art outreach initiatives across the region;
- Established partnerships with art patrons such as ION Art in Singapore and Regal Hotels International in Hong Kong to make art more accessible to the community;
- Provided learning opportunities via scholarships, interest-free student loans, art education and financial literacy programmes across the region; and
- Supported our people as they volunteered more than 49,600 hours towards community initiatives in the region through our UOB Heartbeat Corporate Social Responsibility (CSR) programme.

## Ensuring Sustainable Economic Growth

As a leading bank in Asia, we are committed to supporting sustainable business investment and long-term economic growth in all the markets in which we operate.

### Encouraging Long-Term, Strategic Investments

As part of our sustainable business approach, we support investment which facilitates economic development, empowers local communities and improves lives.

- We focus on investing in sectors which aim to deliver long-term prosperity and progress. One such example is our support of strategic investments in the energy and infrastructure sectors.
  - In Vietnam, UOB Venture Management (UOBVM) has invested in one of the country's largest privately-owned hydropower companies, giving a boost to the country's renewable energy sector;
  - In Myanmar, we helped facilitate the financing of the construction of telecommunications towers and gas-fired power plants to help the country meet the infrastructural needs arising from its economic development;
  - In China, UOBVM (Shanghai) set up the RMB100 billion Sino-Singapore (Chongqing) Connectivity Private Equity Fund in partnership with three Chinese companies to invest in companies contributing to the infrastructural development of western China; and
  - Through UOBVM's Asia Impact Investment Fund, we offer our clients opportunities for social impact investing to help improve the living standards of certain communities in Southeast Asia and China.

- In addition to encouraging economic growth via direct investment, UOB is committed to helping Asian businesses work through the challenges of expanding beyond their home markets. Throughout the year, we partnered government agencies, trade associations and industry experts to help companies seize regional expansion opportunities. For example, we hosted our first investment and networking forum in Ho Chi Minh City to connect more than 200 Asian businesses to the business opportunities opening up in Vietnam.

### Creating Economic Value

In the course of conducting our business, we also create direct and indirect economic value for our stakeholders. We provide livelihoods for more than 24,000 people across the 19 markets in which we operate. In 2016, we spent more than \$2 billion in employee compensation and benefits, which in turn contributed to spend within local economies. We also accrued \$669 million in income tax to various governments.

Wherever possible, we use local suppliers as part of our commitment to support the long-term development of local economies. In 2016, local suppliers in our main markets of operations – Singapore, Malaysia, Indonesia, Thailand, China and Hong Kong – accounted for 93.1 per cent of our total purchase value of \$1.32 billion.

## Enabling Enterprise and Innovation

SMEs are the foundation of Asian economies. At UOB, we have a longstanding commitment to encourage such enterprises and to nurture their growth. With more than 80 years of experience in supporting SMEs, we have a deep understanding of the challenges and needs across their lifecycle – from startup to sustainable growth. We use our unique insight and expertise to offer a range of solutions to meet their business needs throughout.

- In 2016, we invested in a global equity crowdfunding platform, OurCrowd, which offers innovative Asian companies an alternative source of funding to help them develop viable business models and jumpstart their international expansion.
- Through InnoVen Capital, our joint venture with Temasek Holdings, we offer venture debt financing to startups in China, Southeast Asia and India in the areas of healthcare, clean technology and consumer services.
- In addition, through The FinLab, UOB's joint venture with SGInnovate, we provide extensive mentorship and guidance to FinTech startups through a 12-week accelerator programme. UOB's Senior Management mentored the first batch of eight startups, helping them to refine their business models and propositions.

## Strengthening the Social Fabric



We received Community Chest's highest accolade, the Corporate Pinnacle Award, for our significant contributions to the community.

Giving back to the communities in which we operate is fundamental to our business philosophy. We believe the progress of a country, its economy and people rests on the strength of its social fabric, hence our commitment to support art, children and education for the long term.

As a champion of corporate giving, UOB was recognised in 2016 as a Founding Member of Company of Good, a programme developed by the National Volunteer and Philanthropy Centre in Singapore to empower companies to give more holistically. We also received the Community Chest's highest accolade, the Corporate Pinnacle Award, for our contribution of more than \$20 million to the Community Chest in 2015.

In addition to the wide range of community initiatives that we drive, we contributed \$4.5 million to the community in 2016 through our sponsorships, donations and scholarships, and funds raised by our employees and customers.

## Connecting Communities Through Art

In 2016, UOB championed art in Southeast Asia through our flagship UOB POY competition, and through a holistic range of visual arts programmes, partnerships and outreach initiatives. In recognition of our long-term commitment to art, we were presented with the National Arts Council's Distinguished Patron of the Arts Award for the 12<sup>th</sup> consecutive year in Singapore.



The UOB Painting of the Year competition helps to discover and to nurture artists across Singapore, Indonesia, Malaysia and Thailand.

We champion Southeast Asian art and artists primarily through our annual UOB POY competition, which marked its 35<sup>th</sup> anniversary in 2016. The competition is the longest-running art competition in Singapore and one of the most prestigious in Southeast Asia.

The UOB POY is open to established and emerging artists, and is held in Singapore, Indonesia, Malaysia and Thailand. The most outstanding artwork from across the region is then presented with the UOB Southeast Asian Painting of the Year Award. 2016's winner was Indonesia's Mr Gatot Indrajati for his artwork *Right or Wrong My Home*, which depicted the resilience of Indonesians.

Through the UOB POY competition, we nurture artistic talents across the region by profiling winning artists and by providing them with opportunities to showcase their artworks. In 2016, we featured winning artists and their artworks in exhibitions, art outreach activities and through social media.

# Community



We help to raise the profile of POY winning artists through social media (top) and widen the appreciation of art through exhibitions at the UOB Art Gallery (above).

The UOB POY competition also helps widen the appreciation of art within the community. In 2016, seven exhibitions were held at the UOB Art Gallery in Singapore, featuring artworks by UOB POY alumni artists and selected artworks from our 2,300-strong UOB Art Collection. In Indonesia, we organised UOB POY roadshows that brought art exhibitions and art talks to communities in Bandung and Yogyakarta. In Thailand, we held a roadshow for 21 art universities and colleges nationwide, as well as a UOB POY Workshop to facilitate the exchange of art knowledge and perspectives on Southeast Asian art.

In addition to our flagship art competition, we supported the development of the region's art scene through a range of art outreach initiatives. These included new and continued partnerships with art patrons, community-based art initiatives and art education programmes.

In 2016, we continued to bring the world's largest permanent display of modern Southeast Asian art to the community through the UOB Southeast Asia Gallery at the National Gallery Singapore, of which UOB is a founding partner.



UOB's art outreach initiatives included art demonstrations by UOB POY artists (top) and an art bazaar for children in Indonesia (above).

We also established new partnerships with art patrons who share our vision of encouraging the experience and appreciation of art in the community. In Singapore, we launched the *Create* initiative in partnership with ION Art, the art and design programme of the premium shopping and lifestyle mall ION Orchard. *Create* drew on Singaporeans' love for food to cultivate a deeper understanding of art through art-inspired culinary creations, food art workshops and an exhibition featuring UOB POY artists. A portion of the sales from the culinary creations and artworks was donated to our community partners, The Little Arts Academy and Rainbow Centre – Yishun Park School. We also donated to The Red Pencil, a non-profit organisation that helps children and families through art therapy.

In Hong Kong, UOB joined hands with Regal Hotels International to launch the “UOB Art Space uniquely @ REGAL” at Regal Airport Hotel, as part of our partnership to promote art through sustainable initiatives. The exhibitions are refreshed quarterly

and feature artworks from our art competitions, the UOB Art Collection and by young local artists.

The UOB Art Academy in Hong Kong, set up in 2015, continued to educate the general public on art, nurtured young artists and promoted cross-cultural art dialogue through art activities, exhibitions and competitions. We also published a charity book featuring the best entries from our 2016 UOB Connectivity Photography Award competition. Proceeds from the sale of the book went towards art workshops for underprivileged children.

In Indonesia, UOB organised an Art Bazaar which introduced children to art through a painting competition.

### Making Art Accessible to All

As part of our UOB Heartbeat Art Workshops, we partner UOB POY alumni artists to customise art education programmes for children, including those who are underprivileged or have



We champion art through outreach initiatives such as the *Please Touch* initiative for visually impaired children in Thailand (top), UOB Heartbeat Art workshops, and partnerships such as the *Create* food art programme in Singapore and our “UOB Art Space uniquely @ REGAL” in Hong Kong.

## Community

special needs. Each child is paired with a UOB Heartbeat employee volunteer to learn art techniques and to create their own artworks, guided by one of our UOB POY alumni artists. In 2016, we conducted seven such workshops in Singapore with beneficiaries from our community partners, including the Movement for the Intellectually Disabled of Singapore (MINDS) Towner School, Autism Resource Centre, Thye Hua Kwan Family Service Centre @ Bukit Panjang and the Association of Persons with Special Needs (APSN) Chaoyang School.

UOB also collaborated with Pathlight School, Singapore's first autism-focused school, for an exhibition at the UOB Art Gallery. Highlighting the importance of unity in a world of diversity, the *Sky Deep* exhibition featured artworks by 14 artists with autism. The proceeds from the sale of the paintings were given to Pathlight School and its artists. In Thailand, UOB organised the *Please Touch* initiative, comprising art sessions for visually-impaired children across four provinces, as well as an exhibition showcasing the tactile art pieces that they created. Through the auction of artworks by 12 renowned Thai artists, the exhibition raised THB669,000 to support the Art for All Foundation, which organises programmes for youth with disabilities and the disadvantaged.

Since 2010, we have partnered The Little Arts Academy, a non-profit organisation, to run the UOB Mini Monet Programme, an advanced level visual arts programme that provides support for talented young artists from financially-disadvantaged backgrounds. In 2016, 10 young artists graduated from the programme. Since 2009, UOB has also been supporting the Northlight School Visual Arts Programme, which provides opportunities for students to pursue their interest in art. In 2016, we sponsored an art education programme for kindergarten and primary school students, organised by the Hong Kong Society for Education in Art.



To help students achieve their full potential, we support a range of education initiatives including the UOB University Scholarship programme in Myanmar.

### Preparing the Young for the Future

We support education initiatives that develop young minds and help them achieve their potential. As part of our efforts to give the younger generation a head start in life, we run university scholarship programmes and sponsor education initiatives, bursaries and book prizes for students.

- In 2016, the first cohort of awardees was selected for the Wee Cho Yaw Future Leaders Award, which aims to develop future leaders by providing tertiary education opportunities for underprivileged students. UOB contributed \$20 million towards the award, which was launched in 2015. The total endowment fund stands at \$50 million with a 1.5 times matching grant from the Singapore Government.
- Under the UOB University Scholarship programme in Myanmar, the Bank awarded scholarships to 15 undergraduates in 2016, bringing the total number of scholars under the programme to 30. This is the second year of the three-year scholarship programme, which was launched in partnership with the University of Yangon and Yangon University of Economics in 2015 as part of our commitment to help nurture local banking talent in Myanmar.
- UOB sponsored academic awards and book prizes for top-performing students at tertiary institutions in Singapore, and provided scholarships to 131 elementary and high school students in Indonesia.
- Since 2010, UOB Ho Chi Minh City Branch has offered interest-free student loans to the undergraduates of Vietnam National University, Hanoi. As at 2016, we have disbursed loans totaling VND6 billion, benefitting more than 1,300 students.
- As a corporate partner of Hong Kong University of Science and Technology, UOB Hong Kong's senior executives shared their knowledge on RMB internationalisation with the university's Master of Science students.

As a responsible financial institution, we believe strongly in equipping the community with life-long knowledge and skills in sound financial management. To help in this regard, we conduct regular financial literacy programmes across the region.

- In Indonesia, more than 100 university students learnt how to improve their financial knowledge and entrepreneurship skills in this era of digitalisation. We also organised financial education sessions for undergraduates of the University of Indonesia and Indonesia Banking School, as well as provided financial literacy sessions for children from Orphanage Mustaqim Jakarta. We collaborated with Otoritas Jasa Keuangan and other financial services institutions to share our knowledge in banking, insurance and financial services with elementary, junior and high school students of Darul Hikam.
- In Hong Kong, we collaborated with the Hong Kong Association of Banks to organise two financial management workshops for more than 100 students from Good Hope School and Pui To Middle School.
- In Thailand, we worked with the Thai Bankers' Association on its financial literacy programme for university students and provided volunteers who educated the students on financial management and saving. We also developed and distributed a *Retire in Style* handbook to help educate our customers in Thailand about the importance of wealth management and retirement planning.



## Uniting Through UOB Heartbeat

The UOB Heartbeat CSR programme brings together employees, customers, business partners and UOB POY alumni artists to give back to the community. The UOB Heartbeat programme comprises various fundraising and outreach initiatives, including the UOB Heartbeat Run/Walk event, the UOB Commercial Banking Lunar New Year outreach event and the UOB Heartbeat Employee Volunteerism programme.

In 2016, employees across the region gave more than 49,600 volunteer hours to projects aligned to our CSR focus areas of art, children and education. They were involved in more than 50 volunteer projects across the region, including fundraising programmes,

financial literacy workshops and festive activities with beneficiaries. Volunteers also lent valuable support to our UOB Heartbeat Art Workshops, where they guided children in creating art.

A key focus of the UOB Heartbeat programme is the annual UOB Heartbeat Run/Walk, our flagship fundraising programme that brings together our employees, their families, customers and beneficiaries to raise funds for a good cause. In 2016, the UOB Heartbeat Run/Walk celebrated its 10<sup>th</sup> anniversary with more than 11,000 participants raising \$1.1 million across six markets. The donation helped improve the lives of children, including those with financial difficulties or special needs.



On 24 July 2016, our employees across six markets participated in the UOB Heartbeat Run/Walk event. Top to bottom: Singapore, China, Hong Kong, Indonesia, Malaysia and Thailand.

# Community

Across the region, the beneficiaries included the Children's Cancer Foundation in Hong Kong, the Shelter Home for Children in Malaysia, and 1,600 children and youth in Singapore from MINDS Towner Gardens School, Pathlight School and Rainbow Centre – Yishun Park School.



Our Deputy Chairman and CEO, Mr Wee Ee Cheong, joined UOB Commercial Banking employees and clients to distribute meals at the Willing Hearts' soup kitchen in Singapore.

Every Lunar New Year, the UOB Commercial Banking teams across the region unite with our clients to help the community. In Singapore, our Deputy Chairman and CEO, Mr Wee Ee Cheong, led 60 employees and clients in preparing 5,000 hot meals



UOB Heartbeat volunteers reached out to the community through more than 50 community projects in the region.

for the needy and elderly at Willing Hearts' soup kitchen. They also raised \$1.16 million, which was donated to *The Straits Times* School Pocket Money Fund, *The Business Times* Budding Artists Fund, TOUCH Ubi Hostel and Willing Hearts.

Our community and volunteerism efforts extend across our network. In China, UOB volunteers visited two rural minority schools in the remote Sichuan mountain area, taking with them school and living supplies for the children. At Yi Hai Central School, a UOB-sponsored lacquerware class was set up to promote local traditional folk art and craft. More than 600 of the school's students also received winter uniforms and sports shoes.

In Brunei, we celebrated Hari Raya with beneficiaries from The Brunei Blind Association, while in Mumbai, India, we provided nutritious mid-day meals to more than 3,700 children with a contribution of INR2,777,531 through the Akshaya Patra Foundation.

In Hong Kong, we organised a charity photography workshop, where 20 secondary school and university students joined our employees to learn about portrait photography. The participants then used their new skills to take family portraits for 60 underprivileged families.

Through our wide range of art, education and sustainable business initiatives in 2016, we expressed our shared commitment towards making a difference to communities across the region.



# Environment

We are committed to protecting the environment for the well-being of our people, customers and the wider community for the long term. Our approach is to reduce the environmental footprint of our operations across the Group, focusing on energy efficiency, waste management and resource conservation at our office buildings and branches.

## 2016 Highlights

- Received the Green Mark Gold<sup>Plus</sup> Award for Existing Non-residential Buildings from the Building and Construction Authority Singapore, for UOB Plaza 2 in recognition of our energy-saving measures; and
- Recycled more than 12,000 kilogrammes (kg) of decommissioned office equipment in Singapore, more than double the amount in 2015.

## Reducing Our Environmental Footprint

Operations at our office buildings and branches contribute the most to UOB's direct environmental impact. Besides promoting energy efficiency, we are also committed to conserving resources, including water and paper, and managing waste effectively.

In 2016, UOB Plaza 2 in Singapore achieved the Green Mark Gold<sup>Plus</sup> Award for Existing Non-residential Buildings from the Building and Construction Authority (BCA) in recognition of our sustainability measures. These include the use of energy-efficient lighting, and carbon dioxide sensors and air filters at air handling units to regulate air quality. The annual energy consumption at UOB Plaza 2 has since been reduced by 30.7 per cent, which amounts to more than 2 million kilowatt-hours (kWh). This translates to annual savings of \$427,000.

UOB Plaza 2 is the third UOB building in Singapore, following UOB Plaza 1 (2013) and UOB Tower Block at Alexandra Road (2014), to receive the Green Mark award after its retrofit to consume less energy.

After the retrofit of the 66-storey UOB Plaza 1, one of the tallest buildings in Singapore, energy consumption decreased by 23 per cent, equivalent to 5.3 million kWh a year. This translates to annual savings of \$1.3 million. UOB Plaza 1 also won the 2015 ASEAN Energy Award in the Retrofitted Buildings category presented by the ASEAN Centre for Energy, an independent inter-governmental organisation that represents the 10 ASEAN member states' interests in the energy sector.

We have also reduced energy consumption by 24 per cent at our Alexandra Road building. This is equivalent to 1 million kWh a year and annual savings of \$243,000.

In Thailand, we have implemented energy-saving measures, including the switch to LED lighting, at our Sathon office building in Bangkok. This initiative, which started in 2015, has enabled us to lower our energy consumption and in turn, the related expenditure by 15.1 per cent or more than \$140,000, annually.

We also monitor the carbon dioxide gas emissions from our purchased electricity (Scope 2 emissions), and are using the Greenhouse Gas Protocol guidelines for the purpose of measuring and reporting. We also apply the respective grid emission factors in our key markets in the calculation of our overall carbon footprint.

We continue to find ways to be more energy-efficient in our operations, including those at our data centres which account for about one-third of our energy consumption.



Green Podium Roof

# Environment

## Our Green Features at UOB Plaza

### Green Podium Roof

The green podium rooftop between UOB Plaza 1 and 2 reduces the heat island effect, which occurs when urban areas experience an increase in temperature due to sunlight on concrete. It also reduces the heat transmitted through the podium roof to the office space below. In addition, the glass roof panels allow natural light to illuminate the atrium at the ground level, reducing the need for lighting.

The podium roof also has a rainwater catchment area. The harvested rainwater is used for irrigation and reduces our reliance on fresh water.

### Green Cover

We have created a 4,962 square metre green patch with various species of plants in the surrounding vicinity of UOB Plaza, adding to the greenery of our working environment.

### Green Parking and Bicycle Bay

The basement carpark of UOB Plaza has allocated a priority Green Lot for hybrid or electric cars to encourage the use of such vehicles and in turn, to reduce carbon emission levels. We have also created sheltered bicycle parking lots, as well as shower and changing room facilities for cyclists, to promote the use of bicycles in place of cars.

### Green Transport

UOB Plaza, located conveniently above the Raffles Place Mass Rapid Transit Station, is easily accessible by public transport. UOB Plaza 1 and 2 are also well-connected by sheltered and underground walkways to the surrounding buildings and nearby bus-stops.

### Green Products

UOB Plaza's energy-efficient features extend to the use of products that have lower environmental impact. These include paint with low volatile organic compounds and certified Singapore Green Label Products such as toilet tissue rolls.



Green Cover (left), Green Podium Roof (centre), Green Parking (right)

## Managing Our Resources Wisely

### Water

We have installed water-efficient fittings in our three main office buildings in Singapore to optimise water use. All the three buildings have received the Water Efficiency Building Award from the Singapore Public Utilities Board in recognition of our commitment to save water. Our water efficiency improvement plan also includes initiatives such as private meters to monitor water usage.

### Paper and Equipment

Our recyclable waste includes mainly paper and used or decommissioned technology equipment. In encouraging our employees to use paper judiciously, we have started monitoring paper use across our network to minimise consumption and to encourage recycling. In 2016, we recycled 490 tonnes of paper. We also recycled 12,032 kg of decommissioned office equipment in Singapore through a licensed waste management contractor. This is more than double the amount that was recycled in 2015 (5,303 kg).

We are planning to expand the waste management programme to our offices in other countries in 2017.

## Increasing Environmental Awareness

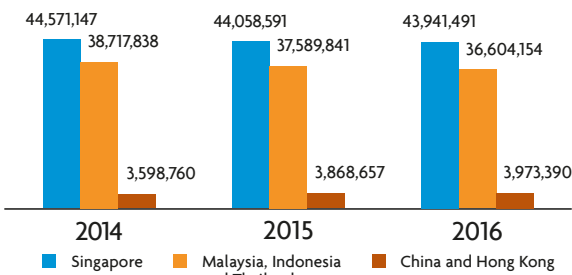
We organise a variety of programmes to increase awareness among our employees and office building tenants on protecting the environment and the effects of climate change. These programmes include exhibitions and complimentary distribution of potted plants to our employees and tenants. In Singapore, we also hold

regular meetings with tenants at UOB Plaza to encourage them to obtain the BCA Green Mark's Office Interior certification.

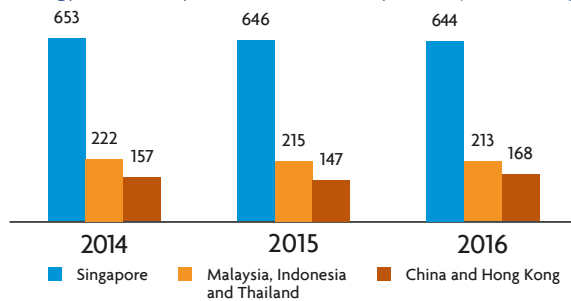
Annually at UOB Plaza 1 and 2, we also participated in the global Earth Hour campaign, which was initiated by the World Wildlife Fund in 2007, by turning off the lights for one hour to raise awareness about climate change.

## Our Environmental Performance

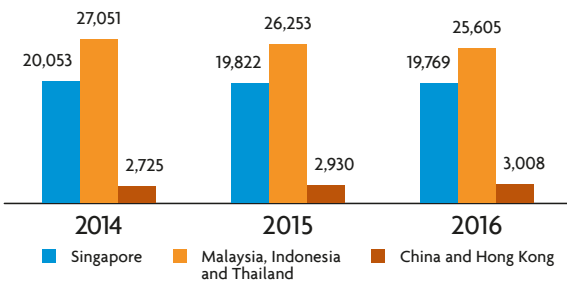
### Electricity Use (kWh)



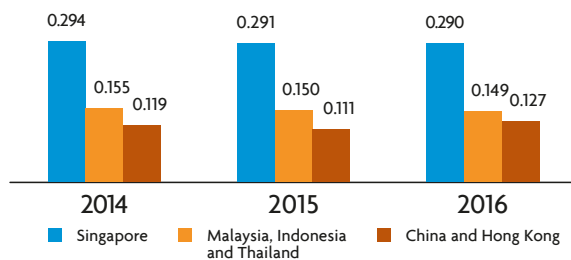
### Energy Intensity from Electricity Use (kWh/m<sup>2</sup>)



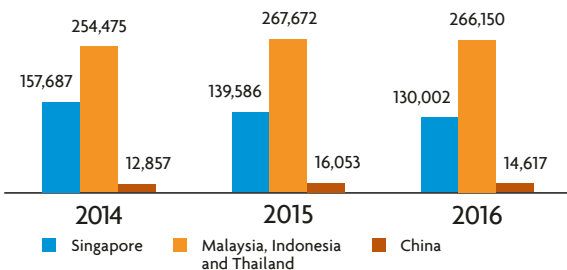
### Carbon Dioxide Emissions from Electricity Use (tCO<sub>2</sub>)



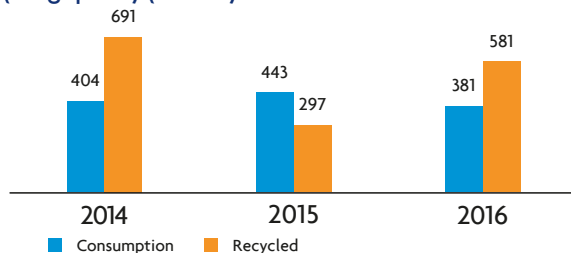
### Carbon Dioxide Emission Intensity from Electricity Use (tCO<sub>2</sub>/m<sup>2</sup>)



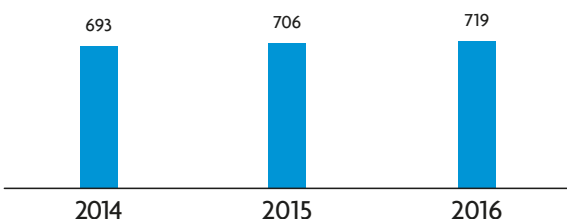
### Water Consumption (m<sup>3</sup>)



### Office Paper Consumption and Paper Recycled (Singapore) (Tonne)



### General Waste Generated (Singapore Office Buildings) (Tonne)



# Investors

UOB's focus on building a sustainable business with steady returns is aligned with the long-term interests of our investors. Active engagement with our investors plays a key role in ensuring we understand their concerns and address them in a timely and effective manner. Hence, we provide our investors with relevant information on the Group's corporate strategy, operational performance and business outlook to help them make well-informed investment decisions.

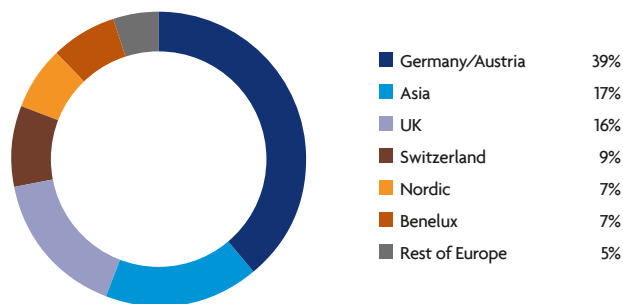
## 2016 Highlights

### Maiden Covered Bond Issuance

In March 2016, we launched our inaugural €500 million five-year covered bond offering<sup>1</sup>. With this, UOB became the first Asian issuer to access the euro covered bond market and the first to list euro-denominated covered bond on the Singapore Exchange. The covered bond issue broadened our list of issuances, beyond our traditional capital and unsecured debt. The strong participation from European investors also enabled us to expand and to diversify our investor base, in terms of investor type, names and geographical distribution.

The offering was 2.6 times subscribed, with a highly granular order book of 76 accounts including both repeat and new investors. The strong support was the result of proactive investor education and engagement in the two years leading up to this debut issuance. The covered bond issue was also named the "Best Securitisation" deal for Singapore by *The Asset Triple A Country Awards 2016* and the 2016 Singapore Capital Markets Deal of the Year by *IFR Asia*.

### Distribution of Investors by Geography



*"The first euro covered transaction from an Asian lender ex-Australasia will also serve as a template for subsequent deals."*

*"UOB prices debut euro covered in line with markets."*  
*IFR Asia, 2 March 2016*

*"And as usual it is difficult to highlight one particular deal which stands out from the crowd, although it would be hard to look beyond the pioneering debut covered bond from United Overseas Bank..."*

*"UOB leads by example."*  
*Informa Global Markets, 2 March 2016*

### Upgrade of UOB's Standalone Rating by S&P Global Ratings

In June 2016, S&P Global Ratings upgraded our standalone credit profile to 'a', while affirming the 'AA-' long-term issuer credit ratings with Stable Outlook. This rating action reflects S&P's recognition of the Bank's steady profitability across economic cycles, underpinned by our core commercial banking business model that focuses on generating recurring lending revenue through prudent strategies and conservative management style.

1. This was an issuance under UOB's US\$8 billion Global Covered Bond Programme, which was launched in November 2015.

## Corporate Day 2016 – UOB Engage: Improving Customers’ Lives in a Digital World

Since 2011, UOB has been organising annual Corporate Days for the investment community, during which our Senior Management shares the Group’s strategies across business lines and geographies. In 2016, the three-day event in Singapore saw the highest number of attendees for the annual series. It drew more than 700 customers, banking analysts and investors, and was also attended by our directors and employees. All materials presented during the Corporate Day were published on SGXNet and the UOB website in a timely manner.

During the Corporate Day event, Senior Management updated attendees on the Group’s strategy and approach to banking in the digital world. This was followed by a demonstration of our progress through four experiential zones, namely Connectivity, Innovation, Analytics and Ecosystem. There was a visit to BASH, a facility that houses more than 500 startups, and where UOB’s joint venture, The FinLab, mentors startups under its acceleration programme. We also hosted a panel discussion during which industry practitioners, including experts from the Monetary Authority of Singapore and UOB’s Senior Management, shared their insights into the FinTech startup landscape in Asia.

*“This Corporate Day is very good and educational in terms of teaching us about what UOB does. The perception has been that UOB has been late in the game in technology, but what this event has shown is that UOB has done a lot at the back-end and is driving ahead for the future. This event is important in showcasing the Bank’s digital strategy for the next couple of years and how it will stay relevant in the business of banking. It is very refreshing. I do not think many analysts had expected that UOB would bring out so many new initiatives.”*

Melissa Kuang,  
Analyst, Goldman Sachs

*“Banking in the digital world was the focus of UOB’s annual corporate access event. UOB is not standing still; the bank is positioning its IT infrastructure for the future and Management believes investment and experimentation in digital are necessary to be relevant.”*

Asheefa Sarangi,  
Analyst, CLSA

Attendees learnt more about our initiatives in the digital world at four experiential zones at UOB’s Corporate Day 2016.



Connectivity Zone: How UOB brings convenience to individual and business customers.



Innovation Zone: How UOB promotes a bank-wide culture of innovation, ideas and improvements.



Analytics Zone: How UOB uses analytics to gain insights into customers’ needs and preferences.



Ecosystem Zone: How UOB builds an ecosystem of strategic partners to connect the dots for our customers through the value chain.

# Investors

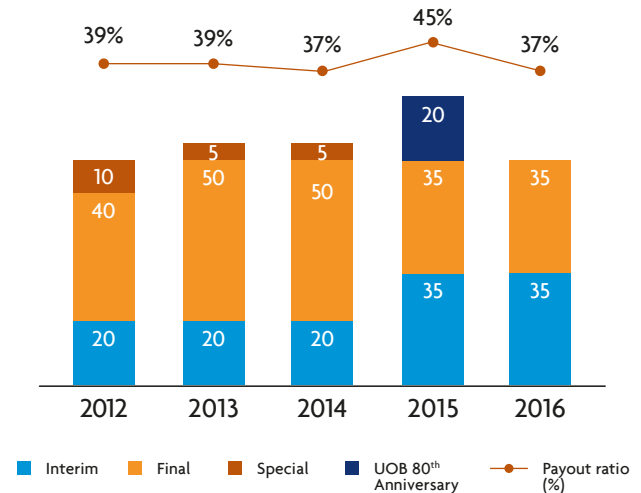
## Delivering Long-Term and Sustainable Returns

Under the stewardship of a stable and experienced leadership team, UOB has developed into one of the leading banks of Asia. We focus on the fundamentals of banking and keep our balance sheet strong. Our approach is to stay customer-centric as we enhance our capabilities to remain relevant to the needs of our customers in this ever-changing world.

We are mindful of our investors' interests. Being an established commercial bank anchored in Asia, we strive to provide steady long-term returns, sustained by our disciplined growth strategy and prudent balance sheet management.

Since our public listing in 1970 and through all business cycles, we have consistently paid dividends to our shareholders. Dividends are usually payable on a half-yearly basis. In 2016, despite slower economic growth and a softer credit cycle, we were able to maintain the total core dividend for the year at \$0.70 per share. The scrip dividend scheme was applied to both the interim and final dividends, giving our shareholders the option to receive the dividend in cash and/or new UOB shares. Backed by our steady financial performance, we achieved a total annualised shareholder return of 9.7 per cent from 2012 to 2016, compared with Singapore's stock market average of 5.0 per cent<sup>2</sup>.

UOB's Dividend Per Share (Cents) and Payout Ratio (%) for 2012-2016



## Selected Investment Metrics on UOB

	2012	2013	2014	2015	2016
Share price (\$)					
Highest	20.23	22.10	24.72	25.05	21.35
Lowest	15.15	18.63	19.40	18.20	16.80
Average	18.52	20.51	22.27	21.85	18.61
Last done	19.81	21.24	24.53	19.65	20.40
Price-to-earnings ratio (x) <sup>a</sup>	10.77	11.15	11.25	11.26	10.01
Price-to-book ratio (x) <sup>a</sup>	1.27	1.34	1.30	1.22	0.99
Net dividend yield (%) <sup>a</sup>	3.78	3.66	3.37	4.12	3.76
Return on average ordinary shareholders' equity (%)	12.4	12.3	12.3	11.0	10.2
Total annualised shareholder return from 2012 to 2016 (%)					9.7

<sup>a</sup> The daily-average share prices are used in computing these three ratios.

2. Sources: UOB, Bloomberg



We have relied consistently on our internal capital generation ability to support our expansion plans; our last major equity capital raising exercise was in 2001 during the merger with Overseas Union Bank. In 2016, we did not buy back any shares (which are normally held in treasury) although we used 1.0 million treasury shares<sup>3</sup> to meet our obligations under our employee long-term incentive plans.

UOB's credit ratings constitute an important component of our risk and capital management strategies. To help rating agencies better understand our business and strategies, we maintain regular dialogues with them, updating them on the Bank's financial performance and balance sheet standing. We are among the few highly-rated banks globally, with strong investment-grade credit ratings of 'Aa1' by Moody's Investors Services and 'AA-' by both S&P Global Ratings and Fitch Ratings.

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*“The Aa1 credit ratings are one of the highest in the world and are underpinned by UOB's traditional and well-established banking presence in Singapore, Malaysia and other markets, and strong credit fundamentals. The bank's capital position is good by global standards, with a large capacity to absorb unforeseen losses. The bank also has a deposit-funded asset base and a liquid balance sheet.”*

*Moody's report dated 20 December 2016*

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*“Our ratings on UOB reflect the bank's well-established market position, particularly in the SME segments, strong funding profile, and prudent management track record.”*

*S&P's report dated 12 July 2016*

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In 2016, UOB successfully issued the €500 million five-year covered bonds and US\$700 million Tier 2 subordinated notes in March, S\$750 million Additional Tier 1 perpetual capital securities in May, and the US\$600 million Tier 2 subordinated notes in September. All four issuances were well-received by investors, due largely to the strong confidence they have in the Bank's credit standing.

## Regular and Transparent Communications with Investors

Our engagement with the investment community, including our shareholders, investors, shareholder proxy voting agencies, equity and fixed-income analysts and credit rating agencies, is

governed by our investor relations policy. We are committed to maintaining regular and transparent communications with them and we also ensure that disclosure of information is conducted on a clear, fair and timely basis.

UOB is covered by the research teams from more than 20 brokerage firms globally. Through constant dialogue with our investment community, our Senior Management keeps investors abreast of UOB's financials, milestones and other material developments. This is especially important during times of economic uncertainty and market volatility. For example, we proactively addressed the concerns that the investment community had about the commodities sector and geographies such as China and Europe by making additional disclosures on the asset quality of our portfolios.

In 2016, we conducted more than 400 meetings with analysts and investors and shared with them UOB's corporate strategy, operational performance and business outlook through the following events:

- Quarterly results briefings, fronted by our Senior Management, with conference call facilities arranged for overseas analysts and investors. Analysts and investors in Singapore were also invited to post-results luncheons every quarter;
- Investor meetings, conferences and roadshows held in Europe, the US, Hong Kong, Taiwan, Malaysia, Australia, Korea, Japan and Singapore;
- UOB's Corporate Day in Singapore;
- Meetings with credit rating agencies; and
- Annual general meeting (AGM).

General information on UOB, including annual reports, quarterly results, recorded webcasts of results briefings, news releases and presentation slides, including the CEO's AGM presentation slides, as well as our investor relations calendar of events are available on our corporate website [www.UOBGroup.com](http://www.UOBGroup.com). All financial results, news releases, dividends recommended or declared for payment, and other ad-hoc announcements are also available on the SGX website.

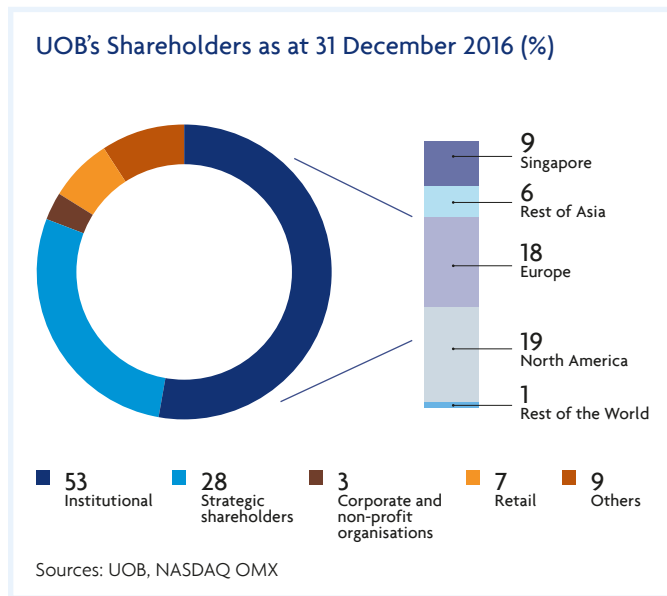
The UOB website also contains contact details of our Investor Relations Officer, so that investors may contact the team directly to clarify any queries or to provide feedback.

In recognition of our investor relations efforts, we were named runner-up for the Most Transparent Company Award, Financial Category at the Securities Investors Association (Singapore) Investors' Choice Awards 2016.

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

# Investors

## Our Diversified Shareholder Base



Our shareholder base is well-diversified, spanning institutions, strategic shareholders, retail investors and other corporate and non-profit organisations. Institutional investors constitute the largest shareholder group, holding more than half of UOB's shares, followed by strategic shareholders among whom are members of the Wee family, including UOB's Chairman Emeritus, Dr Wee Cho Yaw, and Deputy Chairman and CEO, Mr Wee Ee Cheong. Aimed at creating long-term value across the UOB franchise, the strategic shareholders' steadfast focus on balancing quality growth with stability is aligned with the long-term interests of other shareholders and investors seeking stable returns from a sustainable investment.

## Investor Relations Contact Information

If you have any enquiries or would like to find out more about UOB, please contact:

### Mr Stephen Lin / Mr Alfred Chan

Investor Relations  
 80 Raffles Place  
 #05-00 UOB Plaza 2  
 Singapore 048624  
 Tel: (65) 6539 2523 / 6539 3933  
 Fax: (65) 6538 0270  
 Email: [InvestorRelations@UOBgroup.com](mailto:InvestorRelations@UOBgroup.com)

### Share Registrar

#### Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place  
 #32-01 Singapore Land Tower  
 Singapore 048623  
 Tel: +65 6536 5355  
 Fax: +65 6438 8710  
 Website: [www.boardroomlimited.com](http://www.boardroomlimited.com)

# Regulators

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Regulatory compliance is a priority at UOB. We are committed to upholding the highest standards of ethics, integrity and fairness so as to be a source of stability, security and strength for our stakeholders.

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## Regulatory Landscape

The financial environment has in recent years seen rapidly changing regulations and policies. Governments and regulators have introduced new measures aimed at maintaining a robust and sustainable financial sector in light of challenges arising from changing consumer behaviour and disruptive technologies, and increased risks of financial crime including money laundering, financing of terrorism, fraud, tax evasion and cyber security threats.

At UOB, we constantly monitor industry developments, review and enhance compliance capabilities within our organisation and strengthen our values-based compliance culture. We also actively engage with regulatory and standards-setting bodies so that we manage regulatory risks in a timely and effective manner.

## Strong Compliance Culture

We are committed to complying with applicable laws and regulations in the countries and territories in which we operate. These include requirements relevant to the licensing and conduct of banking or other financial businesses, as well as those aimed at preventing financial crimes such as money laundering, terrorism financing, fraud, insider trading, tax evasion, bribery and corruption.

Group Compliance, an independent function reporting directly to the Group CEO, is tasked with identifying, assessing, monitoring and managing regulatory compliance risks. Group Compliance plays an important role in promoting a strong compliance culture and ethical conduct through advisory, active engagement with internal stakeholders and training.

The function also assists Senior Management and the Board in ensuring that activities of the Group are conducted in accordance with laws and regulations through periodic compliance reviews across the Group's business and support units. It also monitors regulatory trends and developments and provides regular updates to Senior Management and the Board.

The UOB Group Compliance Charter is aligned to the standards and guidance provided in the Basel Committee on Banking Supervision's "Compliance and the Compliance Function in Banks" paper. The Charter establishes the basic principles and duties of the Group Compliance function, roles and responsibilities of the internal stakeholders, and the relationship between Group Compliance and its internal stakeholders.

UOB also adheres to international standards such as the Volcker Rule, Foreign Account Tax Compliance Act (FATCA), as well as the Organisation for Economic Co-operation and Development (OECD)'s Common Reporting Standard (CRS). This is done by designing, implementing and operating effective compliance programmes to comply with the requirements.

## Anti-Money Laundering and Countering Terrorism Financing

UOB maintains a firm stance against financial crimes such as money laundering and terrorism financing. We have a robust and dynamic Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) framework and programme that identifies, assesses, mitigates and manages the risks associated with money laundering, terrorist financing and sanctions. The framework and programmes are reviewed and audited regularly by both our internal and external auditors.

All employees are required to comply with UOB's Group-wide Anti-Money Laundering Policy and applicable laws. A dedicated Senior Management committee provides governance oversight on the Group's AML/CFT and sanction-related matters.

We also monitor regulatory developments to assess the potential implications on our policies and processes. Significant events are escalated to the committee and Senior Management on a timely basis.

# Regulators

## Prohibiting Insider Trading

In line with the UOB Group Policy on Personal Trading in Securities, we have comprehensive policies and procedures in place that prohibit insider trading, manage insider trading risks and monitor employees' adherence. The policy requires employees who may have access to inside information to obtain pre-trade clearance approval in the pre-trade clearance system before executing their trades on the stock exchanges. Securities transactions by such employees are reviewed regularly by Group Compliance to detect potential violations.

## Anti-Bribery and Anti-Corruption

The Group adopts a zero tolerance approach to bribery and corruption. The UOB Code of Conduct includes our policies relating to anti-bribery including facilitation payments, restrictions on gifts and entertainment expenses, as well as conflicts of interest.

All new employees are required to complete an online training module on the UOB Code of Conduct, followed by an online assessment. Subsequently, all employees are required to complete the UOB Code of Conduct refreshment module every year.

In addition, our whistleblowing procedures enable employees to report in a private, confidential and secure manner, any instances of potential bribery.

There were no confirmed cases of bribery during the reporting period.

## FATCA – Foreign Account Tax Compliance Act

FATCA originated as a US-legislation designed to prevent tax evasion by US persons through the use of offshore accounts. To date, the US has negotiated bilateral Inter-Governmental Agreements (IGA) with more than 100 jurisdictions to incorporate FATCA into the respective jurisdiction's local legislation.

FATCA requires all foreign financial institutions to identify and to report information on assets held by US persons and other non-cooperative entities and individuals.

Our FATCA operationalisation programme, implemented in 2012, ensures that the Group meets all applicable FATCA requirements in all the jurisdictions in which we operate. We also have a governance framework to ensure that the Group continues to comply with FATCA requirements on a business as usual basis.

## Common Reporting Standard (CRS)

The CRS is a global tax information exchange standard developed by the OECD to prevent offshore tax evasion. Modelled on the FATCA Model 1 IGA, the CRS requires participating jurisdictions to identify and to collect tax information on residents of the bilateral treaty country and to exchange that information on an annual basis. To date, more than 100 countries have committed to the CRS.

Our CRS operationalisation programme ensures the Group meets all applicable CRS requirements in all the participating jurisdictions in which we operate.

# Sustainability

In creating sustainable value for our stakeholders, we are committed to aligning our long-term business strategies with their interests. We take into consideration their expectations and concerns as we identify and assess the environmental, social and governance risks, as well as opportunities across our business. Our commitment is a natural extension of our values of honour, enterprise, unity and commitment.

## Sustainability Governance Structure

Good governance is at the core of running our business responsibly.



The Strategy Committee (SC) assists the Board in providing advice to the Bank as it considers sustainability issues in formulating the strategic plan for the Group. Chaired by an independent director, the SC considers material environmental, social and governance (ESG) issues, reviews ESG goals and targets, and oversees the management and monitoring of material ESG factors. The SC makes its recommendations on our sustainability strategy and reporting for the Board's review and approval.

The SC is supported by the Management Executive Committee (MEC), which consists of the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Head of Group Technology and Operations, Head of Group Retail, Head of Group Wholesale Banking and Head of Global Markets. The MEC reviews and determines the material ESG issues and their scope, evaluates key performance indicators, reviews long-term goals and provides strategic direction for sustainability reporting.

The MEC is in turn assisted by a sustainability reporting project team, comprising senior managers from key functions within the organisation. With guidance from an external consultant, the project team collates and reviews ESG data in collaboration with internal stakeholders for sustainability reporting.

## Our Material ESG Factors

### Materiality Analysis

In 2016, senior and middle management executives from 13 functions and departments, including the sustainability reporting project team, attended a workshop facilitated by an external sustainability consultant.

The participants identified the ESG factors material to the Group based on their knowledge of their respective business areas, the challenges faced by the banking industry and the corresponding implications for UOB's businesses and operations. They also considered the insights they gained from their day-to-day engagement with their stakeholders.

The workshop outcomes were followed by extensive consultation with internal stakeholders, including members of the senior management team, to establish the direction for sustainability reporting.







The sustainability reporting project team also examined the evaluation criteria applied by the relevant sustainability indices and rankings to understand the ESG matters of interest to our stakeholders.









In addition, the consultant conducted a global sustainability reporting benchmarking study, which included sustainability reporting practices of leading financial institutions.

Finally, we considered the guiding principles from the Singapore Exchange's Sustainability Reporting Guidelines, The Association of Banks in Singapore's Responsible Lending Guidelines, UN Principles for Responsible Investment and the Equator Principles.

# Sustainability

Based on the above process, we categorised the identified ESG factors into three groups: Highly Material, Material and Important. A summary of these factors, how we create value, our goals and how they relate to the Global Reporting Initiative's (GRI) aspects and boundaries is presented in the following table.

Our Focus	Our Value Creation	Our Goals	GRI G4 Aspect	GRI Boundary (Where the Impact Occurs – Within or Outside UOB)
<b>Highly Material Factors</b>				
Customer experience 	<ul style="list-style-type: none"> <li>• Treating customers fairly based on the principles of integrity, trust and respect.</li> <li>• Creating relevant solutions across our businesses to meet our customers' needs.</li> </ul>	To keep the customers' interests at the heart of all that we do.	<ul style="list-style-type: none"> <li>• Local communities</li> <li>• Product and service labelling</li> </ul>	Outside
Risk-focused organisational culture 	<ul style="list-style-type: none"> <li>• Maintaining high standards of corporate governance and a robust risk management framework to protect the interests of our stakeholders.</li> <li>• Remaining nimble to seize business opportunities amid a fast-changing environment.</li> </ul>	To achieve stable and sustainable growth through informed risk-based decisions.	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Customers</li> </ul>	Within and outside
Digital transformation 	<ul style="list-style-type: none"> <li>• Making banking simpler and safer for our customers through innovation and technology.</li> </ul>	To ensure that technology enhances our people and service capabilities as we deepen our culture of innovation and enterprise.	<ul style="list-style-type: none"> <li>• Customer privacy</li> </ul>	Within and outside
Cyber security, fraud prevention and anti-money laundering 	<ul style="list-style-type: none"> <li>• Protecting our customers from cyber security threats through robust risk management systems and processes.</li> <li>• Assisting regulators in preventing cyber-crime, money laundering and funding of terrorism.</li> </ul>	To uphold our role in maintaining a secure and trusted banking environment.	<ul style="list-style-type: none"> <li>• Customer privacy</li> </ul>	Outside
Economic value of our contributions 	<ul style="list-style-type: none"> <li>• Delivering consistent returns for our investors.</li> <li>• Contributing to the local economies through taxes, job creation, facilitating trade and industries and building the financial resilience of our stakeholders.</li> </ul>	To create direct and indirect economic value for our stakeholders.	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Indirect economic performance</li> </ul>	Within and outside
Regulatory compliance 	<ul style="list-style-type: none"> <li>• Maintaining sound risk management systems.</li> <li>• Complying with applicable laws, rules, regulations and standards.</li> </ul>	To maintain the highest standards of professional and ethical behaviour.	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Compliance (Product responsibility and Society)</li> </ul>	Within and outside

Our Focus	Our Value Creation	Our Goals	GRI G4 Aspect	GRI Boundary (Where the Impact Occurs – Within or Outside UOB)
<b>Material Factors</b>				
Responsible lending 	<ul style="list-style-type: none"> <li>Addressing environment, social and governance issues when making lending decisions.</li> </ul>	To be a responsible financial services provider.	<ul style="list-style-type: none"> <li>Product responsibility</li> <li>Product portfolio</li> <li>Economic performance</li> </ul>	Outside
Access to financial services 	<ul style="list-style-type: none"> <li>Making banking services and products accessible to all segments of society to meet their needs and expectations.</li> </ul>	To ensure that banking services and products are available to all through our comprehensive and diverse network of touchpoints.	<ul style="list-style-type: none"> <li>Local communities</li> </ul>	Outside
Social impact 	<ul style="list-style-type: none"> <li>Supporting social development in the areas of art, children and education.</li> <li>Encouraging innovation and enterprise, and nurturing startups and small- and medium-sized enterprises (SMEs).</li> </ul>	To strengthen our social fabric through community-building and helping individuals and organisations realise their potential.	<ul style="list-style-type: none"> <li>Local communities</li> <li>Indirect economic performance</li> </ul>	Outside
Attracting, developing and retaining talent 	<ul style="list-style-type: none"> <li>Treating our people with care and respect.</li> <li>Investing in training and career development for our people.</li> </ul>	To develop valuable and meaningful careers for our people.	<ul style="list-style-type: none"> <li>Employment</li> <li>Training and education</li> </ul>	Within
Diversity and inclusion 	<ul style="list-style-type: none"> <li>Hiring from diverse cultural backgrounds, age groups, gender and abilities.</li> </ul>	To champion a more inclusive society.	<ul style="list-style-type: none"> <li>Employment</li> <li>Diversity and equal opportunity</li> </ul>	Within
<b>Important Factors</b>				
Environmental footprint 	<ul style="list-style-type: none"> <li>Managing our resources wisely by saving energy, reducing carbon emissions and resource consumption, and minimising waste.</li> </ul>	To play our part in reducing climate change.	<ul style="list-style-type: none"> <li>Energy</li> <li>Emissions</li> <li>Effluent and waste</li> <li>Water</li> </ul>	Within and outside
Workplace safety, health and well-being 	<ul style="list-style-type: none"> <li>Providing our people with a conducive work environment.</li> </ul>	To ensure the physical, mental and social welfare of our people.	<ul style="list-style-type: none"> <li>Occupational health and safety</li> </ul>	Within
Supply chain responsibility 	<ul style="list-style-type: none"> <li>Addressing sustainability risks in our supply chain.</li> </ul>	To encourage social and environmental responsibility in our supply chain.	<ul style="list-style-type: none"> <li>Supplier assessment</li> <li>Forced labour</li> <li>Child labour</li> </ul>	Outside

# Sustainability

## Principles of Reporting

In line with regulatory developments towards broader corporate disclosure, we aim to meet GRI's 'in-accordance-core' criteria by providing information on the material ESG factors relevant to our business.

