

Directors' Statement

for the financial year ended 31 December 2015

The directors are pleased to present their statement to the members together with the audited financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2015.

Opinion of the Directors

In the opinion of the directors,

- (a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and the consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2015, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangements to enable directors to acquire shares or debentures

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

Directors' interests in shares or debentures

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

	Direct interest			Deemed interest		
	At 21.01.2016	At 31.12.2015	At 1.1.2015 or date of appointment	At 21.01.2016	At 31.12.2015	At 1.1.2015 or date of appointment
The Bank						
<i>Ordinary shares</i>						
Wee Cho Yaw	20,122,341	19,921,917	19,301,917	272,751,258	270,050,084	270,070,084
Hsieh Fu Hua	–	–	–	25,253	25,000	25,000
Wee Ee Cheong	3,125,918	3,125,918	3,125,918	163,085,428	161,463,970	161,463,970
Willie Cheng Jue Hiang	–	–	–	50,467	50,467	50,467
James Koh Cher Siang	3,900	3,900	3,900	–	–	–
United Overseas Insurance Limited						
<i>Ordinary shares</i>						
Wee Cho Yaw	38,100	38,100	38,100	–	–	–

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Directors' contractual benefits

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

Directors' remuneration

The proposed annual fee structure for the Board for 2015 is set out below. The proposed directors' fees are subject to shareholders' approval at the forthcoming AGM.

Fee Structure	Chairman \$	Member \$
Basic Fee	700,000	90,000
Executive Committee	85,000	55,000
Board Risk Management Committee	85,000	55,000
Audit Committee	85,000	55,000
Nominating Committee	45,000	30,000
Remuneration Committee	45,000	30,000

Details of the proposed total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2015 are as follows:

	Advisory fee \$'000	Directors' fees \$'000	Fees from subsidiaries ⁴ \$'000	Salary \$'000	Bonus \$'000	Benefits- in-kind and others ³ \$'000	Total \$'000
Wee Cho Yaw ¹	800	335	209	–	–	8	1,352
Hsieh Fu Hua	–	870	10	–	–	10	890
Wee Ee Cheong ²	–	–	–	1,200	8,000	23	9,223
Wong Meng Meng	–	135	5	–	–	–	140
Franklin Leo Lavin	–	175	5	–	–	–	180
Willie Cheng Jue Hiang	–	205	–	–	–	–	205
James Koh Cher Siang	–	230	–	–	–	–	230
Ong Yew Huat	–	200	66	–	–	–	266
Lim Hwee Hua	–	145	–	–	–	–	145

1 The advisory fee of \$800,000 recommended by the Remuneration Committee for Dr Wee Cho Yaw is subject to shareholders' approval at the Annual General Meeting to be held on 21 April 2016.

2 60% of the variable pay to Mr Wee Ee Cheong will be deferred and vest over the next three years, subject to predetermined performance conditions. Of the deferred variable pay, 40% will be issued in deferred cash, while the remaining 60% will be in the form of share-linked performance units.

3 Includes transport-related benefits and provision of drivers for Dr Wee Cho Yaw, and Messrs Hsieh Fu Hua and Wee Ee Cheong.

4 Fees from subsidiaries for Mr Wee Ee Cheong were paid to the Bank.

Share-based compensation plans

The share-based compensation plans, which are administered by the Remuneration Committee, comprise the UOB Restricted Share Plan and UOB Share Appreciation Rights Plan. Details of these plans are found below and in Note 40 to the financial statements.

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

The Bank implemented the Plans on 28 September 2007, with a view to aligning the interests of participating employees with that of shareholders and the Group by fostering a culture of ownership and enhancing the competitiveness of the Group's remuneration for selected employees.

The Remuneration Committee determined the number of Restricted Shares (RS) and Share Appreciation Rights (SAR) to be granted, the vesting period and the conditions for vesting. Since 2014, no SAR has been granted as an instrument for share-based compensation. Grants from prior years continue to vest in accordance with the vesting schedule.

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

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

Grants made in 2012 and 2013 are subject to the achievement of predetermined return on equity (ROE) targets as shown below. Half of the grants will vest after two years, and the remainder after three years from the dates of grant.

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

Thirty per cent of grants made in and after 2014 will vest after two years, subject to the achievement of two-year ROE targets. The remaining seventy per cent will vest after three years, subject to the achievement of the three-year ROE targets. The vesting levels are shown below.

Percentage of ROE target achieved	Percentage of award to be vested for 2014 and 2015 grants *
Stretch: 115%	130%
Target: 100%	100%
Threshold: 80%	70%
Below Threshold	At the discretion of the Remuneration Committee

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

Participating employees who leave the Group before the RS and SAR are vested will forfeit their rights unless otherwise decided by the Remuneration Committee.

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

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Audit Committee

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

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

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

Auditor

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

On behalf of the Board of Directors,

Hsieh Fu Hua
Chairman

Wee Ee Cheong
Deputy Chairman and Chief Executive Officer

Singapore
15 February 2016