

Growing year on year

Amidst keen competition, 2004 has seen the Bank flourish and grow. We have improved performance, refined processes, honed skills and created new businesses. Both locally and overseas, we continued to tap on opportunities for further growth and have been rewarded for our efforts.

Individual Financial Services

Our Individual Financial Services covers Personal Financial Services and High Networth Banking.

Personal Financial Services serves individual customers including our mass affluent segment of 121 customers.

A comprehensive range of products and services caters to the financial needs of our individual customers at their various life stages. Products and services for individual customers include deposits, loans, investments as well as credit and debit cards. Personal Financial Services also sells and distributes a range of life insurance products. These services are made available through our extensive network of branches, self-service machines, phone banking and through the Internet. UOB Personal Bankers also provide financial planning services.

Privilege Banking provides personalised service to wealthy and affluent customers, offering an extensive range of wealth management products and services. Our dedicated team of Relationship Managers are trained professionals who will help manage and grow each client's portfolio.

For sophisticated investors and high networth individuals, Private Banking provides an elevated level of personal service and confidential consultation. Backed by sound expertise and access to all lines of financial products globally, Private Banking delivers customised solutions in portfolio management and advice in estate and tax planning across jurisdictions for wealth preservation and enhancement.

In 2004, at the global level, our Individual Financial Services business reported profit before tax of \$504 million, up 19.7% from 2003. The increase was primarily due to higher fee income from structured products and lower loan provisions.

Personal Financial Services

Through competitive pricing and innovative products, Personal Financial Services continued to grow our customer base.

We maintained our leadership position in the card business with close to a million credit cards issued by end of 2004.

- 1 UOB continues to be a trendsetter in the card business – the introduction of the UOB Visa Mini Debit Card was an Asia-Pacific first
- 2 The UOB Tiger Airways Visa Gold Smart Card and UOB Visa TX Card are examples of innovative products targeted at niche markets
- 3 The 'Grow Practical' series was introduced to build stronger customer relationships and address the financial needs of individuals as they go through various life stages
- 4 The Junior Savers Account, specially designed for children, helps build customer loyalty from a young age



With a growth rate of 7.5%, we achieved a market share of 25%. For Visa debit cards, we remained the industry leader with more than 300,000 active debit cards in the market. Year-on-year, debit card spend increased by 35.5% and UOB debit cards account for nearly 70% of retail spending on Visa debit cards in Singapore.

Our initiatives in 2004 were focused on building stronger customer relationships and meeting the needs of our customers. We introduced the 'Grow Practical' series to address the financial needs of our customers as they move into various life stages – Under 21s, Young Executives, Young Families & Individuals, Mature Families & Individuals, and Seniors. Our wide spectrum of products ranges from Savings Accounts for the young, Housing Loans for the adults to Insurance Plans for those in their golden years. Our product offerings demonstrate our commitment to nurture long-term relationships. As our customers' financial needs and outlook change at each stage in life, the Bank will grow with them and their needs.

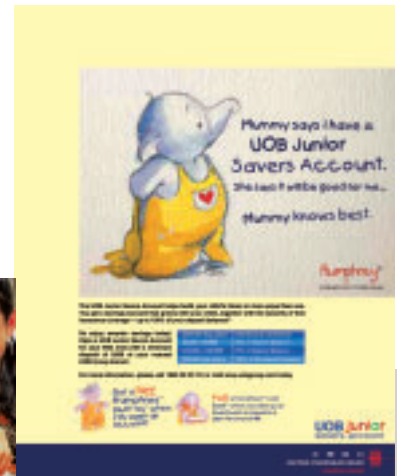
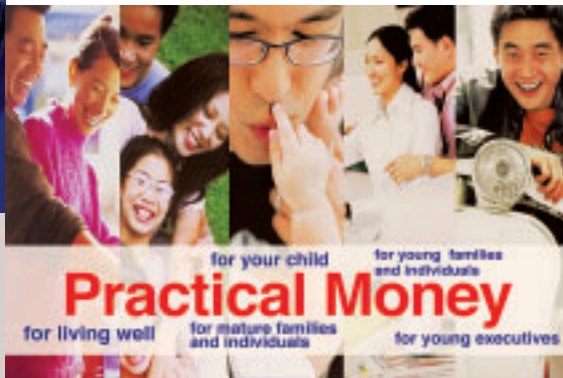
With a customer-centric infrastructure in place, supported by technology and enhanced data mining capabilities, we are able to offer services and products that are appropriate to the needs of each of our customer segments. The Customer Relationship Management (CRM) platform also helps us to deliver a consistent level of service to our customers across all our service channels.