In defining our reporting content, we have observed the GRI's principles of stakeholder inclusiveness, sustainability context, materiality and completeness. For reporting quality, we have observed the principles of accuracy, balance, clarity, comparability, reliability and timeliness.

The ESG data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy, while our external sustainability consultant reviewed the data and information, verified samples of data and conducted interviews to ascertain accuracy.

## Stakeholder Engagement

At UOB, we believe that constructive stakeholder engagement enables us to serve the needs of our customers more effectively, to build meaningful careers for our people and to make a difference in the communities in which we operate.

By gathering stakeholder feedback through dialogue, collaboration and cooperation, we secure insights into the ESG factors that matter most to them and that are relevant to our business.

A summary of our stakeholder engagement efforts is presented in the following table.

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2016
Customers	<ul style="list-style-type: none"> <li>Fair products and services</li> <li>Reasonable fees and charges</li> <li>Responsible financial advice</li> <li>Secure transactions</li> <li>Protection of data and privacy</li> <li>Convenient access to products and services</li> <li>Prompt service and resolution of complaints</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining the highest professional and ethical standards in all our dealings with our customers.</li> <li>Focusing on both personal and business financial needs of our customers when developing our products and services.</li> <li>Ensuring that our people are equipped and committed to advise and to act in the best interests of our customers.</li> <li>Providing our customers with clear and transparent information so that they can make informed financial decisions.</li> <li>Ensuring access to our banking products and services through our extensive network of customer touchpoints.</li> <li>Managing customer feedback independently, effectively and promptly.</li> <li>Ensuring the robustness of our monitoring and risk systems to maintain a secure banking environment.</li> </ul>	<ul style="list-style-type: none"> <li>Interactions at branches</li> <li>Face-to-face meetings</li> <li>Customer surveys</li> <li>Call centre service</li> <li>Marketing and advertising campaigns</li> <li>Website and social media channels</li> <li>Events and seminars</li> </ul>



Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2016
Employees	<ul style="list-style-type: none"> <li>• Trust and respect</li> <li>• Career development</li> <li>• Job satisfaction and recognition</li> <li>• Fair employment practices</li> <li>• Competitive wage and benefits</li> <li>• Work-life balance</li> <li>• Workplace well-being</li> <li>• Conducive work environment</li> </ul>	<ul style="list-style-type: none"> <li>• Creating a values-based organisational culture.</li> <li>• Providing opportunities for training and development.</li> <li>• Empowering our people to take ownership of their own career paths.</li> <li>• Enabling our colleagues Group-wide to be informed and engaged in order to contribute effectively.</li> <li>• Promoting teamwork and supporting one another to achieve shared goals.</li> <li>• Ensuring fair human resource policies.</li> <li>• Ensuring transparent and objective performance appraisals, and performance-based rewards and recognition.</li> <li>• Allowing flexible work arrangements.</li> <li>• Enabling employees to give back to the community through volunteering initiatives.</li> <li>• Providing health and wellness benefits.</li> <li>• Maintaining workplace health and safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular townhall meetings</li> <li>• One-on-one sessions</li> <li>• Quarterly email messages from CEO</li> <li>• Online employee portal with collaborative and social features</li> <li>• HR policies and procedures</li> <li>• Periodic performance reviews</li> <li>• Training and workshops</li> <li>• Open door policy by management</li> <li>• Inter-departmental games</li> <li>• Recreational activities</li> <li>• Employee volunteerism programmes</li> <li>• Job opportunities and support for people with disabilities</li> </ul>
Investors and Analysts	<ul style="list-style-type: none"> <li>• Stable and sustainable growth and profitability</li> <li>• Reasonable returns to shareholders</li> <li>• Sound asset quality and healthy funding and capital positions through economic cycles</li> <li>• Responsible lending and investment</li> <li>• Strong corporate governance and transparency</li> <li>• Timely disclosures</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring strong oversight and accountability by an experienced and competent Board and Management team.</li> <li>• Adopting a disciplined and measured approach towards business risks and opportunities.</li> <li>• Ensuring robust risk governance and management.</li> <li>• Implementing responsible lending guidelines.</li> <li>• Maintaining a strong corporate governance culture.</li> <li>• Ensuring timely disclosure and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly results briefings and conference calls</li> <li>• Engagement meetings with rating agencies at least once a year</li> <li>• General meetings with shareholders</li> <li>• Quarterly financial reports</li> <li>• Annual reports</li> <li>• SGXNet announcements</li> <li>• Presentations, conferences and roadshows</li> <li>• Annual Corporate Day</li> <li>• Participation in analyst surveys</li> </ul>



# Sustainability

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2016
Community	<ul style="list-style-type: none"> <li>• Employment opportunities</li> <li>• Good corporate citizenry</li> <li>• Responsible lending and investment</li> </ul>	<ul style="list-style-type: none"> <li>• Encouraging strategic investments that drive economic growth and social development.</li> <li>• Creating jobs in local economies.</li> <li>• Giving back to society through programmes focused on art, children and education.</li> <li>• Integrating ESG considerations into our risk assessment and credit decision processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Career and recruitment fairs and roadshows</li> <li>• Donations</li> <li>• Annual regional art competition</li> <li>• Partnerships with National Gallery Singapore, art patrons and voluntary welfare organisations</li> <li>• Art roadshows and outreach programmes</li> <li>• Art education programmes</li> <li>• University scholarships</li> <li>• Interest-free student loans</li> <li>• Financial literacy initiatives</li> <li>• Annual charity run/walk</li> <li>• Fundraising events</li> </ul>
Governments and Regulators	<ul style="list-style-type: none"> <li>• Upholding of the highest standards of corporate governance and ethical behaviour</li> <li>• Prevention of financial fraud and money-laundering</li> <li>• Countering the financing of terrorism</li> <li>• Financial stability</li> <li>• Taxes</li> <li>• Support of the development of local economies and industry</li> </ul>	<ul style="list-style-type: none"> <li>• Complying with applicable and current laws, regulations and policies.</li> <li>• Maintaining sound risk management systems and processes.</li> <li>• Preserving strong capital adequacy levels.</li> <li>• Providing regular compliance training for our people.</li> <li>• Conducting regular internal and external audits.</li> <li>• Developing products and services tailored for startups and SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings with local authorities</li> <li>• Consultations with regulatory bodies</li> <li>• Annual reports</li> <li>• Audit reports</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Fair vendor selection process</li> <li>• Ethical conduct</li> <li>• Timely payment</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring integrity in all purchasing decisions.</li> <li>• Adhering to agreement terms.</li> </ul>	<ul style="list-style-type: none"> <li>• Requests for Quotations and/or Proposals</li> <li>• Vendor briefings</li> <li>• Purchase agreements</li> <li>• Annual reviews</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Timely and transparent information on topics of relevance to the Bank and industry, and the communities in which we operate</li> <li>• Prompt and accurate reporting of corporate news such as financial results</li> <li>• Access to senior executives with specific industry expertise for media interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Providing regular media releases and briefings to update the media and the public on our initiatives and progress.</li> <li>• Ensuring prompt and relevant responses to media queries.</li> <li>• Ensuring the availability of our spokespeople on topics of relevance to the Group and industry and the communities in which we operate.</li> <li>• Sharing thought leadership to demonstrate UOB's insight into the markets and industries that we serve.</li> </ul>	<ul style="list-style-type: none"> <li>• News releases/statements</li> <li>• Media conferences</li> <li>• Media briefings</li> <li>• Media interviews</li> <li>• Ongoing engagement sessions with media in person and online</li> </ul>
Other financial institutions	<ul style="list-style-type: none"> <li>• Cooperation and collaboration in addressing the sustainability issues facing the financial services sector</li> </ul>	<ul style="list-style-type: none"> <li>• Participating and contributing actively in industry-wide efforts to ensure the long-term sustainability of the sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Industry association meetings</li> <li>• Conferences</li> <li>• Roundtables</li> </ul>

## Our Sustainability Scorecard

Performance Indicators	2016	2015	2014
<b>Customers</b>			
<b>Access to Financial Services</b>			
Number of branches – Group	470	484	505
Number of branches – Singapore	62	63	66
Total number of ATMs – Group	1,661	1,724	1,707
Total number of ATMs – Singapore	754	780	738
Number of contactless ATMs – Singapore	38	0	0
Number of Ability ATMs <sup>1</sup> – Singapore	20	0	0
<b>Digital Transformation</b>			
Online penetration rate for retail customers – Group (%)	53	53	48
Online penetration rate for retail customers – Singapore (%)	88	88	81
Mobile banking users as a percentage of active online banking users (retail customers) – Group (%)	45	45	41
Online penetration rate for corporate/SME clients – Group (%)	52	44	36
Number of contactless point-of-sale terminals – Singapore	5,723	1,331	595
<b>Customer Experience and Advocacy</b>			
Customer compliments – Singapore	15,486	12,775	12,309
Complaints relating to sales of investment and insurance products – Singapore (%)	0.52	0.45 <sup>2</sup>	0.11
<b>Lending Profile – Group (\$ billion)</b>			
Loans to small businesses	9.4	8.8	8.6
Loans to medium businesses	40.1	39.6	36.9
Loans to large businesses	88.0	77.0	73.8
Loans to individuals	88.1	82.0	80.0
<b>People<sup>3</sup></b>			
Permanent employees	23,904	24,092	24,067
Permanent employees – Singapore	8,642	8,443	8,341
Local employees (%)	95.9	96.1	96.5
New hires	5,715	6,633	7,061
Female headcount <sup>4</sup> (%)	61.5	61.1	60.9
Female senior management (%)	35.9	36.1	34.2
Female middle management (%)	52.1	51.9	51.5
Female department heads <sup>5</sup> (%)	47.4	36.4	38.1
Female supervisors or managers <sup>5</sup> (%)	53.5	54.4	54.1
Average training hours per headcount	36.6	39.0	36.9
Training expenditure per headcount (\$)	774	836	789
Employee attrition rate (%)	20.6	19.8	23.1

# Sustainability

Performance Indicators	2016	2015	2014
<b>Community</b>			
Monetary contributions (\$ million)	4.5	4.3 <sup>6</sup>	3.7
<b>Environment<sup>7</sup></b>			
Office paper consumption in offices – Singapore (tonne)	381	443	404
Office paper consumption per full-time employee – Singapore (kg)	44	52	48
Paper recycled – Singapore (tonne)	490	297	691
Electricity used (kWh)	84,519,035	85,517,090	86,887,745
Electricity use intensity (kWh/m <sup>2</sup> )	321	318	327
Carbon emissions (tCO <sub>2</sub> )	48,382	49,005	49,829
Carbon emission intensity (tCO <sub>2</sub> /m <sup>2</sup> )	0.184	0.182	0.187
Water consumption – Singapore, Malaysia, Indonesia, Thailand and China (m <sup>3</sup> )	410,769	423,311	425,019
General waste – Singapore office buildings only (tonne)	719	706	693
<b>Economic Value of Contributions (\$ million)</b>			
Total operating income	8,061	8,048	7,457
Profit after tax <sup>8</sup>	3,096	3,209	3,249
Dividends to shareholders	1,232	1,873	1,285
Employee compensation and benefits	2,050	2,064	1,825
Income tax to governments	669	649	561
<b>Suppliers<sup>7</sup></b>			
Total purchases (\$ million)	1,324	1,181	1,057
Purchased from local suppliers (%)	93.1	93.8	94.0

1 Ability ATMs are designed to provide visually-impaired customers with audio assistance.

2 We introduced in 2015 a more stringent process for the recording of complaint cases.

3 All People data applies to UOB Group unless stated otherwise.

4 Headcount includes permanent and contract employees.

5 Data applies to Singapore, Thailand and Greater China.

6 Excludes UOB80-related community contributions of \$38.6 million.

7 All Environment and Suppliers data applies to UOB's six key markets of Singapore, Malaysia, Indonesia, Thailand, China and Hong Kong unless indicated otherwise.

8 Relates to the amount attributable to equity holders of the Bank.

## Notes:

- The above data, extracted from internal systems and records, covers the period from 1 January 2014 to 31 December 2016, and includes UOB's subsidiaries unless stated otherwise.
- Internationally accepted measurement units have been used in presenting the information. The basis for data calculation is discussed in the relevant sections within this report.

## Feedback

Your views are important to us. Please send your comments, questions or suggestions to:

### Mr Stephen Lin

Head of Investor Relations  
sustainability@UOBgroup.com

# Our Awards and Accolades in 2016

## **Asia Asset Management**

### **2016 Best of the Best Awards**

- Best of the Best Performance in Asian Bonds, 10 Years
  - UOB Asset Management

## **AsianInvestor**

### **Asset Management Awards 2016**

- Asia Fund House of the Year
  - UOB Asset Management
- Best Institutional Product/Strategy
  - UOB Asset Management (Malaysia)

## **Asiamoney**

### **Cash Management Poll 2016**

- Best Local Cash Management Bank in Singapore as voted by large-sized corporates
- Best Local Cash Management Bank in Singapore as voted by medium-sized corporates
- Best Local Cash Management Bank in Singapore as voted by small-sized corporates
- Best Foreign Cash Management Bank in China as voted by large-sized corporates
- Best Foreign Cash Management Bank in China as voted by medium-sized corporates
- Best Foreign Cash Management Bank in China as voted by small-sized corporates
- Best Foreign Cash Management Bank in Hong Kong as voted by large-sized corporates
- Best Foreign Cash Management Bank in Hong Kong as voted by medium-sized corporates
- Best Foreign Cash Management Bank in Malaysia as voted by large-sized corporates
- Best Foreign Cash Management Bank in Malaysia as voted by medium-sized corporates
- Best Foreign Cash Management Bank in Malaysia as voted by small-sized corporates
- Best Foreign Cash Management Bank in Thailand as voted by large-sized corporates
- Best Foreign Cash Management Bank in Thailand as voted by medium-sized corporates

### **Fixed Income Poll 2016**

- Overall Best Bank for Regional Commodities
- Best for Commodities Research
- Best for Commodities Sales
- Best for Commodities Derivatives

### **Foreign Exchange (FX) Poll 2016**

- Best for Overall FX Services, Indonesia
- Best for FX Products and Services, Indonesia
- Best for FX Options, Indonesia
- Best for FX Options, Thailand

## **Building and Construction Authority (BCA)**

### **BCA Awards 2016**

- Green Mark Gold<sup>Plus</sup> Award for Existing Non-Residential Buildings
  - UOB Plaza 2

## **China Foreign Exchange Trade System**

### **Interbank FX Market Excellence Market Maker Awards 2016**

- SGD/CNY Best Market Maker
  - UOB (China)
- Best Member Award
  - UOB (China)

## **Community Chest**

### **Community Chest Awards 2016**

- Corporate Pinnacle Award
- Corporate Platinum Award
- Special Events Platinum Award

## **Contact Centre Association of Singapore (CCAS)**

### **16<sup>th</sup> CCAS International Contact Centre Awards 2016**

- Silver for Customer Experience Mystery Calling Award
- Silver for Best In-House Contact Centre (Above 100 seats)
- Silver for Best Outsourced Contact Centre (Above 100 seats)
- Best Videography for Life of Contact Centre

## **FundsUPERMART**

### **Choice Awards 2016**

- Most Consistent Recommended Fund Award (Fixed Income)
  - United Emerging Markets Bond Fund, UOB Asset Management
- Top Selling Recommended Fund
  - United SGD Fund Cl A Acc, UOB Asset Management

## **Futures & Options World Magazine**

- Prop Traders' Clearer of the Year
  - UOB Bullion and Futures

## **HR Asia Magazine**

- Best Companies to Work for in Asia Awards 2016
  - UOB Hong Kong

## **Infobank Magazine**

### **2016 Banking Service Excellence Award**

- 1<sup>st</sup> Best ATM Award, Commercial Bank Category, Indonesia

## **International Financing Review Asia (IFR Asia)**

### **IFR Asia Awards 2016**

- Singapore Capital Markets Deal
  - UOB's €500m 0.25% covered bond due 2021

## **Lipper**

### **Lipper Fund Awards 2016 Taiwan**

- Best Fund Over 10 Years, Equity Sector Health Care
  - United Global Healthcare Fund, UOB Asset Management (Taiwan)



# Our Awards and Accolades in 2016

## **Mediavision Magazine**

- The Best Asian Bank of the Year in 2016
  - UOB Hong Kong

## **Money & Banking**

### **Best Mutual Fund of the Year 2016**

- Best Long Term Equity Fund, equity portion 70%
  - 70/30 Dividend Long Term Equity Fund, UOB Asset Management (Thailand)

## **National Arts Council**

### **Patron of the Arts Award 2016**

- Distinguished Patron of the Arts Award

## **National Trades Union Congress**

### **May Day Awards 2016**

- Plaque of Commendation Award

## **Retail Banker International (RBI)**

### **RBI Asia Trailblazer Awards 2016**

- Excellence in Mobile Banking Overall
  - UOB Mighty
- Excellence in Mobile Banking Customisation
  - UOB Mighty

## **Securities Investors Association (Singapore) (SIAS)**

### **SIAS 17<sup>th</sup> Investors' Choice Awards 2016**

- Runner-up, Most Transparent Company Award, Financials Category

## **Service Excellence Magazine and Carre-Center for Customer Satisfaction and Loyalty**

### **Contact Center Service Excellence Award 2016**

- Exceptional Service Performance, Indonesia Call Centre

## **Singapore Exchange (SGX)**

- Top 5 SGX-Derivatives Trading Member 2016
  - UOB Bullion and Futures
- Top 5 SGX-Derivatives Trading Negotiated Large Trade Members 2016
  - UOB Bullion and Futures

## **Smart Magazine**

### **Smart Taiwan Fund Awards 2016**

- Smart Taiwan Fund Awards 2016
  - United Global Healthcare Fund, UOB Asset Management (Taiwan)

## **Social Enterprise Research Institute**

### **Outstanding Social Caring Award**

- UOB Hong Kong

## **Taipei Foundation of Finance (TFF) – Bloomberg**

### **TFF-Bloomberg Best Fund Awards 2016**

- Best Fund over 10 Years, Fixed Income Funds
  - United Emerging Markets Bond Fund, UOB Asset Management (Taiwan)

## **The Asian Banker**

### **Excellence in Retail Financial Services Award 2016**

- SME Bank of the Year

## **Technology Innovation Awards 2016**

- Best Mobile Banking Project, Retail Banking
- Best Self Service Project
- Best Technology Leadership Achievement Award
  - Ms Susan Hwee, Head of Group Technology and Operations

## **Transaction Banking Awards 2016**

- Best Cash Management Bank in Singapore
- Best Transaction Bank in Singapore

## **Thailand Country Awards 2016**

- Best Foreign Retail Bank in Thailand
- Wealth Management of the Year

## **The Asset**

### **Benchmark Research Awards 2016**

- Ranked 2<sup>nd</sup> in Top Investment Houses in Asian Local Currency Bonds, Thailand

## **Triple A Country Awards 2016, Best Deals - Southeast Asia**

- Best Securitisation, Singapore
  - UOB €500m covered bonds

## **Triple A Treasury, Trade and Risk Management Awards 2016**

- Best in Treasury and Working Capital for MNCs/LLCs, Singapore
- Best in Treasury and Working Capital for SMEs, Thailand
- Best Trade Finance Solution, Indonesia
- Best Trade Finance Solution, Malaysia
- Best Trade Finance Solution, Singapore
- Best Risk Management Solution, Singapore
- Best Cash Management Solution, Singapore
- Best Cash Management Solution for SMEs, Singapore
- Editor's Triple Star Award, Singapore

## **The Association of Banks in Singapore**

### **Excellent Service Award 2016**

- ABS Service Excellence Champion 2016
- Star Award (814 Winners)
- Gold Award (134 Winners)
- Silver Award (232 Winners)

## **Warta Ekonomi**

### **Indonesia Best Banking Brand Award 2016**

- Best Service Title, Private Bank Category
  - UOB Indonesia

## **WealthBriefingAsia**

### **WealthBriefingAsia Singapore Awards 2016**

- Best Private Bank in Southeast Asia
- Best Fund Manager
  - UOB Asia Investment Partners

## **World Finance**

### **Investment Management Awards 2016**

- Best Investment Management Company in Thailand
  - UOB Asset Management (Thailand)

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

31 December 2016

## Governance

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# Corporate Governance

The UOB Board views good corporate governance as fundamental to the creation, protection and enhancement of the value of the Bank, and to achieving sustainable growth. We aim to set the right tone and to nurture a culture that is entrepreneurial and yet risk-focused, and safeguards the long-term interests of our stakeholders, while remaining fair and accountable in our activities and practices.

We are pleased to report that we have complied with the Banking (Corporate Governance) Regulations (Banking Regulations) and all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (MAS Guidelines). The MAS Guidelines comprise the Code of Corporate Governance (Code) for companies listed on the Singapore Exchange Securities Trading Limited (SGX-ST), and supplementary principles and guidelines added by the Monetary Authority of Singapore (MAS). Please see pages 103 to 105 for a quick reference to the discussions pertaining to the respective guidelines.

## BOARD MATTERS

(Principles 1 to 6, MAS Guidelines)

### Board Duties

The Board is responsible for:

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

The Board is diverse and harnesses the range of deep skills, expertise, experience and insights of its members in the discharge of its duties. With regular reports and updates on the Bank's performance, operations as well as business and governance initiatives, and in working closely with Management, the Board has been able to make decisions that are progressive and forward-looking and which uphold the values of the Bank.

The Board and Management review the strategy of the Group regularly. In the 2016 review, the Board and Management sharpened the strategic focus of the Group. The review involved participation by the Board in a workshop and a series of discussions and presentations, and drew on the directors' extensive experience, knowledge and insight. A Board retreat was also held during which the Board and Management shared ideas, views and perspectives and reviewed strategic priorities. The Board also guided Management on capital management strategies in light of evolving and anticipated regulatory requirements and actively supported Management's efforts to tap technology and venture into financial technology (FinTech). Please refer to the Customers section of this report for more information on our FinTech activities.

### Board Delegation

While the Board is collectively responsible as steward of the Bank, it recognises the efficiencies and benefits of specialisation. Hence, it has delegated certain duties to six Board Committees, namely the Strategy Committee (SC), Board Credit Committee (BCC), Nominating Committee (NC), Remuneration Committee (RC), Board Risk Management Committee (BRMC) and Audit Committee (AC). For a sharper focus on strategy and credit matters, the former Executive Committee (EXCO) was re-constituted into the SC and BCC in February 2016. To ensure good coordination and to benefit from the counsel of all directors, each Board Committee provides a report of its activities and the minutes of its meeting to the Board at least quarterly.

The roles and responsibilities of each Board Committee are well-defined in their respective terms of reference. These are reviewed annually for continued relevance. Among other things, the terms of reference also set out the operating processes of the Board Committees, including decision-making by the Board Committees.



## Key Processes

Board and Board Committee meetings and the annual general meeting (AGM) are scheduled in advance and all directors are notified well before the start of the calendar year. When circumstances warrant it, ad-hoc meetings are held. To help directors access meeting materials as soon as they are available, papers are uploaded onto a secure portal, and directors can read from their tablet devices wherever they are. A director who is unable to attend a meeting in person may participate via telephone and/or video conference (as provided for in the UOB Constitution) or convey his/her views through another director or the company secretary.

The Board and Board Committees seek to make decisions by consensus. Where there is a divergence of views, decisions are made by majority vote. Decisions may also be made by way of circular resolutions. All deliberations and decisions of the Board and Board Committees are minuted and filed.

## Managing Potential Conflicts of Interests

All directors must notify the Bank in a timely manner of any change in their interests or other appointments. Where a director has an interest in a matter being discussed, he/she is required to recuse himself/herself from the discussion and abstain from voting on the matter. Directors' direct and deemed interests in shares and debentures of the Bank and its related corporations are disclosed in the Directors' Statement section of this report.

## Board Attendance

Directors' attendance at formal meetings in 2016 is set out in the table below. Apart from the formal meetings recorded in the table, directors have also spent time in discussions among themselves and with Management.

Name of director	Number of meetings attended in 2016								
	AGM	Board	EXCO*	SC*	BCC*	NC	RC	BRMC	AC
Hsieh Fu Hua	1	6 / 6	1 / 1	6 / 6	2 / 2	4 / 4	5 / 5	4 / 4	–
Wee Cho Yaw <sup>1</sup>	1	6 / 6	1 / 1	4 / 6	2 / 2	3 / 4	1 / 1	4 / 4	–
Wee Ee Cheong	1	6 / 6	1 / 1	5 / 6	2 / 2	<sup>2</sup>	–	4 / 4	–
Wong Meng Meng <sup>3</sup>	1	6 / 6	–	–	–	3 / 4	–	2 / 3	–
Franklin Leo Lavin	1	6 / 6	1 / 1	5 / 6	–	4 / 4	–	–	–
Willie Cheng Jue Hiang	1	6 / 6	–	–	–	4 / 4	–	–	4 / 4
James Koh Cher Siang	1	6 / 6	1 / 1	6 / 6	–	–	5 / 5	–	4 / 4
Ong Yew Huat	1	6 / 6	–	–	2 / 2	–	–	4 / 4	4 / 4
Lim Hwee Hua <sup>4</sup>	1	6 / 6	–	–	2 / 2	3 / 3	4 / 4	1 / 1	–
<b>Number of meetings held in 2016</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>

\* The EXCO was re-constituted into the SC and BCC on 15 February 2016.

1. Dr Wee Cho Yaw stepped down from the RC on 15 February 2016.

2. Mr Wee Ee Cheong is the alternate member to Dr Wee Cho Yaw on the NC.

3. Mr Wong Meng Meng was appointed to the BRMC on 15 February 2016.

4. Mrs Lim Hwee Hua was appointed to the NC on 10 March 2016. She joined the RC and stepped down from the BRMC on 15 February 2016.

## Board Independence, Composition and Diversity

The Board currently comprises nine members. Annually, the NC assists the Board to review each director's independence according to the criteria in the Banking Regulations. Based on the criteria, a director is independent if the director:

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

In its review, the NC considers each director's disclosures of his/her other appointments, interests or personal circumstances, the business and financial relationships between the Bank and each director (if any), and each director's responses in a questionnaire. The questionnaire contains a series of questions that is designed to assess a director's independence based on the criteria for independence in the Banking Regulations and MAS Guidelines.

The NC has determined that six directors are independent and two are non-independent. The independent directors 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, unchanged from last year. Messrs Wee Cho Yaw and Wee Ee Cheong are non-independent directors as they are substantial shareholders of the Bank. Mr Wee Ee Cheong is also the Chief Executive Officer (CEO) of the Bank. Mr Wong Meng Meng was not part of the latest assessment as he had indicated that he would not be seeking re-election upon his retirement at the conclusion of the 2017 AGM. The NC had assessed in 2016 that based on the criteria in the Banking Regulations, Mr Wong Meng Meng is non-independent as he had served for more than nine continuous years on the Board.

# Corporate Governance

Except for Mr Wee Ee Cheong, all Board members are non-executive directors.

The Board has professional, gender, geographical and ethnic diversity and a wide range of experience. Two of the directors are substantial shareholders and career bankers. Several directors have experience in public administration or have managed large commercial organisations. Among the directors are entrepreneurs and several are active in the non-profit and philanthropic sector. They bring their wealth of experience in interacting with a good cross-section of society. Each has his/her unique qualities that broaden the quality of the Board.

The personal profiles of the Board members are in the Board of Directors section of this report. Together, the directors' skills and expertise span banking, accounting, management, law and corporate governance, providing core competencies that are relevant to the Bank's business. Having reviewed each director's profile and self-assessment based on the MAS Fit and Proper Criteria, the NC has assessed that each director remains fit and proper and qualified for office. Each NC member recused himself/herself during the NC's deliberation.

The NC will continue to assess the needs of the Bank in terms of the size of the Board and the skills and expertise required to help build a sustainable business.

## Board Chairman and Chief Executive Officer

The Board Chairman, Mr Hsieh Fu Hua, is an independent director. He provides leadership on the Board, approves the meeting agenda of the Board, ensures that directors receive timely and comprehensive information for them to discharge their duties, promotes an open environment for constructive debate at meetings, facilitates collaboration between the Board and Management and oversees corporate governance matters. He also plays an active role in ensuring that the continuous development programme for directors is relevant and appropriate. During general meetings, he fosters open dialogue among shareholders, the Board and Management. Sitting on all the Board Committees (save the AC), the Board Chairman has a good overview of the activities of all Board Committees and is able to guide the Board and the Board Committees to better performance. Although he is not a member of the AC, he sits in at most of its meetings. He also receives regular briefings from the CEO and Senior Management.

Mr Wee Ee Cheong, the CEO, leads the management team, implements the Board's decisions, and promotes a values-based culture and an environment that is conducive to professional and personal development and community-building. Assisted by Senior Management, the CEO bears executive responsibility for the Bank's day-to-day operations and business, including seeking business opportunities and ensuring the continued relevance, adequacy and effectiveness of the Bank's system of

internal controls and risk management. During the year under review, the CEO spearheaded various initiatives which included the digital transformation of the Bank and innovative and integrated financial solutions to serve the needs of consumers and businesses and to improve customer experience. He also led staff development and community engagement programmes.

As the Chairman is independent, non-executive and unrelated to the CEO, and the Board comprises a majority of independent directors, there is no need to appoint a lead independent director.

## Time Commitment and Performance

Each year, the directors individually perform a confidential assessment of the Board as a whole and the Board Committees, and a self-assessment of his/her own performance. All comments are taken into account when the NC evaluates the performance of the Board and Board Committees and each director.

Factors considered in appraising the Board include the Board's organisation, responsibility for the Bank's strategy, succession planning, risk management and internal controls as well as the Bank's performance. Board Committees are assessed on the fulfilment of the terms of reference, conduct of meetings and accountability to the Board. The evaluation of each director comprises the following:

- attendance and performance at the AGM and the Board and Board Committee meetings;
- assessment in the questionnaire on preparedness for meetings, participation and contribution to board decisions, clarity in communication and strategic insight, among others; and
- skills, experience and other appointments held.

The directorships and principal commitments of each director are disclosed in the Board of Directors section of this report. From each director's disclosures of his/her other appointments at least quarterly, the NC is able to monitor the director's known commitments and to assess his/her availability to commit time to the affairs of the Bank. During the year, several directors had also reduced their other commitments. Based on each director's known commitments and his/her contribution, the NC is satisfied that all directors have carried out their duties adequately, contributing to the effectiveness of the Board and Board Committees. The directors had demonstrated their commitment to the Bank and availability to attend to the affairs of the Bank, both at formal meetings and informally. Directors also showed their support at various bank events such as our Corporate Day. The NC therefore does not recommend setting a limit on the number of directorships that a director may hold.

## Selection Process, Appointment and Re-election

The Board had previously determined that increasing the board size would be beneficial to the Bank. Some factors underpinning the decision include the pace at which the operating environment is evolving, technological advancement and the increasing regulatory burden on banks. Under the leadership of the NC chairman, the NC mapped the skill-sets and expertise currently available on the Board against an ideal framework, so as to identify the additional skills required. These included finance, technology, strategic planning and human resource management. All directors were then invited to nominate candidates who were shortlisted for further assessment by the NC. With the concurrence of the Board, the NC chairman initiated discussions with the shortlisted candidates as appropriate. All appointments are subject to the approval of the MAS.

Board succession planning is critical to the long-term success of the Bank and sustainability of its business. Hence, the NC is working to ensure that there is a pipeline of critical skills following the retirement of directors.

Other relevant factors considered by the NC in its assessment included the candidates' independence under the Banking Regulations, competencies, qualification for office, personal attributes such as integrity and financial soundness, and ability to commit time and effort to perform board duties.

As provided in the Bank's Constitution, one-third of the directors retire from office by rotation at the AGM every year. In nominating directors for re-election, the NC considers several factors including each director's performance and the Board's composition and diversity. New directors must also submit themselves for re-election at the first AGM following their appointment to the Board and thereafter, at least once every three years. Resolutions 6 to 7 in the Notice of AGM relate to the re-election of directors at the forthcoming AGM.

## Induction and Continuous Development

Whenever a new director is appointed, he/she will, as part of the induction, meet with key senior executives and receive briefings on the key areas of the Bank's business and risk management. Each new director also receives an induction package which contains, among other materials, the articles of directorship which enumerate a director's general duties and obligations, terms of reference of the Board and Board Committees, guidance on directors' duties and relevant company policies.

The continuous development programme for directors is refined regularly. New and existing directors receive appropriate training on a continuing basis under the programme, which takes into account the Bank's risk profile, business operations and business strategy. Directors attend external programmes, such as those organised by the Singapore Institute of Directors, and in-house training conducted by internal or external subject-matter experts.

In general, two half-days are set aside each quarter for the directors' continuous development as well as business reviews held in conjunction with the formal board meetings. In addition, training sessions are arranged on specific topics for Board or Board Committee members.

The programme covers technical skills as well as UOB-centric topics. Topics covered in 2016 included credit risk measurement and approval, market outlook (general and industry), cyber security and the Bank's governance, risk and compliance system. Sessions on financial reporting standards, regulatory capital, anti-money laundering regulations, FinTech and market outlook were conducted by external subject-matter experts. The Bank also organised sessions for directors to discuss business and strategy issues with key senior executives, as well as an on-location review of the Group's Greater China strategy in Hong Kong. During the onsite visit, the Board also had the opportunity to meet major clients. The programme in 2016 met the objective of equipping directors with the relevant knowledge to perform their duties.



# Corporate Governance

## Leadership Succession

UOB has established programmes to identify employees with potential and nurture them through career development opportunities for senior management positions. The development programmes are monitored for continuing relevance and effectiveness.

During the year, the NC reviewed the succession planning process for senior management positions and guided Management in refining the approach for a more structured process towards building a pool of qualified banking experts and supporting professionals. In particular, the refined process will help the Bank to identify early and to groom employees with potential for a paced development programme, depending on the needs of the Bank. Candidates may be paired with mentors or given opportunities to hone their leadership skills. Where appropriate, cross-functional training and regional exposure may be offered. In the event that there is no suitable internal candidate, the Bank would look to external recruitment.

The management positions closely monitored by the NC include the top management positions at the head office and the heads of the overseas banking subsidiaries and branches, in particular the CEO, chief financial officer (CFO) and chief risk officer (CRO) whose appointments are subject to the approval of the MAS. In addition to appointments, the NC also reviews the reasons behind senior executive resignations, all towards ensuring that the Bank continues to be able to attract, to motivate and to retain talent.

## Access to Information

Directors have unfettered access to Senior Management, the external auditor and information for the purpose of carrying out their duties. Prior to a meeting, directors are provided with comprehensive and timely financial, strategic, risk management and operational reports for their deliberation and to enable them to make informed decisions. Senior executives are present at meetings to provide additional information or clarification as required. Where relevant, professional advisers may be invited to brief the Board or Board Committees.

Common membership in the Board Committees facilitates the sharing of information between relevant Board Committees and better coordination of the work among the Board Committees.

The Board is supported by the Secretariat team and has separate and independent access to the company secretaries. The appointment and removal of the company secretary are subject to the Board's approval. The company secretaries, who are qualified lawyers, support directors in discharging their responsibilities, advise directors on governance matters, help the Board to monitor the execution of its decisions and facilitate communication between the Board and Senior Management. The company secretaries also organise the induction of new directors and the directors' continuous development programme, and provide updates on applicable laws and regulations.

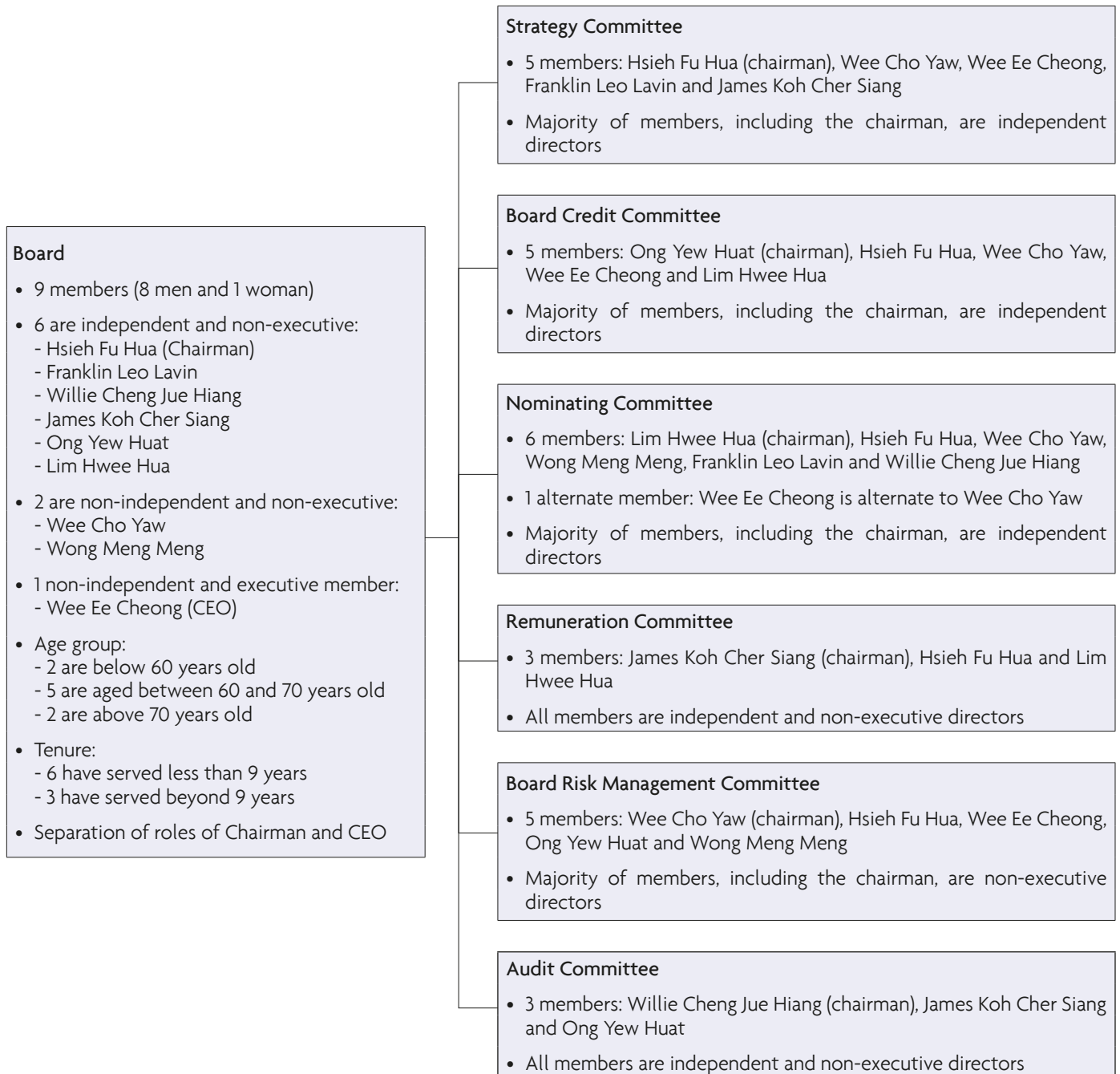
Whether individually or as a group, directors may seek independent professional advice in the course of discharging their duties at the Bank's expense.

## Board Committee Composition

The NC, RC, BRMC and AC have been constituted in accordance with the Banking Regulations. Established in 2016 to oversee specific areas, the SC and BCC are not mandatory Board Committees. The roles and duties of each Board Committee are explained further in this section.

As the composition of the Board Committees was comprehensively reviewed in 2016, the NC has recommended, and the Board has agreed, that the composition of each committee remains unchanged in the interest of stability and to enable the Board Committees time to implement their plans. The Board also expects to appoint new directors in the near term as part of its renewal plans. Once the new appointments are made, the Board will review the composition of the Board Committees towards an equitable distribution of the responsibilities of directors and to optimise the collective expertise of the Board. A graphical representation of the current composition of the Board and Board Committees is set out on the next page.

## Composition of Board and Board Committees



# Corporate Governance

## Strategy Committee

The SC, which was established in 2016, oversees the Bank's strategies and related activities. Its responsibilities are to:

- assist the Board in providing strategic direction to the Bank and oversee the Bank's strategic plan and implementation;
- review medium- and long-term strategic objectives proposed by Management and oversee Management's performance in relation to the strategies;
- review, endorse and recommend the Bank's annual business plans, budget as well as the capital and debt structure in relation to the strategies;
- review the Bank's financial and operational performance in relation to approved budgets;
- consider sustainability issues in formulating strategies;
- deliberate on strategic matters which require Board review between Board meetings; and
- perform such other duties as the Board may delegate to it from time to time.

The SC is focused on ensuring that the Bank builds on its strengths, is mindful of the present and ready for the future and provides any support and counsel which Management may need. In 2016, the SC guided Management in sharpening the strategic focus of the Group as it reviewed the Bank's regional potential, growth thrust and technology roadmap. Other activities of the SC included reviewing capital management, budgeting, dividend matters and governance matters. For some of its meetings on bank-wide strategy, the SC invited the other directors to attend and contribute their perspectives.

## Board Credit Committee

Assisting the Board in overseeing exposure to large credits, the BCC, which was also established in 2016, is responsible for:

- reviewing credit policies; and
- approving credit facilities within its limits.

The BCC's role requires it to be attuned to the economic developments and credit exposures of the Group on an ongoing basis. In addition to approving credit cases and setting policies, it monitors credit quality and advises Management on credit risk matters.

During the year under review, the BCC reviewed the credit discretionary limits for authorised parties to approve credit facilities. The exercise enhanced the efficiency of credit approvals while retaining an appropriate oversight role for the BCC. The BCC also reviewed credit facilities for specific borrowers such as related parties of director groups and substantial shareholder groups, and exposure to specific borrowers and industries. In addition to sharing its views and insights on market developments, it also guided Management on economic trends which have an impact on credit quality.

## Nominating Committee

The main responsibilities of the NC are to:

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

The appointment of NC members is subject to the approval of the MAS. The main activities of the NC are outlined on pages 87 to 90.

## REMUNERATION MATTERS

(Principles 7 to 9, MAS Guidelines)

### Remuneration Committee

The RC's main responsibilities are to:

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

The common membership of Mrs Lim Hwee Hua and Mr Hsieh Fu Hua on the RC and NC ensures that the work of the two committees is well coordinated and all relevant factors that have an impact on succession, remuneration and talent management are appropriately considered by the respective committees.

During the year under review, the RC reviewed the remuneration framework and policy for continued relevance, directors' remuneration and other remuneration-related matters. An external consultant, Willis Towers Watson, was appointed to review the CEO's compensation framework and the Executive Equity Plan's vesting criteria framework. As part of the regular review, Oliver Wyman and McLagan were engaged to review the Bank's compensation framework. Willis Towers Watson, McLagan and Oliver Wyman are independent and do not have any relationship with UOB or any director of the Bank. The RC's main activities are outlined on pages 93 to 94.

### Directors' Remuneration

Non-executive directors are paid directors' fees, which comprise a basic fee for service on the Board and additional fees for service on Board Committees. Fees are pro-rated for directors who serve on the Board or Board Committee for less than a year. The RC reviews and recommends the level and structure of directors' fees which take into account the directors' responsibilities and the fee structure of comparable public-listed companies in the market.

No director is involved in deciding his/her remuneration. Non-executive directors do not receive options, share-based incentives or bonuses. Mr Wee Ee Cheong, an executive director, is remunerated as part of Senior Management and does not receive any fee for serving on the Board and Board Committees. As he is also a substantial shareholder, he does not participate in the Bank's share plans for executives.

A fee has been proposed for payment to Dr Wee Cho Yaw, the Chairman Emeritus and Adviser, in recognition of the advice which he provided to the Board and Management in the year under review.

The proposed fees for non-executive directors and Dr Wee Cho Yaw are subject to shareholders' approval at the AGM. Please see the Directors' Statement section of this report for more information on:

- the fee structure for non-executive directors; and
- directors' fees and other remuneration, including fees received as directors of subsidiaries.

### Employees' Remuneration

The employee remuneration framework is designed to encourage behaviour that contributes to the Bank's long-term success while keeping remuneration competitive to attract, retain and to motivate employees and highly-skilled individuals. Remuneration is commensurate with employees' performance and contributions. The remuneration package comprises base salaries, performance bonuses, benefits and, where applicable, share-based incentives. Please refer to the Remuneration section of this report for more information on the Group's remuneration framework, policy and processes, including the remuneration mix and deferred remuneration for senior executives and employees. Details of the Bank's share-based incentive plans are set out in the Directors' Statement section of this report.

# Corporate Governance

The RC reviews the Bank's obligations arising in the event of the termination of Senior Management's service contracts to ensure that such contracts contain fair and reasonable terms of termination which are not overly generous, onerous or adverse to the Bank. The RC also approves the overall performance bonus, the share-based incentive plans and the remuneration of Senior Management based on the remuneration policy approved by the Board, taking into account the performance of the Bank. In approving the remuneration packages of the CEO and other members of Senior Management, the RC reviews their individual performance and contributions. The performance of and remuneration for the CRO and Head of Group Audit are reviewed and approved by the BRMC and AC respectively.

The Bank has decided not to disclose the remuneration of the top five non-director executives whether individually or in the aggregate. UOB believes that it is not to its advantage or in its best interest to disclose such information given the competitive human resource environment and the sensitive nature of employee remuneration matters. Confidentiality of employee remuneration matters should be maintained to support the Bank's efforts to attract and to retain highly-skilled individuals.

The following employees in the UOB Group are immediate family members of directors of the Bank and whose 2016 remuneration exceeded \$50,000:

- Mr Wee Ee Cheong, the CEO of the Bank, is the son of Dr Wee Cho Yaw and his 2016 remuneration is disclosed in the Directors' Statement section of this report; and
- Mr Brian Ong Li Jian, the son of Mr Ong Yew Huat, is employed by UOB Asset Management Ltd, a subsidiary of UOB. His 2016 remuneration was within the band of \$50,000 to \$100,000.

## ACCOUNTABILITY AND AUDIT

(Principles 10 to 13, MAS Guidelines)

### Board Risk Management Committee

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;
- adequacy and effectiveness of the risk management system;
- review of the overall risk profile and the compliance with risk appetite, risk limits and risk-return strategy;
- establishment of risk measurement models and approaches;
- appropriateness of the remuneration and incentive structure; and
- appointment, remuneration and resignation of the CRO.

The BRMC assists the Board in exercising risk oversight and reports to the Board quarterly. The CRO, who reports functionally to the BRMC and administratively to the CEO, is responsible for the day-to-day operations of the risk management functions in the Group, including the overseas banking subsidiaries and branches.

During the year, the BRMC reviewed the risk governance framework, risk appetite framework and statement, frameworks for managing key risks, risk profile reports, stress test results and key risk management initiatives. In addition, it reviewed the Bank's remuneration practices in relation to promoting appropriate risk-taking behaviour. The emerging risks presented by the operating environment were also considered by the BRMC.

For more information on the work overseen by the BRMC, please refer to the Risk Management section of this report.



## Audit Committee

The AC oversees matters relating to the following:

- financial statements and quality of, and any significant change in, accounting policies and practices;
- adequacy and effectiveness of internal accounting control systems and material internal controls;
- appointment, re-appointment, evaluation and remuneration of the external auditor, and plans, reports and results of external audit;
- appointment, evaluation, remuneration and termination of the Head of Group Audit;
- adequacy and effectiveness of the internal audit function, including plans, reports and results of internal audit;
- policies and procedures for handling fraud and whistleblowing cases; and
- interested person transactions and material related party transactions.

A majority of the AC members (including the chairman) are accountants by training and all AC members have experience serving in audit committees of large companies and other organisations. Internal controls and risk management are closely related. As a member of both the AC and BRMC, Mr Ong Yew Huat is able to help coordinate matters between the two committees.

The AC is empowered to conduct or to authorise investigations into any matter within its terms of reference. In the discharge of its duties, the AC has the full cooperation of Senior Management and the internal and external auditors. Audit reports, findings and recommendations of the internal and external auditors are sent directly to the AC, independent of Management. The internal and external auditors separately meet with the AC in the absence of Management, at least once every quarter. The AC has actively promoted a collaborative relationship between the internal and external auditors, ensuring that they are able to perform their complementary roles effectively.

Each quarter, the AC meets to review the financial statements before recommending them to the Board for approval. The review includes assessing the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements. For more effective conduct of business at AC meetings, the AC chairman receives prior briefings on matters to be reported by the Finance team and the internal and external auditors. The AC members also have separate discussions outside AC meetings as they deem necessary or appropriate. AC meetings may involve discussions of accounting standards and accounting practices and developments, especially those that have an impact on the business of the Bank and its reporting obligations. Recognising the weight of their responsibility in respect of the financial statements, the AC members, together with several other non-AC directors, attended a dedicated session conducted by the external auditor to acquaint themselves with impending amendments to financial reporting standards that are relevant to the business of the Bank.

Another important duty of the AC is the review of fraud and whistleblowing cases reported to the Bank. It also reviews the policies governing the management of fraud and whistleblowing cases. More information on the whistleblowing policy, which is administered by Group Audit, can be found on page 102.

The AC also approves the appointment, remuneration and resignation of the Head of Group Audit, who reports functionally to the AC and administratively to the CEO.

## External Auditor

The external auditor, Ernst & Young LLP, is registered with the Accounting and Corporate Regulatory Authority (ACRA). The AC approves the terms of engagement of the external auditor and the audit fees, and reviews the external auditor's audit plan and reports.

To help shareholders and other stakeholders in their understanding of the Bank, the AC recommended, and the Board supported, the early adoption of the enhanced independent auditor's report for financial year 2015, making UOB one of the first ten companies in Singapore to adopt the new requirement, which comes into effect only in 2017. Please refer to the Independent Auditor's Report section of this report for information on the work carried out by the external auditor, including the key audit matters which the external auditor assessed to be of most significance in its audit of the financial statements for the year under review. The AC's commentary on the Independent Auditor's Report is provided in the table on the next page.

## Corporate Governance

Item in Independent Auditor's Report	AC's commentary on Independent Auditor's Report
<p>Pages 152-153 KAM<sup>^</sup>: Impairment of loans to customers</p>	<p>The Bank had a sizable loan book and it grew 8.8% year on year. Group non-performing loan (NPL) ratio rose to 1.5%, an increase of 0.1%.</p> <p>We were apprised of Management's credit-monitoring controls and processes by both the internal and external auditors. The external auditor's testing methodology and results on impairment allowances were also presented and discussed at the year-end AC meeting.</p> <p>For specific allowances, we reviewed significant NPLs and the related allowances to satisfy ourselves that the classifications and level of allowance were appropriate.</p> <p>For general allowances, we reviewed Management's methodology for collective impairment, which has been consistently applied over the years. We deliberated on the Bank's historical loss experience and resilience of the general allowance to absorb emerging loss given the current macroeconomic environment.</p> <p>Overall, we assessed that the allowances on loans, barring unforeseen circumstances, were adequate.</p>
<p>Page 153 KAM: Valuation of illiquid or complex financial instruments</p>	<p>With continued volatility in the global markets, the valuation of illiquid or complex financial instruments, such as unquoted equities and structured derivative products, can be a challenge.</p> <p>We discussed the valuation techniques used and, in particular, the unobservable inputs used to determine the fair value of these financial instruments with Management and the external auditor. The valuation processes and controls were also tested by the internal auditor.</p> <p>We noted the results of the internal and external auditors' testing and reviewed the resultant fair value hierarchy classification of these financial instruments.</p> <p>We considered the fair value and classification of these financial instruments appropriate.</p>
<p>Page 154 KAM: Impairment of goodwill</p>	<p>Goodwill from the acquisition of Overseas Union Bank, UOB Thailand and UOB Indonesia totalled \$4.15 billion.</p> <p>Management presented its goodwill impairment testing methodology and results to us. The external auditor presented its review of the methodology and testing results including comments from its valuation specialists and sensitivity analyses performed.</p> <p>We assessed the appropriateness of the lowest-level cash generating units, cashflow forecasts and the discount rates used. We were satisfied that no impairment was required on the goodwill at this time.</p>
<p>Page 155 Other information</p>	<p>Other information (OI) comprises information presented in the annual report other than in the financial statements. OI was not available to the external auditor at the issuance of its audit opinion on 16 February 2017. By a letter dated 13 March 2017, the external auditor confirmed to the Board that it has since received and read the OI and found no material inconsistencies with the Group's financial statements for the year ended 31 December 2016 or its knowledge obtained in the audit, nor does the OI otherwise appear to be materially misstated.</p>

<sup>^</sup> "KAM" means key audit matter.

The external auditor has provided quarterly affirmation of its independence to the AC. Notwithstanding such affirmation, the AC has reviewed all relationships between the Bank and the external auditor, including the fees paid to the external auditor for audit and non-audit services provided to the Bank in 2016. Management submits regular reports to the AC on the engagement of the external auditor for non-audit services and the fees paid for such services. On the basis of such reports and the conduct of the external auditor during the year, the AC is satisfied that the external auditor's independence was not compromised by the non-audit services provided and the amount of non-audit fees paid. Please refer to Note 10 to the Financial Statements for the audit and non-audit fees for 2016. Since the engagement of the external auditor in 2003, the non-audit fees paid to the external auditor have not exceeded the audit fees and have been between 5 per cent and 37 per cent of the audit fees for the respective years.

Based on its review of the external auditor's work and feedback received from the internal auditor and Management, the AC is of the view that the external auditor was independent and objective in its audit of UOB in the year under review. The AC has also found that the external auditor has a good understanding of the Bank's business, risk management and operational issues, and the requisite expertise and resources to perform its duties. In its review of the external auditor, the AC was guided by the *Audit Quality Indicators Disclosure Framework* issued by ACRA, the *Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors* issued by ACRA and the Singapore Exchange, and the *External Audits of Banks* issued by the Basel Committee on Banking Supervision. The AC has recommended that Ernst & Young LLP be nominated for re-appointment at the forthcoming AGM. In compliance with Rules 712 and 715 of the SGX-ST Listing Manual, Ernst & Young LLP was also appointed as the external auditors of the subsidiaries of UOB, except for a handful of immaterial overseas subsidiaries due to exceptional local regulations and circumstances.

## Internal Auditor

Group Audit, the internal audit function, is independent of the activities that it audits. Every year, the AC reviews and approves the risk-based internal audit plan and the Internal Audit Charter, which sets out Group Audit's authority and responsibilities. In addition, the AC reviews the internal audit reports, scope and results of the internal audits, and the adequacy, effectiveness and efficiency of Group Audit. Within Group Audit, specialists can be found in various disciplines relevant to the business of the Bank, including technology, structured products, credit evaluation, fund management and investment. Measures are also in place to build functional continuity as part of its succession planning. To keep their skills up to date, Group Audit ensures that the internal audit team receives adequate and appropriate training each year. Opportunities are also provided for audit staff to be attached to business units for short terms to facilitate an in-depth understanding of their activities and processes.

Group Audit conducts internal audits and assesses the reliability, adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. Audit projects are prioritised and scoped according to Group Audit's assessment of the Bank's risks and controls over the risk types. Group Audit adopts a two-year cycle risk-based audit plan that enables it to react more quickly to changes in regulations, address emerging risks and facilitate closer monitoring of the risk and control environment of the Bank. Given the increasing complexity of cyber risk and new digital banking initiatives, Group Audit has placed greater emphasis on the review of the Bank's cyber security defence and capabilities.

To augment its effectiveness and efficiency, Group Audit uses data analytics in the course of its work. In addition to the risk-focused reviews, Group Audit also supports Management in inculcating a stronger risk culture through the introduction of a new Management Governance and Oversight Rating Framework, which aims to encourage greater risk awareness and build a more robust control environment.



# Corporate Governance

Working within the framework defined in the Internal Audit Charter, Group Audit adopts and meets the *Standards for the Professional Practice of Internal Auditing* set by The Institute of Internal Auditors and other relevant best practices. *The Internal Audit Function in Banks* issued by the Basel Committee on Banking Supervision is another guide. An independent audit quality assurance review of the internal audit function was commissioned by the AC during the year. Protiviti Inc., which conducted the review, has confirmed that Group Audit generally conforms to the International Professional Practices Framework of The Institute of Internal Auditors and that the implementation of a two-year cycle audit plan is effective and contributes to the overall enhancement of the Bank's risk and control environment.

Group Audit also oversees the internal audit functions of the Bank's overseas banking subsidiaries and provides leadership on various audit aspects. It acts as an internal resource, guiding them on standards of auditing and the Group's policies, while respecting local regulations and the authority of the audit committees of the respective overseas banking subsidiaries. To the extent appropriate and in accordance with local regulations, Group Audit also conducts audits of selected areas and reviews the internal audit work of each banking subsidiary. The Head of Group Audit is invited to attend the banking subsidiaries' audit committee meetings.

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 is adequately and appropriately resourced and has carried out its responsibilities effectively and efficiently.

## System of Risk Management and Internal Controls

UOB's system of risk management and internal controls comprises the following:

- **Management oversight and control:** Senior management committees assist the CEO to maintain the relevance and effectiveness of the Bank's frameworks and policies for internal controls and risk management. The committees are the Asset and Liability Committee, Brand Implementation Committee, Credit Committee, Human Resources Committee, Information and Technology Committee, Investment Committee, Management Committee, Management Executive Committee, Operational Risk Management Committee, and Risk and Capital Committee.

- **Risk identification, monitoring and assessment:** Group Risk Management identifies, monitors and assesses risks of the Group, and provides independent risk assessment of the overall risk profile to the Board and Senior Management. It works with business and support units and the relevant senior management committees to develop and to implement appropriate risk management strategies, frameworks, policies and processes. Group Risk Management reports regularly to the Board and BRMC on the overall risk outlook, including any emerging risk and key developments in the Group, among others. More information on the Bank's risk management can be found in the Risk Management and Pillar 3 Quantitative Disclosure sections of this report.
- **Regulatory compliance:** Group Compliance provides oversight, functional leadership and guidance to build a strong compliance culture and framework for the Group. It works with business and support units to identify, to assess, to monitor and to manage regulatory compliance risks, and accords high priority to preventive measures against money-laundering and terrorist-financing activities. Business and support units are guided by compliance policies, procedures and guidelines, ethical standards and industry best practices in the conduct of business. Through regular reports, Group Compliance highlights significant compliance issues and regulatory developments to the Board and Senior Management. It also provides assessments of key regulatory compliance risks, recommends corrective measures and issues advisories where appropriate.
- **Audits:** Please see the respective sections on the external and internal auditors.

For a more integrated approach to governance, risk management and compliance, the Bank has adopted a common reporting and sharing platform. Such a platform facilitates coordination and collaboration of Group Audit, Group Risk Management and Group Compliance, resulting in greater risk awareness and a more robust system of internal controls. This provides for more effective governance oversight and response to issues identified.

## Adequacy and Effectiveness

The Bank's business units use various self-assessment tools to assess their compliance with internal controls, risk management processes and applicable regulations. The results of the self-assessments are then reviewed by Senior Management. The AC has reviewed the internal controls with the Head of Group Audit, 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, the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

The Board has also assessed the Bank's internal controls and risk management processes, the work carried out by the internal and external auditors, and the reviews performed by Senior Management and the relevant Board Committees.

Following its assessment, and with the concurrence of the AC and BRMC, the Board is of the opinion that the Bank's system of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2016. The Board notes that no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud. UOB's system of risk management and internal controls provides reasonable but not absolute assurance that the Bank will not be affected by any adverse event which may be reasonably foreseen.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

(Principles 14 to 16, MAS Guidelines)

### Shareholder Rights and Conduct of Shareholder Meetings

All shareholders are entitled to attend general meetings and participate in decisions concerning key corporate changes, such as any amendment to the Bank's Constitution and the authority to issue ordinary shares.

A notice of a general meeting is sent to shareholders within the statutory timeline of at least 14 days before the meeting. Each proposal is tabled as a separate and distinct resolution and explanatory notes to the resolutions tabled are provided in the notice of meeting. The notice, together with the proxy form, is published on the UOB website and SGXNet. It is also published in certain widely-read newspapers in Singapore.

Shareholders who are not relevant intermediaries as defined in the Companies Act may appoint up to two proxies to attend and to vote at general meetings in their place, while nominee companies and custodian banks who are relevant intermediaries may appoint more than two proxies. Investors who hold shares through nominee companies and custodian banks may attend and vote as proxies of the nominee companies or custodian banks. The Bank currently does not implement voting in absentia by mail or electronic means.

At each general meeting, adequate time is allocated for shareholders to give their views on matters affecting the Bank. Each ordinary share carries one vote. With electronic poll-voting being conducted at general meetings, shareholders are able to exercise their full voting rights. Shareholders present in person or represented by proxies are briefed on the procedures before electronic poll-voting commences. Each item on the agenda is put to the vote separately. The votes cast for or against each resolution are tallied and displayed promptly to shareholders at the close of voting. The electronic poll-voting services are provided by an independent contractor. At every general meeting, the Bank appoints an independent scrutineer to validate the voting results before the results are announced on SGXNet on the same day as the general meeting.

# Corporate Governance

## Communication with Shareholders

Shareholders and other stakeholders can access information on the Bank at SGXNet and the UOB website. UOB practises fair and timely disclosure of pertinent information and has an investor relations policy on communicating with the investment community, which includes shareholders, investors and analysts. Quarterly financial results are announced within 45 days from the end of each financial quarter and the full-year financial results are announced within 60 days from the financial year-end. The annual report, which contains the audited financial statements, notice of AGM and proxy form, includes other pertinent information for the investment community and is available on SGXNet and the UOB website.

Shareholders may provide their feedback to the Board and Management at general meetings, which are a principal forum for dialogue with shareholders. Where necessary, the Bank's professional advisers are present and available to address shareholders' queries. Shareholders are encouraged to raise any query on the financial statements and resolutions to be passed at the AGM, which is held within four months from the financial year-end. Minutes of the AGM as well as responses from the Board and Management to the queries from shareholders during the AGM are available on the UOB website.

Apart from general meetings, shareholders also have the option of providing feedback through the Investor Relations unit. The contact details of the Investor Relations unit are in the Corporate Information and Investors sections of this report and on the UOB website.

Our outreach to the investment community includes briefings by Senior Management to the media and analysts in connection with the release of our half-year and full-year financial results, and telephone conferences with analysts following the announcement of our first-quarter and third-quarter financial results. We also hold corporate day events in key markets in which the Bank operates. Further, through investor meetings, conferences and roadshows, we share with analysts and investors our corporate strategy, operational performance and business outlook. All materials presented at such briefings, corporate days, meetings, conferences and roadshows are published on SGXNet and the UOB website in a timely manner.

## Dividend Payment

The Board is mindful of striking a balance between rewarding our shareholders appropriately and maintaining enough resources to build a sustainable business. Dividends recommended or declared for payment are announced on SGXNet. The Bank pays dividends to shareholders within 30 days after the declaration of any interim dividend and after the approval at the AGM of any final dividend. If the UOB Scrip Dividend Scheme is applied to any dividend, payment will be made in compliance with the SGX-ST Listing Manual.

## RELATED PARTY TRANSACTIONS AND INTERESTED PERSON TRANSACTIONS

### (Principle 17, MAS Guidelines)

The Bank has a policy on monitoring and disclosing interested person transactions, related party transactions and director-related transactions. The AC reviews all interested person transactions and material related party transactions to assess if they are undertaken in the ordinary course of business and on normal commercial terms and arm's length basis. All directors and the CEO have to declare any interest which could conflict with the Bank's interest and abstain from voting on matters in which they have an interest. In compliance with Rule 907 of the SGX-ST Listing Manual, the table on the next page sets out the interested person transactions entered into during 2016. Information on our related party transactions can be found in Note 41 to the Financial Statements.

### Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Haw Par Corporation Limited and its subsidiaries (Haw Par Group)	UOB Travel Planners Pte Ltd sold travel products and services to the Haw Par Group. The total value of these transactions was \$194,824.	Nil
UOB Kay Hian Private Limited	UOB Travel Planners Pte Ltd sold travel products and services to UOB Kay Hian Private Limited. The total value of these transactions was \$448,200.	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 \$805,543.	Nil
UOL Property Investments Pte Ltd	<p>The Bank rented the following premises from UOL Property Investments Pte Ltd:</p> <ol style="list-style-type: none"> <li>a. #11-02 United Square at a total rent of \$845,230.50 for 45 months from 1 May 2016;</li> <li>b. units on 11th, 15th and 20th floors of United Square at a total rent of approximately \$1.98 million for three years from 1 February 2017;</li> <li>c. units on 6th floor of Faber House at a total rent of approximately \$1.43 million for three years from 6 April 2016; and</li> <li>d. units on 11th and 12th floors of Faber House at a total rent of approximately \$2.44 million for three years from 16 March 2017.</li> </ol> <p>The rents for the leases were supported by independent valuations.</p>	Nil
Novena Square Investments Ltd	The Bank rented #10-01/05 Novena Square from Novena Square Investments Ltd at a total rent of approximately \$2.45 million for three years from 17 August 2016. The rent for the lease was supported by an independent valuation.	Nil
Yangon Hotel Limited	<p>The Bank rented the following premises in Park Royal Yangon from Yangon Hotel Limited:</p> <ol style="list-style-type: none"> <li>a. #01-49 at a total rent of US\$10,620 for 10 months from 1 March 2016; and</li> <li>b. #01-L1 and #01-49 at a total rent of US\$144,000 for one year from 1 January 2017.</li> </ol> <p>The rents for the leases were supported by independent valuations.</p>	Nil
Dou Hua Restaurants Pte Ltd	The Bank leased premises on 37th, 38th and 60th floors of UOB Plaza 1 to Dou Hua Restaurants Pte Ltd for five years for a total rent of \$3.68 million from 1 January 2017. The rent for the lease was supported by an independent valuation.	Nil
UIC Asian Computer Services Pte Ltd	UOB and its subsidiaries purchased hardware and software from UIC Asian Computer Services Pte Ltd valued at approximately \$8.23 million.	Nil

# Corporate Governance

## Material Contracts

No material contract involving the interest of the CEO, any director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiaries since the end of the previous financial year, and no such contract subsisted as at 31 December 2016.

## ETHICAL STANDARDS

### Code of Conduct

The Board sets the tone in establishing the corporate culture and values of UOB, namely Honourable, Enterprising, United and Committed. These values are also adopted as appraisal criteria for our employees from 2016.

The UOB Code of Conduct, which guides directors and employees on their conduct at the workplace and with stakeholders, seeks to foster a culture of honesty and accountability to protect the interests of the Bank and its stakeholders. The principles covered in the written code include the following:

- fair dealing in the conduct of business;
- confidentiality of customer information;
- protection of personal data;
- equal opportunity for employees on the basis of merit;
- non-tolerance of discrimination or harassment on the basis of gender, race, age, religion, disability or any other classification that does not create a professional and safe workplace;
- compliance with competition and anti-trust law;
- zero tolerance of bribery, corruption and illegal or unethical dealings, including insider trading and facilitation payments; and
- whistleblowing.

To underscore the importance of adherence to and observance of the code, our employees refresh their knowledge of the code through an online learning tool each year. The participation and performance of every employee is monitored and non-participation may result in disciplinary action.

### Whistleblowing Policy

The Bank has a whistleblowing policy which provides for any individual to report, anonymously or otherwise, any suspected wrongdoing in confidence. Whistleblowing reports may be sent to the Head of Group Audit at United Overseas Bank Limited, 396 Alexandra Road, #18-00, Singapore 119954. Alternatively, reports may be sent to the AC chairman, CEO or Board Chairman at 80 Raffles Place, UOB Plaza 1, Singapore 048624. UOB prohibits reprisal against whistleblowers who have acted in good faith. The policy sets out the procedures by which Group Audit investigates whistleblowing cases. Group Audit conducts investigations independently and submits regular updates on whistleblowing reports received to the AC.

### Fair Dealing

We are committed to delivering fair dealing outcomes to our customers and actively promote such awareness and training in our organisation. We have policies, guidelines and best practices to instil the spirit and intent of fair dealing into the organisational culture and daily operations. We take all customer complaints seriously and have an independent team to ensure that all complaints are handled appropriately. There are clear processes and procedures in place which mandate the team to review and to investigate complaints objectively and promptly and to communicate decisions to customers clearly. Customers and the general public may give their feedback on the Bank or its products and services via the customer service hotline or feedback form, both of which are available on the UOB website. More information on the Bank's commitment to fair dealing can be found in the Customers section of this report.

### Securities Dealing

The Bank has a code on dealing in securities. The code requires directors and employees to comply with applicable laws on insider dealings at all times and prohibits dealings in the Bank's securities:

- on short-term considerations;
- during the period commencing two weeks before the announcement of the Bank's financial statements for each of the first three quarters of the financial year and one month before the announcement of the Bank's full-year financial statements. The Bank informs directors and employees of the prohibited dealing periods and does not deal in its securities during such periods; and
- whenever they are in possession of price-sensitive information.

Directors and the CEO have a duty to notify the Bank of his/her interests in the securities of UOB and its related corporations within two business days after they acquire such interests or become aware of any change in interests for our announcement on SGXNet. Our policy governing personal trades in securities requires employees with access to price-sensitive information in the course of their duties to seek clearance before they can trade in any securities.



Principles and guidelines in MAS Guidelines with express disclosure requirements	Page reference in annual report
<b>Guideline 1.3</b> Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	86
<b>Guideline 1.4</b> The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	87
<b>Guideline 1.5</b> The type of material transactions that require board approval under guidelines	86
<b>Guideline 1.6</b> The induction, orientation and training provided to new and existing directors	89
<b>Guideline 1.16</b> An assessment of how these programmes meet the requirements as set out by the NC to equip the Board and the respective board committees with relevant knowledge and skills in order to perform their roles effectively	89
<b>Guideline 2.3</b> The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	87
<b>Guideline 2.4</b> Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	Not applicable
<b>Guideline 2.13</b> Names of the members of the EXCO and the key terms of reference of the EXCO, explaining its role and the authority delegated to it by the Board	Not applicable
<b>Guideline 3.1</b> Relationship between the Chairman and the CEO where they are immediate family members	Not applicable
<b>Guideline 4.1</b> Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	87-92
<b>Guideline 4.4</b> The maximum number of listed company board representations which directors may hold should be disclosed	88
<b>Guideline 4.6</b> Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	89
<b>Guideline 4.7</b> Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	12-16, 87-88
<b>Guideline 4.13</b> Resignation or dismissal of key appointment holders	Not applicable



# Corporate Governance

	Page reference in annual report
<b>Principles and guidelines in MAS Guidelines with express disclosure requirements</b>	
<b>Guideline 4.14</b> Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10	88
<b>Guideline 5.1</b> The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	88
<b>Guideline 7.1</b> Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	91, 93-94
<b>Guideline 7.3</b> Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	93
<b>Principle 9</b> Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	106-110
<b>Guideline 9.1</b> Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	93-94
<b>Guideline 9.2</b> Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	148
<b>Guideline 9.3</b> Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of \$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	94
<b>Guideline 9.4</b> Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds \$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of \$50,000	94

Principles and guidelines in MAS Guidelines with express disclosure requirements	Page reference in annual report
<b>Guideline 9.5</b> Details and important terms of employee share schemes	149
<b>Guideline 9.6</b> For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	106-110
<b>Guideline 11.3</b> The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems	99
<b>Guideline 11.14</b> Names of the members of the board risk committee and the key terms of reference of the board risk committee, explaining its role and the authority delegated to it by the Board	91, 94
<b>Guideline 12.1</b> Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	91, 95-98
<b>Guideline 12.6</b> Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	175
<b>Guideline 12.7</b> The existence of a whistleblowing policy should be disclosed in the company's Annual Report	102
<b>Guideline 12.8</b> Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	95
<b>Guideline 15.4</b> The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	100
<b>Guideline 15.5</b> Where dividends are not paid, companies should disclose their reasons	Not applicable
<b>Guideline 17.4</b> Material related party transactions	220-221



# Remuneration

## Group Remuneration Policy

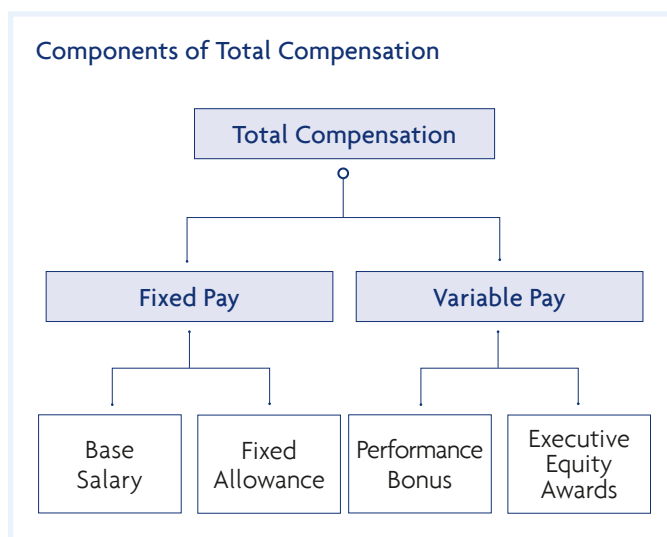
The UOB Group Remuneration Policy applies to the Bank, all subsidiaries and overseas branches within the Group and guides the design, operation and management of our remuneration programmes. The policy sets out the principles and philosophies that we adopt to attract, to motivate and to retain a highly-skilled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

The Remuneration Committee (RC) conducts regular reviews of the remuneration policy to ensure that compensation practices and programmes are consistent with regulatory requirements and are responsive to market developments.

## Our Approach to Remuneration

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

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



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

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

### Pay for Position

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

In 2016, we used salary surveys conducted by external compensation consultants, such as McLagan and Willis Towers Watson, as reference for employee salary benchmarking purposes. The consultants are independent and not related to us or any of our directors.

### Pay for Person

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

### Pay for Performance

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

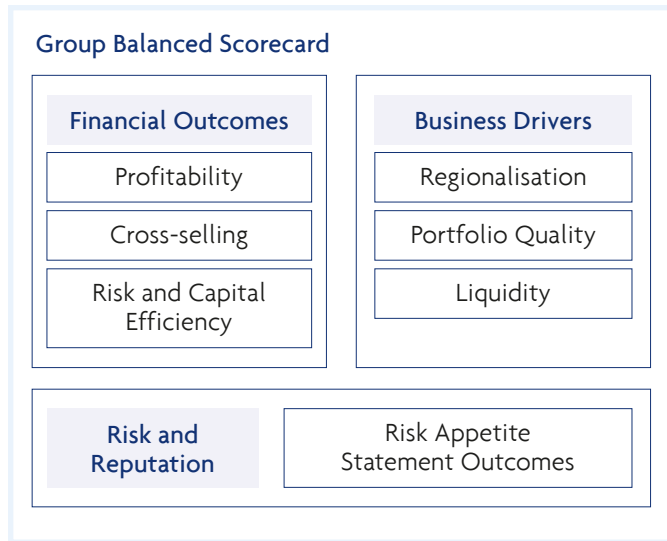
### Variable Pay – Performance Bonus

#### Determining the Performance Bonus Pool

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

The performance bonus pool derived is then moderated by the performance of the Group's balanced scorecard, under which we measure performance on financial outcomes, business drivers, and risk and reputation. Financial outcomes include metrics on profitability, risk and capital efficiency, and cross-selling. Business drivers focus on the Group's regionalisation strategy,

liquidity and the quality of our portfolio. Risk and reputation are dependent on the outcomes under the Group Risk Appetite Statement, as assessed by the Board Risk Management Committee. Depending on the severity of breaches under the Group Risk Appetite Statement, the RC may reduce the performance bonus pool for the year as it deems fit.



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

### Variable pay – Executive Equity Awards

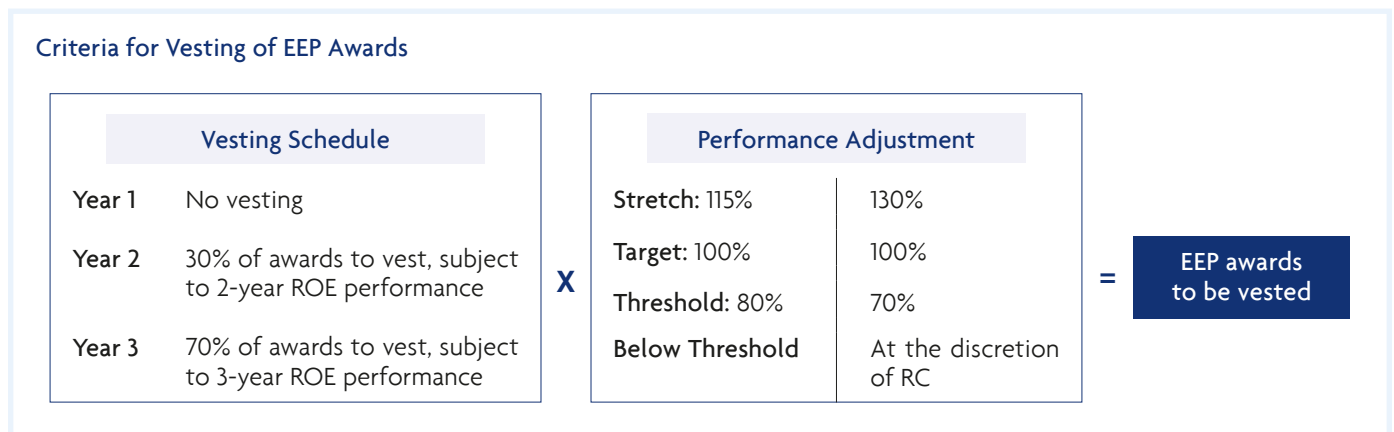
The Executive Equity Plan (EEP) forms the Group’s long-term compensation component that is forward-looking, with rewards based on the Group’s future performance. We believe that the EEP is essential to meeting the following objectives:

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

### Allocating and Distributing the Performance Bonus Pool

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

EEP awards are made in the form of performance-based restricted shares that vest over a period of three years, contingent on the Group meeting long-term performance targets. EEP awards made in 2016 are subject to the following vesting criteria:



# Remuneration

## Remuneration Governance

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

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

Details of the composition of the RC and a summary of its key roles and responsibilities can be found in the Corporate Governance section of this report.

## Control Functions

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

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

## Variable Pay Deferrals

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

## Executive Equity Awards

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

## Deferred Bonus

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

## Deferral Guidelines

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

### Guidelines on Treatment of Deferred Variable Pay

#### Malus of Unvested Compensation

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

#### Clawback of Paid Compensation

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

## Remuneration Outcomes in 2016

For 2016, the Group reported net earnings of \$3.10 billion for 2016, 3.5 per cent lower than 2015. Net interest income increased 1.3 per cent, led by healthy loan growth in the consumer and non-bank financial institution customer segments. Fee income and loans grew despite a subdued growth environment with total income holding steady at \$8.06 billion. The Group's liquidity and funding position remained strong with the loan-to-deposit ratio at 86.8 per cent as at 31 December 2016. Gross loans grew 8.8 per cent over the year while deposits increased by 6.1 per cent. Our performance reflects the resilience of the Group's core businesses in a slowing economic environment.

On the regional front, cross-selling saw broad-based growth across most businesses as the Group sharpened its focus on unlocking the value of its franchise. The Group also continued to maintain a strong focus on managing its risk and reputation, while building its talent bench strength across the region. Income in our key regional subsidiaries, a strategic imperative, showed good traction and recorded a 4 per cent growth year on year.

Total operating expenses rose 2.8 per cent from 2015, largely from revenue and IT-related expenses. The Group was disciplined in managing total headcount and we continue to invest in technology and infrastructure to sharpen our capabilities.

Outcomes of the Group's Risk Appetite Statement, together with the overall performance of the Group, were considered by the RC in determining the Group's compensation for 2016.

### Senior Executives and Material Risk Takers

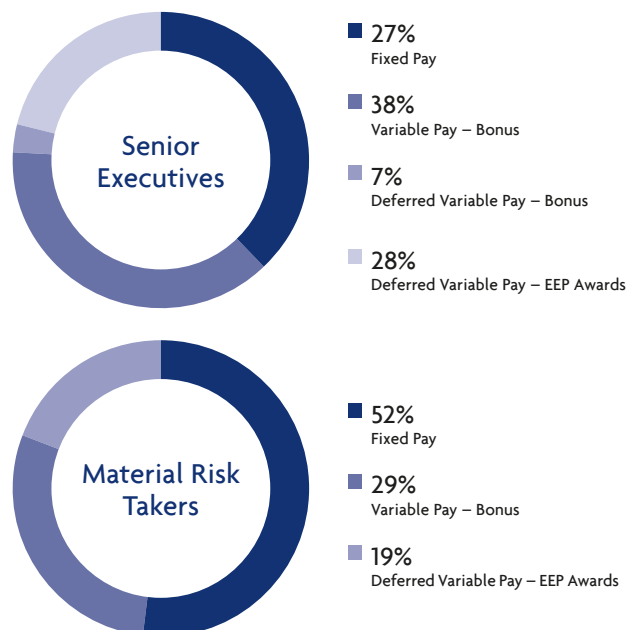
While the Monetary Authority of Singapore's Guidelines recommend the disclosure of the remuneration of the top five non-director executives, the Bank believes that it is neither to our advantage nor in our best interest to do so especially given the highly competitive market for talent. Hence, the breakdown of remuneration awarded has been reflected in percentages.

The following tables show the breakdown of remuneration for SEs, including the top five non-director executives and MRTs for the year ended 31 December 2016.

### Guaranteed Bonuses, Sign-On Awards and Severance Payments

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	0	0
Number of sign-on awards	0	0
Number of severance payments	0	0
<b>Total amounts of above payments made for the financial year (\$'000)</b>	<b>0</b>	<b>2,215</b>
Number of employees	13	183
Number of employees that received variable pay	13	183

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



# Remuneration

## Breakdown of Long-term Remuneration Awards

Category of remuneration	SEs %	MRTs %
Change in deferred remuneration paid out in current financial year	(14)	(16)
Change in amount of outstanding deferred remuneration from previous financial year	(24)	(17)
Outstanding deferred remuneration (breakdown)		
Cash	21	1
Shares and share-linked instruments	79	99
Other forms of remuneration	–	–
<b>Total</b>	<b>100</b>	<b>100</b>
Outstanding deferred remuneration (performance adjustments)		
Of which exposed to ex-post adjustments	100	100
Reductions in current year due to ex-post adjustments (explicit <sup>1</sup> )	–	–
Reductions in current year due to ex-post adjustments (implicit <sup>2</sup> )	–	–
Outstanding retained remuneration (performance adjustments)		
Of which exposed to ex-post adjustments	–	–
Reductions in current year due to ex-post adjustments (explicit)	–	–
Reductions in current year due to ex-post adjustments (implicit)	–	–

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

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



# Risk Management

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

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## 2016 Highlights

### Ensuring Sustainable Growth Through Informed Risk Decision-Making Processes

In 2016, Group Risk Management established a dedicated Integrated Fraud Management unit to drive strategy and governance for fraud risk management across the Group. This unit works closely with business lines to strengthen their current practices across the five pillars of prevention, detection, response, remediation and reporting in fraud risk management. Using advanced data analytics and technology, it will implement proactive measures to deter fraud risks and to improve the overall effectiveness of fraud risk management across functions and geographies.

The Governance, Risk and Compliance system (GRC) covers operational risk event reporting and management risk awareness reporting, and in 2016, the GRC was expanded to include coverage of Key Risk and Control Self-Assessments, Key Operational Risk Indicators, Product Programme, Outsourcing Risk Management and Compliance Review on Anti-money Laundering. This GRC system is instrumental in helping UOB achieve automation and standardisation for all business and support units across all subsidiaries and branches. It also improves our business agility and competitive advantage across our franchise.

### Meeting New Regulatory Requirements and Expectations

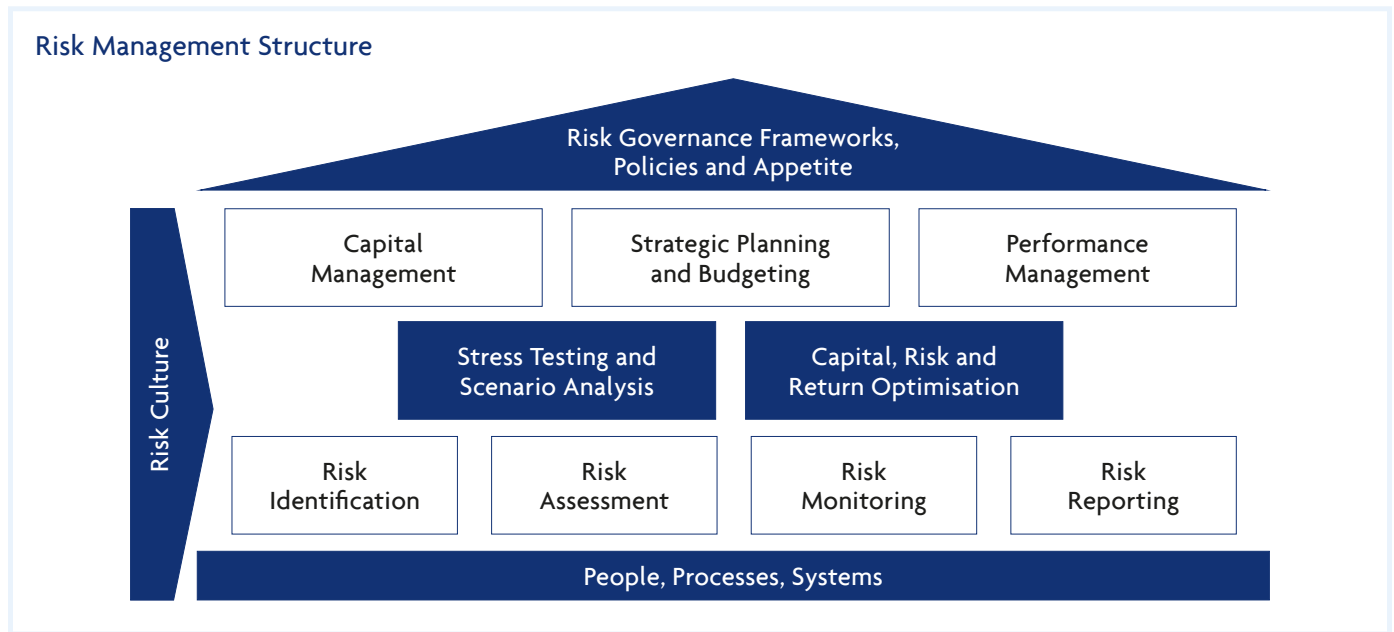
In 2016, we kick-started projects to address new regulatory requirements arising from Interest Rate Risk in the Banking Book and the Fundamental Review of the Trading Book. The projects cover system enhancements to be put in place to meet the new requirements by 2018 and 2019 respectively.

We recognise our role in driving sustainable business practices for financial stability through credit cycles. In 2016, we formulated our responsible financing policy to integrate environmental, social and governance (ESG) considerations into our credit evaluation and approval processes. Our policy has since been rolled out Group-wide, covering the eight high-risk sectors identified by The Association of Banks in Singapore. We also engaged non-governmental organisations to conduct capacity-building workshops for our employees in order to improve our practices and knowledge of important ESG issues. UOB is committed to supporting responsible financing in the region and works closely with our customers to reduce and to manage the ESG impact of their businesses. We will continue to engage our stakeholders to ensure material ESG concerns are duly considered and adequately addressed.

# Risk Management

## Our Approach

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



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

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

Our risk governance frameworks, policies and appetites are implemented through identification, assessment, monitoring and reporting processes. Risk reports are regularly submitted to Senior Management and the Board to keep them apprised of the Group's risk profile.

## Risk Governance

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

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

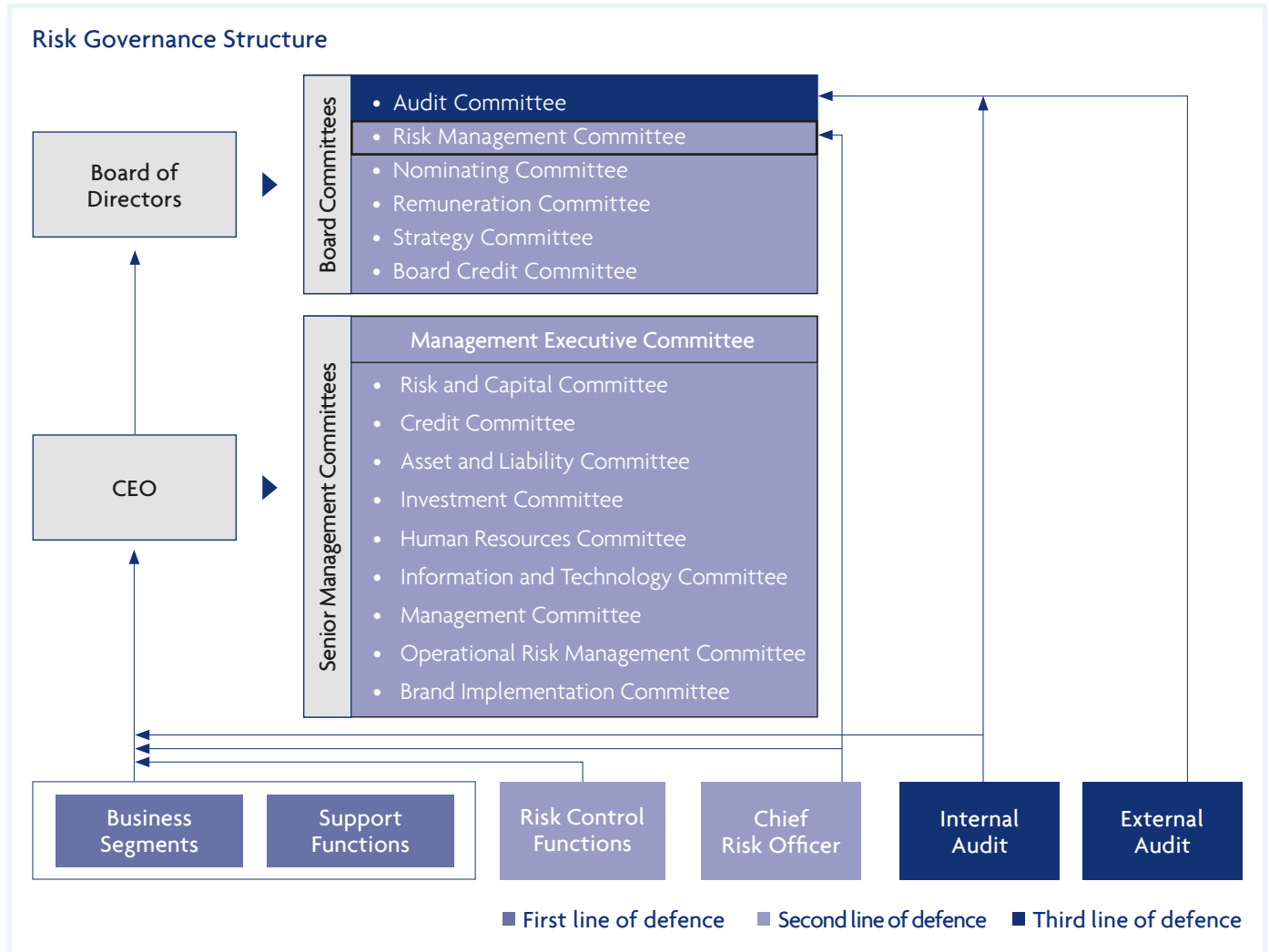
In this regard, the Board is assisted by the Board Risk Management Committee (BRMC). The BRMC reviews the overall risk appetite and level of risk capital to be maintained for the Group.

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.

Senior Management and the senior management committees are authorised to delegate risk appetite limits by location, business lines and/or broad product lines.

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



**First Line of Defence – The Risk Owner:**

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

**Second Line of Defence – Risk Oversight:**

The risk and control oversight functions (such as Group Risk Management and Group Compliance), the Chief Risk Officer (CRO)

and the senior management committees provide the second line of defence.

The risk and control oversight functions support the Group’s strategy of balancing growth with stability by establishing risk frameworks, policies, appetite and limits within which the business functions must operate. The risk and control oversight functions are also responsible for the independent review and monitoring of the Group’s risk profile and highlighting any significant vulnerabilities and risk issues to the respective management committees.

# Risk Management

The independence of risk and control oversight functions from business functions ensures the necessary checks and balances are in place.

## Third Line of Defence – Independent Audit:

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

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

## Risk Appetite

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

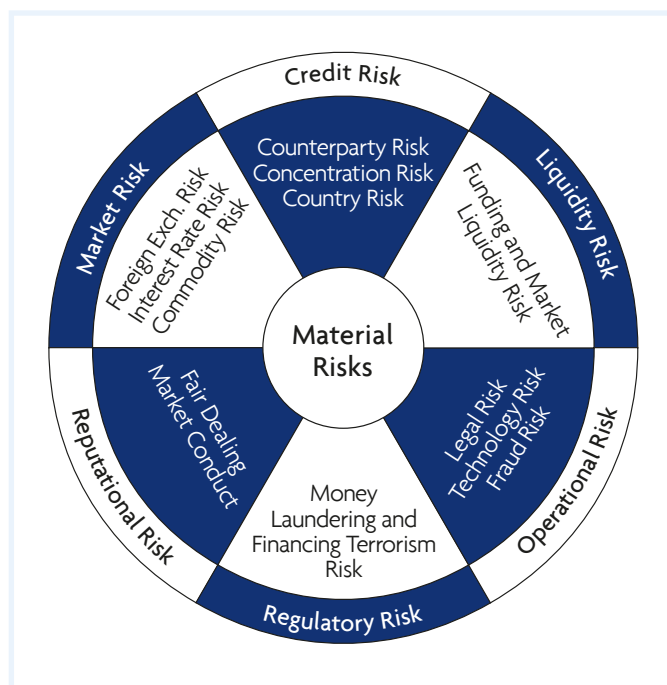
- Relevance to respective stakeholders, with appropriate levels of granularity;
- Practical, consistent and easy to understand metrics for communication and implementation;
- Alignment to key elements of the Group's business strategy; and
- Analytically substantiated and measurable metrics.

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

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

## Material Risks

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



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

We have adopted the Foundation Internal Ratings-Based (FIRB) Approach for our non-retail exposures and the Advanced Internal Ratings-Based (AIRB) Approach for our retail exposures. For market risk and operational risk, the Group has adopted the respective Standardised Approaches (SA).

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

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

## Credit Risk

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

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

### Credit Risk Governance and Organisation

The CC is the key oversight committee for credit risk and supports the CEO and Board Credit Committee (BCC) in managing the Group's overall credit risk exposures. It 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 under Group Risk Management is responsible for the reporting, analysis and management of all elements of credit risk to the CC and the Board Committee. It develops Group-wide credit policies and guidelines, and focuses on facilitating business development within a prudent, consistent and efficient credit risk management framework.

### Credit Risk Policies and Processes

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

#### Credit Approval Process

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

#### Counterparty Credit Risk

Unlike normal lending risk where the notional at risk can be determined with a high degree of certainty during the contractual period, counterparty credit risk exposure fluctuates with market variables. Counterparty credit risk is measured as the sum of current mark-to-market plus an appropriate add-on factor for potential future exposure (PFE). The PFE factor is an estimate of the maximum credit exposure over the remaining life of the foreign exchange (FX)/derivative transaction and is used for limit setting and internal risk management.

The Group also has established policies and processes to manage wrong-way risk, i.e. where the counterparty credit exposure is correlated positively with its default risk. Transactions that exhibit such characteristics are identified and reported to Senior Management on a regular basis. In addition, transactions with specific wrong-way risk are generally rejected at the underwriting stage.

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

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

As at 31 December 2016, UOB would be required to post additional collateral of US\$10 million with our counterparties if our credit rating were downgraded by two notches.

#### 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 obligor groups, portfolios, borrowers, industries and countries, generally expressed as a percentage of the Group's eligible capital base.

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

# Risk Management

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

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

## Credit Stress-Test

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

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

## Credit Risk Mitigation

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

Collateral is taken whenever possible to mitigate the credit risk assumed and the value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group are cash, marketable securities, real estate, equipment, inventories and receivables. We have in place policies and processes to monitor collateral concentration. Appropriate haircuts are applied to the market value of collateral, reflecting the underlying nature of the collateral,

quality, volatility and liquidity. In addition, collateral taken by the Group has to fulfill certain criteria (such as legal certainty across relevant jurisdictions) in order to be eligible for the Internal Ratings-Based (IRB) Approach purposes.

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

## Credit Monitoring and Remedial Management

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

## Delinquency Monitoring

We monitor closely the delinquency of borrowing accounts as it is a key indicator of credit quality. An account is considered delinquent when payment has not been received by the payment 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

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

All borrowing accounts are categorised into 'Pass', 'Special Mention' or 'Non-Performing' categories. Non-Performing accounts are further categorised as 'Substandard', 'Doubtful' or 'Loss' in accordance with MAS Notice 612. Any account which is delinquent (or in excess for a revolving credit facility such as an overdraft) for more than 90 days will be automatically categorised 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 de-classification of a Non-Performing account to 'Pass' or 'Special Mention' status must be supported by a

credit assessment of the repayment capability, cash flows and financial position of the borrower. We must also be satisfied that once the account is de-classified, the account is unlikely to be classified again in the near future.

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

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

**Group Special Asset Management**

Group Special Asset Management (GSAM) is an independent division that manages the restructuring, work-out and recovery of the Group’s Non-Performing Asset (NPA) portfolios. The primary objectives are to (i) nurse the NPA back to financial health whenever possible for transfer back to the business unit for management; and to (ii) maximise recovery of the NPA for the relationships that the Group intends to exit.

**Write-off Policy**

A Non-Performing account will be written off when the prospect

of a recovery is considered poor or when all feasible avenues of recovery have been exhausted.

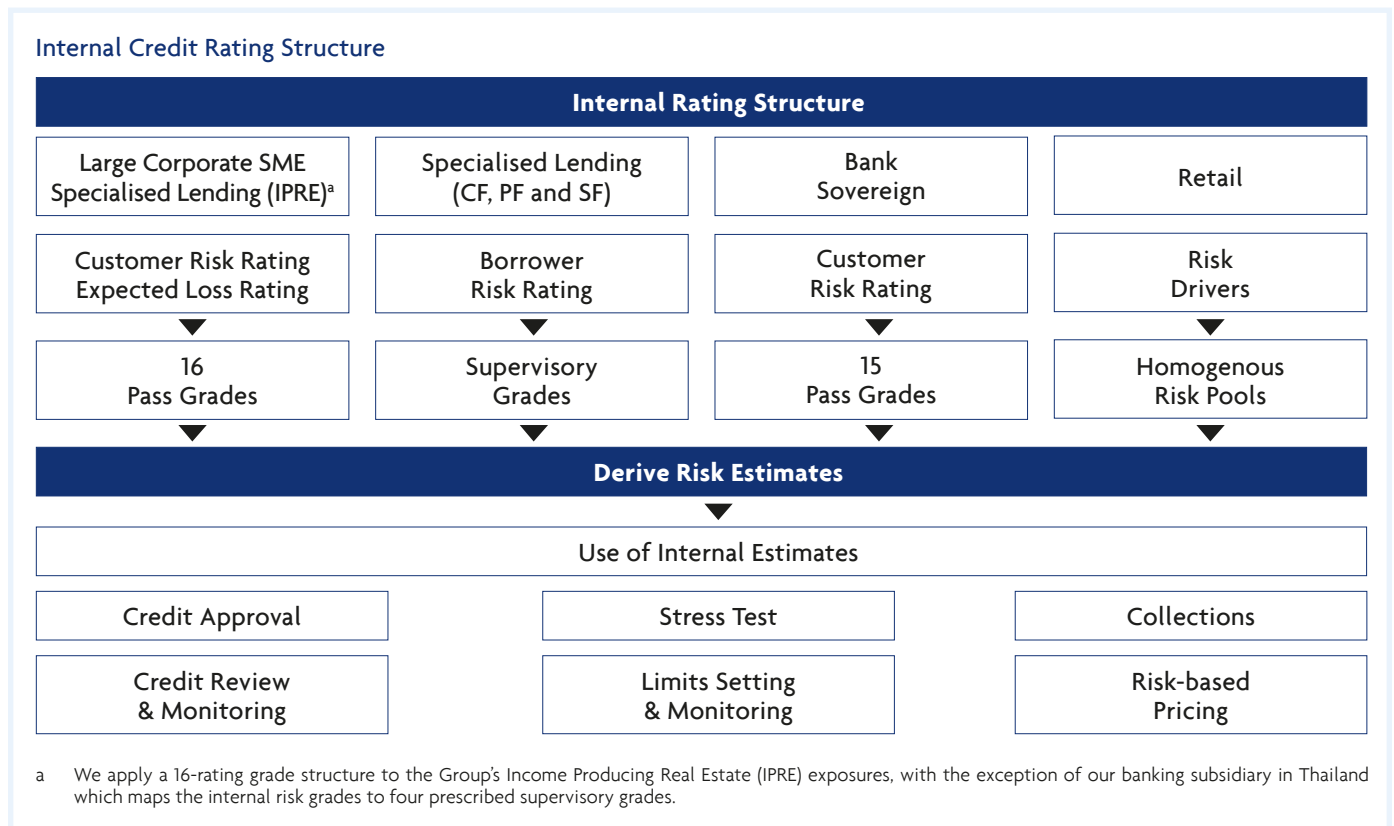
**Internal Credit Rating System**

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

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

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

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



# Risk Management

## Non-Retail Exposures

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

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

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

## Specialised Lending Asset Class

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

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

## Sovereign Asset Class

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

## Bank Asset Class

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

## Equity Asset Class

We adopt the following approach for our equity investments:

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

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

## Retail Exposures

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

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

## Residential Mortgage Asset Class

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



### Qualifying Revolving Retail Exposures (QRRE) Asset Class

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

### Other Retail Asset Class

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

### Securitisation Exposures

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

From time to time, the Group arranges and invests in securitisation transactions. Any decision to invest in such a transaction is subject to independent risk assessment and approval. Processes are in place to monitor the credit risk of the securitisation exposures and are subject to regular review. The special purpose entities involved in these transactions are managed by third parties and are not controlled by the Group. In these transactions, the Group may also act as a liquidity facility provider, working capital facility provider or swap counterparty.

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

### Credit Exposures Subject to Standardised Approach

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

For exposures subject to the SA, we use approved ECAI ratings and prescribed risk weights based on asset class in the computation of regulatory capital.

The ECAIs used are Fitch Ratings, Moody's Investors Service and Standard & Poor's. ECAI ratings are mapped to a common credit quality grade prescribed by the MAS.