At the start of the year, we launched the Junior Savers Account, specially designed for children. It is a unique savings account that comes with free life insurance coverage.

For the young and trendy, we re-launched the TX Account with enhanced features and benefits, focusing on offering convenience as well as a host of privileges and great savings when our young customers dine, relax or entertain with their UOB Visa TX Cards. In line with this, we were also the first bank in the Asia-Pacific to launch the Visa Mini Debit Card, targeted at the Youth and Young Executives market.

To help young families set up home, we re-launched UOB FirstZero Home Loan, a loan package that gives customers more savings with its 0% interest for the first year. Launched successfully in June 2003, the UOB FirstZero Home Loan was and continues to be a unique product in the market in Singapore. In the later part of the year, we launched another innovative loan product, UOB HomePlus, that offers customers the flexibility to manage their cashflow and the opportunity to earn competitive interest rates on their deposits placed in their UOB i-Account.

To end the year, we conducted the 'UOB Grow for Life' Draw to reward our customers in recognition of their long-term banking relationships with us. The top winner received a prize of his choice – Cash for Life, Free Flights for Life, or a Porsche for Life, worth \$200,000. In line with our strategy of offering products and services that are appropriate to customer needs, the prizes were carefully chosen to appeal to our different customer segments.



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High Networth Banking

High Networth Banking sector achieved accelerated growth and important milestones in 2004. The opening of our Wealth Management Centres and introduction of customised products for our premium clients provided the platform and momentum for new business expansion.

Our Wealth Management Centres in Raffles Place and Orchard Road, among the largest and most luxurious in Singapore, were opened in March 2004. The opening of the Centres demonstrates the importance we place on the top tiers of consumer banking customers, and on delivering exclusive and personalised service to them. The concept of an integrated service hub extends beyond financial matters as clients enjoy travel services as well as attend seminars in-house.

Maestro, a product series specially created for our elite clients in 2004, was very well-received. This product range demonstrated our investment specialists' ability to react promptly to evolving market potential, thus helping clients to take advantage of the timely opportunities to grow their portfolio. In recognition of their status, we continue to enhance their experience by extending benefits such as the complimentary Elite Visa Platinum Credit Card.

Institutional Financial Services

Our Institutional Financial Services comprises Commercial Credit, Corporate Banking, Structured Trade & Commodity Finance, Corporate Finance and Capital Markets.

Commercial Credit sector has established a good record of meeting the regional requirements of small and medium-sized enterprises (SMEs) through the forging of strong relationships and the provision of a full spectrum of products and services.

Corporate Banking sector offers banking, financing and advisory services to the middle market, large local corporate groups and multinational corporations.

Structured Trade & Commodity Finance sector works closely with Commercial Credit and Corporate Banking to create special financing packages for large local and international commodity traders.

Corporate Finance offers its expertise to corporations at local, regional and global levels to manage and underwrite equity capital transactions such as Initial Public Offerings (IPOs) and other secondary fund raising exercises. In addition, it also provides advisory services in relation to mergers and acquisitions, corporate restructuring and valuation.

Capital Markets specialises in providing solution-based structures to meet clients' financing requirements, as well as for the issue of debt and quasi-debt securities and loan syndications.

At the global level, our Institutional Financial Services business grew by 16.4% to \$794 million in net profit before tax in 2004. The better performance was attributed mainly to stronger fee income from capital market and trade-related activities and lower loan provisions.

Commercial Credit

With economic recovery in year 2004, the operating environment for SMEs also improved. Our SME loan portfolio grew as businesses invested in fixed assets and increased their inventory holding in anticipation of higher sales. SMEs performed better in 2004 resulting in better returns on our loan portfolio through lower provisions.



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5 Our Wealth Management Centres, among the largest and most luxurious in Singapore, provide our high networth customers with the convenience of an integrated service hub

6 The Bank was Joint Lead-Manager for StarHub's IPO which was over two times subscribed

To better meet the SMEs' expanding regional requirements, we set up the Global Business Development Division in early 2004 to focus on regional and overseas business opportunities.

In retail banking, we introduced new products including SME CASH – an unsecured revolving facility, and improved our loan approval system to better serve the large number of new and emerging companies.

Corporate Banking

In Singapore, Corporate Banking fared well in an environment of increased competition, greater disintermediation via REITs and asset securitisation and modest loan demand in 2004. Despite the intense competition, we continued to strengthen and widen our customer base and intensify cross-selling initiatives covering the full spectrum of UOB's products and services.