## Market Risk

Market risk is governed by the ALCO, which meets monthly to review and to provide directions on market risk matters. The Market Risk Management 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 policies, practices, and the control structure with appropriate delegation of authority and market risk limits. We employ valuation methodologies that are in line with sound market practices, and validate valuation and risk models independently. In addition, a Product/Service Programme process ensures that market risk issues identified are addressed adequately prior to the launch of products and services. We review and enhance continually our management of derivatives risks to ensure that the complexities of the business are controlled appropriately.

Our overall market risk appetite is balanced at the Group, Bank and business unit levels with targeted revenue and takes into account the capital position of the Group and the Bank. This ensures that the Group and the Bank remain well-capitalised, even under stress conditions. The risk appetite is translated into risk limits that are delegated to business units. These risk limits have proportional returns that are commensurate with the risks taken.

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

### Standardised Approach

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

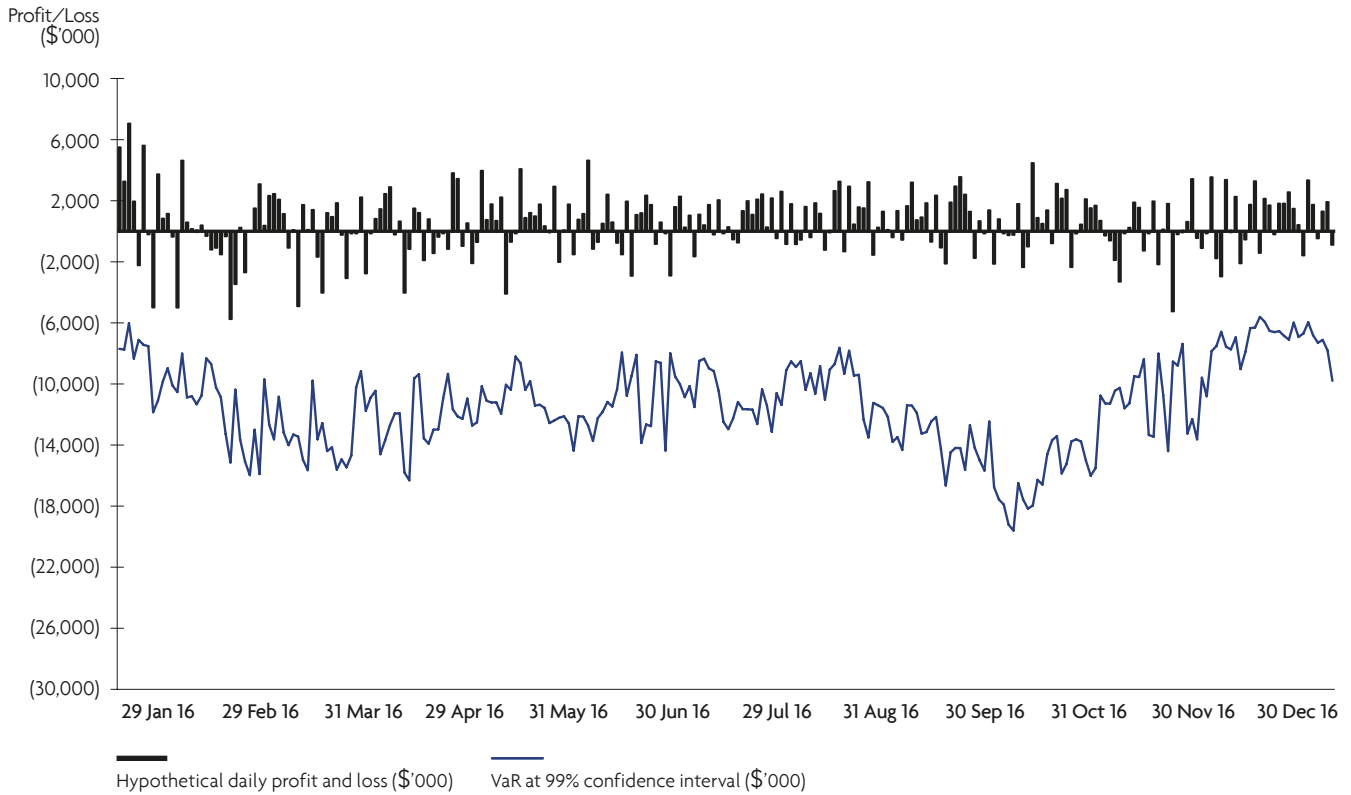
### Internal Model Approach

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

# Risk Management

## Group Trading Backtesting Chart

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

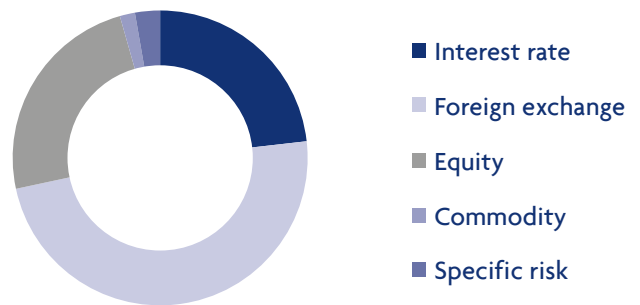


As VaR is the statistical measure for potential losses, the VaR measures are backtested against profit and loss of the Trading Book to validate the robustness of the methodology. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtesting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

To complement the VaR measure, we perform stress and scenario tests to identify the Group's vulnerability to event risk. These tests serve to provide early warnings of plausible extreme losses for which proactive management of market risk is taken.

The Group's daily VaR on 31 December 2016 was \$9.90 million.

## Group Trading VaR for General Market Risk by Risk Class



## Interest Rate Risk in the Banking Book

The ALCO maintains oversight of the effectiveness of the interest rate risk management structure. The BSRM Division supports the ALCO in monitoring the interest rate risk profile of the Banking Book.

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

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

In the dynamic simulation process, we apply both the earnings and Economic Value of Equity (EVE) approaches to assess interest rate risk. We estimate the potential effects of interest rate change on interest income by simulating the possible future course of interest rates, expected changes in business activities over time, as well as the effects of embedded options. Embedded options may be in the form of loan prepayment and deposit pre-upliftment. Changes in interest rates are simulated using different interest rate scenarios such as changes in the shape of the yield curve, including high and low rates, as well as positive and negative tilt scenarios.

In EVE sensitivity simulations, we compute the present values for repricing cash flows, with the focus on changes in EVE under different interest rate scenarios. This economic perspective measures interest rate risks across the full maturity profile of the balance sheet, including off-balance sheet items.

We also perform stress-testing regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warning of potential extreme losses, facilitating the proactive management of interest rate risks in an environment of rapid financial market changes.

The risks arising from the Trading Book, such as interest rates, foreign exchange rates and equity prices are managed and controlled under the market risk framework.

## Liquidity Risk

The Group maintains sufficient liquidity to fund our day-to-day operations to meet deposit withdrawals and loan disbursements, to participate in new investment and to repay borrowings. Hence, liquidity is managed in a manner to address known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approved by the ALCO. These policies, controls and limits enable the Group to monitor and to manage liquidity risk to ensure that sufficient sources of funds are available over a range of market conditions. These include minimising excessive funding concentrations by diversifying the sources and terms of funding as well as maintaining a portfolio of high quality and marketable debt securities.

We take a conservative stance on the Group's liquidity management by continuing to gather core deposits, ensuring that liquidity limits are strictly adhered to and that there are adequate liquid assets to meet cash shortfall.

The distribution of deposits is managed actively to ensure a balance between cost effectiveness, continued accessibility to funds and diversification of funding sources. Important factors in ensuring liquidity are competitive pricing, proactive management of the Group's core deposits and the maintenance of customer confidence.

Our liquidity risk is aligned with the regulatory liquidity risk management framework and is measured and managed on a projected cash flow basis. The Group is monitored under business-as-usual and stress scenarios. Cash flow mismatch limits are established to limit the Group's liquidity exposure. We also employ liquidity early warning indicators and trigger points to signal possible contingency situations. With regard to the regulatory requirements on Liquidity Coverage Ratio (LCR) which are effective from 1 January 2015, the Group's ratios were above 100 per cent for both the All Currency LCR and the Singapore Dollar LCR as at 31 December 2016\*.

We have contingency funding plans in place to identify potential liquidity crises using a series of warning indicators. Crisis management processes and various strategies including funding and communication have been developed to minimise the impact of any liquidity crunch.

\* Quarterly updates are available on UOB's website at [www.UOBGroup.com/investor/financial/overview.html](http://www.UOBGroup.com/investor/financial/overview.html)

# Risk Management

## Operational Risk

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

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

### Operational Risk Governance, Framework and Programmes

Operational risk is managed through a framework of policies and procedures by which business and support units identify, assess, monitor, mitigate and report their risks. The ORMC meets monthly and provides 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.

The 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, programmes and systems, quality assurance of internal controls as well as operational risk measurement. It also monitors and reports operational risks and events to Senior Management, the relevant management committees and the Board.

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

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

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

We have also established a technology risk management framework to enable the Group to manage technology risks in a systematic and consistent manner.

Regulatory risk refers to the risk of non-compliance with laws, regulations, rules, standards and codes of conduct. We identify, monitor and manage this risk through a structured governance framework of compliance policies, procedures and guidelines maintained by the Group. The framework also manages the risk of regulatory breaches and sanctions relating to anti-money laundering and countering the financing of terrorism.

The Group actively manages fraud and bribery risks. Programmes 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 anti-corruption provisions.

Legal risk arises from unenforceable, unfavourable, defective or unintended contracts, lawsuits or claims, developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work with the Bank's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

Reputational 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 reputational risk and has developed a policy to identify and to manage the risk across the Group.

The Group's insurance programme, which covers crime, fraud, civil liability, property damage, public liability, as well as directors' and officers' liability, enables us to mitigate operational losses resulting from significant risk events.

# Capital Management

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UOB's capital management objective is to ensure that the Group maintains an optimal capital level that supports its businesses, as well as strategic growth and investment opportunities. It is also to meet regulatory requirements and to maintain the strong credit rating for which UOB is noted by our external stakeholders, including our depositors and investors. We also seek to be efficient in our capital mix, to keep our overall cost of capital low, and to deliver sustainable returns in the form of dividends to our shareholders.

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## Our Approach

We actively monitor and manage the Group's capital position over the medium term through the Group's Internal Capital Adequacy Assessment Process (ICAAP). This includes:

- setting capital targets for the Bank and its banking subsidiaries, for which anticipated regulatory changes and stakeholder expectations are taken into account;
- forecasting capital demand for material risks based on the Group's risk appetite. This is evaluated across all business segments and banking entities, with the Group's capital position projected before and after mitigating actions under adverse economic conditions; and
- determining capital issuance requirements and reviewing the maturity profile of existing capital securities.

Two committees oversee our capital planning and assessment process. The Board Risk Management Committee (BRMC) assists the Board to oversee 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 actions, are submitted to Senior Management and/or the Board for approval.

The Bank is the primary equity capital provider to the Group's entities. Investments in the Group's entities are funded mainly by the Bank's retained earnings and capital issuances. The Group's banking subsidiaries manage their own capital positions to support planned business growth and to meet regulatory requirements within the Group's capital plan. Capital generated by subsidiaries in excess of planned requirements is returned to the Bank by way of dividends. There was no impediment to subsidiaries paying their dividends during the year.

## Regulatory Updates

As one of the Domestic Systemically Important Banks (D-SIB) in Singapore, UOB is subject to stricter policy measures such as higher capital requirements imposed by the Monetary Authority of Singapore (MAS).

For 2016, Singapore-incorporated D-SIBs were required to maintain at Bank Solo and Group levels, minimum Common Equity Tier 1 (CET1), Tier 1 and Total Capital Adequacy Ratio (CAR) of 6.5 per cent, 8 per cent and 10 per cent respectively. In addition, to ensure that banks build up adequate capital buffer outside periods of stress, a capital conservation buffer (CCB) of 2.5 per cent maintained in the form of CET1 capital was phased in at 0.625 per cent point each year from 1 January 2016, reaching 2.5 per cent by 1 January 2019. Including the full CCB requirement, the capital requirements will ultimately increase to 9 per cent, 10.5 per cent and 12.5 per cent respectively.

In line with Basel III, a countercyclical buffer (CCyB) of up to 2.5 per cent to be maintained in the form of CET1 capital was also phased in from 1 January 2016, capped at 0.625 per cent point per year, up to 1 January 2019. The CCyB is applied on a discretionary basis by banking supervisors in the respective jurisdictions.

As the regulatory landscape evolves, we continue to monitor and to evaluate the impact arising therefrom. In October 2016, revisions were made to the MAS Notice 637 to implement requirements consistent with the equivalent Basel standards. Amendments which were effective from 1 January 2017 will enhance the risk capture of banks' equity exposures and align the regulatory capital treatment of significant investments to the Basel framework. In addition, Pillar 3 disclosure requirements were revised to improve the comparability and consistency of disclosures on banks' capital adequacy.

# Capital Management

## Capital Position as at 31 December 2016

There are three categories of regulatory capital:

- CET1 Capital comprises paid-up ordinary share capital, disclosed reserves and qualifying minority interest.
- Additional Tier 1 Capital comprises eligible non-cumulative non-convertible perpetual securities.
- Tier 2 Capital comprises subordinated notes and accounting provisions in excess of Basel expected loss.

As at 31 December 2016, the Group's CET1 CAR, Tier 1 CAR and Total CAR of 13.0 per cent, 13.1 per cent and 16.2 per cent were well above the regulatory minimum, while the Group's leverage ratio of 7.4 per cent exceeded the minimum 3 per cent applied during the Basel parallel run period from 1 January 2013 to 1 January 2017.

The table below shows the consolidated capital position of the Group as at 31 December 2016 and 31 December 2015.

	2016 \$ million	2015 \$ million
<b>Common Equity Tier 1 Capital</b>		
Share capital	4,257	3,704
Disclosed reserves/others	26,384	24,762
Regulatory adjustments	(2,685)	(2,448)
<b>Common Equity Tier 1 Capital</b>	<b>27,956</b>	<b>26,018</b>
<b>Additional Tier 1 Capital</b>		
Perpetual capital securities/others	2,096	2,179
Regulatory adjustments - capped	(1,772)	(2,179)
<b>Tier 1 Capital</b>	<b>28,280</b>	<b>26,018</b>
<b>Tier 2 Capital</b>		
Subordinated notes	5,546	4,505
Provisions/others	1,122	1,028
Regulatory adjustments	(22)	(201)
<b>Eligible Total Capital</b>	<b>34,926</b>	<b>31,350</b>
<b>Risk-Weighted Assets (RWA)</b>		
Credit risk	179,160	166,377
Market risk	23,138	21,620
Operational risk	13,261	12,656
<b>Total RWA</b>	<b>215,559</b>	<b>200,654</b>
<b>Capital Adequacy Ratios (%)</b>		
CET1	13.0	13.0
Tier 1	13.1	13.0
Total	16.2	15.6
Fully-loaded CET1 (based on final rules effective 1 Jan 2018)	12.1	11.7
<b>Leverage Exposure</b>	<b>380,238</b>	<b>355,932</b>
<b>Leverage Ratio (%)</b>	<b>7.4%</b>	<b>7.3</b>

Our banking subsidiaries outside Singapore are also required to comply with the regulatory requirements in their respective countries of operation. As at 31 December 2016, the capital adequacy ratios of the Group's banking subsidiaries were above their respective local requirements.

	2016			
	Total Risk-Weighted Assets \$ million	Capital Adequacy Ratios		
		CET1 %	Tier 1 %	Total %
United Overseas Bank (Malaysia) Bhd	17,392	13.3	13.3	16.7
United Overseas Bank (Thai) Public Company Limited	11,560	16.0	16.0	18.3
PT Bank UOB Indonesia	8,149	14.3	14.3	16.4
United Overseas Bank (China) Limited	7,457	18.2	18.2	18.8

More information on regulatory disclosure is available on the UOB website at [www.UOBGroup.com/investor/financial/overview.html](http://www.UOBGroup.com/investor/financial/overview.html).



## Pillar 3 Quantitative Disclosure

In compliance with the requirements under Basel Pillar 3 and the Monetary Authority of Singapore (MAS) Notice 637 Public Disclosure, various additional quantitative and qualitative disclosures have been included in the Annual Report under the sections on 'Capital Management', 'Risk Management', 'Remuneration', 'Pillar 3 Quantitative Disclosure\*', 'Management Discussion and Analysis' and 'Notes to the Financial Statements'. The disclosures are to facilitate the understanding of the UOB Group's risk profile and assessment of the Group's capital adequacy.

### Scope of Application

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

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

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

\* Semi-annual updates are available on UOB's website at [www.UOBGroup.com](http://www.UOBGroup.com)

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

	EAD \$ million	RWA \$ million
<b>Credit Risk</b>		
<b>Internal Ratings-Based (IRB) Approach</b>		
Corporate	153,205	113,347
Sovereign	33,069	1,327
Bank	41,601	7,905
Residential mortgage <sup>a</sup>	71,804	11,387
Qualifying revolving retail <sup>a</sup>	10,940	2,711
Other retail <sup>a</sup>	20,754	4,804
Equity	1,456	5,309
Securitisation	131	183
<b>Total IRB Approach</b>	<b>332,960</b>	<b>146,973</b>
<b>Standardised Approach<sup>b</sup></b>		
Corporate	11,611	11,304
Sovereign	2,173	169
Bank	1,841	510
Regulatory retail	1,366	1,052
Residential mortgage	1,935	835
Commercial real estate	2,780	2,822
Fixed assets	3,094	3,094
Other exposures	7,452	3,200
<b>Total Standardised Approach</b>	<b>32,252</b>	<b>22,986</b>
<b>Credit valuation adjustment</b>		<b>1,674</b>
<b>Central counterparties</b>		<b>864</b>
<b>Investments approved under Section 32 of the Banking Act (below threshold for deduction)</b>		<b>6,664</b>
<b>Total Credit Risk</b>		<b>179,160</b>
<b>Market Risk</b>		
<b>Standardised Approach</b>		<b>23,138</b>
<b>Operational Risk</b>		
<b>Standardised Approach</b>		<b>13,261</b>
<b>Total</b>		<b>215,559</b>

a Credit exposures under Advanced IRB Approach.

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

Based on the Group's Total RWA, the Group's minimum capital requirement as at 31 December 2016 is \$21,556 million.



## 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	6,799	2,875	2,099	3,085	–	–	7,222	22,080
Singapore Government treasury bills and securities	–	–	–	2,449	1,843	2,461	124	6,877
Other government treasury bills and securities	253	1,157	2,593	1,666	2,704	2,243	22	10,638
Trading debt securities	146	8	420	1,565	95	647	101	2,982
Placements and balances with banks	14,545	7,159	9,837	5,069	1,983	46	1,394	40,033
Loans to customers	12,427	17,788	13,599	20,257	35,878	114,533	7,252	221,734
Derivative financial assets	–	–	–	–	–	–	6,982	6,982
Investment debt securities	–	50	547	789	2,299	4,856	238	8,779
Others	–	–	–	–	–	–	3,872	3,872
<b>Total</b>	<b>34,170</b>	<b>29,037</b>	<b>29,095</b>	<b>34,880</b>	<b>44,802</b>	<b>124,786</b>	<b>27,207</b>	<b>323,977</b>

The majority of the Group's off-balance sheet credit exposures are short-term commitments with maturity of less than 1 year.

## Counterparty Credit Risk Exposures

	\$ million
Gross positive fair value of contracts	15,865
Netting effects	(5,287)
<b>Exposure under current exposure method</b>	<b>10,578</b>
Analysed by type :	
Interest rate contracts	3,695
Foreign exchange contracts and gold	4,385
Equity contracts	977
Credit derivative contracts	91
Precious metals and other commodity contracts	1,430
Collateral held	
Financial collateral	(1,078)
Others	(12)
<b>Net derivatives credit exposure</b>	<b>9,488</b>

## Pillar 3 Quantitative Disclosure

### Credit Derivative Exposures

	Notional amounts bought \$ million	Notional amounts sold \$ million
Own credit portfolio	29	667
Intermediation portfolio	246	246
<b>Total credit default swaps</b>	<b>275</b>	<b>913</b>

### Credit Exposures Secured by Eligible Collateral, Guarantees and Credit Derivatives

	Amount by which total exposures are covered by:	
	Eligible collateral <sup>a</sup> \$ million	Credit protection \$ million
<b>Standardised</b>		
Corporate	3,572	336
Sovereign	205	–
Bank	4	–
Retail	270	1
Commercial real estate	19	8
Others	1,218	4
<b>Standardised total</b>	<b>5,288</b>	<b>349</b>
<b>FIRB</b>		
Corporate	22,276 <sup>b</sup>	14,188
Sovereign	1,284	–
Bank	4,438	265
<b>FIRB total</b>	<b>27,998</b>	<b>14,453</b>
<b>Total</b>	<b>33,286</b>	<b>14,802</b>

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

b Includes other eligible collateral of \$15,646 million

### Credit Exposures Subject to Standardised Approach

Risk weights %	Net exposures <sup>a</sup> \$ million
0 to 35	9,296
50 to 75	2,417
100 and above	20,539
<b>Total</b>	<b>32,252</b>

a Net exposures after credit mitigation and provisions

### RWA based on the Assessments of Each Recognised ECAI

ECAI	RWA \$ million
Moody's	376
S&P	170
Fitch	92
<b>Total</b>	<b>638</b>

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	2,024	–
51 to 100	2,824	–
101 and above	1,048	1,378
<b>Total</b>	<b>5,896</b>	<b>1,378</b>

SRW : Simple Risk Weight

### Securitisation Exposures<sup>a</sup>

Risk weights %	Mortgage-backed securities \$ million	Asset-backed securities \$ million
0 to 50	26	92 <sup>b</sup>
1250	5	8 <sup>c</sup>
<b>Total</b>	<b>31</b>	<b>100</b>

a Securitisation exposures purchased in the Banking Book

b Includes off balance-sheet exposures of \$30 million

c Includes off balance-sheet exposures of \$1 million

## 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	84,190	127,623	66
10 – 16	> 2.37	24,203	18,105	134
Default		–	1,580	–
<b>Total</b>		<b>108,393</b>	<b>147,308</b>	<b>74</b>

SME : Small- and medium-sized enterprises

IPRE : Income Producing Real Estate

CRR : Customer Risk Rating

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

CRR band	Credit RWA \$ million	EAD \$ million	Exposure-weighted average risk weights %
Strong	1,477	2,399	62
Good	1,616	1,855	87
Satisfactory	781	641	122
Weak	1,080	408	265
Default	–	594	–
<b>Total</b>	<b>4,954</b>	<b>5,897</b>	<b>84</b>

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	1,114	32,877	3
10 – 16	> 0.28	213	192	111
Default		–	–	NA
<b>Total</b>		<b>1,327</b>	<b>33,069</b>	<b>4</b>

## Bank Exposures

CRR band	PD range %	Credit RWA \$ million	EAD \$ million	Exposure-weighted average risk weights %
1 – 9	Up to 0.28	4,453	35,556	13
10 – 16	> 0.28	3,452	6,045	57
Default		–	–	NA
<b>Total</b>		<b>7,905</b>	<b>41,601</b>	<b>19</b>

## 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	23	21	109
10 – 16	> 0.28	191	57	335
Default		–	–	NA
<b>Total</b>		<b>214</b>	<b>78</b>	<b>275</b>

PD : Probability of Default

LGD : Loss Given Default

## Pillar 3 Quantitative Disclosure

### Retail (Residential Mortgage) Exposures

PD band %	Credit RWA \$ million	EAD \$ million	Exposure-weighted average risk weights %	Exposure-weighted average LGD %	Undrawn \$ million
Up to 1	4,482	53,063	8	13	3,212
> 1 to 2	1,570	8,069	19	12	210
> 2	4,740	10,017	47	13	566
Default	595	655	91	20	–
<b>Total</b>	<b>11,387</b>	<b>71,804</b>	<b>16</b>	<b>13</b>	<b>3,988</b>

### Retail (QRRE) Exposures

PD band %	Credit RWA \$ million	EAD \$ million	Exposure-weighted average risk weights %	Exposure-weighted average LGD %	Undrawn \$ million
Up to 1	527	7,088	7	50	5,179
> 1 to 2	296	1,871	16	32	1,424
> 2	1,808	1,936	93	59	546
Default	80	45	179	68	–
<b>Total</b>	<b>2,711</b>	<b>10,940</b>	<b>25</b>	<b>48</b>	<b>7,149</b>

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	1,589	13,304	12	17	2,041
> 1 to 2	591	2,253	26	22	526
> 2	1,785	4,954	36	21	408
Default	839	243	345	47	–
<b>Total</b>	<b>4,804</b>	<b>20,754</b>	<b>23</b>	<b>19</b>	<b>2,975</b>

## 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 2016.

Asset class	Actual loss \$ million	Expected loss <sup>a</sup> (as at 31 December 2015) \$ million
Corporate	623	730
Sovereign	–	7
Bank	–	27
Retail	162	361
<b>Total</b>	<b>785</b>	<b>1,125</b>

a Excludes defaulted exposures

## Comparison of Actual Loss and Expected Loss by Asset Class

The actual loss for the Group's IRB portfolio in 2016 was lower than the expected loss (EL) that was estimated for 2016 at the end of December 2015. 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 2015 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.

## Total Loans and Advances (By Performing and Non-Performing)

	\$ million
<b>Performing loans</b>	
Neither past due nor impaired	217,600
Past due but not impaired	4,734
<b>Non-performing loans</b>	<b>3,328</b>
<b>Total gross loans</b>	<b>225,662</b>
Specific allowances	1,219
General allowances	2,709
<b>Total net loans</b>	<b>221,734</b>

## Pillar 3 Quantitative Disclosure

### Movement of Specific Allowances by Industry

	Balance as at 1 January 2016 \$ million	Net charge to income statement \$ million	Net write-off \$ million	Exchange and other movements \$ million	Balance as at 31 December 2016 \$ million
Transport, storage and communication	321	159	(139)	(4)	337
Building and construction	56	14	(10)	14	74
Manufacturing	103	94	(56)	21	162
Financial institutions, investment and holding companies	8	5	(4)	(7)	2
General commerce	128	193	(149)	16	188
Professionals and private individuals	71	88	(138)	48	69
Housing loans	78	21	(9)	10	100
Others	8	395	(50)	(66)	287
<b>Total</b>	<b>773</b>	<b>969</b>	<b>(555)</b>	<b>32</b>	<b>1,219</b>

### Market Risk

Capital requirements by market risk type under Standardised Approach:

Analysed by risk type	\$ million
Interest rate	818
Equity	23
Foreign exchange	936
Commodity	74
<b>Total</b>	<b>1,851</b>

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 the 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	705	318	42	250
Other equity holdings	673	424	36	305
<b>Total</b>	<b>1,378</b>		<b>78</b>	

Total equity exposures that were deducted from capital amounted to \$51 million.

### Gains and Losses

	Unrealised gains/ (losses) eligible as CET1 capital \$ million	Realised gains/ (losses) during the period \$ million
<b>Total</b>	<b>1,095</b>	<b>41</b>

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

31 December 2016

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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.





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

31 December 2016

## Financial Report

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Notes:

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Amounts less than \$500,000 in absolute term are shown as "0".

"NM" denotes not meaningful.



# Management Discussion and Analysis

## Overview

	2016	2015	+/(-) %
<b>Selected income statement items (\$ million)</b>			
Net interest income	4,991	4,926	1.3
Fee and commission income	1,931	1,883	2.5
Other non-interest income	1,140	1,238	(7.9)
Total income	8,061	8,048	0.2
Less: Total expenses	3,696	3,597	2.8
Operating profit	4,365	4,451	(1.9)
Less: Total allowance	594	672	(11.6)
Add: Share of profit of associates and joint ventures	6	90	(93.4)
Net profit before tax	3,777	3,869	(2.4)
Less: Tax and non-controlling interests	681	660	3.2
Net profit after tax <sup>1</sup>	3,096	3,209	(3.5)
<b>Selected balance sheet items (\$ million)</b>			
Net customer loans	221,734	203,611	8.9
Customer deposits	255,314	240,524	6.1
Total assets	340,028	316,011	7.6
Shareholders' equity <sup>1</sup>	32,873	30,768	6.8
<b>Key financial ratios (%)</b>			
Net interest margin	1.71	1.77	
Non-interest income/Total income	38.1	38.8	
Expense/Income ratio	45.9	44.7	
Overseas profit before tax contribution	37.4	38.9	
Credit costs (bp)			
Exclude general allowance	45	19	
Include general allowance	32	32	
Non-performing loans ratio <sup>2</sup>	1.5	1.4	
Return on average total assets	0.95	1.03	
Return on average ordinary shareholders' equity <sup>3</sup>	10.2	11.0	
Loan/Deposit ratio <sup>4</sup>	86.8	84.7	
Liquidity coverage ratios (LCR) <sup>5</sup>			
All-currency	154	143	
Singapore dollar	221	179	
Capital adequacy ratios			
Common Equity Tier 1	13.0	13.0	
Tier 1	13.1	13.0	
Total	16.2	15.6	
Leverage ratio <sup>6</sup>	7.4	7.3	
Earnings per ordinary share (\$) <sup>3</sup>			
Basic	1.86	1.94	
Diluted	1.85	1.93	
Net asset value (NAV) per ordinary share (\$) <sup>7</sup>	18.82	17.84	
Revalued NAV per ordinary share (\$) <sup>7</sup>	21.54	20.56	

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

2 Refers 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 Refers to net customer loans and customer deposits.

5 Figures reported are based on average LCR for the respective period. A minimum requirement of Singapore dollar LCR of 100% and all-currency LCR of 60% shall be maintained at all times with effect from 1 January 2015, with all-currency LCR increasing by 10% each year to 100% by 2019. Public disclosure required under MAS Notice 651 is available in the UOB website at [www.UOBGroup.com/investor/financial/overview.html](http://www.UOBGroup.com/investor/financial/overview.html).

6 Leverage ratio is calculated based on the revised MAS Notice 637 which took effect from 1 January 2015. A minimum requirement of 3% is applied during the parallel run period from 1 January 2013 to 1 January 2017.

7 Preference shares and capital securities are excluded from the computation.

# Management Discussion and Analysis

## Performance Review

The Group reported net earnings of \$3.10 billion for 2016, 3.5% lower than a year ago.

Net interest income increased 1.3% to \$4.99 billion, led by healthy loan growth in the consumer and non-bank financial institution customer segments. Net interest margin decreased 6 basis points to 1.71%.

Non-interest income declined 1.6% to \$3.07 billion. Trading and investment income fell 8.1% to \$877 million due to lower gains from sale of investment securities, partially offset by higher trading income. Fee and commission income increased 2.5% to \$1.93 billion, driven by higher credit card and fund management fees.

Total expenses rose 2.8% to \$3.70 billion from a year ago, largely from revenue and IT-related expenses. The Group was disciplined in managing total headcount and it continues to invest in technology and infrastructure to sharpen its capabilities. The expense-to-income ratio for the year was 45.9%.

Total credit costs on loans were maintained at 32 basis points for the year. Specific allowance on loans increased \$577 million to \$969 million primarily from non-performing loans (NPL) in oil and gas and shipping industries. Total allowance decreased 11.6% to \$594 million, due to lower specific allowance on other assets and a release in general allowance. The Group's general allowance remained strong at \$2.7 billion at the end of the year. The ratio of general allowance to gross loans stood at 1.2%.

Contribution from associated companies decreased to \$6 million due to investment losses in an associated company.

The Group continued to maintain a strong funding and capital position. Gross loans amounted to \$226 billion at end of the year, an increase of 8.8% year-on-year. Customer deposits grew 6.1% to \$255 billion, led mainly by growth in Singapore dollar and US dollar deposits. The Group's loan-to-deposit ratio remained healthy at 86.8%. While staying predominantly deposit-funded, the Group has also tapped alternative sources of funding to diversify funding mix and optimise overall funding costs. In 2016, the Group issued \$3.9 billion in debt and capital securities.

The average Singapore dollar and all-currency liquidity coverage ratios for the year were 221% and 154% respectively, well above the corresponding regulatory requirements of 100% and 70%.

NPL ratio was 1.5% as at 31 December 2016 while NPL coverage remained strong at 118.0%, or 262.4% after taking collateral into account.

Shareholders' equity increased by 6.8% from a year ago to \$32.9 billion as at 31 December 2016 due to retained earnings and strong shareholder take-up from the scrip dividend scheme. Return on equity was 10.2% for 2016.

As at 31 December 2016, the Group's Common Equity Tier 1 and Total CAR remained strong at 13.0% and 16.2% respectively. On a fully-loaded basis, the Common Equity Tier 1 CAR stood at 12.1%. The Group's leverage ratio was 7.4%, well above Basel's minimum requirement of 3%.

## Net Interest Income

### Net Interest Margin

	2016			2015		
	Average balance \$ million	Interest \$ million	Average rate %	Average balance \$ million	Interest \$ million	Average rate %
<b>Interest Bearing Assets</b>						
Customer loans	213,016	7,118	3.34	200,337	6,675	3.33
Interbank balances	49,656	637	1.28	52,318	627	1.20
Securities	29,135	536	1.84	25,441	524	2.06
<b>Total</b>	<b>291,807</b>	<b>8,291</b>	<b>2.84</b>	<b>278,096</b>	<b>7,826</b>	<b>2.81</b>
<b>Interest Bearing Liabilities</b>						
Customer deposits	252,293	2,878	1.14	239,674	2,559	1.07
Interbank balances/others	32,054	422	1.32	30,208	341	1.13
<b>Total</b>	<b>284,347</b>	<b>3,300</b>	<b>1.16</b>	<b>269,882</b>	<b>2,900</b>	<b>1.07</b>
<b>Net interest margin <sup>1</sup></b>			<b>1.71</b>			<b>1.77</b>

<sup>1</sup> Net interest margin represents net interest income as a percentage of total interest bearing assets.

### Volume and Rate Analysis

	2016 vs 2015			2015 vs 2014		
	Volume change \$ million	Rate change \$ million	Net change \$ million	Volume change \$ million	Rate change \$ million	Net change \$ million
<b>Interest Income</b>						
Customer loans	422	21	443	296	465	762
Interbank balances	(32)	41	10	49	(114)	(65)
Securities	76	(64)	12	(37)	(22)	(60)
<b>Total</b>	<b>467</b>	<b>(2)</b>	<b>464</b>	<b>308</b>	<b>329</b>	<b>637</b>
<b>Interest Expense</b>						
Customer deposits	135	184	318	229	78	307
Interbank balances/others	28	54	82	(96)	57	(39)
<b>Total</b>	<b>162</b>	<b>238</b>	<b>400</b>	<b>134</b>	<b>135</b>	<b>268</b>
<b>Net interest income</b>	<b>304</b>	<b>(240)</b>	<b>64</b>	<b>175</b>	<b>194</b>	<b>369</b>

Net interest income increased 1.3% to \$4.99 billion, led by healthy loan growth in the consumer and non-bank financial institution customer segments. Net interest margin decreased 6 basis points to 1.71%.

# Management Discussion and Analysis

## Non-Interest Income

	2016	2015	+ / (-)
	\$ million	\$ million	%
<b>Fee and Commission Income</b>			
Credit card	368	345	6.8
Fund management	188	172	9.3
Wealth management	403	416	(3.1)
Loan-related <sup>1</sup>	482	498	(3.2)
Service charges	134	121	10.1
Trade-related <sup>2</sup>	263	258	1.9
Others	93	74	26.0
	<b>1,931</b>	<b>1,883</b>	<b>2.5</b>
<b>Other Non-Interest Income</b>			
Net trading income	776	641	21.1
Net gain from investment securities	101	313	(67.9)
Dividend income	31	34	(10.6)
Rental income	118	117	0.9
Other income	114	132	(13.7)
	<b>1,140</b>	<b>1,238</b>	<b>(7.9)</b>
<b>Total</b>	<b>3,071</b>	<b>3,122</b>	<b>(1.6)</b>

<sup>1</sup> Loan-related fees include fees earned from corporate finance activities.

<sup>2</sup> Trade-related fees include trade, remittance and guarantees related fees.

Non-interest income declined 1.6% to \$3.07 billion. Trading and investment income fell 8.1% to \$877 million due to lower gains from sale of investment securities, partially offset by higher trading income. Fee and commission income increased 2.5% to \$1.93 billion, driven by higher credit card and fund management fees.

## Operating Expenses

	2016	2015	+ /(-)
	\$ million	\$ million	%
<b>Staff costs</b>	2,050	2,064	(0.7)
<b>Other Operating Expenses</b>			
Revenue-related	826	796	3.8
Occupancy-related	324	311	4.1
IT-related	286	242	18.4
Others	210	184	14.0
	1,646	1,533	7.4
<b>Total</b>	<b>3,696</b>	<b>3,597</b>	<b>2.8</b>

Total expenses rose 2.8% to \$3.70 billion from a year ago, largely from revenue and IT-related expenses. The Group was disciplined in managing total headcount and it continues to invest in technology and infrastructure to sharpen its capabilities. The expense-to-income ratio for the year was 45.9%.

## Allowance for Credit and Other Losses

	2016	2015	+ /(-)
	\$ million	\$ million	%
<b>Specific Allowance on Loans<sup>1</sup></b>			
Singapore	516	108	>100.0
Malaysia	57	33	74.0
Thailand	88	80	9.5
Indonesia	125	140	(10.7)
Greater China <sup>2</sup>	168	40	>100.0
Others	15	(9)	>100.0
	969	392	>100.0
<b>Specific Allowance on Securities and Others</b>	22	84	(73.6)
<b>General Allowance</b>	(398)	196	(>100.0)
<b>Total</b>	<b>594</b>	<b>672</b>	<b>(11.6)</b>

1 Specific allowance 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).

2 Comprise China, Hong Kong and Taiwan.

Total credit costs on loans were maintained at 32 basis points for the year. Specific allowance on loans increased \$577 million to \$969 million primarily from the non-performing loans (NPL) in oil and gas and shipping industries. Total allowance decreased 11.6% to \$594 million, due to lower specific allowance on other assets and a release in general allowance. The Group's general allowance stood at \$2.7 billion at the end of the year. The ratio of general allowance to gross loans stood at 1.2%.

# Management Discussion and Analysis

## Customer Loans

	2016 \$ million	2015 \$ million
Gross customer loans	225,662	207,371
Less: Specific allowance	1,219	773
General allowance	2,709	2,987
<b>Net customer loans</b>	<b>221,734</b>	<b>203,611</b>
<b>By Industry</b>		
Transport, storage and communication	9,780	10,019
Building and construction	52,281	45,211
Manufacturing	15,747	15,803
Financial institutions, investment and holding companies	15,519	14,282
General commerce	30,269	28,302
Professionals and private individuals	26,950	25,950
Housing loans	61,451	56,385
Others	13,665	11,419
<b>Total (gross)</b>	<b>225,662</b>	<b>207,371</b>
<b>By Currency</b>		
Singapore dollar	112,160	108,323
US dollar	45,079	35,953
Malaysian ringgit	22,993	22,375
Thai baht	12,423	10,935
Indonesian rupiah	5,401	5,157
Others	27,606	24,628
<b>Total (gross)</b>	<b>225,662</b>	<b>207,371</b>
<b>By Maturity</b>		
Within 1 year	85,002	70,864
Over 1 year but within 3 years	43,665	40,335
Over 3 years but within 5 years	27,655	26,194
Over 5 years	69,340	69,979
<b>Total (gross)</b>	<b>225,662</b>	<b>207,371</b>
<b>By Geography<sup>1</sup></b>		
Singapore	125,529	116,087
Malaysia	25,767	24,605
Thailand	13,226	11,481
Indonesia	11,857	11,543
Greater China	27,232	25,217
Others	22,051	18,438
<b>Total (gross)</b>	<b>225,662</b>	<b>207,371</b>

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

Gross customer loans registered a strong growth of 8.8% from a year ago to \$226 billion as at 31 December 2016.

Singapore, which accounted for 56% of Group loan base, registered 8.1% growth year-on-year to reach \$126 billion while loans outside Singapore grew 9.7%.

## Non-Performing Assets

	2016 \$ million	2015 \$ million
<b>Non-Performing Assets (NPA)</b>		
Loans (NPL)	3,328	2,882
Debt securities and others	152	184
<b>Total</b>	<b>3,480</b>	<b>3,066</b>
<b>By Grading</b>		
Substandard	2,185	2,255
Doubtful	270	160
Loss	1,025	651
<b>Total</b>	<b>3,480</b>	<b>3,066</b>
<b>By Security Coverage</b>		
Secured by collateral type:		
Properties	1,177	1,145
Shares and debentures	39	26
Fixed deposits	11	6
Others <sup>1</sup>	613	520
	1,840	1,697
Unsecured	1,640	1,369
<b>Total</b>	<b>3,480</b>	<b>3,066</b>
<b>By Ageing</b>		
Current	343	462
Within 90 days	285	370
Over 90 to 180 days	646	417
Over 180 days	2,206	1,817
<b>Total</b>	<b>3,480</b>	<b>3,066</b>
<b>Total Allowance</b>		
Specific	1,322	934
General	2,724	3,074
<b>Total</b>	<b>4,046</b>	<b>4,008</b>
As a % of NPA	116.3%	130.7%
As a % of unsecured NPA	246.7%	292.8%

	2016		2015	
	NPL \$ million	NPL ratio %	NPL \$ million	NPL ratio %
<b>NPL by Industry</b>				
Transport, storage and communication	965	9.9	977	9.8
Building and construction	210	0.4	250	0.6
Manufacturing	316	2.0	287	1.8
Financial institutions, investment and holding companies	76	0.5	102	0.7
General commerce	451	1.5	388	1.4
Professionals and private individuals	284	1.1	287	1.1
Housing loans	618	1.0	550	1.0
Others	408	3.0	41	0.4
<b>Total</b>	<b>3,328</b>	<b>1.5</b>	<b>2,882</b>	<b>1.4</b>

<sup>1</sup> Comprise mainly of shipping vessels.

# Management Discussion and Analysis

## Non-Performing Assets (continued)

	NPL \$ million	NPL ratio %	Specific allowance \$ million	Total allowance	
				as a % of NPA/NPL %	as a % of unsecured NPA/NPL %
<b>NPL by Geography<sup>1</sup></b>					
Singapore					
2016	1,291	1.0	468	179.6	387.0
2015	1,116	1.0	258	220.3	646.8
Malaysia					
2016	487	1.9	82	103.7	376.9
2015	386	1.6	58	125.1	525.0
Thailand					
2016	360	2.7	134	106.4	267.8
2015	249	2.2	91	121.7	312.4
Indonesia					
2016	638	5.4	208	44.8	134.3
2015	569	4.9	175	39.9	110.2
Greater China					
2016	307	1.1	230	106.5	140.3
2015	218	0.9	97	87.2	131.0
Others					
2016	245	1.1	97	44.5	62.3
2015	344	1.9	94	28.8	36.5
Group NPL					
2016	3,328	1.5	1,219	118.0	262.4
2015	2,882	1.4	773	130.5	315.7
Debt securities and others					
2016	152		103	77.6	82.4
2015	184		161	134.8	139.3
Group NPA					
2016	3,480		1,322	116.3	246.7
2015	3,066		934	130.7	292.8

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

Non-performing loans (NPL) ratio was 1.5% as at 31 December 2016 while NPL coverage remained strong at 118.0%, or 262.4% after taking collateral into account.

Group NPL increased 15.5% from a year ago to \$3.33 billion attributable to new NPLs from the oil and gas and shipping industries.



## Customer Deposits

	2016 \$ million	2015 \$ million
<b>By Product</b>		
Fixed deposits	133,966	125,486
Savings deposits	61,951	55,966
Current accounts	51,690	51,221
Others	7,707	7,852
<b>Total</b>	<b>255,314</b>	<b>240,524</b>
<b>By Maturity</b>		
Within 1 year	249,750	234,414
Over 1 year but within 3 years	3,589	4,130
Over 3 years but within 5 years	978	723
Over 5 years	997	1,258
<b>Total</b>	<b>255,314</b>	<b>240,524</b>
<b>By Currency</b>		
Singapore dollar	122,736	115,650
US dollar	59,425	54,236
Malaysian ringgit	25,295	24,122
Thai baht	13,049	11,782
Indonesian rupiah	5,741	5,252
Others	29,068	29,483
<b>Total</b>	<b>255,314</b>	<b>240,524</b>
Group Loan/Deposit ratio (%)	86.8	84.7
SGD Loan/Deposit ratio (%)	89.7	91.7
USD Loan/Deposit ratio (%)	74.6	65.6

Customer deposits rose by 6.1% from a year ago to \$255 billion, led mainly by growth in Singapore dollar and US dollar deposits.

As at 31 December 2016, the Group's loan-to-deposit ratio and Singapore dollar loan-to-deposit ratio stayed healthy at 86.8% and 89.7% respectively.

## Debts Issued

	2016 \$ million	2015 \$ million
<b>Unsecured</b>		
Subordinated debts	5,926	4,878
Commercial papers	14,364	9,666
Fixed and floating rate notes	3,408	3,785
Others	1,687	1,959
<b>Secured</b>		
Covered bonds	758	–
<b>Total</b>	<b>26,143</b>	<b>20,288</b>
Due within 1 year	16,172	12,143
Due after 1 year	9,971	8,146
<b>Total</b>	<b>26,143</b>	<b>20,288</b>

# Management Discussion and Analysis

## Shareholders' Equity

	2016 \$ million	2015 \$ million
Shareholders' equity	32,873	30,768
Add: Revaluation surplus	4,456	4,357
<b>Shareholders' equity including revaluation surplus</b>	<b>37,329</b>	<b>35,126</b>

Shareholders' equity rose 6.8% year-on-year to \$32.9 billion as at 31 December 2016 due to retained earnings and strong shareholder take-up from the scrip dividend scheme.

As at 31 December 2016, revaluation surplus of \$4.45 billion relating to the Group's properties, was not recognised in the financial statements.

## Performance by Business Segment <sup>1</sup>

	GR \$ million	GWB \$ million	GM \$ million	Others \$ million	Total \$ million
<b>2016</b>					
Net interest income	2,435	2,445	126	(15)	4,991
Non-interest income	1,210	1,097	393	371	3,071
Operating income	3,645	3,542	519	355	8,061
Operating expenses	(1,824)	(795)	(291)	(786)	(3,696)
Allowance for credit and other losses	(189)	(827)	4	418	(594)
Share of profit of associates and joint ventures	–	2	–	4	6
Profit before tax	1,632	1,922	232	(9)	3,777
Tax					(669)
<b>Profit for the financial year</b>					<b>3,108</b>
<b>2015</b>					
Net interest income	2,157	2,332	230	207	4,926
Non-interest income	1,201	1,101	299	521	3,122
Operating income	3,358	3,433	529	728	8,048
Operating expenses	(1,785)	(773)	(249)	(790)	(3,597)
Allowance for credit and other losses	(176)	(270)	–	(226)	(672)
Share of profit of associates and joint ventures	–	(2)	–	92	90
Profit before tax	1,397	2,389	280	(197)	3,869
Tax					(649)
<b>Profit for the financial year</b>					<b>3,220</b>

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

## Performance by Business Segment <sup>1</sup> (Continued)

Segmental reporting is prepared based on the Group's internal organisational structure. The Banking Group is organised into three major business segments – Group Retail, Group Wholesale Banking and Global Markets. Others segment includes non-banking activities and corporate functions.

Due to business reorganisations during the year, Investment Management and Central Treasury (previously included in Global Markets and Investment Management) are now reported under the Others segment.

Comparative segment information for prior periods has been restated to be consistent with the current period's segment definition.

### Group Retail (GR)

Profit before tax increased 17% to \$1,632 million. The double-digit growth was supported by higher net interest income on the back of healthy loan growth. Operating expenses grew 2% against last year, mainly from revenue-related expenses.

### Group Wholesale Banking (GWB)

Operating income grew 3% to \$3,542 million, supported by higher net interest income from strong loan growth. Total expenses rose 3% to \$795 million on continued investment in product capabilities and hiring of new talents as the business expanded regionally. Profit before tax was \$1,922 million in 2016, 20% lower than a year ago due to higher allowances for credit and other losses, largely from shipping and oil and gas sectors.

### Global Markets (GM)

Profit before tax declined 17% to \$232 million as compared to a year ago. Operating income decreased 2% to \$519 million as net interest income was affected by higher cost of funding, partly offset by higher income from market making activities. Total expenses increased 17%, mainly from higher revenue-related expenses and continued investments in staff and product capabilities.

### Others

Others segment recorded a net loss of \$9 million in 2016, due to lower income from investments, central treasury activities and contribution from associates. This was offset by a write-back of general allowance for credit and other losses.



# Management Discussion and Analysis

## Performance by Geographical Segment <sup>1</sup>

	Total operating income		Profit before tax		Total assets	
	2016 \$ million	2015 \$ million	2016 \$ million	2015 \$ million	2016 \$ million	2015 \$ million
Singapore	4,590	4,658	2,364	2,363	210,937	197,929
Malaysia	986	1,006	548	537	33,845	32,669
Thailand	830	790	193	175	18,031	16,643
Indonesia	476	410	71	61	9,840	8,550
Greater China	648	706	300	366	40,233	32,982
Others	531	478	301	367	22,991	23,094
	8,061	8,048	3,777	3,869	335,877	311,867
Intangible assets	–	–	–	–	4,151	4,144
<b>Total</b>	<b>8,061</b>	<b>8,048</b>	<b>3,777</b>	<b>3,869</b>	<b>340,028</b>	<b>316,011</b>

<sup>1</sup> Based on the location where the transactions and assets are booked. Information is stated after elimination of inter-segment transactions.

The Group's total operating income remained stable from a year ago at \$8.06 billion as regional countries continued to grow 0.9% year-on-year to \$2.94 billion.

Profit before tax for regional countries decreased 2.3% from a year ago mainly due to lower contributions from Greater China.

### Capital Adequacy Ratios

The Group's CET1, Tier 1 and Total CAR as at 31 December 2016 were well above the regulatory minimum requirements.

Compared to a year ago, total capital increased mainly from retained earnings, issuance of shares pursuant to the scrip dividend scheme and issuance of capital instruments. RWA was higher at 31 December 2016 as a result of business and asset growth.

As at 31 December 2016, the Group's leverage ratio stood at 7.4%. The decrease was due to a higher asset base.

# Directors' Statement

for the financial year ended 31 December 2016

The directors are pleased to present their statement to the members together with the audited financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2016.

## Opinion of the Directors

In the opinion of the directors,

- (a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2016, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

## Directors

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

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

## Arrangements to Enable Directors to Acquire Shares or Debentures

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

## Directors' Interests in Shares or Debentures

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

	Direct interest		Deemed interest	
	At 31.12.2016	At 1.1.2016 or date of appointment	At 31.12.2016	At 1.1.2016 or date of appointment
<b>The Bank</b>				
Ordinary shares				
Hsieh Fu Hua	–	–	25,811	25,000
Wee Cho Yaw	20,567,244	19,921,917	278,781,769	270,050,084
Wee Ee Cheong	3,297,243	3,125,918	166,690,461	161,463,970
Willie Cheng Jue Hiang	–	–	50,467	50,467
James Koh Cher Siang	3,900	3,900	–	–
<b>United Overseas Insurance Limited</b>				
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 2017.

# Directors' Statement

for the financial year ended 31 December 2016

## Directors' Contractual Benefits

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

## Directors' Remuneration

The proposed annual fee structure for the Board for 2016 is set out below. The proposed directors' fees are subject to shareholders' approval at the forthcoming AGM.