Leveraging on the strong relationship with Singapore Technologies Telemedia (ST Telemedia) group, we extended a three-year US\$100 million transferable loan facility to a subsidiary of ST Telemedia. ST Telemedia is a leading information-communications company with operations and investments in the Asia-Pacific, Americas and Europe.

As the major banker of StarHub, the Bank was also appointed Joint Lead-Manager for StarHub's IPO. Listed on the SGX on 13 October 2004 at an IPO price of \$0.95, StarHub's IPO was over two times subscribed and raised gross proceeds of approximately \$457.7 million.

In addition, we co-managed the \$130 million five-year bonds issued by Yellow Pages (Singapore) to refinance the previous syndicated loan.

We have strengthened our capabilities in the origination, underwriting and distribution of corporate debt papers and in specialised project financing. The groundwork has been laid for our greater involvement in the origination and underwriting of REITs, mezzanine debts, asset securitisation and debt capital issues, in close collaboration with Global Treasury.

We continued our role as Global Relationship Managers (GRMs), linking our customers' regionalisation plans to our overseas branches. The GRM role will continue to take centre stage as the Bank expands its regional presence.

Cash Management continues to widen its range of services, including expanding the business Internet banking capability to our regional market to meet the requirements of our corporate customers.

Structured Trade & Commodity Finance

Since its inception in 2002, Structured Trade & Commodity Finance has not only broadened the range of commodities and merchandise financed by the Bank but has also expanded its coverage to service trade business in the branches/subsidiaries in Hong Kong and the ASEAN countries. Besides enlarging the trade finance customer base, this activity has contributed to the increased volume of trade transactions as well as fee and commission income. Overall performance has been satisfactory.

Corporate Finance

In Singapore, Corporate Finance was involved in and completed eight IPOs and one advisory deal in 2004.

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We lead-managed six IPOs which raised a total of \$186.9 million in proceeds. Of the six IPOs, three were China-based. We were Co-Lead Manager of the Placement and Joint Lead-Manager of the Public Offer of Starhub which offered 481.771 million shares (excluding the over-allotment shares) to investors at an offering price of \$0.95 in the year's largest equity offering. We also coordinated the Public Offer in the IPO of Petra Foods.

In addition, we were the Financial Adviser to United International Securities on its proposed merger with Overseas Union Securities by way of a scheme of arrangement.

Global Treasury

Global Treasury offers a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading and futures broking, as well as an array of structured products. We are the foremost provider of bank note services in the region and the only bank in Singapore to offer the full gamut of gold products.

Despite the challenges in 2004, Global Treasury capitalised on its strengths and competitive advantage in strategic markets, achieving a profit before tax of \$229 million. Revenue for the sector was driven by sustained growth in our fee-based income, particularly from the increase in sales of structured products, treasury services and contributions from overseas countries.

In Singapore, we bolstered our proprietary trading capabilities in Asian currencies, and established our role as a key market-maker in Singapore dollar treasury instruments. In addition, our trading profile was raised to capture a larger external transaction flow given to support our trading activities.

In line with increased customer demand for yield-enhancement products, structuring capabilities in foreign exchange, interest rate, credit and equity instruments were also strengthened to expand our range of structured product offerings. As part of the continuous efforts to structure new and innovative products, Global Treasury closed Asia's first managed multi-sector synthetic Collateralised Debt Obligation (CDO) in April 2004 with a notional value of US\$1 billion. In the second half of 2004, we executed two CDO transactions of total notional value US\$1.4 billion.

Asset Management

Our Asset Management business encompasses asset management, venture capital management and proprietary investment activities. At the global level, the Asset Management business recorded a lower profit before tax of \$141 million for 2004. The decrease was due to lower trading gains partially offset by higher fee income resulting from the increase in assets under management.

Through our subsidiaries in Singapore, Malaysia, China, Taiwan, France and USA, we provide asset management service to institutional clients as well as retail customers with a broad array of investment products.

At the end of 2004, global assets under management and advice and committed capital reached \$25.4 billion. Assets under management totalled \$25 billion, while committed capital was \$477 million. This represents an increase of \$3.5 billion or 16% from end-2003.

UOB Asset Management

UOB Asset Management (UOBAM) continues to be active in the CDO marketplace, with the launch of three CDO transactions in 2004, comprising United Multi-Sector CDO I (US\$1 billion), United Global CDO² I (US\$700 million) and United Global CDO² II (US\$700 million). At end-2004, it had 16 CDOs totaling \$14.5 billion under its management and advice.