Fee Structure	Chairman \$	Member \$
Basic Fee	700,000	90,000
Executive Committee *	–	–
Strategy Committee	85,000	55,000
Board Credit Committee	85,000	55,000
Board Risk Management Committee	85,000	55,000
Audit Committee	85,000	55,000
Nominating Committee	45,000	30,000
Remuneration Committee	45,000	30,000

\* The Executive Committee was re-constituted into the Strategy Committee and Board Credit Committee on 15 February 2016.

Details of the proposed total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2016 are as follows:

	Advisory fee \$'000	Directors' fees \$'000	Fees from subsidiaries <sup>(4)</sup> \$'000	Salary \$'000	Bonus \$'000	Benefits-in- kind and others <sup>(3)</sup> \$'000	Total \$'000
Hsieh Fu Hua	–	955	10	–	–	11	976
Wee Cho Yaw <sup>(1)</sup>	800	315	212	–	–	8	1,335
Wee Ee Cheong <sup>(2)</sup>	–	–	–	1,200	7,200	22	8,422
Wong Meng Meng	–	175	3	–	–	–	178
Franklin Leo Lavin	–	175	5	–	–	–	180
Willie Cheng Jue Hiang	–	205	–	–	–	–	205
James Koh Cher Siang	–	245	–	–	–	–	245
Ong Yew Huat	–	285	64	–	–	–	349
Lim Hwee Hua	–	220	–	–	–	–	220

(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 20 April 2017.

(2) 60% of the variable pay to Mr Wee Ee Cheong will be deferred and vest over the next three years, subject to predetermined performance conditions. Of the deferred variable pay, 40% will be issued in deferred cash, while the remaining 60% will be in the form of share-linked performance units.

(3) Includes transport-related benefits and provision of drivers for Mr Hsieh Fu Hua, Dr Wee Cho Yaw and Mr Wee Ee Cheong.

(4) Fees from subsidiaries payable to Mr Wee Ee Cheong were paid to the Bank.

## Share-Based Compensation Plans

The share-based compensation plans, which are administered by the Remuneration Committee, comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Details of these plans are found below and in Note 40 to the financial statements.

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

The Bank implemented the Plans on 28 September 2007, with a view to aligning the interests of participating employees with that of shareholders and the Group by fostering a culture of ownership and enhancing the competitiveness of the Group's remuneration for selected employees.

The Remuneration Committee determines the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting. Since 2014, no SAR has been granted as an instrument for share-based compensation. Grants from prior years continue to vest in accordance with the vesting schedule.

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

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

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

Percentage of ROE target achieved	Percentage of award to be vested
	2013 grant
≥ 115%	130%
≥ 110%	120%
≥ 105%	110%
≥ 100%	100%
≥ 95%	100%
≥ 90%	90%
≥ 85%	80%
≥ 80%	70%
< 80%	At the discretion of the Remuneration Committee

Thirty per cent of grants made in and after 2014 will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy per cent will vest after three years, subject to the achievement of the three-year ROE targets. The vesting levels are shown below.

Percentage of ROE target achieved	Percentage of award to be vested for grants made in and after 2014*
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

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

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the Remuneration Committee.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the Plans shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plans only allow the delivery of UOB ordinary shares held in treasury by the Bank.

# Directors' Statement

for the financial year ended 31 December 2016

## 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  
16 February 2017



# Independent Auditor's Report

for the financial year ended 31 December 2016

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED OVERSEAS BANK LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group), set out on pages 157 to 244, which comprise the balance sheets of the Bank and the Group at 31 December 2016, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and the Group and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank, are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs), including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the financial performance and changes in equity of the Bank for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



# Independent Auditor's Report

for the financial year ended 31 December 2016

Areas of Focus	How Our Audit Addressed the Risk Factors
<p><b>Impairment of Loans to Customers</b>  <i>Refer to Notes 2r(i) and 25a to the consolidated financial statements on pages 160 and 186 respectively.</i></p> <p>The allowance for impairment of loans to customers is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group records both general and specific allowances, in accordance with the transitional provision set out in the MAS Notice 612 requirements for the incorporation of historical loss data and qualitative factors on loan grading respectively.</p> <p>Loans to customers contributed to approximately 65% of the Group's total assets. The Group's loan portfolio comprises customers from the two business units, i.e. Group Wholesale Banking ("GWB") (57%/ \$128 billion) and Group Retail ("GR") (43%/ \$98 billion). The loan portfolio and characteristics of these two groups differ, therefore requiring a different approach in the assessment for specific allowances by management.</p> <p>GWB's loan portfolio consists of larger wholesale loans, requiring management to monitor the borrowers' repayment abilities individually based on their knowledge for any allowance for impairment.</p> <p>In comparison with GWB, GR's loan portfolio consists of smaller loan values and a greater number of customers. Loans are not monitored individually and are grouped by product into homogeneous portfolios. Portfolios are monitored through historical delinquency statistics, which drive the allowance for impairment assessment.</p>	<p>Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following:</p> <ul style="list-style-type: none"> <li>• the origination, approval and monitoring of loans;</li> <li>• the identification and timeliness of identifying impairment indicators; and</li> <li>• the governance process of loan downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment models.</li> </ul> <p>Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.</p> <p>We have designed the following procedures for specific allowances in response to the risks specific to the business units.</p> <p><u>Group Wholesale Banking</u>            We obtained an understanding of the Group Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans in accordance with the MAS Notice 612.</p> <p>We tested a sample of loans (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner.</p> <p>We considered the magnitude of the credit exposures, macroeconomic factors and industry trends in our audit sampling, and extended our audit coverage over customers in sectors currently experiencing difficult economic and market conditions including the oil and gas, shipping and real estate sectors.</p> <p>For the selected non-performing loans ("NPLs"), we assessed management's forecast and inputs of recoverable cash flows, valuation of collaterals, estimates of recoverable amounts on default and other sources of repayment, and where possible, compared these key assumptions to external references such as ship and real estate valuations.</p>

Areas of Focus	How Our Audit Addressed the Risk Factors
<p>Impairment of Loans to Customers (continued)</p>	<p><u>Group Retail</u>  For the major GR portfolios, we examined the appropriateness of the model parameters such as historical loss rates based on our industry knowledge and experience to evaluate whether they are in line with customer behavioural profiles.</p> <p>Where lending is secured by collateral, the allowance for impairment is determined based on the haircuts and fair values less cost to sell obtained by the Group. We examined, on a sample basis, the reasonableness of haircuts applied and the fair values less cost to sell based on our knowledge and experience of the local residential and economic conditions and asset price trends.</p> <p>With respect to the Group's general allowances, our procedures included the following:</p> <ul style="list-style-type: none"> <li>• we re-computed management's calculation to assess that the Group maintained a minimum of 1% of general allowances on total credit exposure net of collateral and specific allowances in accordance with the transitional provision set out in MAS Notice 612;</li> <li>• we evaluated management's assessment on the relevance of the applied historical credit cycles and impact arising from forecasts of the prevailing market and economic conditions that the Group is most susceptible to; and</li> <li>• we performed scenario analyses based on historical and hypothetical scenarios we considered necessary to assess the adequacy of the general allowances in stressed conditions.</li> </ul> <p>Overall, the results of our evaluation of the Group's allowance for impairment of loans are consistent with management's assessment.</p>
<p><b>Valuation of Illiquid or Complex Financial Instruments</b>  Refer to Notes 2r(ii) and 18b to the consolidated financial statements on pages 160 and 176 to 177 respectively.</p> <p>The valuation of the Group's financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing some of the instruments and the significance of the judgements and estimates made by management.</p> <p>In particular, the determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data.</p> <p>At 31 December 2016, 4% (\$3 billion) of the Group's total financial instruments that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised unquoted equity investments and funds, long dated equity derivatives and a small number of unquoted debt securities.</p>	<p>We assessed the key controls over the Group's valuation and model validation processes, including the measurement of valuation reserves and derivative valuation adjustments. Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.</p> <p>In addition, we evaluated the appropriateness of the valuation methodologies, particularly for material illiquid and complex financial instruments such as private equity investments and structured products.</p> <p>For a sample of financial instruments with significant unobservable valuation inputs, we involved our own internal valuation specialists to critically assess the valuation assumptions and inputs used by management, or perform an independent valuation by reference to alternative valuation methods used by other market participants and sensitivity analyses of key factors.</p> <p>The results of our independent analyses are consistent with management's analyses.</p>



# Independent Auditor's Report

for the financial year ended 31 December 2016

Areas of Focus	How Our Audit Addressed the Risk Factors
<p><b>Impairment of Goodwill</b>  <i>Refer to Notes 2(iii) and 34b to the consolidated financial statements on pages 160 and 200 respectively.</i></p> <p>As at 31 December 2016, the goodwill balance was carried at \$4 billion which represents 1% of total assets, and 13% of total equity. The goodwill arose from the Group's acquisition of Overseas Union Bank ("OUB"), United Overseas Bank (Thai) Public Company Limited ("UOBT") and PT Bank UOB Indonesia ("UOBI") in prior years, and is allocated to the respective cash-generating units ("CGUs") defined by the Group's operating segments.</p> <p>We focused on this area because the impairment test relies on the calculation of the value-in-use ("VIU") of each CGU, which involves significant management judgment and assumptions about the future cash flows of the CGUs and the discount rates applied.</p>	<p>Our audit procedures focused on the assessment of key assumptions in forming the CGUs' VIU calculations, including the cash flow projections and discount rates that have been approved by management.</p> <p>We assessed the cash flow projections by reviewing the historical achievement of the projections and considered the reasons for significant deviations.</p> <p>We also evaluated the reasonableness of the VIU calculations by comparing the market-related assumptions which the outcome of the impairment test is most sensitive to, against externally available industry, economic and financial data, such as country Gross Domestic Product ("GDP") growth rates.</p> <p>Where we determined that a more appropriate assumption or input in a CGU's VIU calculation could be made, independent sensitivity analyses were performed for different scenarios to identify any CGUs with a risk of impairment.</p> <p>Our evaluation results are consistent with management's goodwill impairment testing results.</p>

## Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report (Other Sections), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



# Independent Auditor's Report

for the financial year ended 31 December 2016

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Winston Ngan.

**ERNST & YOUNG LLP**  
Public Accountants and Chartered Accountants  
Singapore

16 February 2017

# Income Statements

for the financial year ended 31 December 2016

	Note	The Group		The Bank	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest income	3	8,290,547	7,826,114	5,101,698	4,552,840
Less: Interest expense	4	3,299,797	2,899,817	1,866,310	1,379,914
<b>Net interest income</b>		<b>4,990,750</b>	<b>4,926,297</b>	<b>3,235,388</b>	<b>3,172,926</b>
Fee and commission income	5	1,930,612	1,883,491	1,254,942	1,230,343
Dividend income		30,600	34,243	194,714	241,981
Rental income		118,478	117,461	102,422	100,054
Net trading income	6	776,085	640,808	642,026	532,584
Net gain from investment securities	7	100,589	313,378	80,236	278,914
Other income	8	114,142	132,203	136,990	150,425
<b>Non-interest income</b>		<b>3,070,506</b>	<b>3,121,584</b>	<b>2,411,330</b>	<b>2,534,301</b>
<b>Total operating income</b>		<b>8,061,256</b>	<b>8,047,881</b>	<b>5,646,718</b>	<b>5,707,227</b>
Less: Staff costs	9	2,050,014	2,064,048	1,171,070	1,183,463
Other operating expenses	10	1,646,484	1,532,915	1,079,869	1,015,984
<b>Total operating expenses</b>		<b>3,696,498</b>	<b>3,596,963</b>	<b>2,250,939</b>	<b>2,199,447</b>
<b>Operating profit before allowance</b>		<b>4,364,758</b>	<b>4,450,918</b>	<b>3,395,779</b>	<b>3,507,780</b>
Less: Allowance for credit and other losses	11	593,768	671,786	456,398	389,688
<b>Operating profit after allowance</b>		<b>3,770,990</b>	<b>3,779,132</b>	<b>2,939,381</b>	<b>3,118,092</b>
Share of profit of associates and joint ventures		5,929	89,576	–	–
<b>Profit before tax</b>		<b>3,776,919</b>	<b>3,868,708</b>	<b>2,939,381</b>	<b>3,118,092</b>
Less: Tax	12	668,969	648,681	454,556	438,652
<b>Profit for the financial year</b>		<b>3,107,950</b>	<b>3,220,027</b>	<b>2,484,825</b>	<b>2,679,440</b>
Attributable to:					
Equity holders of the Bank		3,096,289	3,208,899	2,484,825	2,679,440
Non-controlling interests		11,661	11,128	–	–
		<b>3,107,950</b>	<b>3,220,027</b>	<b>2,484,825</b>	<b>2,679,440</b>
<b>Earnings per share (\$)</b>	13				
Basic		1.86	1.94		
Diluted		1.85	1.93		

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 2016

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Profit for the financial year</b>	<b>3,107,950</b>	<b>3,220,027</b>	<b>2,484,825</b>	<b>2,679,440</b>
<b>Other Comprehensive Income <sup>(1)</sup></b>				
Currency translation adjustments	108,745	(339,464)	7,708	8,601
Change in available-for-sale/other reserves				
Change in fair value	(227,542)	500,001	(241,252)	500,527
Transfer to income statement on disposal/impairment	(155,146)	(274,698)	(140,105)	(252,228)
Tax relating to available-for-sale	23,929	(722)	23,312	(5,306)
Change in shares of other comprehensive income of associates and joint ventures	(5,260)	10,427	–	–
Remeasurement of defined benefit obligation	3,706	(10,243)	–	–
<b>Other comprehensive income for the financial year, net of tax</b>	<b>(251,568)</b>	<b>(114,699)</b>	<b>(350,337)</b>	<b>251,594</b>
<b>Total comprehensive income for the financial year, net of tax</b>	<b>2,856,382</b>	<b>3,105,328</b>	<b>2,134,488</b>	<b>2,931,034</b>
Attributable to:				
Equity holders of the Bank	2,839,675	3,096,222	2,134,488	2,931,034
Non-controlling interests	16,707	9,106	–	–
	<b>2,856,382</b>	<b>3,105,328</b>	<b>2,134,488</b>	<b>2,931,034</b>

(1) Other Comprehensive Income will be reclassified subsequently to income statement when specific conditions are met, except for the remeasurement of defined benefit obligation.

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



# Balance Sheets

as at 31 December 2016

	Note	The Group		The Bank	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Equity</b>					
Share capital and other capital	14	6,351,013	5,881,252	6,351,013	5,049,702
Retained earnings	15	17,333,616	15,463,194	13,030,819	11,734,720
Other reserves	16	9,188,560	9,423,960	9,625,481	9,971,362
<b>Equity attributable to equity holders of the Bank</b>		<b>32,873,189</b>	<b>30,768,406</b>	<b>29,007,313</b>	<b>26,755,784</b>
Non-controlling interests		168,599	155,367	–	–
<b>Total equity</b>		<b>33,041,788</b>	<b>30,923,773</b>	<b>29,007,313</b>	<b>26,755,784</b>
<b>Liabilities</b>					
Deposits and balances of:					
Banks		11,855,222	11,986,337	10,618,314	10,538,390
Customers	19	255,313,873	240,524,473	199,665,008	190,377,876
Subsidiaries		–	–	7,239,191	2,411,844
Bills and drafts payable		521,720	434,541	323,813	236,649
Derivative financial liabilities	36	6,837,108	5,969,076	5,961,059	5,427,808
Other liabilities	20	5,665,659	5,262,453	2,590,168	2,580,158
Tax payable		417,406	430,678	354,586	346,417
Deferred tax liabilities	21	231,908	191,586	89,214	101,096
Debts issued	22	26,142,949	20,288,288	25,014,644	20,210,640
<b>Total liabilities</b>		<b>306,985,845</b>	<b>285,087,432</b>	<b>251,855,997</b>	<b>232,230,878</b>
<b>Total equity and liabilities</b>		<b>340,027,633</b>	<b>316,011,205</b>	<b>280,863,310</b>	<b>258,986,662</b>
<b>Assets</b>					
Cash, balances and placements with central banks	23	24,322,115	32,305,515	16,572,831	24,248,826
Singapore Government treasury bills and securities		6,876,831	6,865,052	6,876,831	6,865,052
Other government treasury bills and securities		10,638,470	12,643,728	5,257,286	7,268,093
Trading securities	24	3,127,350	1,276,574	2,977,205	1,009,768
Placements and balances with banks		40,032,875	28,646,058	33,730,816	24,280,039
Loans to customers	25	221,733,669	203,610,907	172,655,915	158,230,240
Placements with and advances to subsidiaries		–	–	9,440,101	5,943,534
Derivative financial assets	36	6,981,546	6,422,161	6,184,579	5,695,663
Investment securities	27	11,639,689	10,562,494	10,991,626	9,857,070
Other assets	28	6,174,231	5,354,853	4,361,437	3,685,887
Deferred tax assets	21	251,094	227,035	42,375	65,853
Investment in associates and joint ventures	29	1,108,925	1,105,946	332,639	407,006
Investment in subsidiaries	30	–	–	5,785,706	5,841,051
Investment properties	32	1,104,910	1,108,450	1,161,937	1,174,084
Fixed assets	33	1,884,883	1,738,607	1,310,207	1,232,677
Intangible assets	34	4,151,045	4,143,825	3,181,819	3,181,819
<b>Total assets</b>		<b>340,027,633</b>	<b>316,011,205</b>	<b>280,863,310</b>	<b>258,986,662</b>

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 2016

	The Group					
	Attributable to equity holders of the Bank				Non-controlling interests	Total equity
	Share capital and other capital	Retained earnings	Other reserves	Total		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>2016</b>						
Balance at 1 January	5,881,252	15,463,194	9,423,960	30,768,406	155,367	30,923,773
Profit for the financial year	–	3,096,289	–	3,096,289	11,661	3,107,950
Other comprehensive income for the financial year	–	3,706	(260,320)	(256,614)	5,046	(251,568)
Total comprehensive income for the financial year	–	3,099,995	(260,320)	2,839,675	16,707	2,856,382
Transfers	–	(5,915)	5,915	–	–	–
Change in non-controlling interests	–	–	–	–	2,260	2,260
Dividends	–	(1,226,187)	–	(1,226,187)	(5,735)	(1,231,922)
Shares issued under scrip dividend scheme	533,094	–	–	533,094	–	533,094
Share-based compensation	–	–	41,260	41,260	–	41,260
Reclassification of share-based compensation reserves on expiry	–	2,529	(2,529)	–	–	–
Shares issued under share-based compensation plans	19,726	–	(19,726)	–	–	–
Perpetual capital securities issued	748,491	–	–	748,491	–	748,491
Redemption of preference shares	(831,550)	–	–	(831,550)	–	(831,550)
Balance at 31 December	6,351,013	17,333,616	9,188,560	32,873,189	168,599	33,041,788
<b>2015</b>						
Balance at 1 January	5,892,165	14,064,092	9,613,093	29,569,350	202,655	29,772,005
Profit for the financial year	–	3,208,899	–	3,208,899	11,128	3,220,027
Other comprehensive income for the financial year	–	(10,243)	(102,434)	(112,677)	(2,022)	(114,699)
Total comprehensive income for the financial year	–	3,198,656	(102,434)	3,096,222	9,106	3,105,328
Transfers	–	66,957	(66,957)	–	–	–
Change in non-controlling interests	–	–	(33,274)	(33,274)	(50,192)	(83,466)
Dividends	–	(1,866,864)	–	(1,866,864)	(6,202)	(1,873,066)
Shares re-purchased – held in treasury	(36,658)	–	–	(36,658)	–	(36,658)
Share-based compensation	–	–	39,630	39,630	–	39,630
Reclassification of share-based compensation reserves on expiry	–	353	(353)	–	–	–
Shares issued under share-based compensation plans	25,745	–	(25,745)	–	–	–
Balance at 31 December	5,881,252	15,463,194	9,423,960	30,768,406	155,367	30,923,773
	Note	14	15	16		

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 2016

	The Bank			
	Share capital and other capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
<b>2016</b>				
Balance at 1 January	5,049,702	11,734,720	9,971,362	26,755,784
Profit for the financial year	–	2,484,825	–	2,484,825
Other comprehensive income for the financial year	–	–	(350,337)	(350,337)
Total comprehensive income for the financial year	–	2,484,825	(350,337)	2,134,488
Transfers	–	14,549	(14,549)	–
Dividends	–	(1,205,804)	–	(1,205,804)
Shares issued under scrip dividend scheme	533,094	–	–	533,094
Share-based compensation	–	–	41,260	41,260
Reclassification of share-based compensation reserves on expiry	–	2,529	(2,529)	–
Shares issued under share-based compensation plans	19,726	–	(19,726)	–
Perpetual capital securities issued	748,491	–	–	748,491
Balance at 31 December	6,351,013	13,030,819	9,625,481	29,007,313
<b>2015</b>				
Balance at 1 January	5,060,615	10,808,566	9,780,486	25,649,667
Profit for the financial year	–	2,679,440	–	2,679,440
Other comprehensive income for the financial year	–	–	251,594	251,594
Total comprehensive income for the financial year	–	2,679,440	251,594	2,931,034
Transfers	–	74,250	(74,250)	–
Dividends	–	(1,827,889)	–	(1,827,889)
Shares re-purchased – held in treasury	(36,658)	–	–	(36,658)
Share-based compensation	–	–	39,630	39,630
Reclassification of share-based compensation reserves on expiry	–	353	(353)	–
Shares issued under share-based compensation plans	25,745	–	(25,745)	–
Balance at 31 December	5,049,702	11,734,720	9,971,362	26,755,784
	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 2016

	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>		
Profit for the financial year	3,107,950	3,220,027
Adjustments for:		
Allowance for credit and other losses	593,768	671,786
Share of profit of associates and joint ventures	(5,929)	(89,576)
Tax	668,969	648,681
Depreciation of assets	221,704	181,512
Net gain on disposal of assets	(191,887)	(341,505)
Share-based compensation	41,113	41,096
Operating profit before working capital changes	4,435,688	4,332,021
Change in working capital		
Deposits and balances of banks	(131,115)	759,990
Deposits and balances of customers	14,789,400	6,774,829
Bills and drafts payable	87,179	(516,186)
Other liabilities	1,582,084	1,354,539
Restricted balances with central banks	(843,644)	300,939
Government treasury bills and securities	1,996,646	(1,583,063)
Trading securities	(1,758,829)	(532,295)
Placements and balances with banks	(11,386,817)	45,993
Loans to customers	(18,815,376)	(8,363,812)
Investment securities	(1,307,107)	1,391,206
Other assets	(1,339,085)	(2,758,518)
Cash (used in)/generated from operations	(12,690,976)	1,205,643
Income tax paid	(622,507)	(544,546)
<b>Net cash (used in)/provided by operating activities</b>	<b>(13,313,483)</b>	<b>661,097</b>
<b>Cash flows from investing activities</b>		
Capital injection into associates and joint ventures	(33,990)	(3,534)
Acquisition of associates and joint ventures	(46,679)	(8,672)
Proceeds from disposal of associates and joint ventures	–	478
Distribution from associates and joint ventures	59,337	167,483
Acquisition of properties and other fixed assets	(382,854)	(691,981)
Proceeds from disposal of properties and other fixed assets	22,307	51,004
Change in non-controlling interests	–	1,685
<b>Net cash used in investing activities</b>	<b>(381,879)</b>	<b>(483,537)</b>
<b>Cash flows from financing activities</b>		
Perpetual capital securities issued	748,491	–
Redemption of preference shares	(689,375)	–
Issuance of debts issued	34,373,522	18,186,531
Redemption of debts issued	(28,694,101)	(19,258,435)
Shares re-purchased – held in treasury	–	(36,658)
Change in non-controlling interests	2,260	(85,150)
Dividends paid on ordinary shares	(912,472)	(1,442,024)
Dividends paid on preference shares	(19,552)	(40,548)
Distribution for perpetual capital securities	(80,703)	(65,400)
Dividends paid to non-controlling interests	(5,735)	(6,202)
<b>Net cash provided by/(used in) financing activities</b>	<b>4,722,335</b>	<b>(2,747,886)</b>
Currency translation adjustments	145,983	93,872
<b>Net decrease in cash and cash equivalents</b>	<b>(8,827,044)</b>	<b>(2,476,454)</b>
Cash and cash equivalents at beginning of the financial year	27,227,864	29,704,318
<b>Cash and cash equivalents at end of the financial year (Note 39)</b>	<b>18,400,820</b>	<b>27,227,864</b>

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 2016

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 and listed on the Singapore Exchange. The registered office of the Bank is at 80 Raffles Place, UOB Plaza, Singapore 048624.

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its major subsidiaries are set out in Note 30b to the financial statements.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Preparation

The financial statements of the Bank and its subsidiaries (collectively, the Group) have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, with modification to FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in the Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning.

Except as otherwise stated, the financial statements have been prepared under the historical cost convention and are presented to the nearest thousand in Singapore dollars.

### (b) Changes in Accounting Policies

#### (i) Changes During the Financial Year

The Group adopted the following revised FRS during the financial year which had no significant effect on the financial statements of the Group.

- Amendments to FRS 1: Disclosure Initiative
- Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 27: Equity Method in Separate Financial Statements
- Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception
- Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations

Other than the above, the accounting policies applied by the Group in the financial year were consistent with those adopted in the previous financial year.

#### (ii) Changes Subsequent to the Financial Year

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 2017:

- Amendments to FRS 7: Disclosure Initiative
- Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for financial year beginning on or after 1 January 2018:

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts with Customers
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Amendments to FRS 40: Transfers of Investment Property
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

Effective for financial year beginning on or after 1 January 2019:

- FRS 116 Leases

# Notes to the Financial Statements

for the financial year ended 31 December 2016

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

### (b) Changes in Accounting Policies (continued)

#### (ii) *Changes Subsequent to the Financial Year (continued)*

Effective for financial year beginning on or after a date to be determined:

- Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The implications and impact of adopting the above changes are as follows:

#### *FRS 109 Financial Instruments*

The Group set up a project team comprising representatives from business, finance, risk, technology and operations in 2014 to drive the implementation of FRS 109.

Under FRS 109, debt assets are classified and measured based on their business models and cash flow characteristics. Non-trading equity assets are classified as fair value through profit or loss unless they are elected at inception to be at fair value through other comprehensive income with only dividend income recognised in profit or loss. For financial liabilities designated to be measured at fair value through profit or loss, changes in fair value that are attributable to own credit risk are taken to other comprehensive income. If it is assessed at inception that this would create accounting mismatch, such fair value changes are taken to profit or loss. Classification and measurement of the Group's financial instruments are expected to remain substantially unchanged under FRS 109.

FRS 109 requires credit loss allowance to be on an expected loss basis, point-in-time, forward-looking and probability-weighted. Where there is no significant increase in credit risk since initial recognition, expected credit loss (ECL) representing possible default for the next 12 months is required, otherwise, lifetime ECL is required. Lifetime ECL is also required for purchased or originated credit-impaired assets. Profit or loss is expected to be more volatile with the point-in-time ECL requirement. The Group will leverage the existing credit risk models and systems with necessary modifications to comply with FRS 109 ECL requirements. The impact of ECL on the Group's financial statements is subject to further review and assessment. The Group expects its current credit loss allowance, determined based on FRS 39 with modification as provided in the MAS Notice 612, to be sufficient to meet FRS 109 ECL requirements.

Hedge accounting is more closely aligned with risk management under FRS 109. The 80% to 125% bright-line hedge effectiveness requirement is removed and the hedge ratio can be rebalanced without terminating a hedging relationship. The changes are not expected to have significant impact on the Group's financial statements.

#### *FRS 115 Revenue from Contracts with Customers*

FRS 115 requires revenue to be recognised when control of a good or service is transferred. Control is transferred when the transferee is able to direct the use of, and obtain substantially all of the remaining benefits from, the good or service. The amount of revenue recognised represents the consideration to which an entity expects to be entitled in exchange for the good or service transferred. Subject to meeting the specified criteria, costs of obtaining and fulfilling a contract are recognised as assets and amortised over the contractual terms. Adoption of the Standard is not expected to have a significant impact on the Group's financial statements.

#### *FRS 116 Leases*

FRS 116 introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) for all leases unless they are short-term or of low value. Lessor accounting remains substantially unchanged and a lessor continues to account for its leases as operating leases or finance leases accordingly. Adoption of the Standard is not expected to have a significant impact on the Group's financial statements.

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

### (b) Changes in Accounting Policies (continued)

#### (ii) *Changes Subsequent to the Financial Year (continued)*

##### *Others*

Application of the other FRS as listed above is not expected to have a significant impact on the Group's financial statements.

### (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 their fair values at the acquisition date. Non-controlling interests are measured at fair value or the proportionate share of the acquiree's net identifiable assets at the acquisition date, determined on a case by case basis. Acquisition-related costs are expensed off when incurred. Goodwill is determined and accounted for in accordance with Note 2h(i).

Subsidiaries are consolidated from the date the Group obtains control until the date such control ceases. Intra-group balances and income and expenses are eliminated on consolidation. Adjustments are made to align the accounting policies of the subsidiaries to those of the Group. The portion of profit or loss and net assets of subsidiaries that belong to the non-controlling interests is disclosed separately in the consolidated financial statements. Gain or loss arising from changes of the Bank's interest in subsidiaries is recognised in the income statement if they result in loss of control of 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

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

### (c) Interests in Other Entities (continued)

#### (ii) *Associates and Joint Ventures (continued)*

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.

#### (iii) *Joint Operations*

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

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

### (d) Financial Assets and Financial Liabilities

#### (i) *Classification*

Financial assets and financial liabilities are classified as follows:

##### *At Fair Value Through Profit or Loss*

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

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

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

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

##### *Held-to-maturity*

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

##### *Loans and Receivables*

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

##### *Available-for-sale*

Non-derivative financial assets that are not classified into any of the preceding categories 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 or designated as fair value through profit or loss are measured at fair value with fair value changes recognised in the income statement.

Available-for-sale financial assets are measured at fair value with fair value changes taken to the fair value reserve, and subsequently to the income statement upon disposal or impairment of the assets.

All other financial instruments are measured at amortised cost using the effective interest method less allowance for impairment.

Interest and dividend income on all non-derivative financial instruments at fair value through profit or loss are recognised separately from fair value changes.

##### *Fair Value Determination*

Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and ask prices respectively at the balance sheet date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models. Valuation inputs include spot and forward prices, volatilities, correlations and credit spreads.

#### (iii) *Recognition and Derecognition*

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

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

#### (iv) *Offsetting*

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

#### (v) *Total Allowance*

##### *Specific Allowance*

Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each balance sheet date. Allowance for impairment 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

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

### (d) Financial Assets and Financial Liabilities (continued)

#### (v) *Total Allowance (continued)*

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

For available-for-sale financial assets, allowance for impairment is determined as the difference between the assets' cost and the current fair value, less any allowance for impairment previously recognised in the income statement. The loss is transferred from the fair value reserve to the income statement. For available-for-sale equity instruments, subsequent recovery of the allowance for impairment is written back to the fair value reserve.

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

#### *General Allowance*

General allowance is made for estimated losses inherent in but not currently identifiable to individual financial assets. The allowance is made based on management's experience and judgement and taking into account country and portfolio risks. The Group maintains general allowance of at least 1% of its credit exposure net of collateral and specific allowance in accordance with the transitional provision set out in MAS Notice 612.

### (e) Financial Derivatives

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

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

### (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 a 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 hedged 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.

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

### (g) Investment Properties and Fixed Assets

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

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

Freehold land and leasehold land with remaining leases of 100 years or more are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over their expected useful lives of three 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 allowance, if any.

Goodwill is reviewed for impairment annually or more frequently if the circumstances indicate that its carrying amount may be impaired. At the date of acquisition, goodwill is allocated to the cash-generating units (CGU) expected to benefit from the synergies of the business combination. The Group's CGU correspond with the operating segments reported in Note 42a. Where the recoverable amount, being the higher of fair value less cost to sell and value in use, of a CGU is below its carrying amount, the impairment allowance is recognised in the income statement and subsequent reversal is not allowed.

#### (ii) *Other Intangible Assets*

Other intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, they are measured at cost less accumulated amortisation and impairment allowance, 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

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

### (i) Foreign Currencies

#### (i) *Foreign Currency Transactions*

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

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

#### (ii) *Foreign Operations*

Revenue and expenses of foreign operations are translated into Singapore dollars at the weighted average exchange rate for the financial year which approximates the exchange rate at the transaction date. Foreign operations' assets and liabilities are translated at the exchange rate ruling at the balance sheet date. All resultant exchange differences are recognised in the foreign currency translation reserve, and subsequently to the consolidated income statement upon disposal of the foreign operations. In the case of a partial disposal without loss of control of a subsidiary, the proportionate share of the accumulated exchange differences are not recognised in the income statement but re-attributed to the non-controlling interests. For partial disposal of an associate or joint venture, the proportionate share of the accumulated exchange differences is reclassified to income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are recorded in the functional currency of the foreign operations and translated at the exchange rate ruling at the balance sheet date. For acquisitions prior to 1 January 2005, goodwill and fair value adjustments were recorded in Singapore dollars at the exchange rate prevailing at the date of acquisition.

### (j) Tax

#### (i) *Current Tax*

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

#### (ii) *Deferred Tax*

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

Deferred tax is not provided for temporary differences arising from (a) initial recognition of goodwill, (b) initial recognition of an asset or liability that is not a business combination and that does not affect accounting or taxable profit at the time of the transaction and (c) taxable temporary differences related to investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Where gains and losses are recognised directly in equity, the related deferred tax is also taken to equity.

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

### (j) Tax (continued)

#### (iii) *Offsetting*

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

### (k) Provisions

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

### (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, allowance, commissions and defined contributions under regulations are recognised in the income statement when incurred. Leave entitlements are recognised when they accrue to employees based on contractual terms of employment.

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

### (p) Dividend Payment

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

### (q) Treasury Shares

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

# Notes to the Financial Statements

for the financial year ended 31 December 2016

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

### (r) Critical Accounting Estimates and Judgements

Preparation of the financial statements involves making certain assumptions and estimates. This often requires management's judgement for the appropriate policies, assumptions, inputs and methodologies to be used. As judgements are made based on information available at the time the financial statements are prepared, the ultimate results could differ from those disclosed in the statements due to subsequent changes in the information. The following provides a brief description of the Group's critical accounting estimates that involve management's judgement.

#### (i) Allowance for Impairment of Financial Assets

Allowance for impairment of financial assets is determined in accordance with Note 2d(v). Identifying and providing for specific allowance require management's experience and significant judgement. The process involves assessing various factors such as economic outlook, business prospects, timing and amount of future cash flows and liquidation proceeds from collateral.

General allowance is determined based on management's assessment of the country and portfolio risk, historical loss experiences and economic indicators.

#### (ii) Fair Valuation of Financial Instruments

Fair value of financial instruments is determined in accordance with Notes 2d(ii) and 18a. Valuation of financial instruments that are not quoted in the market or with complex structures requires considerable management judgement in selecting the appropriate valuation models and data inputs.

#### (iii) Goodwill

Goodwill is reviewed for impairment in accordance with Notes 2h(i) and 34b. The process requires management's assessment of key factors such as future economic growth, business forecasts and discount rates.

#### (iv) Income Taxes

Income taxes are provided in accordance with Note 2j. The Group is subject to income taxes in various jurisdictions. Provision for these taxes involves interpretation of the tax regulations on certain transactions and computations. In cases of uncertainty, provision is estimated based on the technical merits of the situation.

## 3. Interest Income

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loans to customers	7,117,745	6,674,520	4,356,079	3,843,519
Placements and balances with banks	636,824	627,274	369,945	358,928
Government treasury bills and securities	277,956	256,072	136,993	108,740
Trading and investment securities	258,022	268,248	238,681	241,653
	<b>8,290,547</b>	<b>7,826,114</b>	<b>5,101,698</b>	<b>4,552,840</b>
Of which, interest income on:				
Impaired financial assets	15,140	18,943	12,626	16,762
Financial assets at fair value through profit or loss	69,139	113,646	42,448	69,005

#### 4. Interest Expense

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deposits of customers	2,877,570	2,559,276	1,489,019	1,045,454
Deposits and balances of banks and debts issued	422,227	340,541	377,291	334,460
	<b>3,299,797</b>	<b>2,899,817</b>	<b>1,866,310</b>	<b>1,379,914</b>

Of which, interest expense on financial liabilities at fair value through profit or loss	22,844	44,193	20,038	13,793
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#### 5. Fee and Commission Income

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Credit card <sup>(1)</sup>	367,856	344,564	264,123	244,116
Fund management	187,623	171,701	3,089	3,722
Wealth management	402,930	415,646	309,317	306,399
Loan-related <sup>(2)</sup>	481,792	497,561	382,779	405,240
Service charges	133,707	121,488	102,169	87,026
Trade-related <sup>(3)</sup>	263,426	258,482	165,716	164,528
Others	93,278	74,049	27,749	19,312
	<b>1,930,612</b>	<b>1,883,491</b>	<b>1,254,942</b>	<b>1,230,343</b>

Of which, fee and commission from:				
Financial assets not measured at fair value through profit or loss	395,171	409,551	319,002	334,705
Provision of trust and other fiduciary services	11,554	10,641	9,435	9,166

(1) Credit card fees are net of interchange fees paid.

(2) Loan-related fees includes fees earned from corporate finance activities.

(3) Trade-related fees includes trade, remittance and guarantees related fees.

#### 6. Net Trading Income

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net gain/(loss) from:				
Foreign exchange	513,365	627,232	380,595	506,108
Interest rate and others	182,965	48,297	169,543	17,651
Financial assets designated as fair value through profit or loss	(2,574)	(9,288)	520	5,620
Financial liabilities designated as fair value through profit or loss	82,329	(25,433)	91,368	3,205
	<b>776,085</b>	<b>640,808</b>	<b>642,026</b>	<b>532,584</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 7. Net Gain from Investment Securities

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Available-for-sale	99,769	303,850	72,624	266,454
Loans and receivables	820	9,528	7,612	12,460
	100,589	313,378	80,236	278,914

## 8. Other Income

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) from:				
Disposal of investment properties	8,131	18,850	8,548	18,850
Disposal of fixed assets	3,352	8,925	839	8,894
Disposal/liquidation of subsidiaries/associates/ joint ventures	(1,879)	5,904	(25)	5,442
Others	104,538	98,524	127,628	117,239
	114,142	132,203	136,990	150,425

## 9. Staff Costs

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Salaries, bonus and allowance	1,648,664	1,666,055	938,001	947,541
Employer's contribution to defined contribution plans	150,072	144,709	86,576	82,769
Share-based compensation	41,113	41,096	32,562	30,047
Others	210,165	212,188	113,931	123,106
	2,050,014	2,064,048	1,171,070	1,183,463
Of which, the Bank's directors' remuneration	8,422	9,223	8,422	9,223



## 10. Other Operating Expenses

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue-related	826,380	795,799	450,133	446,331
Occupancy-related	323,819	310,945	207,468	205,642
IT-related	286,424	242,008	309,837	267,470
Others	209,861	184,163	112,431	96,541
	<b>1,646,484</b>	<b>1,532,915</b>	<b>1,079,869</b>	<b>1,015,984</b>

Of which:

Advisory/Directors' fees	4,711	4,346	3,375	3,095
Depreciation of assets	221,704	181,512	143,335	117,709
Rental expenses	134,406	133,742	93,000	90,140
Auditors' remuneration paid/payable to:				
Auditors of the Bank	2,703	2,593	1,933	1,900
Affiliates of auditors of the Bank	2,204	2,018	695	558
Other auditors	232	284	78	161
Non-audit fees paid/payable to:				
Auditors of the Bank	376	207	345	207
Affiliates of auditors of the Bank	1,248	250	214	123
Other auditors	17	135	17	57
Expenses on investment properties	54,621	51,849	41,719	37,790
Fee expenses arising from financial liabilities not at fair value through profit or loss	31,119	88,733	31,050	14,338

## 11. Allowance for Credit and Other Losses

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Specific allowance on/(write-back) of:				
Loans (Note 25d)	969,123	391,604	736,333	156,727
Investments	6,215	68,781	113,664	137,664
Other assets	16,040	15,534	12,999	(1,253)
General allowance	(397,610)	195,867	(406,598)	96,550
	<b>593,768</b>	<b>671,786</b>	<b>456,398</b>	<b>389,688</b>

Included in the allowance for credit and other losses is the following:

Bad debts written off	343,052	156,987	185,639	51,705
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# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 12. Tax

Tax charge to the income statements comprises the following:

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
On profit of the financial year				
Current tax	633,151	629,220	439,673	418,052
Deferred tax	33,630	26,246	35,091	38,711
	666,781	655,466	474,764	456,763
(Over)/under-provision of prior year tax				
Current tax	(22,413)	(33,484)	(21,072)	(25,466)
Deferred tax	6,375	6,772	864	7,355
Share of tax of associates and joint ventures	18,226	19,927	–	–
	668,969	648,681	454,556	438,652

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Operating profit after allowance	3,770,990	3,779,132	2,939,381	3,118,092
Prima facie tax calculated at tax rate of 17% (2015: 17%)	641,068	642,452	499,695	530,076
Effect of:				
Income taxed at concessionary rates	(57,246)	(48,293)	(56,517)	(47,492)
Different tax rates in other countries	127,952	117,161	71,529	58,015
Income not subject to tax	(64,743)	(84,486)	(76,190)	(92,334)
Expenses not deductible for tax	22,602	47,582	38,650	31,315
Others	(2,852)	(18,950)	(2,403)	(22,817)
Tax expense on profit of the financial year	666,781	655,466	474,764	456,763

### 13. Earnings Per Share

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

	The Group	
	2016	2015
Profit attributable to equity holders of the Bank (\$'000)	3,096,289	3,208,899
Dividends on preference shares (\$'000)	(8,347)	(39,936)
Distribution of perpetual capital securities (\$'000)	(84,089)	(65,400)
Adjusted profit (\$'000)	3,003,853	3,103,563
Weighted average number of ordinary shares ('000)		
In issue	1,616,629	1,602,343
Adjustment for potential ordinary shares under share-based compensation plans	6,144	4,398
Diluted	1,622,773	1,606,741
EPS (\$)		
Basic	1.86	1.94
Diluted	1.85	1.93

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 14. Share Capital and Other Capital

(a)

	2016		2015	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Ordinary shares				
Balance at 1 January	1,614,544	3,944,232	1,614,544	3,944,232
Shares issued under scrip dividend scheme	32,422	533,094	–	–
Balance at 31 December	1,646,966	4,477,326	1,614,544	3,944,232
Treasury shares				
Balance at 1 January	(12,281)	(240,523)	(11,857)	(229,610)
Shares re-purchased – held in treasury	–	–	(1,740)	(36,658)
Shares issued under share-based compensation plans	1,007	19,726	1,316	25,745
Balance at 31 December	(11,274)	(220,797)	(12,281)	(240,523)
Ordinary share capital	1,635,692	4,256,529	1,602,263	3,703,709
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
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	–	748,491	–	–
<b>Share capital and other capital of the Bank</b>	–	<b>6,351,013</b>	–	<b>5,049,702</b>
Non-cumulative non-convertible guaranteed SPV-A preference shares at 1 January and 31 December	–	–	5	831,550
<b>Share capital and other capital of the Group</b>		<b>6,351,013</b>		<b>5,881,252</b>

#### 14. Share Capital and Other Capital (continued)

- (b) The ordinary shares have no par value and are fully paid. The holders of ordinary shares (excluding treasury shares) have unrestricted rights to dividends, return of capital and voting.
- (c) During the financial year, the Bank issued 1,007,000 (2015: 1,316,000) 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 a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

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

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

- (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 a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

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

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

- (f) The 4.00% non-cumulative non-convertible perpetual capital securities were issued by the Bank on 18 May 2016. The capital securities are perpetual securities but may be redeemed at the option of the Bank on 18 May 2021 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events. The principal of the capital securities can be written down in full or in part upon notification of non-viability by the MAS.

The capital securities bear a fixed distribution rate of 4% per annum, subject to a reset on 18 May 2021 (and every five years thereafter) to a rate equal to the prevailing five-year SGD SOR plus the initial margin of 2.035%. Distributions are payable semi-annually on 18 May and 18 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 15. Retained Earnings

(a)

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at 1 January	15,463,194	14,064,092	11,734,720	10,808,566
Profit for the financial year attributable to equity holders of the Bank	3,096,289	3,208,899	2,484,825	2,679,440
Remeasurement of defined benefit obligation	3,706	(10,243)	–	–
Transfer (to)/from other reserves	(5,915)	66,957	14,549	74,250
Reclassification of share-based compensation reserves on expiry	2,529	353	2,529	353
Dividends				
Ordinary shares				
Final dividend of 35 cents one-tier tax-exempt (2015: 50 cents one-tier tax-exempt and special dividend of 5 cents one-tier tax-exempt) per share paid in respect of prior financial year	(562,552)	(881,227)	(562,552)	(881,227)
Interim dividend of 35 cents one-tier tax-exempt (2015: 35 cents one-tier tax-exempt) per share paid in respect of the financial year	(562,549)	(560,797)	(562,549)	(560,797)
80 <sup>th</sup> Anniversary dividend of 20 cents one-tier tax-exempt per share accrued in respect of the financial year	–	(320,465)	–	(320,465)
Semi-annual dividend at 5.796% per annum on non-cumulative non-convertible guaranteed SPV-A preference shares	(20,383)	(38,975)	–	–
4.90% non-cumulative non-convertible perpetual capital securities issued on 23 July 2013	(41,764)	(41,650)	(41,764)	(41,650)
4.75% non-cumulative non-convertible perpetual capital securities issued on 19 November 2013	(23,815)	(23,750)	(23,815)	(23,750)
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016	(15,124)	–	(15,124)	–
	(1,226,187)	(1,866,864)	(1,205,804)	(1,827,889)
Balance at 31 December	17,333,616	15,463,194	13,030,819	11,734,720

- (b) The retained earnings are distributable reserves except for an amount of \$485,252,000 (2015: \$528,996,000), 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 2016, the directors have proposed a final one-tier tax-exempt dividend of 35 cents per ordinary share amounting to a total dividend of \$572,492,000. The proposed dividend will be accounted for in Year 2017 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
<b>2016</b>									
Balance at 1 January	1,237,166	(1,437,706)	61,806	3,077,432	494,804	6,224,138	92,208	(325,888)	9,423,960
Other comprehensive income for the financial year	(362,233)	107,867	–	–	–	–	(5,047)	(907)	(260,320)
Transfers	–	–	–	(9,281)	41,288	(25,170)	–	(922)	5,915
Share-based compensation	–	–	41,260	–	–	–	–	–	41,260
Reclassification of share-based compensation reserves on expiry	–	–	(2,529)	–	–	–	–	–	(2,529)
Shares issued under share-based compensation plans	–	–	(22,746)	–	–	–	–	3,020	(19,726)
<b>Balance at 31 December</b>	<b>874,933</b>	<b>(1,329,839)</b>	<b>77,791</b>	<b>3,068,151</b>	<b>536,092</b>	<b>6,198,968</b>	<b>87,161</b>	<b>(324,697)</b>	<b>9,188,560</b>
<b>2015</b>									
Balance at 1 January	1,014,629	(1,097,227)	45,699	3,151,682	3,293,891	3,416,316	77,565	(289,462)	9,613,093
Other comprehensive income for the financial year	222,495	(340,479)	–	–	–	–	14,643	907	(102,434)
Transfers	–	–	–	(74,250)	(2,799,087)	2,807,822	–	(1,442)	(66,957)
Share-based compensation	–	–	39,630	–	–	–	–	–	39,630
Reclassification of share-based compensation reserves on expiry	–	–	(353)	–	–	–	–	–	(353)
Shares issued under share-based compensation plans	–	–	(23,170)	–	–	–	–	(2,575)	(25,745)
Change in non-controlling interests	42	–	–	–	–	–	–	(33,316)	(33,274)
<b>Balance at 31 December</b>	<b>1,237,166</b>	<b>(1,437,706)</b>	<b>61,806</b>	<b>3,077,432</b>	<b>494,804</b>	<b>6,224,138</b>	<b>92,208</b>	<b>(325,888)</b>	<b>9,423,960</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 16. Other Reserves (continued)

(a) (continued)

	The Bank							
	Fair value	Foreign	Share-based	Merger	Statutory	General	Others	Total
	reserve	currency	compensation	reserve	reserve	reserve		
\$'000	translation	reserve	reserve	reserve	reserve	reserve	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2016</b>								
Balance at 1 January	1,242,199	(59,238)	61,806	3,077,432	–	5,683,421	(34,258)	9,971,362
Other comprehensive income for the financial year	(357,386)	7,049	–	–	–	–	–	(350,337)
Transfers	–	–	–	(9,281)	–	(5,268)	–	(14,549)
Share-based compensation	–	–	41,260	–	–	–	–	41,260
Reclassification of share-based compensation reserves on expiry	–	–	(2,529)	–	–	–	–	(2,529)
Shares issued under share-based compensation plans	–	–	(22,746)	–	–	–	3,020	(19,726)
<b>Balance at 31 December</b>	<b>884,813</b>	<b>(52,189)</b>	<b>77,791</b>	<b>3,068,151</b>	<b>–</b>	<b>5,678,153</b>	<b>(31,238)</b>	<b>9,625,481</b>
<b>2015</b>								
Balance at 1 January	999,137	(67,770)	45,699	3,151,682	2,752,922	2,930,499	(31,683)	9,780,486
Other comprehensive income for the financial year	243,062	8,532	–	–	–	–	–	251,594
Transfers	–	–	–	(74,250)	(2,752,922)	2,752,922	–	(74,250)
Share-based compensation	–	–	39,630	–	–	–	–	39,630
Reclassification of share-based compensation reserves on expiry	–	–	(353)	–	–	–	–	(353)
Shares issued under share-based compensation plans	–	–	(23,170)	–	–	–	(2,575)	(25,745)
<b>Balance at 31 December</b>	<b>1,242,199</b>	<b>(59,238)</b>	<b>61,806</b>	<b>3,077,432</b>	<b>–</b>	<b>5,683,421</b>	<b>(34,258)</b>	<b>9,971,362</b>

- (b) Fair value reserve contains cumulative fair value changes of outstanding available-for-sale financial assets.
- (c) Foreign currency translation reserve represents differences arising from the use of year end exchange rates versus historical rates in translating the net assets of foreign operations, net of the effective portion of the fair value changes of related hedging instruments.
- (d) Share-based compensation reserve reflects the Bank's and the Group's commitments under the share-based compensation plans.
- (e) Merger reserve represents the premium on shares issued in connection with the acquisition of Overseas Union Bank Limited.
- (f) Statutory reserve is maintained in accordance with the provisions of applicable laws and regulations. This reserve is non-distributable unless otherwise approved by the relevant authorities.
- (g) General reserve has not been earmarked for any specific purpose.
- (h) Share of reserves of associates and joint ventures comprises the Group's share of associates' and joint ventures' post-acquisition revenue reserve at 1 January 1998 and other reserves, adjusted for goodwill arising from acquisition of associates and joint ventures prior to 1 January 2001. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates and joint ventures.

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



## 16. Other Reserves (continued)

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

## 17. Classification of Financial Assets and Financial Liabilities

(a)

	The Group				Total \$'000
	Held for trading \$'000	Designated as fair value through profit or loss \$'000	Available-for-sale \$'000	Loans and receivables/ amortised cost \$'000	
<b>2016</b>					
Cash, balances and placements with central banks	2,917,230	–	3,060,256	18,344,629	24,322,115
Singapore Government treasury bills and securities	230,163	–	6,646,668	–	6,876,831
Other government treasury bills and securities	2,175,889	–	8,462,581	–	10,638,470
Trading securities	3,127,350	–	–	–	3,127,350
Placements and balances with banks	8,384,373	235,462	1,639,745	29,773,295	40,032,875
Loans to customers	2,392,124	–	–	219,341,545	221,733,669
Derivative financial assets	6,981,546	–	–	–	6,981,546
Investment securities					
Debt	–	–	8,357,029	421,911	8,778,940
Equity	–	–	2,860,749	–	2,860,749
Other assets	923,949	27,514	3,430	4,938,578	5,893,471
<b>Total financial assets</b>	<b>27,132,624</b>	<b>262,976</b>	<b>31,030,458</b>	<b>272,819,958</b>	<b>331,246,016</b>
Non-financial assets					8,781,617
<b>Total assets</b>					<b>340,027,633</b>
Deposits and balances of banks and customers	165,710	1,782,578	–	265,220,807	267,169,095
Bills and drafts payable	–	–	–	521,720	521,720
Derivative financial liabilities	6,837,108	–	–	–	6,837,108
Other liabilities	730,492	–	–	4,614,562	5,345,054
Debts issued	–	1,274,228	–	24,868,721	26,142,949
<b>Total financial liabilities</b>	<b>7,733,310</b>	<b>3,056,806</b>	<b>–</b>	<b>295,225,810</b>	<b>306,015,926</b>
Non-financial liabilities					969,919
<b>Total liabilities</b>					<b>306,985,845</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 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
2015					
Cash, balances and placements with central banks	3,215,243	–	7,081,490	22,008,782	32,305,515
Singapore Government treasury bills and securities	186,243	–	6,678,809	–	6,865,052
Other government treasury bills and securities	3,242,377	–	9,401,351	–	12,643,728
Trading securities	1,276,574	–	–	–	1,276,574
Placements and balances with banks	4,475,059	371,373	733,188	23,066,438	28,646,058
Loans to customers	332,199	–	–	203,278,708	203,610,907
Derivative financial assets	6,422,161	–	–	–	6,422,161
Investment securities					
Debt	–	109,120	6,832,168	370,108	7,311,396
Equity	–	–	3,251,098	–	3,251,098
Other assets	659,316	29,846	4,978	4,341,535	5,035,675
<b>Total financial assets</b>	<b>19,809,172</b>	<b>510,339</b>	<b>33,983,082</b>	<b>253,065,571</b>	<b>307,368,164</b>
Non-financial assets					8,643,041
<b>Total assets</b>					<b>316,011,205</b>
Deposits and balances of banks and customers	790,171	2,782,365	–	248,938,274	252,510,810
Bills and drafts payable	–	–	–	434,541	434,541
Derivative financial liabilities	5,969,076	–	–	–	5,969,076
Other liabilities	987,156	–	–	3,945,729	4,932,885
Debts issued	–	908,103	–	19,380,185	20,288,288
<b>Total financial liabilities</b>	<b>7,746,403</b>	<b>3,690,468</b>	<b>–</b>	<b>272,698,729</b>	<b>284,135,600</b>
Non-financial liabilities					951,832
<b>Total liabilities</b>					<b>285,087,432</b>

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

(a) (continued)

	The Bank				Total \$'000
	Held for trading \$'000	Designated as fair value through profit or loss \$'000	Available- for-sale \$'000	Loans and receivables/ amortised cost \$'000	
<b>2016</b>					
Cash, balances and placements with central banks	2,826,801	–	2,525,955	11,220,075	16,572,831
Singapore Government treasury bills and securities	230,163	–	6,646,668	–	6,876,831
Other government treasury bills and securities	2,004,005	–	3,253,281	–	5,257,286
Trading securities	2,977,205	–	–	–	2,977,205
Placements and balances with banks	8,148,752	235,462	1,003,337	24,343,265	33,730,816
Loans to customers	2,392,124	–	–	170,263,791	172,655,915
Placements with and advances to subsidiaries	608,142	–	–	8,831,959	9,440,101
Derivative financial assets	6,184,579	–	–	–	6,184,579
Investment securities					
Debt	–	–	7,621,107	828,658	8,449,765
Equity	–	–	2,541,861	–	2,541,861
Other assets	878,167	–	1,537	3,392,284	4,271,988
<b>Total financial assets</b>	<b>26,249,938</b>	<b>235,462</b>	<b>23,593,746</b>	<b>218,880,032</b>	<b>268,959,178</b>
Non-financial assets					11,904,132
<b>Total assets</b>					<b>280,863,310</b>
Deposits and balances of banks, customers and subsidiaries	165,803	1,554,217	–	215,802,493	217,522,513
Bills and drafts payable	–	–	–	323,813	323,813
Derivative financial liabilities	5,961,059	–	–	–	5,961,059
Other liabilities	684,745	–	–	1,746,596	2,431,341
Debts issued	–	1,274,228	–	23,740,416	25,014,644
<b>Total financial liabilities</b>	<b>6,811,607</b>	<b>2,828,445</b>	<b>–</b>	<b>241,613,318</b>	<b>251,253,370</b>
Non-financial liabilities					602,627
<b>Total liabilities</b>					<b>251,855,997</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

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

(a) (continued)

	The Bank				
	Held for trading \$'000	Designated as fair value through profit or loss \$'000	Available-for-sale \$'000	Loans and receivables/ amortised cost \$'000	Total \$'000
2015					
Cash, balances and placements with central banks	3,007,916	–	6,698,602	14,542,308	24,248,826
Singapore Government treasury bills and securities	186,243	–	6,678,809	–	6,865,052
Other government treasury bills and securities	2,666,408	–	4,601,685	–	7,268,093
Trading securities	1,009,768	–	–	–	1,009,768
Placements and balances with banks	3,643,286	356,314	428,550	19,851,889	24,280,039
Loans to customers	332,199	–	–	157,898,041	158,230,240
Placements with and advances to subsidiaries	1,093,428	–	–	4,850,106	5,943,534
Derivative financial assets	5,695,663	–	–	–	5,695,663
Investment securities					
Debt	–	–	6,150,164	834,667	6,984,831
Equity	–	–	2,872,239	–	2,872,239
Other assets	801,556	–	2,755	2,847,257	3,651,568
<b>Total financial assets</b>	<b>18,436,467</b>	<b>356,314</b>	<b>27,432,804</b>	<b>200,824,268</b>	<b>247,049,853</b>
Non-financial assets					11,936,809
<b>Total assets</b>					<b>258,986,662</b>
Deposits and balances of banks, customers and subsidiaries	791,463	2,045,715	–	200,490,932	203,328,110
Bills and drafts payable	–	–	–	236,649	236,649
Derivative financial liabilities	5,427,808	–	–	–	5,427,808
Other liabilities	876,144	–	–	1,551,046	2,427,190
Debts issued	–	908,103	–	19,302,537	20,210,640
<b>Total financial liabilities</b>	<b>7,095,415</b>	<b>2,953,818</b>	<b>–</b>	<b>221,581,164</b>	<b>231,630,397</b>
Non-financial liabilities					600,481
<b>Total liabilities</b>					<b>232,230,878</b>

(b) Certain financial derivatives were designated as hedging instruments for fair value hedges as set out in Note 37a.

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

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial liabilities				
Deposits and balances of banks, customers and subsidiaries	1,814,373	2,846,757	1,583,595	2,105,444
Debts issued	1,382,086	875,191	1,382,086	875,191
	<b>3,196,459</b>	<b>3,721,948</b>	<b>2,965,681</b>	<b>2,980,635</b>

## 18. Fair Values of the Financial Instruments

- (a) The valuation process adopted by the Group is governed by the valuation, market data, and reserves policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation process incorporating the market rates, the methodologies and models, including the analysis of the valuation is regularly reviewed by Group Risk Management. Processes and controls are also subject to periodic reviews by internal auditors.

The valuation inputs are independently verified by checking against information from market sources. These are applicable to products or instruments with liquid markets or those traded in an exchange. Where market prices are not liquid, additional techniques will be used such as historical estimation or available proxies as additional reasonableness checks. Where products or instruments are complex, the Group utilises approved valuation models. All valuation models are independently validated by Group Risk Management.

When unobservable inputs are used in the valuation models for Level 3 financial assets or liabilities, apart from utilising market proxies, other valuation techniques such as cash flow, profit and loss or net asset value in financial statements are used as a reasonableness check.

The valuation process is supplemented by valuation reserves to adjust for valuation uncertainties. Valuation reserve methodologies and adjustments are discussed and approved by Group Asset and Liability Committee (ALCO) or Group Investment Committee.

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

For financial instruments carried at cost or amortised cost, their fair values are determined as follows:

- For cash, balances, placements and deposits of central banks, banks and subsidiaries, deposits of customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts;
- For loans and deposits of customers, non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes or using the discounted cash flow method; and
- For subordinated notes issued, fair values are determined based on quoted market prices.

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

	The Group		The Bank	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>2016</b>				
Investment debt securities	421,911	421,911	828,658	828,658
Debts issued	24,868,721	24,894,546	23,740,416	23,771,294
<b>2015</b>				
Investment debt securities	370,108	369,722	834,667	834,281
Debts issued	19,380,185	19,511,918	19,302,537	19,431,685

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 18. Fair Values of the Financial Instruments (continued)

(b) The Group classifies financial instruments carried at fair value by level following the 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					
	2016			2015		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Cash, balances and placements with central banks	-	5,977,486	-	-	10,296,733	-
Singapore Government treasury bills and securities	6,876,831	-	-	6,865,052	-	-
Other government treasury bills and securities	7,789,805	2,848,665	-	9,682,068	2,961,660	-
Trading securities	2,989,805	-	137,545	1,128,147	-	148,427
Placements and balances with banks	-	10,259,580	-	-	5,579,620	-
Loans to customers	-	2,392,124	-	-	332,199	-
Derivative financial assets	76,076	6,748,172	157,298	12,567	6,228,247	181,347
Investment securities						
Debt	7,016,828	922,357	417,844	6,124,975	504,261	312,052
Equity	774,891	-	2,085,858	851,537	-	2,399,561
Other assets	953,369	1,524	-	677,718	16,422	-
	<b>26,477,605</b>	<b>29,149,908</b>	<b>2,798,545</b>	<b>25,342,064</b>	<b>25,919,142</b>	<b>3,041,387</b>
<b>Total financial assets carried at fair value</b>			<b>58,426,058</b>			<b>54,302,593</b>
Deposits and balances of banks and customers	-	1,948,288	-	-	3,572,536	-
Derivative financial liabilities	88,683	6,595,805	152,620	97,758	5,689,971	181,347
Other liabilities	62,321	668,171	-	305,924	681,232	-
Debts issued	-	1,274,228	-	-	908,103	-
	<b>151,004</b>	<b>10,486,492</b>	<b>152,620</b>	<b>403,682</b>	<b>10,851,842</b>	<b>181,347</b>
<b>Total financial liabilities carried at fair value</b>			<b>10,790,116</b>			<b>11,436,871</b>

## 18. Fair Values of the Financial Instruments (continued)

(b) (continued)

	The Bank					
	2016			2015		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Cash, balances and placements with central banks	-	5,352,756	-	-	9,706,518	-
Singapore Government treasury bills and securities	6,876,831	-	-	6,865,052	-	-
Other government treasury bills and securities	5,257,286	-	-	7,268,093	-	-
Trading securities	2,977,205	-	-	1,009,768	-	-
Placements and balances with banks	-	9,387,551	-	-	4,428,150	-
Loans to customers	-	2,392,124	-	-	332,199	-
Placements with and advances to subsidiaries	107,958	500,184	-	1,093,428	-	-
Derivative financial assets	75,718	5,966,193	142,668	27,784	5,486,532	181,347
Investment securities						
Debt	6,332,405	886,870	401,832	5,352,448	491,421	306,295
Equity	664,621	-	1,877,240	701,532	-	2,170,707
Other assets	874,561	5,143	-	801,879	2,432	-
	<b>23,166,585</b>	<b>24,490,821</b>	<b>2,421,740</b>	<b>23,119,984</b>	<b>20,447,252</b>	<b>2,658,349</b>
<b>Total financial assets carried at fair value</b>			<b>50,079,146</b>			<b>46,225,585</b>
Deposits and balances of banks, customers and subsidiaries	-	1,720,020	-	-	2,837,178	-
Derivative financial liabilities	88,347	5,732,749	139,963	97,567	5,148,894	181,347
Other liabilities	62,324	622,421	-	305,883	570,261	-
Debts issued	-	1,274,228	-	-	908,103	-
	<b>150,671</b>	<b>9,349,418</b>	<b>139,963</b>	<b>403,450</b>	<b>9,464,436</b>	<b>181,347</b>
<b>Total financial liabilities carried at fair value</b>			<b>9,640,052</b>			<b>10,049,233</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 18. Fair Values of the Financial Instruments (continued)

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

	The Group						Balance at 31 December \$'000	Unrealised gains included in income statement \$'000
	Balance at 1 January \$'000	Income statement \$'000	Other comprehensive income \$'000	Purchases \$'000	Settlements \$'000	Transfers in \$'000		
<b>2016</b>								
<b>Assets</b>								
Trading securities	148,427	5,802	–	38,474	(55,158)	–	137,545	5,802
Derivative financial assets	181,347	(79,381)	–	–	–	55,332 <sup>(1)</sup>	157,298	(79,381)
Investment securities-debt	312,052	1,309	1,371	167,635	(99,737)	35,214 <sup>(2)</sup>	417,844	2,434
Investment securities-equity	2,399,561	64,452	(266,004)	165,771	(277,922)	–	2,085,858	–
<b>Liabilities</b>								
Derivative financial liabilities	181,347	(79,381)	–	–	–	50,654 <sup>(1)</sup>	152,620	(79,381)
<b>2015</b>								
<b>Assets</b>								
Trading securities	–	–	–	148,427	–	–	148,427	–
Derivative financial assets	199,086	(17,739)	–	–	–	–	181,347	(17,739)
Investment securities-debt	906	–	(3,632)	102,250	(906)	213,434 <sup>(2)</sup>	312,052	–
Investment securities-equity	2,071,038	(102,149)	467,114	359,586	(396,028)	–	2,399,561	–
<b>Liabilities</b>								
Derivative financial liabilities	199,086	(17,739)	–	–	–	–	181,347	(17,739)

(1) Derivative financial assets and liabilities were transferred from Level 2 to Level 3 during the year due to increased contribution of unobservable inputs to their valuation.

(2) Financial assets transferred from Level 2 to Level 3 relate primarily to corporate securities as liquidity for these securities reduced significantly during the year.



## 18. Fair Values of the Financial Instruments (continued)

(c) (continued)

	The Bank							Unrealised gains included in income statement \$'000
	Fair value gains or (losses)			Purchases \$'000	Settlements \$'000	Transfers in \$'000	Balance at 31 December \$'000	
	Balance at 1 January \$'000	Income statement \$'000	Other comprehensive income \$'000					
<b>2016</b>								
<b>Assets</b>								
Derivative financial assets	181,347	(79,381)	–	–	–	40,702 <sup>(1)</sup>	142,668	(79,381)
Investment securities-debt	306,295	1,309	1,395	165,635	(99,737)	26,935 <sup>(2)</sup>	401,832	2,434
Investment securities-equity	2,170,707	63,504	(278,725)	107,991	(186,237)	–	1,877,240	–
<b>Liabilities</b>								
Derivative financial liabilities	181,347	(79,381)	–	–	–	37,997 <sup>(1)</sup>	139,963	(79,381)
<b>2015</b>								
<b>Assets</b>								
Derivative financial assets	199,086	(17,739)	–	–	–	–	181,347	(17,739)
Investment securities-debt	906	–	(3,639)	96,500	(906)	213,434 <sup>(2)</sup>	306,295	–
Investment securities-equity	1,821,509	(67,516)	478,715	311,937	(373,938)	–	2,170,707	–
<b>Liabilities</b>								
Derivative financial liabilities	199,086	(17,739)	–	–	–	–	181,347	(17,739)

(1) Derivative financial assets and liabilities were transferred from Level 2 to Level 3 during the year due to increased contribution of unobservable inputs to their valuation.

(2) Financial assets transferred from Level 2 to Level 3 relate primarily to corporate securities as liquidity for these securities reduced significantly during the year.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 18. Fair Values of the Financial Instruments (continued)

- (d) Effect of changes in significant unobservable inputs to reflect reasonably possible alternatives.

As at 31 December 2016, 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
<b>2016</b>			
<b>Assets</b>			
Trading securities	FVPL <sup>(1)</sup>	Net Asset Value and comparatives	Financial ratios multiples
Derivative financial assets	FVPL <sup>(1)</sup>	Option Pricing Model	Standard deviation
Investment securities-debt	AFS <sup>(2)</sup>	Discounted Cash Flow	Credit spreads
Investment securities-equity	AFS <sup>(2)</sup>	Multiples and Net Asset Value	Net asset value, earnings and financial ratios multiples
<b>Liabilities</b>			
Derivative financial liabilities	FVPL <sup>(1)</sup>	Option Pricing Model	Standard deviation

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

(2) Financial instruments classified as available-for-sale.

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

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

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

## 19. Deposits and Balances of Customers

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	133,966,257	125,485,520	100,047,401	94,289,545
Savings deposits	61,951,429	55,966,078	49,587,318	45,020,974
Current accounts	51,689,604	51,221,174	43,856,680	44,346,319
Others	7,706,583	7,851,701	6,173,609	6,721,038
	<b>255,313,873</b>	<b>240,524,473</b>	<b>199,665,008</b>	<b>190,377,876</b>

## 20. Other Liabilities

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Accrued interest payable	849,209	699,525	503,450	386,526
Accrued operating expenses	735,357	714,535	417,351	395,505
Sundry creditors	3,332,705	2,930,517	1,140,546	1,184,912
Others	748,388	917,876	528,821	613,215
	<b>5,665,659</b>	<b>5,262,453</b>	<b>2,590,168</b>	<b>2,580,158</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 21. Deferred Tax

Deferred tax comprises the following:

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred tax liabilities on:				
Unrealised gain on available-for-sale financial assets	71,110	97,403	57,832	81,144
Accelerated tax depreciation	116,405	100,877	105,427	90,754
Unrealised gain on financial instruments fair value through profit or loss	129,455	70,444	2,520	1,175
Fair value of depreciable assets acquired in business combination	27,008	27,527	27,008	27,527
Others	1,160	4,107	707	734
	<b>345,138</b>	<b>300,358</b>	<b>193,494</b>	<b>201,334</b>
Amount offset against deferred tax assets	(113,230)	(108,772)	(104,280)	(100,238)
	<b>231,908</b>	<b>191,586</b>	<b>89,214</b>	<b>101,096</b>
Deferred tax assets on:				
Unrealised loss on available-for-sale financial assets	38	–	–	–
Allowance for impairment	136,133	155,399	101,623	112,137
Tax losses	12,583	15,653	6,412	15,178
Unrealised loss on financial instruments fair value through profit or loss	124,723	70,122	89	421
Others	90,847	94,633	38,531	38,355
	<b>364,324</b>	<b>335,807</b>	<b>146,655</b>	<b>166,091</b>
Amount offset against deferred tax liabilities	(113,230)	(108,772)	(104,280)	(100,238)
	<b>251,094</b>	<b>227,035</b>	<b>42,375</b>	<b>65,853</b>
Net deferred tax assets/(liabilities)	<b>19,186</b>	<b>35,449</b>	<b>(46,839)</b>	<b>(35,243)</b>

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

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at 1 January	35,449	71,147	(35,243)	18,548
Effect of change in tax rate	(979)	–	–	–
Currency translation adjustments	1,426	(2,959)	1,047	(2,419)
Charge to income statement	(38,989)	(33,018)	(35,955)	(46,066)
Credit/(charge) to equity	22,279	279	23,312	(5,306)
Balance at 31 December	<b>19,186</b>	<b>35,449</b>	<b>(46,839)</b>	<b>(35,243)</b>

The Group has not recognised deferred tax assets in respect of tax losses of \$39,308,000 (2015: \$27,111,000) 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 \$10,456,000 (2015: \$1,602,000) which will expire between the years 2017 and 2019 (2015: 2017 and 2018).

## 22. Debts Issued

(a)

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Subordinated notes</b>				
S\$1 billion 3.45% subordinated notes due 2021 callable in 2016	–	1,000,531	–	1,000,531
S\$1.2 billion 3.15% subordinated notes due 2022 callable in 2017	1,196,879	1,180,456	1,196,879	1,180,456
S\$500 million 3.50% subordinated notes due 2026 callable in 2020	495,279	484,657	495,279	484,657
US\$800 million 3.75% subordinated notes due 2024 callable in 2019	1,161,421	1,137,721	1,161,421	1,137,721
US\$500 million 2.875% subordinated notes due 2022 callable in 2017	720,764	701,930	720,764	701,930
US\$500 million 5.796% subordinated notes due 2055 callable in 2016	–	–	–	706,950
US\$700 million 3.50% subordinated notes due 2026 callable in 2021	992,514	–	992,514	–
HK\$700 million 3.19% subordinated notes due 2028 callable in 2023	120,824	–	120,824	–
US\$600 million 2.88% subordinated notes due 2027 callable in 2022	857,906	–	857,906	–
RM1 billion 4.65% subordinated notes due 2025 callable in 2020	323,652	329,222	–	–
IDR433 billion 11.35% subordinated notes due 2021	46,138	43,800	–	–
IDR100 billion 9.40% subordinated notes due 2023	10,579	–	–	–
	5,925,956	4,878,317	5,545,587	5,212,245
Of which, fair value hedge (gain)/loss	(34,239)	(21,611)	(35,459)	(21,522)
<b>Other debts issued</b>				
Interest rate-linked notes	1,274,228	984,453	1,274,228	984,453
Equity-linked notes	392,874	939,562	392,874	939,562
Floating rate notes	675,137	1,326,010	675,137	1,326,010
Fixed rate notes	2,733,179	2,459,141	2,003,408	2,071,072
Commercial papers	14,363,726	9,665,511	14,363,726	9,665,511
Covered Bonds	757,834	–	757,834	–
Others	20,015	35,294	1,850	11,787
	20,216,993	15,409,971	19,469,057	14,998,395
Of which, fair value hedge (gain)/loss	8,859	15,056	8,859	15,056
<b>Total debts issued</b>	<b>26,142,949</b>	<b>20,288,288</b>	<b>25,014,644</b>	<b>20,210,640</b>

# Notes to the Financial Statements

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## 22. Debts Issued (continued)

### (b) Subordinated Notes

- (i) 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%.
- (ii) 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.
- (iii) 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.
- (iv) 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%.
- (v) A first tranche of US\$500 million 3.50% subordinated notes were issued by the Bank at 99.574 on 16 March 2016 and will mature on 16 September 2026. The Bank subsequently issued a second tranche of US\$200 million on 24 March 2016 at 100.019 (plus 8 days of accrued interest from and including 16 March 2016 to but excluding 24 March 2016). The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 16 September 2021, 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 16 September 2021. From and including 16 September 2021, the interest rate shall be reset to a fixed rate equal to the prevailing United States Dollar 5-year Mid Swap Rate on 16 September 2021 plus 2.236%. 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.
- (vi) The HK\$700 million 3.19% subordinated notes were issued by the Bank at par on 26 August 2016 and will mature on 26 August 2028. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 26 August 2023, 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 quarterly at a fixed rate of 3.19% per annum up to but excluding 26 August 2023. From and including 26 August 2023, the interest rate shall be reset to a fixed rate equal to the prevailing 5-year HKD Swap Rate plus 1.95%. 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.

## 22. Debts Issued (continued)

### (b) Subordinated Notes (continued)

- (vii) The US\$600 million 2.88% subordinated notes were issued by the Bank at par on 8 September 2016 and will mature on 8 March 2027. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 8 March 2022, 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 2.88% per annum up to but excluding 8 March 2022. From and including 8 March 2022, the interest rate shall be reset to a fixed rate equal to the prevailing United States Dollar 5-year Mid Swap Rate plus 1.654%. 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.
- (viii) The RM1 billion 4.65% subordinated notes were issued by United Overseas Bank (Malaysia) Bhd (UOBM) on 8 May 2015 and will mature on 8 May 2025. The notes may be redeemed at par at the option of UOBM, in whole but not in part, on 8 May 2020 or at any interest payment date thereafter. Interest is payable semi-annually at 4.65% per annum.
- (ix) 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.
- (x) The IDR100 billion 9.40% subordinated notes were issued by PT Bank UOB Indonesia on 25 November 2016 and will mature on 25 November 2023. Interest is payable quarterly at a fixed rate of 9.40% per annum.

### (c) Other Debts Issued

- (i) The interest rate-linked notes, with embedded interest rate derivatives, were issued at par with maturities ranging from 19 July 2031 to 29 November 2046. The periodic payouts and redemptions of the notes are linked to the interest rate indices.
- (ii) The equity-linked notes, with embedded equity derivatives, were issued at par with maturities ranging from 2 January 2017 to 9 March 2018. The periodic payments and payouts of the notes at maturity are linked to the closing value of certain underlying equities or equity indices.
- (iii) The floating rate notes comprise mainly notes issued at par with maturities ranging from 11 September 2018 to 2 September 2020. Interest is payable quarterly at a floating rate.
- (iv) The fixed rate notes comprise mainly notes issued by the Bank with maturities ranging from 7 March 2017 to 25 November 2021. Interest is payable semi-annually and quarterly at a fixed rate as follows:

Currency notes	Interest rate
USD	2.25% to 2.50% per annum
HKD	2.2% per annum
IDR	7.2% to 9.6% per annum
THB	1.85% to 3.24% per annum

- (v) The commercial papers were issued by the Bank between 13 July 2016 and 30 December 2016 and mature between 6 January 2017 and 12 June 2017. Interest rates of the papers ranged from 0.66% to 1.22% per annum (2015: 0.34% to 0.72% per annum).
- (vi) The EUR500 million fixed rate covered bonds were issued by the Bank on 9 March 2016 at 99.653 and will mature on 9 March 2021. Interest is payable annually at a fixed rate of 0.25% per annum.
- (vii) Others comprise mainly foreign exchange-linked notes issued by the Bank with maturities ranging from 6 November 2017 to 22 May 2018.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 23. Cash, Balances and Placements with Central Banks

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash on hand	2,242,035	1,762,169	1,943,585	1,472,083
Balances with central banks				
Restricted balances	5,921,295	5,077,651	3,928,475	3,518,466
Non-restricted balances	16,158,785	25,465,695	10,700,771	19,258,277
	<b>24,322,115</b>	<b>32,305,515</b>	<b>16,572,831</b>	<b>24,248,826</b>

## 24. Trading Securities

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Quoted securities				
Debt	863,204	701,080	850,604	582,701
Equity	7,724	40,757	7,724	40,757
Unquoted securities				
Debt	2,118,877	386,310	2,118,877	386,310
Equity	137,545	148,427	–	–
	<b>3,127,350</b>	<b>1,276,574</b>	<b>2,977,205</b>	<b>1,009,768</b>

## 25. Loans to Customers

(a)

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loans to customers (gross)	225,661,673	207,370,928	175,406,818	160,930,679
Specific allowance (Note 25d)	(1,218,549)	(773,143)	(877,467)	(493,600)
General allowance (Note 25d)	(2,709,455)	(2,986,878)	(1,873,436)	(2,206,839)
Loans to customers (net)	<b>221,733,669</b>	<b>203,610,907</b>	<b>172,655,915</b>	<b>158,230,240</b>
Comprising:				
Trade bills	2,684,036	2,210,033	949,079	467,406
Advances to customers	219,049,633	201,400,874	171,706,836	157,762,834
	<b>221,733,669</b>	<b>203,610,907</b>	<b>172,655,915</b>	<b>158,230,240</b>



## 25. Loans to Customers (continued)

### (b) Gross Loans to Customers Analysed by Industry

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	9,780,593	10,018,888	8,355,588	8,781,547
Building and construction	52,280,920	45,210,695	46,215,499	39,590,701
Manufacturing	15,746,676	15,803,499	9,530,979	9,222,510
Financial institutions, investment and holding companies	15,518,601	14,281,925	12,719,024	12,646,080
General commerce	30,268,903	28,302,469	22,955,434	20,792,664
Professionals and private individuals	26,950,561	25,949,643	18,611,861	18,201,657
Housing loans	61,450,730	56,385,159	45,489,585	41,962,230
Others	13,664,689	11,418,650	11,528,848	9,733,290
	<b>225,661,673</b>	<b>207,370,928</b>	<b>175,406,818</b>	<b>160,930,679</b>

### (c) Gross Loans to Customers Analysed by Currency

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	112,160,101	108,323,053	111,870,338	108,006,885
US dollar	45,079,346	35,953,348	40,329,012	32,367,774
Malaysian ringgit	22,992,853	22,375,222	–	–
Thai baht	12,422,864	10,934,725	100	170
Indonesian rupiah	5,401,006	5,156,845	–	–
Others	27,605,503	24,627,735	23,207,368	20,555,850
	<b>225,661,673</b>	<b>207,370,928</b>	<b>175,406,818</b>	<b>160,930,679</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 25. Loans to Customers (continued)

(d) Movements of Allowance for Impairment on Loans

	2016		2015	
	Specific allowance \$'000	General allowance \$'000	Specific allowance \$'000	General allowance \$'000
<b>The Group</b>				
Balance at 1 January	773,143	2,986,878	656,977	2,783,080
Currency translation adjustments	25,026	(914)	(6,294)	(60,066)
Net write-off	(555,262)	–	(259,007)	–
Bad debts recovery	(78,544)	–	(83,476)	–
Allowance/(write-back) for loans	1,047,667	(276,509)	475,080	263,864
Net charge/(write-back) to income statement (Note 11)	969,123	(276,509)	391,604	263,864
Interest on impaired financial assets	6,519	–	(10,137)	–
<b>Balance at 31 December</b>	<b>1,218,549</b>	<b>2,709,455</b>	<b>773,143</b>	<b>2,986,878</b>
<b>The Bank</b>				
Balance at 1 January	493,600	2,206,839	374,437	2,041,443
Currency translation adjustments	20,208	1,095	11,035	848
Net write-off	(381,786)	–	(37,804)	–
Bad debts recovery	(24,285)	–	(35,668)	–
Allowance/(write-back) for loans	760,618	(334,498)	192,395	164,548
Net charge/(write-back) to income statement (Note 11)	736,333	(334,498)	156,727	164,548
Interest on impaired financial assets	9,112	–	(10,795)	–
<b>Balance at 31 December</b>	<b>877,467</b>	<b>1,873,436</b>	<b>493,600</b>	<b>2,206,839</b>

## 26. Financial Assets Transferred

The Group transfers financial assets to third parties in the ordinary course of business. Transferred assets where the Group retains substantially all the risks and rewards of the transferred assets continue to be recognised on the Group's balance sheet.

### (a) Assets Pledged or Transferred

Assets transferred under repurchase agreements are conducted under terms and conditions that are usual market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them. Assets pledged or transferred are summarised in the table below:

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets pledged and transferred				
Singapore Government treasury bills and securities	533,952	123,025	533,952	123,025
Other government treasury bills and securities	740,999	931,616	740,999	463,220
Placements and balances with banks				
Negotiable certificates of deposit	180,921	11,356	180,921	11,356
Investment securities	211,980	86,202	211,980	86,202
	<b>1,667,852</b>	<b>1,152,199</b>	<b>1,667,852</b>	<b>683,803</b>

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

### (b) Collateral Received

For reverse repurchase agreements (reverse repo) where the Group receives assets as collateral is as follows:

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets received for reverse repo transactions, at fair value	8,990,963	5,757,701	7,502,696	3,315,153
Of which, sold or repledged	37,086	392,734	37,086	392,734

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 26. Financial Assets Transferred (continued)

### (c) Repo and Reverse Repo Transactions Subject to Netting Agreements

The Bank and the Group enter into global master repurchase agreements with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Bank and the Group to settle outstanding amounts with the counterparty on a net basis in the event of default. These agreements also allow the Bank and the Group to further reduce its credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when pre-established thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

The table below shows the Bank's and the Group's repo and reverse repo transactions that are not offset in the balance sheet but are subject to enforceable netting agreements:

	2016		2015	
	Reverse repo \$'000	Repo \$'000	Reverse repo \$'000	Repo \$'000
<b>The Group</b>				
Gross/net carrying amount on the balance sheet <sup>(1)</sup>	8,348,247	1,672,875	5,443,392	1,525,531
Amount not subject to netting agreements	–	–	–	–
Amount subject to netting agreements	8,348,247	1,672,875	5,443,392	1,525,531
Amount nettable <sup>(2)</sup>	(218,695)	(218,695)	(262,355)	(262,355)
Financial collateral	(7,725,218)	(1,423,301)	(3,525,967)	(1,006,080)
Net amounts	404,334	30,879	1,655,070	257,096
<b>The Bank</b>				
Gross/net carrying amount on the balance sheet <sup>(1)</sup>	6,777,306	1,672,875	3,006,688	1,063,241
Amount not subject to netting agreements	–	–	–	–
Amount subject to netting agreements	6,777,306	1,672,875	3,006,688	1,063,241
Amount nettable <sup>(2)</sup>	(218,696)	(218,696)	(262,355)	(262,355)
Financial collateral	(6,505,304)	(1,423,300)	(2,730,671)	(543,790)
Net amounts	53,306	30,879	13,662	257,096

(1) No amount met the offsetting criteria as at the balance sheet date.

The gross/net carrying amount of reverse repo is presented under "Cash, balances and placements with central banks", "Placements and balances with banks", and "Loans to customers" while repo is under "Deposits and balances of Banks and Customers" on the balance sheet.

(2) Amount that could be netted under the netting agreements.

### (d) Covered Bonds

Pursuant to the Bank's US\$8 billion Global Covered Bond Programme, selected pools of residential mortgages that were originated by the Bank have been assigned to a bankruptcy-remote structured entity, Glacier Eighty Pte Ltd. These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2016, there was one covered bond in issue of EUR500 million (2015: Nil), while the carrying value of assets assigned was \$4,032 million (2015: Nil).

## 27. Investment Securities

(a)

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Quoted securities				
Debt	6,750,255	5,989,852	6,465,576	5,533,198
Equity	806,416	894,367	694,609	731,156
Unquoted securities				
Debt	2,097,693	1,462,282	2,040,313	1,579,212
Equity	2,138,236	2,453,822	1,926,010	2,214,678
Allowance for impairment (Note 31)	(152,911)	(237,829)	(134,882)	(201,174)
	11,639,689	10,562,494	10,991,626	9,857,070

(b) Investment Securities Analysed by Industry

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Transport, storage and communication	1,458,574	1,010,440	1,449,116	999,756
Building and construction	293,386	560,442	242,979	499,642
Manufacturing	2,303,073	1,469,108	2,278,320	1,429,307
Financial institutions, investment and holding companies	4,032,807	4,147,070	3,586,759	3,704,918
General commerce	1,113,798	773,097	1,018,998	664,195
Others	2,438,051	2,602,337	2,415,454	2,559,252
	11,639,689	10,562,494	10,991,626	9,857,070

## 28. Other Assets

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest receivable	813,092	822,664	549,905	562,069
Sundry debtors	3,059,350	3,082,514	1,783,845	2,048,073
Foreclosed properties	94,410	91,927	–	–
Others	2,353,750	1,622,419	2,042,804	1,090,430
Allowance for impairment (Note 31)	(146,371)	(264,671)	(15,117)	(14,685)
	6,174,231	5,354,853	4,361,437	3,685,887

# Notes to the Financial Statements

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## 29. Investment in Associates and Joint Ventures

(a)

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Material associates:				
UOB-Kay Hian Holdings Limited	534,882	534,236	66,889	66,889
Network for Electronic Transfers (Singapore) Pte Ltd	65,873	63,314	7,399	7,399
	600,755	597,550	74,288	74,288
Other associates/joint ventures	526,213	526,575	395,289	369,393
	1,126,968	1,124,125	469,577	443,681
Allowance for impairment (Note 31)	(18,043)	(18,179)	(136,938)	(36,675)
	1,108,925	1,105,946	332,639	407,006
Market value of quoted equity securities at 31 December	396,400	440,271	396,400	440,271

Name of associate	Principal activities	Country of incorporation	Effective equity interest of the Group	
			2016 %	2015 %
<b>Quoted</b>				
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	40	41
<b>Unquoted</b>				
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	33	33

(b) Aggregate information about the Group's investments in associates that are not individually material are as follows:

	The Group	
	2016 \$'000	2015 \$'000
(Loss)/profit for the financial year	(43,176)	28,764
Other comprehensive income	(198)	1,684
Total comprehensive income	(43,374)	30,448

## 29. Investment in Associates and Joint Ventures (continued)

- (c) The summarised financial information in respect of UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd, based on their 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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Operating income	319,519	382,466	161,959	155,543
Profit for the financial year	54,450	77,364	27,080	28,698
Other comprehensive income	(12,838)	26,400	897	5,237
<b>Total comprehensive income</b>	<b>41,612</b>	<b>103,764</b>	<b>27,977</b>	<b>33,935</b>

### Summarised Balance Sheets

	UOB-Kay Hian Holdings Limited		Network for Electronic Transfers (Singapore) Pte Ltd	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current assets	3,720,552	3,583,780	361,122	339,901
Non-current assets	124,800	284,482	53,390	53,953
<b>Total assets</b>	<b>3,845,352</b>	<b>3,868,262</b>	<b>414,512</b>	<b>393,854</b>
Current liabilities	2,506,856	2,550,026	208,609	196,486
Non-current liabilities	1,163	2,022	8,283	7,426
<b>Total liabilities</b>	<b>2,508,019</b>	<b>2,552,048</b>	<b>216,892</b>	<b>203,912</b>
<b>Net assets</b>	<b>1,337,333</b>	<b>1,316,214</b>	<b>197,620</b>	<b>189,942</b>
Proportion of the Group's ownership	40%	41%	33%	33%
Group's share of net assets	534,897	534,153	65,873	63,314
Other adjustments	(15)	83	-	-
<b>Carrying amount of the investment</b>	<b>534,882</b>	<b>534,236</b>	<b>65,873</b>	<b>63,314</b>

Dividends of \$14,101,000 (2015: \$15,127,000) and \$6,766,000 (2015: \$2,817,000) were received from UOB-Kay Hian Holdings Limited and Network for Electronic Transfers (Singapore) Pte Ltd respectively.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 30. Investment in Subsidiaries

(a)

	The Bank	
	2016	2015
	\$'000	\$'000
Quoted equity securities	45,024	45,024
Unquoted equity securities	6,104,378	6,150,641
	6,149,402	6,195,665
Allowance for impairment (Note 31)	(363,696)	(354,614)
	5,785,706	5,841,051
Market value of quoted equity securities at 31 December	167,111	166,397

(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	
		2016	2015
		%	%
<b>Commercial Banking</b>			
Far Eastern Bank Limited	Singapore	100	100
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
<b>Money Market</b>			
UOB Australia Limited	Australia	100	100
<b>Insurance</b>			
United Overseas Insurance Limited	Singapore	58	58
<b>Investment</b>			
UOB Capital Management Pte Ltd	Singapore	100	100
UOB International Investment Private Limited	Singapore	100	100
UOB Property Investments Pte. Ltd.	Singapore	100	100
UOB Property Investments China Pte Ltd	Singapore	100	100
UOB Venture Management (Shanghai) Co., Ltd <sup>(1)</sup>	China	100	100
UOB Holdings (USA) Inc. <sup>(2)</sup>	United States	100	100
<b>Investment Management</b>			
UOB Asset Management Ltd	Singapore	100	100
UOB Asset Management (Malaysia) Berhad	Malaysia	70	70
UOB Asset Management (Thailand) Co., Ltd.	Thailand	100	100
UOB Venture Management Private Limited	Singapore	100	100
UOB Global Capital LLC <sup>(1)</sup>	United States	70	70
UOB Asia Investment Partners Pte Ltd	Singapore	100	100



### 30. Investment in Subsidiaries (continued)

(b) (continued)

Name of subsidiary	Country of incorporation	Effective equity interest of the Group	
		2016 %	2015 %
<b>Bullion, Brokerage and Clearing</b>			
UOB Bullion and Futures Limited	Singapore	100	100
<b>Property</b>			
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100
PT UOB Property	Indonesia	100	100
UOB Realty (USA) Ltd Partnership <sup>(2)</sup>	United States	100	100
<b>Travel</b>			
UOB Travel Planners Pte Ltd	Singapore	100	100

Notes:

Except as indicated, all subsidiaries incorporated in Singapore are audited by Ernst & Young LLP, Singapore and those incorporated 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
<b>2016</b>					
United Overseas Insurance Limited	Singapore	42	9,625	139,306	4,326
<b>2015</b>					
United Overseas Insurance Limited	Singapore	42	9,311	129,628	4,326

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## 30. 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 NCI are as follows:

### Summarised Statements of Comprehensive Income

	United Overseas Insurance Limited	
	2016 \$'000	2015 \$'000
Operating income	44,020	44,813
Profit before tax	27,159	26,572
Tax	4,028	4,195
Profit for the financial year	23,131	22,377
Other comprehensive income	10,524	(3,271)
Total comprehensive income	33,655	19,106

### Summarised Balance Sheets

	United Overseas Insurance Limited	
	2016 \$'000	2015 \$'000
Total assets	599,408	558,633
Total liabilities	264,630	247,114
Net assets	334,778	311,519

### Other Summarised Information

	United Overseas Insurance Limited	
	2016 \$'000	2015 \$'000
Net cash flows from operations	15,091	5,098
Acquisition of property, plant and equipment	54	98

- (e) Consolidated Structured Entities  
The Group has established a US\$8 billion Global Covered Bond Programme to augment its funding programmes. Under the Programme, the Company may from time to time issue covered bonds (the Covered Bonds). The payments of interest and principal under the Covered Bonds are guaranteed by the Covered Bond Guarantor (the CBG), Glacier Eighty Pte Ltd. The Covered Bonds issued under the Programme will be backed by a portfolio of Singapore home loans transferred by the Company to the CBG when certain conditions are met.

### 30. Investment in Subsidiaries (continued)

#### (f) Interests in Unconsolidated Structured Entities

As at 31 December 2016, 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 table below summarises the Group's involvement in the funds.

	The Group	
	2016	2015
	\$ million	\$ million
Total assets of structured entities <sup>(1)</sup>	14,662	11,229
Maximum exposure to loss - Investment in funds	253	357
Fee income	121	106
Net gain from investment securities	13	81

(1) Based on the latest available financial reports of the structured entities.

### 31. Movements of Allowance for Impairment on Investments and Other Assets

	Investments		Other assets	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>				
Balance at 1 January	256,008	288,443	264,671	261,636
Currency translation adjustments	1,366	(1,819)	1,452	(2,819)
Write-off/disposal	(20,535)	(31,400)	(11,823)	(2,584)
Net (write-back)/charge to income statement	(65,885)	784	(107,929)	8,438
Balance at 31 December	170,954	256,008	146,371	264,671
	Investment securities	Investment in associates and joint ventures	Investment in subsidiaries	Other assets
	\$'000	\$'000	\$'000	\$'000
<b>The Bank</b>				
<b>2016</b>				
Balance at 1 January	201,174	36,675	354,614	14,685
Currency translation adjustments	1,684	-	4	27
Write-off/disposal	(199)	-	-	(94)
Net (write-back)/charge to income statement	(67,777)	100,263	9,078	499
Balance at 31 December	134,882	136,938	363,696	15,117
<b>2015</b>				
Balance at 1 January	237,333	21,520	313,794	14,775
Currency translation adjustments	1,176	-	11	6
Write-off/disposal	(18,341)	-	(32,697)	(1,485)
Net (write-back)/charge to income statement	(18,994)	15,155	73,506	1,389
Balance at 31 December	201,174	36,675	354,614	14,685

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## 32. Investment Properties

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at 1 January	1,108,450	960,292	1,174,084	1,229,216
Currency translation adjustments	(6,443)	19,765	211	(285)
Additions	50,530	178,688	–	–
Disposals	(709)	(5,100)	(709)	(5,100)
Depreciation charge	(23,193)	(18,398)	(16,340)	(16,187)
Transfers	(23,725)	(26,797)	4,691	(33,560)
<b>Balance at 31 December</b>	<b>1,104,910</b>	<b>1,108,450</b>	<b>1,161,937</b>	<b>1,174,084</b>
Represented by:				
Cost	1,409,834	1,388,887	1,399,932	1,396,407
Accumulated depreciation	(304,924)	(280,437)	(237,995)	(222,323)
<b>Net carrying amount</b>	<b>1,104,910</b>	<b>1,108,450</b>	<b>1,161,937</b>	<b>1,174,084</b>
Freehold property	393,329	404,464	753,294	758,304
Leasehold property	711,581	703,986	408,643	415,780
	<b>1,104,910</b>	<b>1,108,450</b>	<b>1,161,937</b>	<b>1,174,084</b>

Market values of the investment properties of the Bank and the Group as at 31 December 2016 were estimated to be \$2,690 million and \$3,348 million (2015: \$2,691 million and \$3,252 million) respectively. The valuations were performed by external and internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches.

Market values for properties under Level 2 of the fair value hierarchy are determined based on market comparison approach using comparable price transactions as significant observable inputs. Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

### 33. Fixed Assets

	2016			2015		
	Owner-occupied properties \$'000	Others \$'000	Total \$'000	Owner-occupied properties \$'000	Others \$'000	Total \$'000
<b>The Group</b>						
Balance at 1 January	927,030	811,577	1,738,607	710,004	718,131	1,428,135
Currency translation adjustments	(4,491)	3,346	(1,145)	(36,955)	(11,230)	(48,185)
Additions	9,391	322,932	332,323	255,526	257,767	513,293
Disposals	(2,856)	(7,260)	(10,116)	(13,860)	(4,269)	(18,129)
Depreciation charge	(21,271)	(177,240)	(198,511)	(14,292)	(148,822)	(163,114)
Write-back of impairment	–	–	–	(190)	–	(190)
Transfers	23,725	–	23,725	26,797	–	26,797
<b>Balance at 31 December</b>	<b>931,528</b>	<b>953,355</b>	<b>1,884,883</b>	<b>927,030</b>	<b>811,577</b>	<b>1,738,607</b>
Represented by:						
Cost	1,214,850	2,234,253	3,449,103	1,189,116	1,966,909	3,156,025
Accumulated depreciation	(283,067)	(1,280,898)	(1,563,965)	(261,826)	(1,155,332)	(1,417,158)
Allowance for impairment	(255)	–	(255)	(260)	–	(260)
<b>Net carrying amount</b>	<b>931,528</b>	<b>953,355</b>	<b>1,884,883</b>	<b>927,030</b>	<b>811,577</b>	<b>1,738,607</b>
Freehold property	452,423			472,708		
Leasehold property	479,105			454,322		
	<b>931,528</b>			<b>927,030</b>		
<b>The Bank</b>						
Balance at 1 January	692,453	540,224	1,232,677	681,071	465,383	1,146,454
Currency translation adjustments	74	55	129	132	623	755
Additions	–	212,426	212,426	–	169,594	169,594
Disposals	(2,057)	(1,282)	(3,339)	(12,706)	(3,458)	(16,164)
Depreciation charge	(9,858)	(117,137)	(126,995)	(9,604)	(91,918)	(101,522)
Transfers	(4,691)	–	(4,691)	33,560	–	33,560
<b>Balance at 31 December</b>	<b>675,921</b>	<b>634,286</b>	<b>1,310,207</b>	<b>692,453</b>	<b>540,224</b>	<b>1,232,677</b>
Represented by:						
Cost	821,257	1,420,736	2,241,993	828,548	1,228,365	2,056,913
Accumulated depreciation	(145,336)	(786,450)	(931,786)	(136,095)	(688,141)	(824,236)
<b>Net carrying amount</b>	<b>675,921</b>	<b>634,286</b>	<b>1,310,207</b>	<b>692,453</b>	<b>540,224</b>	<b>1,232,677</b>
Freehold property	580,879			592,915		
Leasehold property	95,042			99,538		
	<b>675,921</b>			<b>692,453</b>		

Market values of the owner-occupied properties of the Bank and the Group as at 31 December 2016 were estimated to be \$1,884 million and \$3,137 million (2015: \$1,887 million and \$3,137 million) respectively. The valuations were performed by external and internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using a market comparison approach or using a combination of comparable sales and investment approaches.

Market values for properties under Level 2 of the fair value hierarchy are determined based on market comparison approach using comparable price transactions as significant observable inputs. Market values for properties under Level 3 of the fair value hierarchy are determined using a combination of market comparison and investment methods. The key unobservable inputs used in these valuations are the capitalisation rates and rental yields.

Others comprise mainly computer equipment, application software and furniture and fittings.

# Notes to the Financial Statements

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## 34. Intangible Assets

(a)

	Goodwill	
	2016 \$'000	2015 \$'000
<b>The Group</b>		
Balance at 1 January	4,143,825	4,149,280
Currency translation adjustments	7,220	(5,455)
Balance at 31 December	4,151,045	4,143,825
Represented by:		
Cost	4,151,045	4,143,825
Accumulated impairment	–	–
Net carrying amount	4,151,045	4,143,825

- (b) Goodwill is allocated on the date of acquisition to the reportable operating segments expected to benefit from the synergies of a business combination. The recoverable amount of the operating segments is based on their value in use, computed by discounting the expected future cash flows of the segments. The key assumptions in computing the value in use include the discount rates and growth rates applied. Discount rates are estimated based on current market assessments of time value of money and risks specific to the Group as a whole and to individual countries such as Thailand and Indonesia. The growth rates used do not exceed the historical long-term average growth rate of the major countries. Cash flow projections are based on the most recent five-year financial forecasts provided by key business segments and approved by management. These cash flows are derived based on the outlook of macro-economic conditions from external sources, in particular, interest rates and foreign currency, taking into account management's past experience on the impact of such changes to the cash flows of the Group. Long-term growth rate is imputed on fifth-year cash flow and then discounted to determine the terminal value. Key assumptions are as follows:

	Discount rate		Growth rate	
	2016	2015	2016	2015
Singapore	10.50	7.33	2.38	2.59
Thailand	12.00	11.80	3.10	3.32
Indonesia	12.75	12.70	5.58	5.63

Impairment is recognised in the income statement when the carrying amount of an operating segment exceeds its recoverable amount. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating segments to exceed their recoverable amount.

## 35. Contingent Liabilities

In the normal course of business, the Bank and the Group conduct businesses involving guarantees, performance bonds and indemnities. The bulk of these liabilities are backed by the corresponding obligations of the customers. No assets of the Bank and the Group were pledged as security for these contingent liabilities at the balance sheet date.

	The Group		The Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Direct credit substitutes	5,226,349	4,914,684	3,155,996	3,066,545
Transaction-related contingencies	9,361,937	8,007,937	6,133,042	5,382,592
Trade-related contingencies	10,010,868	6,085,317	8,259,873	4,856,136
Others	17,510	18,304	1,179	1,218
	24,616,664	19,026,242	17,550,090	13,306,491

## 36. Financial Derivatives

Financial derivatives, such as forwards, swaps, futures and options, are instruments whose values change in response to the change in prices of the underlying instruments.

In the normal course of business, the Bank and the Group transact in customised derivatives to meet specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes, as well as to manage their assets, liabilities and structural positions. Risks associated with the use of derivatives and policies for managing these risks are set out in Note 43.

- (a) The table below shows the Bank's and the Group's financial derivatives and their fair values at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

	2016			2015		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
<b>The Group</b>						
<b>Foreign exchange contracts</b>						
Forwards	48,811,188	984,186	1,038,627	38,697,181	919,044	654,629
Swaps	186,619,939	2,387,083	1,971,593	166,100,766	1,586,750	1,264,271
Options purchased	10,534,271	182,131	–	8,751,550	152,323	–
Options written	13,122,827	–	224,038	18,630,354	–	157,126
<b>Interest rate contracts</b>						
Swaps	533,198,638	2,977,150	3,225,694	425,260,412	3,133,133	3,263,844
Futures	1,267,163	1,154	2,903	388,256	253	136
Options purchased	695,377	4,987	–	783,388	4,820	–
Options written	752,119	–	4,923	1,303,002	–	8,660
<b>Equity-related contracts</b>						
Swaps	512,863	17,875	16,747	1,075,974	58,754	64,083
Options purchased	5,130,036	139,445	–	5,302,111	324,623	–
Options written	5,932,079	–	135,892	5,888,554	–	324,541
<b>Credit-related contracts</b>						
Swaps	1,187,594	31,416	13,881	1,041,943	10,988	6,588
<b>Others</b>						
Forwards	889,816	7,634	7,262	1,287,996	4,950	4,834
Swaps	3,612,048	172,938	109,615	1,766,722	213,613	122,302
Futures	2,262,598	74,777	85,748	1,120,047	12,267	97,573
Options purchased	85,735	770	–	42,727	643	–
Options written	35,500	–	185	34,310	–	489
	<b>814,649,791</b>	<b>6,981,546</b>	<b>6,837,108</b>	<b>677,475,293</b>	<b>6,422,161</b>	<b>5,969,076</b>

# Notes to the Financial Statements

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## 36. Financial Derivatives (continued)

(a) (continued)

	2016			2015		
	Contract/ notional amount	Positive fair value	Negative fair value	Contract/ notional amount	Positive fair value	Negative fair value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Bank</b>						
<b>Foreign exchange contracts</b>						
Forwards	44,415,096	544,775	631,013	32,898,659	557,332	355,173
Swaps	145,370,380	2,297,201	1,850,786	132,022,997	1,416,629	1,108,871
Options purchased	7,643,433	163,881	–	7,528,395	125,535	–
Options written	8,905,657	–	147,561	7,205,110	–	308,006
<b>Interest rate contracts</b>						
Swaps	498,163,783	2,755,677	2,980,221	389,215,206	3,017,945	3,097,180
Futures	985,109	1,074	2,898	63,172	148	136
Options purchased	695,377	4,987	–	783,388	4,820	–
Options written	752,119	–	4,923	1,303,002	–	8,660
<b>Equity-related contracts</b>						
Swaps	445,659	4,001	3,719	653,529	3,187	7,368
Options purchased	5,103,435	138,690	–	5,274,495	324,602	–
Options written	5,904,768	–	136,263	5,861,464	–	324,477
<b>Credit-related contracts</b>						
Swaps	1,187,594	31,416	13,881	1,041,943	10,988	6,588
<b>Others</b>						
Forwards	581,694	6,906	6,816	1,132,060	4,831	4,813
Swaps	3,389,082	161,244	97,376	1,751,489	217,154	108,921
Futures	2,024,052	74,499	85,417	1,030,383	12,258	97,381
Options purchased	46,647	228	–	1,379	234	–
Options written	3,257	–	185	1,379	–	234
	<b>725,617,142</b>	<b>6,184,579</b>	<b>5,961,059</b>	<b>587,768,050</b>	<b>5,695,663</b>	<b>5,427,808</b>



## 36. Financial Derivatives (continued)

### (b) Financial Derivatives Subject to Netting Agreements

The Bank and the Group enter into derivative master netting agreements (including the International Swaps and Derivatives Association Master Agreement) with counterparties where it is appropriate and practicable to mitigate counterparty credit risk. Such agreements allow the Bank and the Group to settle outstanding derivative contracts' amounts with the counterparty on a net basis in the event of default. These agreements also allow the Bank and the Group to further reduce their credit risk by requiring periodic mark-to-market of outstanding positions and posting of collateral when pre-established thresholds are exceeded. The counterparty that receives non-cash collateral is typically allowed to sell or re-pledge such collateral in accordance with the terms of these agreements.

The table below shows the Bank's and the Group's financial derivatives that are not offset in the balance sheet but are subject to enforceable netting agreements.

	2016		2015	
	Positive fair value \$'000	Negative fair value \$'000	Positive fair value \$'000	Negative fair value \$'000
<b>The Group</b>				
Gross/net carrying amount on the balance sheet <sup>(1)</sup>	6,981,546	6,837,108	6,422,161	5,969,076
Amount not subject to netting agreements	(404,179)	(406,328)	(580,970)	(508,483)
Amount subject to netting agreements	6,577,367	6,430,780	5,841,191	5,460,593
Amount nettable <sup>(2)</sup>	(4,286,387)	(4,286,387)	(4,187,476)	(4,187,476)
Financial collateral	(393,919)	(968,620)	(169,699)	(608,175)
Net amounts	1,897,061	1,175,773	1,484,016	664,942
<b>The Bank</b>				
Gross/net carrying amount on the balance sheet <sup>(1)</sup>	6,184,579	5,961,059	5,695,663	5,427,808
Amount not subject to netting agreements	(262,437)	(278,085)	(292,275)	(249,559)
Amount subject to netting agreements	5,922,142	5,682,974	5,403,388	5,178,249
Amount nettable <sup>(2)</sup>	(4,169,592)	(4,169,592)	(4,087,567)	(4,087,567)
Financial collateral	(358,285)	(660,376)	(104,571)	(329,214)
Net amounts	1,394,265	853,006	1,211,250	761,468

(1) No amount met the offsetting criteria as at the balance sheet date.

(2) Amount that could be netted under the netting agreements.

## 37. Hedge Accounting

### (a) Fair Value Hedges

Interest rate swaps were contracted to hedge certain of the Group's loans, debt investments and debts issued against interest rate risk. As at 31 December 2016, the cumulative net fair value of the swaps was a gain of \$5 million (2015: loss of \$55 million) at the Bank and a gain of \$5 million (2015: loss of \$53 million) at the Group. During the financial year, fair value gains of \$58 million (2015: gains of \$30 million) and fair value gains of \$59 million (2015: gains of \$31 million) on the swaps were recognised in the Bank's and the Group's income statements respectively.

As at 31 December 2016, customer deposits of \$497 million (2015: \$582 million) were designated to hedge the foreign exchange risk arising from certain of the Bank's available-for-sale equity securities. During the financial year, foreign exchange losses of \$4 million (2015: losses of \$31 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 (2015: gain) on the hedged items.

The ineffectiveness arising from these hedges was insignificant.

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## 37. Hedge Accounting (continued)

- (b) **Cash Flow Hedges**  
Designation of cross currency swaps to hedge the foreign exchange rate risk arising from certain customer deposits had been revoked as at 31 December 2016. During the financial year, a net loss of \$34 million (2015: gain of \$34 million) was recognised in the cash flow hedge reserve and a loss of \$33 million (2015: gain of \$33 million) was reclassified from the reserve to income statement.
- (c) **Hedges of Net Investment in Foreign Operations**  
As at 31 December 2016, customer deposits of \$2,189 million (2015: \$2,487 million) were designated to hedge foreign exchange risk arising from the Group's foreign operations. Designation of cross currency swaps under Note 37b (2015: Note 37b) to hedge foreign exchange risk arising from the Group's foreign operation had been revoked as at 31 December 2016. During the financial year, foreign exchange losses of \$2 million (2015: gains of \$3 million) arising from hedge ineffectiveness were recognised in the Group's income statements.

## 38. Commitments

(a)

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Undrawn credit facilities	132,341,650	137,164,948	112,764,992	108,313,092
Spot/forward contracts	845,156	2,932,294	917,491	3,075,406
Capital commitments	142,597	190,325	71,224	74,652
Operating lease commitments	127,861	147,335	69,861	82,477
Others	2,890,382	2,877,135	2,427,930	2,349,830
	<b>136,347,646</b>	<b>143,312,037</b>	<b>116,251,498</b>	<b>113,895,457</b>

(b) **Operating Lease Commitments**

The Group leases out investment properties typically on 3 year leases based on market rental rates. These leases contain options to renew at prevailing market rates.

The aggregate minimum lease payments under non-cancellable operating leases at the balance sheet date are as follows:

	The Group		The Bank	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Minimum lease payable				
Within 1 year	48,540	57,599	21,561	25,933
Over 1 to 5 years	75,393	80,177	44,654	47,399
Over 5 years	3,928	9,559	3,646	9,145
	<b>127,861</b>	<b>147,335</b>	<b>69,861</b>	<b>82,477</b>
Minimum lease receivable				
Within 1 year	111,395	110,157	93,019	91,587
Over 1 to 5 years	200,387	202,353	170,924	166,270
Over 5 years	11,316	17,915	8,186	13,992
	<b>323,098</b>	<b>330,425</b>	<b>272,129</b>	<b>271,849</b>

### 39. Cash and Cash Equivalents

Cash equivalents are highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible into known amounts of cash. Cash and cash equivalents in the consolidated cash flow statement comprise the following:

	The Group	
	2016	2015
	\$'000	\$'000
Cash on hand	2,242,035	1,762,169
Non-restricted balances with central banks	16,158,785	25,465,695
	<b>18,400,820</b>	<b>27,227,864</b>

### 40. Share-Based Compensation Plans

Share-based compensation plans of the Group comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan.

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

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

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

Percentage of ROE target achieved	Percentage of award to be vested
	2013 grant
≥ 115%	130%
≥ 110%	120%
≥ 105%	110%
≥ 100%	100%
≥ 95%	100%
≥ 90%	90%
≥ 85%	80%
≥ 80%	70%
< 80%	At the discretion of the Remuneration Committee

Thirty per cent of grants made in and after 2014 will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy per cent will vest after three years, subject to the achievement of the three-year ROE targets. The vesting levels are shown below.

Percentage of ROE target achieved	Percentage of award to be vested for grants made in and after 2014*
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

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

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 40. Share-Based Compensation Plans (continued)

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the Remuneration Committee.

As approved by shareholders at the Annual General Meeting on 21 April 2016, the Plans shall be in force for a further duration of ten years up to (and including) 6 August 2027. The Plans only allow the delivery of UOB ordinary shares held in treasury by the Bank.

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	
	2016	2015
	'000	'000
Balance at 1 January	4,086	3,211
Granted	2,800	1,949
Forfeited/cancelled	(205)	(200)
Vested	(873)	(874)
Balance at 31 December	5,808	4,086

	Share appreciation rights	
	2016	2015
	'000	'000
Balance at 1 January	1,946	5,835
Forfeited/cancelled	(209)	(208)
Vested	(1,737)	(3,681)
Balance at 31 December	–	1,946

	Exercisable rights	
	2016	2015
	'000	'000
Balance at 1 January	6,408	4,654
Vested	1,737	3,681
Forfeited/lapsed	(46)	(40)
Exercised	(1,583)	(1,887)
Balance at 31 December	6,516	6,408

#### 40. Share-Based Compensation Plans (continued)

Year granted	Expiry date	Fair value per grant at grant date \$	Number of outstanding grants	
			2016 '000	2015 '000
<b>Restricted shares</b>				
2013	13 Dec 2015 and 13 Dec 2016	18.96	–	445
2014	19 Sep 2016 and 19 Sep 2017	20.70	1,194	1,739
2015	4 May 2017 and 4 May 2018	22.57 and 18.83	1,859	1,902
2016	3 May 2018 and 3 May 2019	17.06 and 17.24	2,755	–
			<b>5,808</b>	<b>4,086</b>
<b>Share appreciation rights</b>				
2013	13 Dec 2019	2.87	–	1,946
			–	1,946

Fair values of the restricted shares were estimated at the grant date using the Trinomial valuation methodology. Since 2014, no share appreciation right has been granted as an instrument for share-based compensation. The key assumptions were as follows:

Year granted	Restricted shares			
	2016 1 <sup>st</sup> grant	2016 2 <sup>nd</sup> grant	2015 1 <sup>st</sup> grant	2015 2 <sup>nd</sup> grant
Exercise price (\$)	Not applicable			
Expected volatility (%) <sup>(1)</sup>	16.29	16.96	17.48	16.18
Risk-free interest rate (%)	1.02 – 1.20	0.88 – 0.93	1.09 – 1.30	1.25 – 1.35
Contractual life (years)	2 and 3	2 and 3	2 and 3	2 and 3
Expected dividend yield (%)	Management's forecast in line with dividend policy			

(1) Based on past three years' historical volatility.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 41. Related Party Transactions

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

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

All related party transactions of the Group were done in the ordinary course of business and at arm's length. In addition to the information disclosed elsewhere in the financial statements, other related party transactions that may be of interest are as follows:

	The Group		The Bank	
	2016 \$ million	2015 \$ million	2016 \$ million	2015 \$ million
(a) <b>Interest income</b>				
Subsidiaries	–	–	146	68
Associates and joint ventures	8	6	8	6
<b>Interest expense</b>				
Subsidiaries	–	–	121	17
Associates and joint ventures	5	3	3	2
<b>Dividend income</b>				
Subsidiaries	–	–	147	197
Associates and joint ventures	–	–	23	27
<b>Rental income</b>				
Subsidiaries	–	–	5	5
<b>Rental and other expenses</b>				
Subsidiaries	–	–	140	140
Associates and joint ventures	8	9	4	5
<b>Fee and commission and other income</b>				
Subsidiaries	–	–	120	95
Associates and joint ventures	7	8	3	5
<b>Placements, securities, loans and advances</b>				
Subsidiaries	–	–	9,847	6,408
Associates and joint ventures	489	625	489	624
<b>Deposits</b>				
Subsidiaries	–	–	7,239	2,412
Associates and joint ventures	967	606	894	575
<b>Off-balance sheet credit facilities <sup>(1)</sup></b>				
Subsidiaries	–	–	327	270
Associates and joint ventures	23	22	23	22

## 41. Related Party Transactions (continued)

	The Group		The Bank	
	2016 \$ million	2015 \$ million	2016 \$ million	2015 \$ million
(b) Compensation of key management personnel				
Short-term employee benefits	13	16	13	16
Long-term employee benefits	5	5	5	5
Share-based payment	3	4	3	4
Others	*	1	*	1
	21	26	21	26

(1) Includes guarantees issued of the Group \$23 million (2015: \$22 million) and the Bank \$256 million (2015: \$249 million).

\* Less than \$500,000.

## 42. Segment Information

- (a) Operating segments  
Segmental reporting is prepared based on the Group's internal organisational structure. The Banking Group is organised into three major business segments – Group Retail, Group Wholesale Banking and Global Markets. Others segment includes non-banking activities and corporate functions.

Due to business reorganisations during the year, Investment Management and Central Treasury (previously included in Global Markets and Investment Management) are now reported under the Others segment.

Comparative segment information for prior periods had been restated to be consistent with the current period's segment definition.

### Group Retail (GR)

GR segment covers personal and small enterprise customers.

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

### Group Wholesale Banking (GWB)

GWB encompasses corporate and institutional client segments which include medium and large enterprises, local corporations, multi-national corporations, financial institutions, government-linked entities, financial sponsors and property funds.

GWB provides customers with a broad range of products and services, including financing, trade services, cash management, capital markets solutions and advisory, treasury products and bank notes.

### Global Markets (GM)

GM provides a comprehensive suite of treasury products and services across multi-asset classes which include foreign exchange, interest rate, credit, commodities, equities and structured investment products to help customers manage market risks and volatility. GM also engages in market making activities and management of funding and liquidity.

Income from products and services offered to customers of Group Retail and Group Wholesale Banking are reflected in the respective client segments.

### Others

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

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 42. Segment Information (continued)

### (a) Operating Segments (continued)

Selected Income Statement Items	The Group				
	GR \$ million	GWB \$ million	GM \$ million	Others \$ million	Total \$ million
<b>2016</b>					
Net interest income	2,435	2,445	126	(15)	4,991
Non-interest income	1,210	1,097	393	371	3,071
Operating income	3,645	3,542	519	355	8,061
Operating expenses	(1,824)	(795)	(291)	(786)	(3,696)
Allowance for credit and other losses	(189)	(827)	4	418	(594)
Share of profit of associates and joint ventures	–	2	–	4	6
Profit before tax	1,632	1,922	232	(9)	3,777
Tax					(669)
<b>Profit for the financial year</b>					<b>3,108</b>
<b>Other information</b>					
Capital expenditure	28	27	13	315	383
Depreciation of assets	16	9	5	192	222
<b>2015</b>					
Net interest income	2,157	2,332	230	207	4,926
Non-interest income	1,201	1,101	299	521	3,122
Operating income	3,358	3,433	529	728	8,048
Operating expenses	(1,785)	(773)	(249)	(790)	(3,597)
Allowance for credit and other losses	(176)	(270)	–	(226)	(672)
Share of profit of associates and joint ventures	–	(2)	–	92	90
Profit before tax	1,397	2,389	280	(197)	3,869
Tax					(649)
<b>Profit for the financial year</b>					<b>3,220</b>
<b>Other information</b>					
Capital expenditure	27	24	20	621	692
Depreciation of assets	12	7	4	159	182



## 42. Segment Information (continued)

### (a) Operating Segments (continued)

Selected Balance Sheet Items	The Group				
	GR \$ million	GWB \$ million	GM \$ million	Others \$ million	Total \$ million
<b>2016</b>					
<b>Segment assets</b>	97,713	153,301	44,515	39,239	334,768
Intangible assets – goodwill	1,319	2,090	661	81	4,151
Investment in associates and joint ventures	–	80	–	1,029	1,109
<b>Total assets</b>	<b>99,032</b>	<b>155,471</b>	<b>45,176</b>	<b>40,349</b>	<b>340,028</b>
<b>Segment liabilities</b>	<b>127,070</b>	<b>127,524</b>	<b>33,577</b>	<b>18,815</b>	<b>306,986</b>
<b>Other information</b>					
Gross customer loans	97,511	128,015	128	8	225,662
Non-performing assets	1,059	2,400	16	5	3,480
<b>2015</b>					
<b>Segment assets</b>	90,971	135,115	45,723	38,952	310,761
Intangible assets – goodwill	1,317	2,087	660	80	4,144
Investment in associates and joint ventures	–	7	–	1,099	1,106
<b>Total assets</b>	<b>92,288</b>	<b>137,209</b>	<b>46,383</b>	<b>40,131</b>	<b>316,011</b>
<b>Segment liabilities</b>	<b>116,121</b>	<b>125,232</b>	<b>25,487</b>	<b>18,247</b>	<b>285,087</b>
<b>Other information</b>					
Gross customer loans	90,840	116,476	46	9	207,371
Non-performing assets	936	2,046	16	68	3,066

Note:

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

### (b) Geographical Segments

The following geographical segment information is based on the location where the transactions and assets are booked, which approximates 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	
	2016 \$ million	2015 \$ million	2016 \$ million	2015 \$ million	2016 \$ million	2015 \$ million
Singapore	4,590	4,658	2,364	2,363	210,937	197,929
Malaysia	986	1,006	548	537	33,845	32,669
Thailand	830	790	193	175	18,031	16,643
Indonesia	476	410	71	61	9,840	8,550
Greater China	648	706	300	366	40,233	32,982
Others	531	478	301	367	22,991	23,094
	<b>8,061</b>	<b>8,048</b>	<b>3,777</b>	<b>3,869</b>	<b>335,877</b>	<b>311,867</b>
Intangible assets	–	–	–	–	4,151	4,144
	<b>8,061</b>	<b>8,048</b>	<b>3,777</b>	<b>3,869</b>	<b>340,028</b>	<b>316,011</b>

# Notes to the Financial Statements

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## 43. Financial Risk Management

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk, equity risk and liquidity risk.

The Group's financial risks are centrally managed by the various specialist committees within the authority delegated by the Board of Directors. These various specialist committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Group Board Risk Management Committee.

The Group Risk Management Sector assumes the independent oversight of risks undertaken by the Group, and takes the lead in the formulation and approval of risk policies, controls and processes. The Group Market Risk Management and Group Product Control and Governance 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 Group Audit.

The main financial risks that the Group is exposed to and how they are managed is set out below:

(a) Credit Risk

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to fulfil its financial obligations when such obligations fall due.

The Group Credit Committee is delegated the authority by the Board of Directors to oversee all credit matters. It maintains oversight on the effectiveness of the Group's credit and country risk management structure including framework, people, processes, information, infrastructure, methodologies and systems.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to manage proactively any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure compliance with credit policies and procedures. Past due amounts and credit limit excesses are tracked and analysed by business and product lines.

Country risk arises where the Group is unable to receive payments from customers as a result of political or economic events in the country. These events include political and social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, and currency depreciation or devaluation.

### 43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(i) Credit Exposure

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

	The Group			
	Average <sup>(1)</sup> 2016 \$ million	Average <sup>(1)</sup> 2015 \$ million	2016 \$ million	2015 \$ million
Balances and placements with central banks	26,550	37,614	22,080	30,543
Singapore Government treasury bills and securities	6,667	6,853	6,877	6,865
Other government treasury bills and securities	11,759	10,553	10,638	12,644
Trading debt securities	2,763	1,164	2,982	1,087
Placements and balances with banks	35,096	27,110	40,033	28,646
Loans to customers	212,305	200,433	221,734	203,611
Derivative financial assets	6,195	6,843	6,982	6,422
Investment debt securities	8,468	7,374	8,779	7,312
Others	5,041	2,719	3,872	3,905
	<b>314,844</b>	<b>300,663</b>	<b>323,977</b>	<b>301,035</b>
Contingent liabilities	21,845	19,154	24,599	19,008
Commitments (excluding operating lease and capital commitments)	136,431	133,927	136,077	142,974
	<b>473,120</b>	<b>453,744</b>	<b>484,653</b>	<b>463,017</b>

(1) Average balances are computed based on quarter-end exposure.

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.

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

# Notes to the Financial Statements

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## 43. Financial Risk Management (continued)

### (a) Credit Risk (continued)

#### (ii) Major On-Balance Sheet Credit Exposures

The exposures are determined based on country of incorporation/operation for non-individuals and residence for individuals.

	The Group				Total \$ million
	Loans to customers (gross) \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	
<b>Analysed by geography</b>					
<b>2016</b>					
Singapore	125,529	6,877	1,326	1,851	135,583
Malaysia	25,767	1,265	1,955	1,402	30,389
Thailand	13,226	2,970	1,285	37	17,518
Indonesia	11,857	875	1,860	25	14,617
Greater China	27,232	1,932	18,007	990	48,161
Others	22,051	3,596	15,600	7,456	48,703
<b>Total</b>	<b>225,662</b>	<b>17,515</b>	<b>40,033</b>	<b>11,761</b>	<b>294,971</b>
<b>2015</b>					
Singapore	116,087	6,865	761	2,245	125,958
Malaysia	24,605	1,264	2,375	1,056	29,300
Thailand	11,481	2,962	258	70	14,771
Indonesia	11,543	849	770	21	13,183
Greater China	25,217	1,923	12,175	1,314	40,629
Others	18,438	5,646	12,307	3,693	40,084
<b>Total</b>	<b>207,371</b>	<b>19,509</b>	<b>28,646</b>	<b>8,399</b>	<b>263,925</b>

### 43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(ii) (continued)

	The Group				Total \$ million
	Loans to customers (gross) \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	
<b>Analysed by industry</b>					
<b>2016</b>					
Transport, storage and communication	9,780	–	–	1,501	11,281
Building and construction	52,281	–	–	359	52,640
Manufacturing	15,747	–	–	2,153	17,900
Financial institutions, investment and holding companies	15,519	–	40,033	4,229	59,781
General commerce	30,269	–	–	1,017	31,286
Professionals and private individuals	26,950	–	–	–	26,950
Housing loans	61,451	–	–	–	61,451
Government	–	17,515	–	–	17,515
Others	13,665	–	–	2,502	16,167
<b>Total</b>	<b>225,662</b>	<b>17,515</b>	<b>40,033</b>	<b>11,761</b>	<b>294,971</b>
<b>2015</b>					
Transport, storage and communication	10,019	–	–	1,001	11,020
Building and construction	45,211	–	–	367	45,578
Manufacturing	15,803	–	–	1,493	17,296
Financial institutions, investment and holding companies	14,282	–	28,646	2,478	45,406
General commerce	28,302	–	–	665	28,967
Professionals and private individuals	25,950	–	–	–	25,950
Housing loans	56,385	–	–	–	56,385
Government	–	19,509	–	–	19,509
Others	11,419	–	–	2,395	13,814
<b>Total</b>	<b>207,371</b>	<b>19,509</b>	<b>28,646</b>	<b>8,399</b>	<b>263,925</b>

# Notes to the Financial Statements

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## 43. Financial Risk Management (continued)

### (a) Credit Risk (continued)

#### (iii) Major Off-Balance Sheet Credit Exposures

The exposures are determined based on country of incorporation/operation for non-individuals and residence for individuals.

	The Group			
	2016		2015	
	Contingent liabilities \$ million	Commitments <sup>(1)</sup> \$ million	Contingent liabilities \$ million	Commitments <sup>(1)</sup> \$ million
<b>Analysed by geography</b>				
Singapore	11,806	71,928	7,313	82,238
Malaysia	2,691	12,097	2,753	11,120
Thailand	1,206	10,120	1,201	9,077
Indonesia	1,140	5,542	572	5,120
Greater China	3,534	22,733	2,487	23,572
Others	4,222	13,657	4,682	11,847
<b>Total</b>	<b>24,599</b>	<b>136,077</b>	<b>19,008</b>	<b>142,974</b>
<b>Analysed by industry</b>				
Transport, storage and communication	817	4,381	639	4,415
Building and construction	6,660	23,886	5,904	21,083
Manufacturing	2,347	18,999	1,670	18,786
Financial institutions, investment and holding companies	4,186	12,637	3,242	13,808
General commerce	8,765	41,904	5,379	48,274
Professionals and private individuals	138	19,776	230	19,676
Housing loans	–	4,441	–	5,645
Others	1,686	10,053	1,944	11,287
<b>Total</b>	<b>24,599</b>	<b>136,077</b>	<b>19,008</b>	<b>142,974</b>

(1) Excluding operating lease and capital commitments.

### 43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(iv) Credit Quality of Gross Loans and Debt Securities

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

	The Group	
	2016	2015
	\$ million	\$ million
Pass	218,995	203,217
Special mention	3,339	1,272
Substandard	2,132	2,237
Doubtful	241	141
Loss	955	504
	<b>225,662</b>	<b>207,371</b>

Credit quality of Government treasury bills and securities and debt securities

The table below presents an analysis of Government treasury bills and securities and debt securities that are neither past due nor impaired for the Group by rating agency designation as at 31 December:

	The Group					
	2016			2015		
	Singapore Government treasury bills and securities	Other government treasury bills and securities	Debt securities	Singapore Government treasury bills and securities	Other government treasury bills and securities	Debt securities
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
External rating:						
Investment grade (AAA to BBB-)	6,877	10,617	10,522	6,865	12,556	6,982
Non-investment grade (BB+ to C)	–	3	32	–	66	222
Unrated	–	18	1,207	–	22	1,195
<b>Total</b>	<b>6,877</b>	<b>10,638</b>	<b>11,761</b>	<b>6,865</b>	<b>12,644</b>	<b>8,399</b>

# Notes to the Financial Statements

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## 43. Financial Risk Management (continued)

### (a) Credit Risk (continued)

#### (v) Ageing Analysis of Past Due but Not Impaired Loans

	The Group			
	< 30 days \$ million	30 - 59 days \$ million	60 - 90 days \$ million	Total \$ million
<b>Analysed by geography <sup>(1)</sup></b>				
<b>2016</b>				
Singapore	1,571	639	386	2,596
Malaysia	741	196	83	1,020
Thailand	469	83	40	592
Indonesia	58	71	70	199
Greater China	32	16	14	62
Others	208	38	19	265
<b>Total</b>	<b>3,079</b>	<b>1,043</b>	<b>612</b>	<b>4,734</b>
<b>2015</b>				
Singapore	1,946	957	56	2,959
Malaysia	629	279	161	1,069
Thailand	516	81	27	624
Indonesia	117	54	42	213
Greater China	18	20	1	39
Others	76	25	7	108
<b>Total</b>	<b>3,302</b>	<b>1,416</b>	<b>294</b>	<b>5,012</b>

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



#### 43. Financial Risk Management (continued)

(a) Credit Risk (continued)

(v) Ageing Analysis of Past Due but Not Impaired Loans (continued)

	The Group			
	< 30 days \$ million	30 - 59 days \$ million	60 - 90 days \$ million	Total \$ million
<b>Analysed by industry</b>				
<b>2016</b>				
Transport, storage and communication	163	15	29	207
Building and construction	585	101	33	719
Manufacturing	247	52	32	331
Financial institutions, investment and holding companies	75	6	1	82
General commerce	780	104	83	967
Professionals and private individuals	475	256	149	880
Housing loans	600	478	281	1,359
Others	154	31	4	189
<b>Total</b>	<b>3,079</b>	<b>1,043</b>	<b>612</b>	<b>4,734</b>
<b>2015</b>				
Transport, storage and communication	236	11	13	260
Building and construction	575	84	58	717
Manufacturing	339	46	3	388
Financial institutions, investment and holding companies	110	6	30	146
General commerce	881	185	38	1,104
Professionals and private individuals	572	329	59	960
Housing loans	501	736	92	1,329
Others	88	19	1	108
<b>Total</b>	<b>3,302</b>	<b>1,416</b>	<b>294</b>	<b>5,012</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 43. Financial Risk Management (continued)

### (a) Credit Risk (continued)

#### (vi) Ageing Analysis of Non-Performing Assets

	The Group					Specific allowance \$ million
	Current \$ million	< 90 days \$ million	90 - 180 days \$ million	> 180 days \$ million	Total \$ million	
<b>Analysed by geography <sup>(1)</sup></b>						
<b>2016</b>						
Singapore	155	76	291	769	1,291	468
Malaysia	38	46	58	345	487	82
Thailand	30	44	53	233	360	134
Indonesia	25	103	53	457	638	208
Greater China	18	7	124	158	307	230
Others	12	4	35	194	245	97
<b>Non-performing loans</b>	<b>278</b>	<b>280</b>	<b>614</b>	<b>2,156</b>	<b>3,328</b>	<b>1,219</b>
Debt securities, contingent items and others	65	5	32	50	152	103
<b>Total</b>	<b>343</b>	<b>285</b>	<b>646</b>	<b>2,206</b>	<b>3,480</b>	<b>1,322</b>
<b>2015</b>						
Singapore	324	77	176	539	1,116	258
Malaysia	16	35	63	272	386	58
Thailand	14	23	44	168	249	91
Indonesia	7	201	82	279	569	175
Greater China	37	32	47	102	218	97
Others	12	2	2	328	344	94
<b>Non-performing loans</b>	<b>410</b>	<b>370</b>	<b>414</b>	<b>1,688</b>	<b>2,882</b>	<b>773</b>
Debt securities, contingent items and others	52	*	3	129	184	161
<b>Total</b>	<b>462</b>	<b>370</b>	<b>417</b>	<b>1,817</b>	<b>3,066</b>	<b>934</b>

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

\* Less than \$500,000.

### 43. Financial Risk Management (continued)

#### (a) Credit Risk (continued)

##### (vi) Ageing Analysis of Non-Performing Assets (continued)

	The Group					Specific allowance \$ million
	Current \$ million	< 90 days \$ million	90 - 180 days \$ million	> 180 days \$ million	Total \$ million	
<b>Analysed by industry</b>						
<b>2016</b>						
Transport, storage and communication	117	15	201	632	965	337
Building and construction	30	7	31	142	210	74
Manufacturing	6	19	39	252	316	162
Financial institutions, investment and holding companies	2	6	2	66	76	2
General commerce	28	20	35	368	451	189
Professionals and private individuals	56	59	45	124	284	70
Housing loans	20	74	81	443	618	100
Others	19	80	180	129	408	285
<b>Non-performing loans</b>	<b>278</b>	<b>280</b>	<b>614</b>	<b>2,156</b>	<b>3,328</b>	<b>1,219</b>
Debt securities, contingent items and others	65	5	32	50	152	103
<b>Total</b>	<b>343</b>	<b>285</b>	<b>646</b>	<b>2,206</b>	<b>3,480</b>	<b>1,322</b>
<b>2015</b>						
Transport, storage and communication	135	174	56	612	977	321
Building and construction	45	22	49	134	250	56
Manufacturing	94	24	11	158	287	103
Financial institutions, investment and holding companies	27	1	–	74	102	7
General commerce	19	68	106	195	388	128
Professionals and private individuals	67	30	70	120	287	71
Housing loans	12	42	113	383	550	79
Others	11	9	9	12	41	8
<b>Non-performing loans</b>	<b>410</b>	<b>370</b>	<b>414</b>	<b>1,688</b>	<b>2,882</b>	<b>773</b>
Debt securities, contingent items and others	52	*	3	129	184	161
<b>Total</b>	<b>462</b>	<b>370</b>	<b>417</b>	<b>1,817</b>	<b>3,066</b>	<b>934</b>

\* Less than \$500,000.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 43. Financial Risk Management (continued)

### (a) Credit Risk (continued)

#### (vii) Security Coverage of Non-Performing Assets

	The Group	
	2016	2015
	\$ million	\$ million
Non-performing assets secured by:		
Properties	1,177	1,145
Marketable securities, fixed deposits and others	663	552
Unsecured non-performing assets	1,640	1,369
	3,480	3,066

#### (viii) Repossessed Collateral during the Financial Year

	The Group	
	2016	2015
	\$ million	\$ million
Properties	5	4

Repossessed collaterals 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 overseas associates and joint ventures, intangible assets attributable to overseas subsidiaries, and long-term investment in overseas properties used for banking purposes, which are strategic in nature. The Group utilises foreign currency contracts and foreign exchange derivatives to hedge its foreign exchange exposures.

Foreign exchange risk is managed through policies and market risk limits approved by the Group Asset and Liability Committee (ALCO). The limits are independently monitored by Group Market Risk Management and Group Product Control and Governance.

At 31 December 2016, banking book foreign currency Value-at-Risk (VaR) inclusive of structural foreign currency VaR was \$72.9 million (2015: \$68.5 million).

Equity price risk in the banking book arises from equity investments held for long-term strategic reasons. At the end of the reporting period, if these equity prices had been 1% higher/lower with all other variables held constant, the Group's other comprehensive income would have been \$30 million (2015: \$32 million) higher/lower as a result of an increase/decrease in the fair value of equity investments classified as available-for-sale.

### 43. Financial Risk Management (continued)

#### (b) Foreign Exchange Risk and Equity Risk (continued)

- (i) The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date. The off-balance sheet gap represents the net contract or notional amount of derivatives which are used principally to reduce the Group's exposure to foreign exchange risk.

	The Group						Total \$ million
	Singapore dollar \$ million	US dollar \$ million	Malaysian ringgit \$ million	Thai baht \$ million	Indonesian rupiah \$ million	Others \$ million	
<b>2016</b>							
Cash, balances and placements with central banks	9,097	1,942	4,405	405	1,276	7,197	24,322
Securities	8,793	10,074	1,756	2,995	529	8,135	32,282
Placements and balances with banks	850	29,673	740	1,165	193	7,412	40,033
Loans to customers	110,097	44,360	22,498	12,044	5,263	27,472	221,734
Investment in associates and joint ventures	884	158	4	–	–	63	1,109
Intangible assets	3,168	–	–	737	246	–	4,151
Derivative financial assets	2,754	2,025	206	372	(3)	1,628	6,982
Others	2,823	2,055	386	286	210	3,655	9,415
<b>Total assets</b>	<b>138,466</b>	<b>90,287</b>	<b>29,995</b>	<b>18,004</b>	<b>7,714</b>	<b>55,562</b>	<b>340,028</b>
Deposits and balances of customers	122,736	59,425	25,295	13,049	5,741	29,068	255,314
Deposits and balances of banks, and bills and drafts payable	1,963	5,462	191	406	5	4,350	12,377
Debts issued	1,852	21,750	324	523	282	1,412	26,143
Derivative financial liabilities	2,724	1,870	185	254	(3)	1,807	6,837
Others	1,919	2,713	616	282	95	690	6,315
<b>Total liabilities</b>	<b>131,194</b>	<b>91,220</b>	<b>26,611</b>	<b>14,514</b>	<b>6,120</b>	<b>37,327</b>	<b>306,986</b>
On-balance sheet open position	7,272	(933)	3,384	3,490	1,594	18,235	
Off-balance sheet open position	10,912	12,459	(798)	(877)	(82)	(21,614)	
<b>Net open position</b>	<b>18,184</b>	<b>11,526</b>	<b>2,586</b>	<b>2,613</b>	<b>1,512</b>	<b>(3,379)</b>	

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 43. Financial Risk Management (continued)

(b) Foreign Exchange Risk and Equity Risk (continued)

(i) (continued)

	The Group						
	Singapore dollar \$ million	US dollar \$ million	Malaysian ringgit \$ million	Thai baht \$ million	Indonesian rupiah \$ million	Others \$ million	Total \$ million
2015							
Cash, balances and placements with central banks	13,381	4,370	4,206	1,639	914	7,796	32,306
Securities	9,638	8,014	1,515	2,989	510	8,682	31,348
Placements and balances with banks	738	21,613	1,232	176	62	4,825	28,646
Loans to customers	106,001	35,560	21,891	10,636	5,053	24,470	203,611
Investment in associates and joint ventures	778	292	4	–	–	32	1,106
Intangible assets	3,168	–	–	736	240	–	4,144
Derivative financial assets	1,788	2,707	274	273	(37)	1,417	6,422
Others	4,082	601	434	541	272	2,498	8,428
<b>Total assets</b>	<b>139,574</b>	<b>73,157</b>	<b>29,556</b>	<b>16,990</b>	<b>7,014</b>	<b>49,720</b>	<b>316,011</b>
Deposits and balances of customers	115,650	54,236	24,122	11,782	5,252	29,482	240,524
Deposits and balances of banks, and bills and drafts payable	1,539	2,716	213	1,009	36	6,908	12,421
Debts issued	3,125	15,409	329	259	197	969	20,288
Derivative financial liabilities	1,671	2,765	70	236	9	1,218	5,969
Others	2,264	2,047	761	269	100	444	5,885
<b>Total liabilities</b>	<b>124,249</b>	<b>77,173</b>	<b>25,495</b>	<b>13,555</b>	<b>5,594</b>	<b>39,021</b>	<b>285,087</b>
<b>On-balance sheet open position</b>	<b>15,325</b>	<b>(4,016)</b>	<b>4,061</b>	<b>3,435</b>	<b>1,420</b>	<b>10,699</b>	
<b>Off-balance sheet open position</b>	<b>2,945</b>	<b>19,195</b>	<b>(1,460)</b>	<b>(985)</b>	<b>50</b>	<b>(19,745)</b>	
<b>Net open position</b>	<b>18,270</b>	<b>15,179</b>	<b>2,601</b>	<b>2,450</b>	<b>1,470</b>	<b>(9,046)</b>	

#### 43. Financial Risk Management (continued)

(b) Foreign Exchange Risk and Equity Risk (continued)

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

	The Group		
	Total \$ million	Hedged \$ million	Unhedged \$ million
<b>2016</b>			
Chinese renminbi	1,978	–	1,978
Indonesian rupiah	1,318	–	1,318
Malaysian ringgit	2,755	–	2,755
Thai baht	2,678	–	2,678
US dollar	1,859	1,859	–
Others	1,787	1,081	706
	<b>12,375</b>	<b>2,940</b>	<b>9,435</b>
<b>2015</b>			
Chinese renminbi	2,039	440	1,599
Indonesian rupiah	1,198	–	1,198
Malaysian ringgit	2,574	–	2,574
Thai baht	2,458	–	2,458
US dollar	1,653	1,653	–
Others	1,677	1,064	613
	<b>11,599</b>	<b>3,157</b>	<b>8,442</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 43. Financial Risk Management (continued)

### (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 \$210 million and \$372 million (2015: negative \$251 million and \$462 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.

(i) The following table shows the cash flow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans. In particular, the Group has a significant amount of "core deposits" of customers which are contractually at call (included in the "Up to 7 days" time band) but historically have been a stable source of long-term funding for the Group.



### 43. Financial Risk Management (continued)

#### (d) Liquidity Risk (continued)

##### (i) (continued)

	The Group							Total \$ million
	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	
<b>2016</b>								
Cash, balances and placements with central banks	9,731	3,027	1,966	3,111	–	2,559	3,944	24,338
Securities	432	1,259	3,644	6,471	8,138	10,786	4,192	34,922
Placements and balances with banks	10,942	9,694	9,915	5,780	2,134	2,382	(661)	40,186
Loans to customers	11,225	29,465	14,601	32,393	52,331	119,802	(865)	258,952
Investment in associates and joint ventures	–	–	–	–	–	–	1,109	1,109
Intangible assets	–	–	–	–	–	–	4,151	4,151
Derivative financial assets	–	–	–	–	–	–	6,982	6,982
Others	488	83	106	147	3	6,498	2,093	9,418
<b>Total assets</b>	<b>32,818</b>	<b>43,528</b>	<b>30,232</b>	<b>47,902</b>	<b>62,606</b>	<b>142,027</b>	<b>20,945</b>	<b>380,058</b>
Deposits and balances of customers	122,723	35,393	33,382	52,008	8,239	3,262	1,761	256,768
Deposits and balances of banks, and bills and drafts payable	6,774	2,655	2,566	305	–	–	93	12,393
Debts issued	515	2,731	8,772	6,664	2,477	6,392	(170)	27,381
Derivative financial liabilities	–	–	–	–	–	–	6,837	6,837
Others	1,163	884	670	661	86	860	1,991	6,315
<b>Total liabilities</b>	<b>131,175</b>	<b>41,663</b>	<b>45,390</b>	<b>59,638</b>	<b>10,802</b>	<b>10,514</b>	<b>10,512</b>	<b>309,694</b>
Equity attributable to:								
Equity holders of the Bank	108	21	–	74	1,499	8,458	23,002	33,162
Non-controlling interests	–	–	–	–	–	2	167	169
<b>Total equity</b>	<b>108</b>	<b>21</b>	<b>–</b>	<b>74</b>	<b>1,499</b>	<b>8,460</b>	<b>23,169</b>	<b>33,331</b>
Net on-balance sheet position	(98,465)	1,844	(15,158)	(11,810)	50,305	123,053	(12,736)	
Net off-balance sheet position	(55,775)	(181)	(961)	64	(1,174)	(3,819)	(1,275)	
<b>Net maturity mismatch</b>	<b>(154,240)</b>	<b>1,663</b>	<b>(16,119)</b>	<b>(11,746)</b>	<b>49,131</b>	<b>119,234</b>	<b>(14,011)</b>	

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 43. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(i) (continued)

	The Group							Total \$ million
	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	
2015								
Cash, balances and placements with central banks	13,779	4,517	3,686	4,613	–	2,185	3,531	32,311
Securities	564	351	3,149	7,480	9,369	8,870	3,505	33,288
Placements and balances with banks	8,442	6,523	6,313	5,722	542	1,081	67	28,690
Loans to customers	6,906	14,613	16,024	26,938	47,431	115,127	1,189	228,228
Investment in associates and joint ventures	–	–	–	–	–	–	1,106	1,106
Intangible assets	–	–	–	–	–	–	4,144	4,144
Derivative financial assets	–	–	–	–	–	–	6,422	6,422
Others	835	445	655	49	16	3,651	3,006	8,657
<b>Total assets</b>	<b>30,526</b>	<b>26,449</b>	<b>29,827</b>	<b>44,802</b>	<b>57,358</b>	<b>130,914</b>	<b>22,970</b>	<b>342,846</b>
Deposits and balances of customers	123,758	33,278	32,517	43,344	4,140	4,146	(56)	241,127
Deposits and balances of banks, and bills and drafts payable	5,310	1,710	3,679	1,683	38	–	13	12,433
Debts issued	907	1,555	7,446	4,174	3,020	3,962	(15)	21,049
Derivative financial liabilities	–	–	–	–	–	–	5,969	5,969
Others	1,773	388	905	245	178	994	1,872	6,355
<b>Total liabilities</b>	<b>131,748</b>	<b>36,931</b>	<b>44,547</b>	<b>49,446</b>	<b>7,376</b>	<b>9,102</b>	<b>7,783</b>	<b>286,933</b>
Equity attributable to:								
Equity holders of the Bank	–	21	–	45	981	7,911	22,031	30,989
Non-controlling interests	–	–	–	–	–	2	154	156
<b>Total equity</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>45</b>	<b>981</b>	<b>7,913</b>	<b>22,185</b>	<b>31,145</b>
<b>Net on-balance sheet position</b>	<b>(101,222)</b>	<b>(10,503)</b>	<b>(14,720)</b>	<b>(4,689)</b>	<b>49,001</b>	<b>113,899</b>	<b>(6,998)</b>	
<b>Net off-balance sheet position</b>	<b>(31,622)</b>	<b>1,650</b>	<b>(1,115)</b>	<b>(3,894)</b>	<b>(95)</b>	<b>(1,264)</b>	<b>(8,395)</b>	
<b>Net maturity mismatch</b>	<b>(132,844)</b>	<b>(8,853)</b>	<b>(15,835)</b>	<b>(8,583)</b>	<b>48,906</b>	<b>112,635</b>	<b>(15,393)</b>	

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 35 and 38a. These have been incorporated in the net off-balance sheet position for financial years ended 31 December 2016 and 2015. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers. The behavioural adjustments based on historical trends are disclosed in Note 43d(ii).

### 43. Financial Risk Management (continued)

#### (d) Liquidity Risk (continued)

- (ii) The following table shows the cash flow analysis of the Group's assets and liabilities for a one-year period, with behavioural adjustments on significant balance sheet items on an undiscounted basis. The maturity profile for loans and deposits that do not have maturity dates, and fixed deposits that are frequently rolled over, is estimated based on past statistics and historical trends. Other balance sheet items such as credit cards are generally estimated based on the behavioural patterns of the customers. There may be some differences in the assumptions across geographical locations due to variations in local conditions.

	The Group			
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million
<b>2016</b>				
Cash, balances and placements with central banks	9,861	3,017	1,869	3,088
Securities	532	1,309	3,644	6,413
Placements and balances with banks	10,945	9,704	9,929	5,791
Loans to customers	10,837	30,714	16,275	36,915
Others	488	83	106	147
<b>Total assets</b>	<b>32,663</b>	<b>44,827</b>	<b>31,823</b>	<b>52,354</b>
Deposits and balances of customers <sup>(1)</sup>	19,394	27,640	12,766	8,299
Deposits and balances of banks, and bills and drafts payable	6,709	2,720	2,566	305
Debts issued	515	2,731	8,772	6,664
Others	1,163	884	670	661
<b>Total liabilities</b>	<b>27,781</b>	<b>33,975</b>	<b>24,774</b>	<b>15,929</b>
Equity attributable to:				
Equity holders of the Bank	108	21	–	74
Non-controlling interests	–	–	–	–
<b>Total equity</b>	<b>108</b>	<b>21</b>	<b>–</b>	<b>74</b>
<b>Net on-balance sheet position</b>	<b>4,774</b>	<b>10,831</b>	<b>7,049</b>	<b>36,351</b>
<b>Net off-balance sheet position</b>	<b>(19,263)</b>	<b>(5,767)</b>	<b>(4,586)</b>	<b>(4,404)</b>
<b>Net maturity mismatch</b>	<b>(14,489)</b>	<b>5,064</b>	<b>2,463</b>	<b>31,947</b>

(1) Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 43. Financial Risk Management (continued)

(d) Liquidity Risk (continued)

(ii) (continued)

	The Group			
	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million
2015				
Cash, balances and placements with central banks	13,780	4,517	3,685	4,613
Securities	667	443	3,067	7,463
Placements and balances with banks	8,445	6,534	6,336	5,752
Loans to customers	7,292	15,971	17,649	31,046
Others	838	453	655	49
<b>Total assets</b>	<b>31,022</b>	<b>27,918</b>	<b>31,392</b>	<b>48,923</b>
Deposits and balances of customers <sup>(1)</sup>	22,393	23,791	10,992	4,956
Deposits and balances of banks, and bills and drafts payable	5,262	1,758	3,679	1,683
Debts issued	907	1,555	7,446	4,174
Others	1,424	563	858	158
<b>Total liabilities</b>	<b>29,986</b>	<b>27,667</b>	<b>22,975</b>	<b>10,971</b>
Equity attributable to:				
Equity holders of the Bank	–	21	–	45
Non-controlling interests	–	–	–	–
<b>Total equity</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>45</b>
<b>Net on-balance sheet position</b>	<b>1,036</b>	<b>230</b>	<b>8,417</b>	<b>37,907</b>
<b>Net off-balance sheet position</b>	<b>(3,380)</b>	<b>(2,025)</b>	<b>(4,361)</b>	<b>(8,576)</b>
<b>Net maturity mismatch</b>	<b>(2,344)</b>	<b>(1,795)</b>	<b>4,056</b>	<b>29,331</b>

(1) Excludes interest cash flows which are negligible within the time horizon against which the Group manages its liquidity risk.

### 43. Financial Risk Management (continued)

(e) Value-At-Risk

The Group adopts a daily VaR to estimate market risk within a 99% confidence interval using the historical simulation method for its trading book. This methodology does not make assumptions on the distribution of returns and the correlations between risk classes. The method assumes that possible future changes in market rates may be implied by observed historical market movements. The level of VaR is dependent on the exposures, as well as market prices and volatilities. The Group computes market risk based on historical simulation VaR. This entails the estimation of tail loss based on the most recent historical data, which may not always reflect the extreme loss event. The Group runs market risk stress to complement the market risk historical simulation VaR.

The table below shows the trading book VaR profile by risk classes.

	The Group			
	Year end \$ million	High \$ million	Low \$ million	Average \$ million
<b>2016</b>				
Interest rate	3.35	15.42	2.67	6.90
Foreign exchange	6.99	11.99	1.61	5.18
Equity	3.46	4.38	0.03	3.42
Commodity	0.24	1.38	0.17	0.48
Specific risk <sup>(1)</sup>	0.40	1.05	0.12	0.37
<b>Total VaR</b>	<b>9.90</b>	<b>19.69</b>	<b>5.73</b>	<b>11.52</b>
<b>2015</b>				
Interest rate	5.04	7.51	1.98	4.64
Foreign exchange	5.34	6.81	0.95	3.43
Equity	3.48	3.48	0.02	0.08
Commodity	0.81	1.25	0.21	0.67
Specific risk <sup>(1)</sup>	0.24	0.76	0.15	0.37
<b>Total VaR</b>	<b>8.34</b>	<b>11.72</b>	<b>3.31</b>	<b>7.84</b>

(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.

# Notes to the Financial Statements

for the financial year ended 31 December 2016

## 44. Capital Management

The Group's capital management objective is to maintain an optimal capital level and mix that supports its businesses as well as strategic growth and investment opportunities, while meeting regulatory requirements and maintaining a strong credit rating. The Group, including UOB Bank and its overseas banking entities, have complied with all externally-imposed regulatory capital requirements throughout the financial year.

The Group is subject to the Basel III capital adequacy standards, as prescribed in the MAS Notice 637. 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	
	2016	2015
	\$ million	\$ million
Share capital	4,257	3,704
Disclosed reserves/others	26,384	24,762
Regulatory adjustments	(2,685)	(2,448)
<b>Common Equity Tier 1 capital</b>	<b>27,956</b>	<b>26,018</b>
Preference shares/others	2,096	2,179
Regulatory adjustments – capped	(1,772)	(2,179)
<b>Additional Tier 1 capital</b>	<b>324</b>	<b>–</b>
<b>Tier 1 capital</b>	<b>28,280</b>	<b>26,018</b>
Subordinated notes	5,546	4,505
Provisions/others	1,122	1,028
Regulatory adjustments	(22)	(201)
<b>Tier 2 capital</b>	<b>6,646</b>	<b>5,332</b>
<b>Eligible total capital</b>	<b>34,926</b>	<b>31,350</b>
Risk-weighted assets	215,559	200,654
Capital adequacy ratios (%)		
Common Equity Tier 1	13.0	13.0
Tier 1	13.1	13.0
<b>Total</b>	<b>16.2</b>	<b>15.6</b>

## 45. Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of Directors on 16 February 2017.

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

31 December 2016

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# Statistics of Shareholdings

as at 1 March 2017

## Distribution of Shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%
1 – 99	4,457	13.26	150,529	0.01
100 – 1,000	10,140	30.17	6,083,678	0.37
1,001 – 10,000	15,996	47.59	48,746,416	2.98
10,001 – 1,000,000	2,972	8.84	125,209,175	7.66
1,000,001 and above	49	0.14	1,455,554,225	88.98
<b>Total</b>	<b>33,614</b>	<b>100.00</b>	<b>1,635,744,023</b>	<b>100.00</b>

## Public Float

Based on information available to the Company as at 1 March 2017, approximately 76% of the issued shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

## Twenty Largest Shareholders (as shown in the Register of Members and Depository Register)

Name of shareholders	No. of shares	%*
Citibank Nominees Singapore Pte Ltd	300,184,672	18.35
DBS Nominees (Private) Limited	278,681,033	17.04
DBSN Services Pte. Ltd.	141,007,324	8.62
United Overseas Bank Nominees (Private) Limited	134,666,910	8.23
Wee Investments Pte Ltd	128,119,445	7.83
Wah Hin & Co Pte Ltd	83,858,671	5.13
HSBC (Singapore) Nominees Pte Ltd	82,830,186	5.06
Tai Tak Estates Sendirian Berhad	68,168,000	4.17
UOB Kay Hian Private Limited	41,198,717	2.52
C Y Wee & Co Pte Ltd	36,319,299	2.22
Raffles Nominees (Pte) Limited	30,669,452	1.87
BNP Paribas Securities Services Singapore Branch	24,298,816	1.49
Wee Cho Yaw	20,567,244	1.26
Tee Teh Sdn Berhad	10,590,307	0.65
UOB Nominees (2006) Private Limited	8,975,354	0.55
DB Nominees (S) Pte Ltd	5,786,152	0.35
SG Investments Pte Ltd	4,456,000	0.27
Wee Ee Cheong	3,297,243	0.20
Sat Pal Khattar, Chew Hwee Ming & Jerry Lee Kian Eng	3,261,786	0.20
Tai Tak Securities Private Limited	2,880,000	0.18
<b>Total</b>	<b>1,409,816,611</b>	<b>86.19</b>

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



# Statistics of Shareholdings

as at 1 March 2017

## Ordinary Shares

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

Substantial shareholder	Shareholdings registered in the name of substantial shareholders	Other shareholdings in which substantial shareholders are deemed to have an interest	Total interest	
	No. of shares	No. of shares	No. of shares	%
Estate of Lien Ying Chow, deceased	316,516	83,969,531 <sup>(1)</sup>	84,286,047	5.15
Lien Ying Chow Private Limited	–	83,868,784 <sup>(1)</sup>	83,868,784	5.13
Wah Hin and Company Private Limited	83,858,671	10,113 <sup>(2)</sup>	83,868,784	5.13
Sandstone Capital Pte Ltd	10,113	83,858,671 <sup>(3)</sup>	83,868,784	5.13
Wee Cho Yaw	20,567,244	276,004,118 <sup>(4)</sup>	296,571,362	18.13
Wee Ee Cheong	3,297,243	166,653,061 <sup>(4)</sup>	169,950,304	10.39
Wee Ee Chao	157,404	132,582,967 <sup>(4)</sup>	132,740,371	8.11
Wee Ee Lim	1,799,586	166,581,536 <sup>(4)</sup>	168,381,122	10.29
Wee Investments (Pte) Limited	128,119,282	190,695	128,309,977	7.84

\* 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 83,868,784 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 83,858,671 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 128,309,977 UOB shares.

## Five-Year Ordinary Share Capital Summary

Year	Particulars	Number of ordinary shares		
		Issued	Held in treasury	In circulation
2012	Balance at beginning of year	1,590,493,941	(16,570,334)	1,573,923,607
	Shares issued under share-based compensation plans		1,521,374	
	Share re-purchased and held in treasury		(684,385)	
	Balance at end of year	1,590,493,941	(15,733,345)	1,574,760,596
2013	Shares issued 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	Shares issued under share-based compensation plans		2,212,108	
	Shares issued under scrip dividend scheme	24,050,013		
	Balance at end of year	1,614,543,954	(11,857,280)	1,602,686,674
2015	Shares issued under share-based compensation plans		1,315,741	
	Share re-purchased and held in treasury		(1,739,560)	
	Balance at end of year	1,614,543,954	(12,281,099)	1,602,262,855
2016	Shares issued under scrip dividend scheme	32,422,053		
	Shares issued under share-based compensation plans		1,007,169	
	Balance at end of year	1,646,966,007	(11,273,930)	1,635,692,077

# Our International Network

## Banking

### Singapore

**United Overseas Bank Limited**  
80 Raffles Place  
UOB Plaza  
Singapore 048624  
Phone: (65) 1800 222 2121  
Fax: (65) 6534 2334  
SWIFT: UOVBSGSG  
Website: [www.UOBGroup.com](http://www.UOBGroup.com)

United Overseas Bank Limited has 62 branches in Singapore.

### Far Eastern Bank Limited

(a subsidiary)  
80 Raffles Place  
UOB Plaza  
Singapore 048624  
Phone: (65) 1800 222 2121  
Fax: (65) 6224 2263  
SWIFT: UOVBSGSG  
Website: [www.UOBGroup.com](http://www.UOBGroup.com)

### Australia

#### UOB Sydney Branch

32 Martin Place  
Level 9, United Overseas Bank Building  
Sydney NSW 2000  
Phone: (61)(2) 9221 1924  
Fax: (61)(2) 9221 1541  
SWIFT: UOVBAU2S  
Email: [UOB.Sydney@UOBGroup.com](mailto:UOB.Sydney@UOBGroup.com)  
Chief Executive Officer, Australia and New Zealand: John Liles  
General Manager, Operations and Corporate Services: Eric Yeo

#### UOB Melbourne Office

350 Collins Street, Level 7  
Melbourne VIC 3000  
Phone: (61)(3) 9642 4808  
Fax: (61)(3) 9642 4877  
Chief Executive Officer, Australia and New Zealand: John Liles  
General Manager, Operations and Corporate Services: Eric Yeo  
State Manager: Geoff Luxton

#### UOB Brisbane Office

71 Eagle Street  
Level 34, Riparian Plaza  
Brisbane QLD 4000  
Phone: (61)(7) 3229 1188  
Fax: (61)(7) 3229 1188  
Chief Executive Officer, Australia and New Zealand: John Liles  
General Manager, Operations and Corporate Services: Eric Yeo  
State Manager: Gregory Thompson

### Brunei

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

### Canada

**UOB Vancouver Branch**  
650 West Georgia Street, Suite 2400  
Vancouver, British Columbia  
Canada V6B 4N9  
Phone: (1)(604) 662 7055  
Fax: (1)(604) 662 3356  
SWIFT: UOVBCA8V  
Email: [UOB.Vancouver@UOBGroup.com](mailto:UOB.Vancouver@UOBGroup.com)  
Country Manager: John Gleason

#### UOB Toronto Office

120 Adelaide Street West, Suite 2500  
Toronto, Ontario  
Canada M5H 1T1  
Phone: (1)(416) 644 1208  
Fax: (1)(416) 367 1954  
Country Manager: John Gleason

#### UOB Calgary Office

144 – 4 Avenue SW, Suite 1600  
Calgary, Alberta  
Canada T2P 3N4  
Phone: (1)(587) 702 5800  
Fax: (1)(403) 716 3637  
Country Manager: John Gleason  
Manager: Tan Yee Ho

### China

#### United Overseas Bank (China) Limited

(a subsidiary)  
116 – 128 Yincheng Road  
Pudong New Area  
Shanghai 200120  
Phone: (86)(21) 6061 8888  
Fax: (86)(21) 6886 0908  
SWIFT: UOVBCNSH  
Email: [CustomerExperience.UOBC@UOBGroup.com](mailto:CustomerExperience.UOBC@UOBGroup.com)  
Website: [www.UOBChina.com.cn](http://www.UOBChina.com.cn)  
President and Chief Executive Officer:  
Peter Foo Moo Tan

United Overseas Bank (China) Limited has 16 branches/sub-branches in China.

### Hong Kong S.A.R.

**UOB Main Branch**  
3 Garden Road, 23<sup>rd</sup> Floor  
Central, Hong Kong S.A.R.  
Phone: (852) 2910 8888  
Fax: (852) 2910 8899  
SWIFT: UOVBHKHH  
Email: [UOB.HongKong@UOBGroup.com](mailto:UOB.HongKong@UOBGroup.com)  
Chief Executive Officer:  
Christine Yeung See Ming

#### UOB Kwun Tong Branch

418 Kwun Tong Road  
16<sup>th</sup> Floor, Units 1-2A, 11-13 and 15-16  
Millennium City 5, Kwun Tong  
Kowloon, Hong Kong S.A.R.  
Phone: (852) 2123 7588  
Fax: (852) 2123 7589  
Email: [UOB.HongKong@UOBGroup.com](mailto:UOB.HongKong@UOBGroup.com)  
Chief Executive Officer:  
Christine Yeung See Ming

#### UOB Tsim Sha Tsui Branch

21/F, Suites 2110-13  
Tower 6, The Gateway, Harbour City  
Tsim Sha Tsui, Kowloon, Hong Kong S.A.R.  
Phone: (852) 3970 7702  
Fax: (852) 3970 7799  
Email: [UOB.HongKong@UOBGroup.com](mailto:UOB.HongKong@UOBGroup.com)  
Chief Executive Officer:  
Christine Yeung See Ming

### India

#### UOB Mumbai Branch

3 North Avenue, Maker Maxity Bandra (East)  
3<sup>rd</sup> Floor, Units 31, 32 and 37  
'C' Wing Bandra – Kurla Complex  
Mumbai 400 051  
Phone: (91)(22) 4247 2828/2829  
Fax: (91)(22) 2659 1022  
Email: [UOB.Mumbai@UOBGroup.com](mailto:UOB.Mumbai@UOBGroup.com)  
Country Manager: PV Ananthakrishnan

### Indonesia

#### UOB Jakarta Representative Office

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

#### PT Bank UOB Indonesia

(a subsidiary)  
No. 10, Jalan M.H. Thamrin  
UOB Plaza  
Jakarta Pusat 10230  
Phone: (62)(21) 2350 6000  
Fax: (62)(21) 2993 6632  
SWIFT: BBIJIDJA  
Website: [www.UOB.co.id](http://www.UOB.co.id)  
President Director: Kevin Lam Sai Yoke  
Deputy President Director:  
Iwan Satawidinata

PT Bank UOB Indonesia has 178 branches in Indonesia.

# Our International Network

## Japan

**UOB Tokyo Branch**  
2-11-1 Nagatacho, Chiyoda-ku  
13F, Sanno Park Tower  
Tokyo 100-6113, Japan  
Phone: (81)(3) 3596 7200  
Fax: (81)(3) 3596 7201  
SWIFT: UOVBJPT  
Email: [UOB.Tokyo@UOBGroup.com](mailto:UOB.Tokyo@UOBGroup.com)  
Country Manager: Ho Chai Seng

## Malaysia

**United Overseas Bank Limited,  
Labuan Branch**  
Level 6A, Main Office Tower  
Financial Park Labuan Complex  
Jalan Merdeka  
87000 Labuan F.T., Malaysia  
Phone: (60)(87) 424 388  
Fax: (60)(87) 424 389  
Swift: UOVBM2L  
Email: [my2icom@UOBGroup.com](mailto:my2icom@UOBGroup.com)  
Branch Manager: Jeannie Lew Siew Yen

## United Overseas Bank (Malaysia) Bhd (a subsidiary)

Jalan Raja Laut, Menara UOB  
P.O. Box 11212  
50738 Kuala Lumpur, Malaysia  
Phone: (60)(3) 2692 7722  
Fax: (60)(3) 2691 0281  
SWIFT: UOVBM2L  
Email:  
[UOBcustomerservice@UOB.com.my](mailto:UOBcustomerservice@UOB.com.my)  
Website: [www.UOB.com.my](http://www.UOB.com.my)  
Chief Executive Officer: Wong Kim Choong

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

## Myanmar

**UOB Yangon Branch**  
Unit #01-L-1, Park Royal Hotel  
Yaw Min Gyi Street  
Dagon Township Yangon, Myanmar  
Phone: (95)(1) 255 708  
Fax: (95)(1) 253 318  
Email: [Loi.KaiCheow@UOBGroup.com](mailto:Loi.KaiCheow@UOBGroup.com)  
Country Manager: Loi Kai Cheow

## Philippines

**UOB Manila Branch**  
17<sup>th</sup> Floor, Pacific Star Building  
Sen. Gil Puyat Avenue Corner  
Makati Avenue  
1200 Makati City  
Phone: (63)(2) 548 6400  
Fax: (63)(2) 811 6196  
SWIFT: UOVBPMM  
Email: [UOB.Manila@UOBGroup.com](mailto:UOB.Manila@UOBGroup.com)  
Country Manager:  
Emmanuel T Mangosing

## South Korea

**UOB Seoul Branch**  
136 Sejong-daero  
3(A)F, Seoul Finance Center  
Jung-gu, Seoul 04520  
Phone: (82)(2) 739 3916/739 3919  
Fax: (82)(2) 730 9570  
SWIFT: UOVBJRSE  
Email: [UOB.Seoul@UOBGroup.com](mailto:UOB.Seoul@UOBGroup.com)  
Country Manager: Tan Kian Huat

## Taiwan

**UOB Taipei Branch**  
No. 68, Sec. 5, Zhongxiao East Road  
30F, Cathay Landmark  
Xinyi District, Taipei City 110, Taiwan  
Phone: (886)(2) 2722 3838  
Fax: (886)(2) 2722 2322  
Email: [UOB.Taipei@UOBGroup.com](mailto:UOB.Taipei@UOBGroup.com)  
Country Manager: Steven Chung Kok Kai

## Thailand

**United Overseas Bank (Thai)  
Public Company Limited**  
(a subsidiary)  
191 South Sathon Road  
Sathon, Bangkok 10120  
Phone: (66)(2) 343 3000  
Fax: (66)(2) 287 2973/287 2974  
SWIFT: UOVBTBHK  
Website: [www.UOB.co.th](http://www.UOB.co.th)  
President and Chief Executive Officer:  
Tan Choon Hin

United Overseas Bank (Thai) Public Company  
Limited has 153 branches in Thailand.

## United Kingdom

**UOB London Branch**  
50 Cannon Street  
London EC4N 6JJ  
Phone: (44)(20) 7448 5800  
Fax: (44)(20) 7628 3433  
SWIFT: UOVGB2L  
Email: [UOB.London@UOBGroup.com](mailto:UOB.London@UOBGroup.com)  
Country Manager: Andy Cheah

## United States of America

**UOB New York Agency**  
48<sup>th</sup> Street, 592 Fifth Avenue  
10<sup>th</sup> Floor, UOB Building  
New York, NY 10036  
Phone: (1)(212) 382 0088  
Fax: (1)(212) 382 1881  
SWIFT: UOVBUS33  
Email: [UOB.NewYork@UOBGroup.com](mailto:UOB.NewYork@UOBGroup.com)  
Country Manager and Agent/General  
Manager: Bert De Guzman

## UOB Los Angeles Agency

777 South Figueroa Street, Suite 518  
Los Angeles, California 90017  
Phone: (1)(213) 623 8042  
Fax: (1)(213) 623 3412  
Email: [UOB.LosAngeles@UOBGroup.com](mailto:UOB.LosAngeles@UOBGroup.com)  
Country Manager: Bert De Guzman  
Agent and General Manager: Michael Liu

## Vietnam

**UOB Ho Chi Minh City Branch**  
17 Le Duan Boulevard  
1<sup>st</sup> Floor, Central Plaza Office Building  
District 1, Ho Chi Minh City  
Phone: (848) 3825 1424  
Fax: (848) 3825 1423  
SWIFT: UOVBNVX  
Email: [UOB.HCMC@UOBGroup.com](mailto:UOB.HCMC@UOBGroup.com)  
Country Manager: Harry Loh (designate)  
Branch Manager: Ho Sze Ming

## Correspondents

In all principal cities of the world

## Related Financial Services

### Bullion, Brokerage and Clearing

#### Singapore

**UOB Bullion and Futures Limited**  
(a subsidiary)  
80 Raffles Place  
5<sup>th</sup> Floor, UOB Plaza 1  
Singapore 048624  
Phone: (65) 6709 8806  
Email: [UOBBF.info@UOBGroup.com](mailto:UOBBF.info@UOBGroup.com)  
Website: [www.UOBBF.com.sg](http://www.UOBBF.com.sg)  
Chief Executive Officer:  
Matthew Png Bee Seng

#### UOBBF Clearing Limited

(a subsidiary)  
80 Raffles Place  
5<sup>th</sup> Floor, UOB Plaza 1  
Singapore 048624  
Email: [futures@UOBGroup.com](mailto:futures@UOBGroup.com)  
Website: [www.UOBBFclearing.com.sg](http://www.UOBBFclearing.com.sg)  
Chief Executive Officer:  
Dennis Seet Choon Seng

#### China

**UOBBF Information Technology  
Private Limited**  
(a subsidiary)  
D10, No. 76 Ri Bin Road  
Shanghai Free Trade Zone  
Shanghai, China 200131  
Phone: (65) 6598 1787  
Fax: (65) 6535 6312  
Email: [Richard.GohCE@UOBGroup.com](mailto:Richard.GohCE@UOBGroup.com)  
General Manager: Richard Goh Chou Eng

## Taiwan

**UOB Bullion and Futures Limited,  
Taiwan Branch**  
30F, Cathay Landmark  
No. 68, Sec. 5, Zhongxiao East Road  
Xinyi District, Taipei City 110, Taiwan  
Phone: (886)(2) 2345 1266  
Fax: (886)(2) 2345 1639  
Email: [Vincent.ChengCJ@UOBGroup.com](mailto:Vincent.ChengCJ@UOBGroup.com)  
Branch Manager:  
Vincent Cheng Chih Jung

## Thailand

**UOB Bullion and Futures (Thai)  
Company Limited**  
(a subsidiary)  
191 South Sathon Road, 7<sup>th</sup> Floor  
Sathon, Bangkok 10120  
Phone: (66)(0) 2343 3903/3906  
Fax: (66)(0) 2213 2614  
Email: [Mark.Lim@UOB.co.th](mailto:Mark.Lim@UOB.co.th)  
Website: [www.UOBF.T.co.th](http://www.UOBF.T.co.th)  
Chief Executive Officer:  
Mark Lim Tiong Huat

## Insurance

### Singapore

**United Overseas Insurance Limited**  
(a subsidiary)  
3 Anson Road  
#28-01 Springleaf Tower  
Singapore 079909  
Phone: (65) 6222 7733  
Fax: (65) 6327 3869/6327 3870  
Email: [ContactUs@UOI.com.sg](mailto:ContactUs@UOI.com.sg)  
Website: [www.UOI.com.sg](http://www.UOI.com.sg)  
Managing Director and Chief Executive:  
David Chan Mun Wai

### Myanmar

**United Overseas Insurance Myanmar  
Representative Office**  
Room No. 1401, 14<sup>th</sup> Floor  
Olympic Tower  
Corner of Maharbandoola Street and  
Bo Aung Kyaw Street  
Kyauktada Township  
Yangon, Myanmar  
Telephone: (95)(1) 392 917  
Fax: (95)(1) 392 916  
Representative: Myat Myat Lwin @ Jessie

## Investment Management

### Singapore

**United Orient Capital Pte. Ltd.**  
(an associate)  
80 Raffles Place  
#26-04 UOB Plaza 1  
Singapore 048624  
Phone: (65) 6598 3358  
Fax: (65) 6532 0245  
Email: [enquiry@UnitedOrientCapital.com](mailto:enquiry@UnitedOrientCapital.com)  
Website: [www.UnitedOrientCapital.com](http://www.UnitedOrientCapital.com)  
Executive Director: Yeo Wee Yap

### UOB Alternative Investment Management Pte. Ltd.

(a subsidiary)  
80 Raffles Place  
#10-21 UOB Plaza 2  
Singapore 048624  
Phone: (65) 6539 2492  
Fax: (65) 6532 7558  
Email: [UOBAIM@UOBGroup.com](mailto:UOBAIM@UOBGroup.com)  
Website: [www.UOBAIM.com](http://www.UOBAIM.com)  
Chief Executive Officer: Low Han Seng

### UOB Asset Management Ltd

(a subsidiary)  
80 Raffles Place  
3<sup>rd</sup> Floor, UOB Plaza 2  
Singapore 048624  
Phone: (65) 6532 7988  
Fax: (65) 6532 3868  
Email: [UOBAM@UOBGroup.com](mailto:UOBAM@UOBGroup.com)  
Website: [www.UOBAM.com.sg](http://www.UOBAM.com.sg)  
Managing Director and Group Chief  
Executive Officer: Thio Boon Kiat

### UOB-SM Asset Management Pte. Ltd.

(a subsidiary)  
80 Raffles Place  
#15-22 UOB Plaza 2  
Singapore 048624  
Phone: (65) 6589 3850  
Fax: (65) 6589 3849  
Chief Executive Officer: Takamori Reiji

### UOB Venture Management Private Limited

(a subsidiary)  
80 Raffles Place  
#30-20 UOB Plaza 2  
Singapore 048624  
Phone: (65) 6539 3044  
Fax: (65) 6538 2569  
Email: [info@UOBVM.com.sg](mailto:info@UOBVM.com.sg)  
Managing Director and Chief Executive  
Officer: Seah Kian Wee

## Brunei

**UOB Asset Management (B) Sdn Bhd**  
(a subsidiary)  
Unit FF03-FF05, 1<sup>st</sup> Floor  
The Centrepoint Hotel  
Jalan Gadong  
Bandar Seri Begawan BE3519  
Phone: (673) 242 4806  
Fax: (673) 242 4805  
General Manager:  
Kamal Haji Muhammad

## China

### UOB Investment (China) Limited

(an associate)  
No. 211, Bei Si Huan Middle Road  
8/F Taiji Building  
Haidian District, Beijing 100083  
Phone: (86)(10) 8905 6679  
Email: [info@UOBVM.com.sg](mailto:info@UOBVM.com.sg)  
Contact: Seah Kian Wee

### UOB Venture Management (Shanghai) Limited

(a subsidiary)  
1468 Nanjing Road West  
Room 3307, United Plaza  
Shanghai 200040  
Phone: (86)(21) 8028 0999  
Email: [postmaster@UOBVM.com.cn](mailto:postmaster@UOBVM.com.cn)  
Managing Director: Seah Kian Wee

### SZVC-UOB Venture Management Co., Ltd

(an associate)  
No. 4009 Shennan Road  
FL. 11, Investment Building  
Futian Centre District  
Shenzhen 518048  
Phone: (86)(755) 8291 2888  
Fax: (86)(755) 8291 2880  
Email: [master@szvc.com.cn](mailto:master@szvc.com.cn)  
Deputy General Manager: Alina Tao

### Ping An UOB Fund Management Company Ltd

(an associate)  
Fuhua Road  
5F, Galaxy Center  
Futian District  
Shenzhen 518048  
Phone: (86)(755) 2262 2289  
Fax: (86)(755) 2399 7878  
Deputy General Manager: Jasmine Lim

# Our International Network

## France

UOB Global Capital SARL  
(a subsidiary)  
40 rue la Pérouse  
75116 Paris  
Phone: (33)(1) 5364 8400  
Fax: (33)(1) 5364 8409  
Email: [mlandau@UOBGlobal.com](mailto:mlandau@UOBGlobal.com)  
Managing Director: Michael Landau

## Indonesia

UOB Venture Management Private  
Limited Representative Office  
No. 1, Jalan M.H. Thamrin  
50<sup>th</sup> Floor, Menara BCA  
Jakarta 10310  
Phone: (62)(21) 2358 5754/5753  
Email: [info@UOBVM.com.sg](mailto:info@UOBVM.com.sg)  
Contact: Edwin David Liem

## Japan

UOB Asset Management (Japan) Ltd  
(a subsidiary)  
2-11-1 Nagatacho, Chiyoda-ku  
13F, Sanno Park Tower  
Tokyo 100-6113, Japan  
Phone: (81)(3) 3500 5981  
Fax: (81)(3) 3500 5985  
Chief Executive Officer:  
Hideaki Mochizuki

## Malaysia

UOB Asset Management (Malaysia)  
Berhad  
(a subsidiary)  
348 Jalan Tun Razak  
Level 22, Vista Tower, The Intermark  
50400 Kuala Lumpur, Malaysia  
Phone: (60)(3) 2732 1181  
Fax: (60)(3) 2164 8188  
Email:  
[UOBAMCustomerCareMY@UOBGroup.com](mailto:UOBAMCustomerCareMY@UOBGroup.com)  
Website: [www.UOBAM.com.my](http://www.UOBAM.com.my)  
Chief Executive Officer: Lim Suet Ling

## Taiwan

UOB Asset Management (Taiwan) Co., Ltd  
(a subsidiary)  
109 Minsheng East Road Section 3  
16<sup>th</sup> Floor, Union Enterprise Plaza  
Taipei 10544  
Phone: (886)(2) 2719 7005  
Fax: (886)(2) 2545 6591  
Email: [UOBAMTW@UOBGroup.com](mailto:UOBAMTW@UOBGroup.com)  
Website: [www.UOBAM.com.tw](http://www.UOBAM.com.tw)  
Greater China Chief Executive Officer:  
William Wang

## Thailand

UOB Asset Management (Thailand)  
Co., Ltd.  
(a subsidiary)  
173/27-30, 32-33 South Sathon Road  
23A, 25<sup>th</sup> Floor, Asia Centre Building  
Thungmahamek  
Sathon, Bangkok 10120  
Phone: (66)(2) 786 2000  
Fax: (66)(2) 786 2377  
Website: [www.UOBAM.co.th](http://www.UOBAM.co.th)  
Chief Executive Officer: Vana Bulbon

## United States of America

UOB Global Capital LLC  
(a subsidiary)  
592 Fifth Avenue  
Suite 602 UOB Building  
New York, NY 10036  
Phone: (1)(212) 398 6633  
Fax: (1)(212) 398 4030  
Email: [dgoss@UOBGlobal.com](mailto:dgoss@UOBGlobal.com)  
Managing Director: David Goss

## Money Market

### Australia

UOB Australia Limited  
(a subsidiary)  
32 Martin Place  
Level 9, United Overseas Bank Building  
Sydney NSW 2000  
Phone: (61)(2) 9221 1924  
Fax: (61)(2) 9221 1541  
SWIFT: UOVBAU2S  
Email: [UOB.Sydney@UOBGroup.com](mailto:UOB.Sydney@UOBGroup.com)  
Director and Country Head, Australia and  
New Zealand: John Liles  
Director and General Manager,  
Operations: Eric Yeo

## Stockbroking

### Singapore

UOB-Kay Hian Holdings Limited  
(an associate)  
8 Anthony Road, #01-01  
Singapore 229957  
Phone: (65) 6535 6868  
Fax: (65) 6532 6919  
Website: [www.uobkayhian.com](http://www.uobkayhian.com)  
Managing Director: Wee Ee Chao

## Venture Debt

### Singapore

InnoVen Capital Singapore Pte. Ltd.  
(an associate)  
16 Collyer Quay, #23-01  
Singapore 049318  
Phone: (65) 6532 2416  
Email: [contact\\_sg@innovencapital.com](mailto:contact_sg@innovencapital.com)

### India

InnoVen Capital India Private Limited  
(an associate)  
12<sup>th</sup> Floor, Express Towers, Nariman Point  
Mumbai 400 021  
Phone: (91)(22) 6744 6500  
Email: [contact@innovencapital.com](mailto:contact@innovencapital.com)

## Others

### Singapore

The FinLab Pte Ltd  
(an associate)  
BASH 79 Ayer Rajah Crescent Level 3  
Singapore 139955  
Email: [info@thefinlab.com](mailto:info@thefinlab.com)

# Global Reporting Initiative Content Index

Global Reporting Initiative (GRI) Content Index 'In Accordance' – Core		
General Standard Disclosures		
GRI Aspects		Page no. / Reference
<b>Strategy and Analysis</b>		
G4 -1	Provide a statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	9-11, 25
<b>Organisational Profile</b>		
G4-3	Name of the organisation.	United Overseas Bank Limited
G4-4	Primary brands, products, and services.	2
G4-5	Location of the organisation's headquarters.	Singapore
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	3
G4-7	Nature of ownership and legal form.	Public limited company listed on the Singapore Exchange
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	20-21, 26-47
G4-9	Scale of the organisation.	20-21, 49, 81, 246-247
G4-10	Employee profile.	49, 56, 81
G4-11	Percentage of total employees covered by collective bargaining agreements.	50
G4-12	Describe the organisation's supply chain.	23, 58, 82 Our purchases include services related to employees, our premises and operations, as well as information technology.
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain.	No significant changes during the reporting period.
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	25, 65
G4-15	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Inside front cover, 25, 27-28, 50, 65, 73-75, 86, 111
G4-16	Memberships of associations and national or international advocacy organisations.	Key memberships include The Association of Banks in Singapore (chairmanship), The Institute of Banking and Finance, Singapore Business Federation and Singapore Chinese Chamber of Commerce and Industry.

# Global Reporting Initiative Content Index

General Standard Disclosures		
GRI Aspects		Page no. / Reference
<b>Identified Material Aspects and Boundaries</b>		
G4-17	<ul style="list-style-type: none"> <li>List all entities included in the organisation's consolidated financial statements or equivalent documents.</li> <li>Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.</li> </ul>	206-208
G4-18	<ul style="list-style-type: none"> <li>Process for defining the report content and the Aspect Boundaries.</li> <li>Explain how the organisation has implemented the Reporting Principles for Defining Report Content.</li> </ul>	25, 75, 78
<b>Identified Material Aspects and Boundaries</b>		
G4-19	List all the material Aspects identified in the process for defining report content.	76-77
G4-20	For each material Aspect, report the Aspect Boundary within the organisation.	76-77
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation.	76-77
G4-22	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements.	Not applicable as it is our first GRI-based report.
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Not applicable as it is our first GRI-based report.
<b>Stakeholder Engagement</b>		
G4-24	Provide a list of stakeholder groups engaged by the organisation.	78-80
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	75-80 Our stakeholders include those who are impacted by our business decisions or who may impact our business with their opinions or actions.
G4-26	Report the organisation's approach to stakeholder engagement.	71, 78-80, 100
G4-27	<ul style="list-style-type: none"> <li>Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting.</li> <li>Report the stakeholder groups that raised each of the key topics and concerns.</li> </ul>	78-80



General Standard Disclosures		
GRI Aspects		Page no. / Reference
<b>Report Profile</b>		
G4-28	Reporting period.	1 January 2014 to 31 December 2016
G4-29	Date of most recent previous report (if any).	Not applicable as it is our first GRI-based report.
G4-30	Reporting cycle.	Annual
G4-31	Provide the contact point for questions regarding the report or its contents.	82
G4-32	<ul style="list-style-type: none"> <li>Report the 'in accordance' option the organisation has chosen.</li> <li>Report the GRI Content Index for the chosen option.</li> <li>Report the reference to the External Assurance Report, if the report has been externally assured.</li> </ul>	Inside front cover, 78, 253
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report.	78
<b>Governance</b>		
G4-34	Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	75, 91-92
<b>Ethics and Integrity</b>		
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	4-5, 7, 11, 48, 50, 53-54, 73-74, 102
<b>Specific Standard Disclosures</b>		
GRI Aspects	Disclosure on Management Approach (DMA) and Indicators	Page no. / Reference
<b>Economic Performance</b>		
G4-EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	23, 58, 82
G4-EC4	Total monetary value of financial assistance received by the organisation from governments during the reporting period.	51
<b>Indirect Economic Impact</b>		
G4: DMA	Indirect economic impact.	23, 58
G4-EC7	Development and impact of infrastructure investments and services supported.	40, 47, 58
G4-EC8	Significant indirect economic impacts including the extent of impacts.	23, 27-31, 36-37, 39-42, 47, 57-64

# Global Reporting Initiative Content Index

Specific Standard Disclosures		
GRI Aspects	Disclosure on Management Approach (DMA) and Indicators	Page no. / Reference
<b>Procurement Practices</b>		
G4 DMA	Procurement Practices	23, 58
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	23, 58, 82
<b>Energy</b>		
G4: DMA	Energy.	65-67
G4-EN3	Energy consumption within the organisation.	65, 67, 82
G4-EN5	Energy intensity.	67, 82
G4-EN6	Reduction of energy consumption.	65, 67, 82
<b>Water</b>		
G4-EN8	Total water withdrawal by source.	67, 82
<b>Emissions</b>		
G4: DMA	Emissions.	65
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2).	67, 82
G4-EN18	Greenhouse gas (GHG) emissions intensity.	67, 82
<b>Effluents and Waste</b>		
G4-EN23	Total weight of waste by type and disposal method.	66-67, 82
<b>Employment</b>		
G4: DMA	Employment.	48-56, 106-110
G4-LA1	Total number and rate of new employee hires and employee turnover by age group, gender and region.	49, 56
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	54
<b>Training and Education</b>		
G4-LA9	Average hours of training per year per employee by gender and by employee category.	51
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	53-54

Specific Standard Disclosures		
GRI Aspects	Disclosure on Management Approach (DMA) and Indicators	Page no. / Reference
<b>Diversity and Equal Opportunity</b>		
G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	12-19, 49, 56, 91
<b>Local Communities</b>		
G4: DMA	Local communities.	57-64
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes.	57-64
G4-FS13	Access points in low-populated or economically disadvantaged areas by type.	30-31
G4-FS14	Initiatives to improve access to financial services for disadvantaged people.	30-31, 52, 81
<b>Anti-Corruption</b>		
G4-SO4	Communication and training on anti-corruption policies and procedures.	50, 74
G4-SO5	Confirmed incidents of corruption and actions taken.	74
<b>Product and Service Labelling</b>		
G4: DMA	Product and service labelling. Policies for the fair design and sale of financial products and services. Initiatives to enhance financial literacy by type of beneficiary.	27, 62
G4-PR5	Results or key conclusions of surveys measuring customer satisfaction conducted in the reporting period.	27, 81
<b>G4 Financial Services Sector Disclosures</b>		
<b>Product Portfolio</b>		
G4-FS6	Percentage of the portfolio for business lines by specific region, size and by sector.	140, 146
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	29, 36, 39, 47, 62, 81
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	47



# 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 75<sup>th</sup> Annual General Meeting of members of the Company will be held at Marina Bay Sands Expo and Convention Centre, Level 3, Heliconia Main Ballroom, 10 Bayfront Avenue, Singapore 018956 on Thursday, 20 April 2017, at 3.00 pm to transact the following business:

### AS ORDINARY BUSINESS

- Resolution 1** To receive the Financial Statements, the Directors' Statement and the Auditor's Report for the year ended 31 December 2016.
- Resolution 2** To declare a final one-tier tax-exempt dividend of 35 cents per ordinary share for the year ended 31 December 2016.
- Resolution 3** To approve Directors' fees of S\$2,575,000 for 2016 (2015: S\$2,295,000).
- Resolution 4** To approve an advisory fee of S\$800,000 to Dr Wee Cho Yaw, the Chairman Emeritus and Adviser, for the period from January 2016 to December 2016.
- 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 Wee Ee Cheong (retiring by rotation)
- Resolution 7** Mr Willie Cheng Jue Hiang (retiring by rotation)

### AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:

- Resolution 8** "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 ordinary Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed ten per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below);

- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (**SGX-ST**)) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting (**AGM**) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

**Resolution 9** “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 10** “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

- (c) In this Resolution 10:

“**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 dividend. The Transfer Books and Register of Members will be closed from 28 April 2017 to 2 May 2017, both dates inclusive, for the preparation of the final dividend. Registrable transfers received up to 5.00 pm on 28 April 2017 will be entitled to the final dividend. If approved, the final dividend will be paid on 13 June 2017.

**Resolution 4** is to approve a fee of S\$800,000 for the period from January 2016 to December 2016 to Dr Wee Cho Yaw, Chairman Emeritus and Adviser of the Bank, for providing advice and guidance to the Board and Management.

**Resolution 6** is to re-elect Mr Wee Ee Cheong who will, if re-elected, continue as deputy chairman and a non-independent member of the Strategy, Board Credit and Board Risk Management Committees.

**Resolution 7** is to re-elect Mr Willie Cheng Jue Hiang who will, if re-elected, continue as the independent chairman of the Audit Committee, and an independent member of the Nominating Committee.

**Resolution 8** is to empower the Directors to issue ordinary shares in the capital of the Company and to make or grant instruments (such as warrants or debentures or options) convertible into ordinary Shares, and to issue ordinary Shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company, but with a sub-limit of ten per cent for issue of Shares other than on a *pro rata* basis to shareholders (**General Mandate**). For the purpose of determining the aggregate number of ordinary Shares that may be issued pursuant to the General Mandate, the percentage of issued shares in the capital of the Company shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that Resolution 8 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 8 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary Shares.

**Resolution 9** 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 10** is to renew the Share Purchase Mandate, which was first approved by shareholders on 29 April 2004 and was last renewed at the AGM of the Company on 21 April 2016.

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 1 March 2017 (**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 81,787,201 Shares.

Assuming that the Company purchases or acquires 81,787,201 shares at the Maximum Price, the maximum amount of funds required is approximately:

- (a) in the case of Market Purchases of Shares, S\$1,862,294,567 based on S\$22.77 for one Share (being the price equivalent to five per cent above the Average Closing Price of the Shares immediately preceding the Latest Practicable Date); and
- (b) in the case of Off-Market Purchases of Shares, S\$1,951,442,616 based on S\$23.86 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 2016, based on certain assumptions, are set out in the Appendix to Shareholders dated 28 March 2017.

Please refer to the Appendix to this Notice of AGM dated 28 March 2017 for details.

BY ORDER OF THE BOARD

Joyce Sia/Theresa Sim  
Secretaries

Singapore  
28 March 2017



# Notice of Annual General Meeting

## Notes

- (1)
  - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
  - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
- (2) A proxy need not be a member of the Company.
- (3) To be effective, the instrument appointing a proxy must be deposited at 80 Raffles Place, #04-20, UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 72 hours before the time set for holding the AGM of the Company.

## PERSONAL DATA PRIVACY

By attending or by submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes, notes of discussion and other documents relating to the Annual General Meeting (including any adjournment thereof) for publication of the names and comments of shareholders on the Company's website, and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the **Purposes**), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.



## Appendix Renewal of Share Purchase Mandate

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.



**UNITED OVERSEAS BANK LIMITED**

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

**APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING  
DATED 28 MARCH 2017**



# Appendix

## Renewal of Share Purchase Mandate

### 1. Introduction

- 1.1 **General.** The purpose of this Appendix is to provide Shareholders<sup>1</sup> with information relating to Resolution 10 set out in the Notice of Annual General Meeting of United Overseas Bank Limited (**UOB** or **Company**) 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, Chapter 50 of Singapore (**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 (**2016 AGM**) held on 21 April 2016 (**2016 Share Purchase Mandate**).

The 2016 Share Purchase Mandate will expire on the date of the forthcoming 75<sup>th</sup> annual general meeting to be held on 20 April 2017 (**2017 AGM**). The approval of Shareholders is being sought for the renewal of the Share Purchase Mandate at the 2017 AGM.

- 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:

- (i) manage the capital structure of UOB, with a view to achieving an efficient capital mix;
- (ii) 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
- (iii) 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 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 75<sup>th</sup> 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 75<sup>th</sup> Annual General Meeting and expiring on the date the next annual general meeting (**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.

<sup>1</sup> 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 81SF of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**)) whose securities accounts are maintained with CDP (but not including securities sub-accounts maintained with a Depository Agent (as defined in Section 81SF of the SFA)) and credited with Shares.

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.

### 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:

- (i) the date on which the next AGM of UOB 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 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:

- (i) 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
- (ii) 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:

- (a) 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;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) 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.

## Appendix

# Renewal of Share Purchase Mandate

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

- (I) the terms and conditions of the offer;
- (II) the period and procedures for acceptances; and
- (III) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

### 2.3.4 Maximum Purchase Price

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

- (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,

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 UOB’s 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:

- (i) 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
- (ii) 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(i) to 2.7.3(v) 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**):

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

## Appendix

# Renewal of Share Purchase Mandate

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**):

- (a) date and purpose of event;
- (b) number and value of treasury shares involved in the event;
- (c) number of treasury shares involved before and after the event; and
- (d) 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.

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 2016 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 1 March 2017 (**Latest Practicable Date**), the issued share capital of UOB comprised 1,635,744,023 Shares, excluding treasury shares.

Purely for illustrative purposes, on the basis of 1,635,744,023 Shares in issue, excluding treasury shares, as at the Latest Practicable Date, not more than 81,787,201 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:

- (i) in the case of Market Purchases of Shares, S\$1,862,294,567 based on S\$22.77 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
- (ii) in the case of Off-Market Purchases of Shares, S\$1,951,442,616 based on S\$23.86 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:

- (i) the Share Purchase Mandate had been effective on 1 January 2016 and UOB had on 1 January 2016 purchased 81,787,201 Shares (representing five per cent of the total Shares in issue as at the Latest Practicable Date, excluding the Shares held in treasury);
- (ii) no Shares were purchased by UOB after the Latest Practicable Date; and
- (iii) the purchase consideration was funded by UOB from excess funds deployed in the inter-bank market with an effective pre-tax yield of 0.71 per cent, being the inter-bank one-month offer rate as at 1 March 2017, 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 2016 are set out below:

### Market Purchases

	Before Share Purchases	After Share Purchases <sup>(1)</sup>
Total Shareholders' equity (S\$'000)	32,873,189	30,999,846
Number of issued and paid-up Shares ('000)	1,635,744	1,553,957
Weighted average number of issued and paid-up Shares ('000)	1,616,681	1,534,894
Net profit attributable to Shareholders (S\$'000)	3,096,289	3,085,241

### Financial Ratios

Net Asset Value (NAV) per Share (S\$) <sup>(2)</sup>	18.82	18.60
Earnings per Share – Basic (S\$) <sup>(3)</sup>	1.86	1.95
Return on Equity (ROE) (%) <sup>(3)</sup>	10.2	10.8
Capital Adequacy Ratio (%)		
– Common Equity Tier 1	13.0	12.1
– Tier 1	13.1	12.3
– Total	16.2	15.3

#### 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 equity holders of the Bank net of preference share dividends and capital securities distributions.

## Appendix Renewal of Share Purchase Mandate

### Off-Market Purchases

	Before Share Purchases	After Share Purchases <sup>(1)</sup>
Total Shareholders' equity (S\$'000)	32,873,189	30,910,169
Number of issued and paid-up Shares ('000)	1,635,744	1,553,957
Weighted average number of issued and paid-up Shares ('000)	1,616,681	1,534,894
Net profit attributable to Shareholders (S\$'000)	3,096,289	3,084,712
<b>Financial Ratios</b>		
Net Asset Value (NAV) per Share (S\$) <sup>(2)</sup>	18.82	18.54
Earnings per Share – Basic (S\$) <sup>(3)</sup>	1.86	1.95
Return on Equity (ROE) (%) <sup>(3)</sup>	10.2	10.9
Capital Adequacy Ratio (%)		
– Common Equity Tier 1	13.0	12.1
– Tier 1	13.1	12.2
– Total	16.2	15.3

#### 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 equity holders of the Bank net of preference share dividends and capital securities distributions.

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, 1,241,867,107 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 number of issued Shares held by public shareholders would be reduced to 1,160,079,906 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**):

- (i) 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
- (ii) 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.

UOB will monitor purchases of Shares to ensure that the above limits will not be exceeded.

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.



## Appendix

# Renewal of Share Purchase Mandate

2.12 **Substantial Shareholders' Interests.** The interests of the substantial shareholders of the Company in the Shares as at the Latest Practicable Date, as recorded in the Register of Substantial Shareholders, are as follows:

Substantial shareholder	Shareholdings registered in the name of substantial shareholders	Other shareholdings in which substantial shareholders are deemed to have an interest	Total interest	
	No. of shares	No. of shares	No. of shares	%*
Estate of Lien Ying Chow, deceased	316,516	83,969,531 <sup>1</sup>	84,286,047	5.15
Lien Ying Chow Private Limited	–	83,868,784 <sup>1</sup>	83,868,784	5.13
Wah Hin and Company Private Limited	83,858,671	10,113 <sup>2</sup>	83,868,784	5.13
Sandstone Capital Pte Ltd	10,113	83,858,671 <sup>3</sup>	83,868,784	5.13
Wee Cho Yaw	20,567,244	276,004,118 <sup>4</sup>	296,571,362	18.13
Wee Ee Cheong	3,297,243	166,653,061 <sup>4</sup>	169,950,304	10.39
Wee Ee Chao	157,404	132,582,967 <sup>4</sup>	132,740,371	8.11
Wee Ee Lim	1,799,586	166,581,536 <sup>4</sup>	168,381,122	10.29
Wee Investments (Pte) Limited	128,119,282	190,695	128,309,977	7.84

\* Percentage is calculated based on the total number of 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 83,868,784 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 Shares held by Sandstone Capital Pte Ltd.
- (3) Sandstone Capital Pte Ltd is deemed to have an interest in the 83,858,671 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 128,309,977 Shares.

2.13 **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.

#### 2.13.1 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.

#### 2.13.2 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:

- (i) the following companies:
  - (a) a company;
  - (b) the parent company of (a);
  - (c) the subsidiaries of (a);
  - (d) the fellow subsidiaries of (a);
  - (e) the associated companies of any of (a), (b), (c) or (d);
  - (f) companies whose associated companies include any of (a), (b), (c), (d) or (e); and
  - (g) 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;
- (ii) 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);
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) 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;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of:
  - (1) the adviser and the persons controlling, controlled by or under the same control as the adviser; and
  - (2) 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;
- (vi) 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;
- (vii) partners; and
- (viii) 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.



## Appendix

# Renewal of Share Purchase Mandate

### 2.13.3 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 75<sup>th</sup> 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.

# Proxy Form



**UNITED OVERSEAS BANK LIMITED**  
(Incorporated in the Republic of Singapore)  
Company Registration No. 193500026Z

**IMPORTANT**

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy UOB shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

I/We \_\_\_\_\_ (Name), NRIC/Passport No. \_\_\_\_\_  
of \_\_\_\_\_ (Address)

being a member/members of United Overseas Bank Limited (Company), hereby appoint

Name	Proportion of Shareholdings	
NRIC/Passport No.	No. of 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 **75<sup>th</sup> Annual General Meeting** of members of the Company, to be held at Marina Bay Sands Expo and Convention Centre, Level 3, Heliconia Main Ballroom, 10 Bayfront Avenue, Singapore 018956 on Thursday, 20 April 2017 at 3.00 pm and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the Meeting.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
Resolution 1	Financial Statements, Directors' Statement and Auditor's Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Advisory fee to Dr Wee Cho Yaw, Chairman Emeritus and Adviser		
Resolution 5	Auditor and its remuneration		
Resolution 6	Re-election (Mr Wee Ee Cheong)		
Resolution 7	Re-election (Mr Willie Cheng Jue Hiang)		
Resolution 8	Authority to issue ordinary shares		
Resolution 9	Authority to issue shares pursuant to the UOB Scrip Dividend Scheme		
Resolution 10	Renewal of Share Purchase Mandate		

\* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (v) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Signature(s) or Common Seal of Shareholder(s)  
**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Shares in:	No. of Shares
(i) Depository Register	
(ii) Register of Members	
Total (Note1)	

NOTES TO PROXY FORM:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which, the appointment shall be invalid.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy, failing which, the appointment shall be invalid.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, #04-20, UOB Plaza 2, Singapore 048624 (Attention: The Company Secretary) not less than 72 hours before the time appointed for holding the Meeting.
5. Completion and return of this instrument appointing a proxy or proxies 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 the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be 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 either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. 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 Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
9. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

1<sup>st</sup> fold

2<sup>nd</sup> fold



BUSINESS REPLY SERVICE  
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The Company Secretary  
United Overseas Bank Limited  
80 Raffles Place, #04-20, UOB Plaza 2  
Singapore 048624

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3<sup>rd</sup> fold.  
Fold and Glue overleaf. Do not staple

# Corporate Information

## Board of Directors

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

## Strategy Committee

Hsieh Fu Hua (*Chairman*)  
Wee Cho Yaw  
Wee Ee Cheong  
Franklin Leo Lavin  
James Koh Cher Siang

## Board Credit Committee

Ong Yew Huat (*Chairman*)  
Hsieh Fu Hua  
Wee Cho Yaw  
Wee Ee Cheong  
Lim Hwee Hua

## Audit Committee

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

## Nominating Committee

Lim Hwee Hua (*Chairman*)  
Hsieh Fu Hua  
Wee Cho Yaw  
Wong Meng Meng  
Franklin Leo Lavin  
Willie Cheng Jue Hiang  
Wee Ee Cheong (*Alternate to Wee Cho Yaw*)

## Remuneration Committee

James Koh Cher Siang (*Chairman*)  
Hsieh Fu Hua  
Lim Hwee Hua

## Board Risk Management Committee

Wee Cho Yaw (*Chairman*)  
Hsieh Fu Hua  
Wee Ee Cheong  
Ong Yew Huat  
Wong Meng Meng

## Secretaries

Joyce Sia Ming Kuang  
Theresa Sim Kwee Soik

## Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd  
50 Raffles Place  
Singapore Land Tower #32-01  
Singapore 048623  
Phone: (65) 6536 5355  
Fax: (65) 6536 1360

## Internal Auditor

Victor Ngo (*till 31 March 2017*)  
Daniel Ng Ming Thiam (*from 1 April 2017*)  
Head, Group Audit  
United Overseas Bank Limited  
396 Alexandra Road #18-00  
Singapore 119954

## External Auditor

Ernst & Young LLP  
One Raffles Quay  
North Tower Level 18  
Singapore 048583  
Partner-in-charge: Winston Ngan  
(*Appointed on 24 April 2014*)

## Registered Office

80 Raffles Place  
UOB Plaza  
Singapore 048624  
Company Registration Number: 193500026Z  
Phone: (65) 1800 222 2121  
Fax: (65) 6534 2334  
SWIFT: UOVBSGSG  
Website: uobgroup.com

## Investor Relations

80 Raffles Place #05-00  
UOB Plaza 2  
Singapore 048624  
Fax: (65) 6538 0270  
Email: InvestorRelations@UOBGroup.com



**United Overseas Bank Limited**

Company Registration No.: 193500026Z

**Head Office**

80 Raffles Place

UOB Plaza

Singapore 048624

Tel (65) 1800 222 2121

Fax (65) 6534 2334

[www.uobgroup.com](http://www.uobgroup.com)