UOBAM launched six new unit trusts in Singapore, comprising two capital protected funds, two conventional funds, an Islamic fund and a bond fund. This brings to 60 the total number of Singapore funds and sub-funds under management by year-end, with total Singapore retail funds under management totalling \$2.6 billion. At end-2004, retail funds under management at UOB-OSK Asset Management (Malaysia) and BoA Asset Management (Thailand) amounted to \$0.6 billion and \$1.2 billion respectively.

UOBAM continued to gain recognition for its strong performance in managing funds by winning six awards at The Edge-Lipper Singapore Unit Trust Awards 2004 and four awards at the Standard & Poor's Investment Funds Award Singapore 2005, bringing the total number of awards clinched since 1996 to more than 80 throughout the region. UOBAM's institutional assets under management (excluding CDOs) had risen by 14.7% to \$6.1 billion at end-2004.

UOB Venture Management

UOB Venture Management (UOBVM) specialises in venture capital and direct equity investments. As at end-2004, the subsidiary managed and advised eight funds totalling \$459 million in committed capital.

UOBVM also launched the UOB JAIC Venture Bio Investments Fund in 2004. This fund is jointly managed by UOB Bioventures Management and JAIC Asia Capital and will invest in unlisted biomedical sciences companies worldwide.

UOBVM was also appointed as the Investment Adviser for the ASEAN China Investment Fund in 2004.

UOB Global Capital

UOB Global Capital (UOBGC) is our global asset management subsidiary. In 2004, it launched the ASEAN China Investment Fund with a first closing of \$122 million. This private equity fund invests in companies that are expected to benefit from the increasing intra-regional trade between ASEAN and China. Key investors in the Fund include the Asian Development Bank, the China Development Bank, Japan Asia Investment Co, The State Secretariat of Economic Affairs of Switzerland and Proparco (The French Investment and Promotion Company for Economic Cooperation).

UOBGC further strengthened its hedge fund activities in 2004. It now has assets of approximately US\$1 billion including a number of funds offering various strategies; that of a US long/short value, a concentrated value strategy as well as an Asian Multi-Strategy. The strategies are offered through both domestic US products as well as offshore versions of the funds.

The mutual fund family in Dublin, Ireland, was further expanded to include the UOB Kinetics Small Cap Fund. This fund complex, which now has four separate sub-funds, has assets under management exceeding US\$250 million.

UOBGC also enhanced its private placement capabilities with the establishment of a US Broker-Dealer entity.

International

2004 was a year of significant milestones for our international operations as we expanded our banking presence in Southeast Asia.

In July 2004, we completed our largest acquisition outside Singapore when we acquired an 80.8% stake in Bank of Asia (BOA), the ninth largest bank by asset size in Thailand. The acquisition has enlarged UOB's banking presence in Thailand by more than three times in terms of assets and branches. Our shareholding in BOA increased further to close to 97% as at end-2004 after a mandatory tender offer and purchases through market transactions effected on the Stock Exchange of Thailand.

In Indonesia, we acquired a 23% stake in PT Bank Buana Indonesia (Bank Buana), enabling us to extend our reach into the vast Indonesian market. In addition, our banking subsidiary, PT Bank UOB Indonesia (UOBI), continued to expand its presence in Indonesia when it opened a new branch in Medan in December.

The acquisitions and expansion are in line with our mission to be a premier bank in the Asia-Pacific region and will position us to compete more effectively and grow our business in Southeast Asia. Our presence beyond Singapore has grown to more than 300 offices in 17 countries and territories throughout Asia-Pacific, Western Europe and North America.



8 With the launch of six new unit trusts in 2004, UOB Asset Management now manages 60 Singapore funds and sub-funds

9 UOBM lead-arranged seven capital-raising transactions including the real estate-backed securitisation exercise involving Mid Valley Megamall

10 The acquisition of Bank of Asia in Thailand is part of the Bank's strategy to expand its business activities in the region



Profit before tax from our overseas operations, excluding Asian Currency Unit (ACU), grew by 1.8% from 2003, and contributed 21.2% to the Group's total profit in 2004 compared to 24.4% in 2003.

Malaysia

The United Overseas Bank (Malaysia) [UOBM] group registered net profit after tax of RM377 million (\$162.2 million) in 2004, a healthy 5.5% growth as compared to 2003.

Corporate and housing loans and credit card receivables continued to grow strongly, leading to higher interest, fee and commission income. With the growth in corporate and mortgage loans, total loans and advances increased by 10.1% to reach RM17.2 billion (\$7.4 billion). Credit card receivables grew strongly by 35.3% due to an effective year-round credit card marketing and usage programme.

As a strategic platform to strengthen UOBM's position in consumer banking, the credit card business continued to be an avenue for growth. Riding on a highly successful branding exercise for its new credit card, the UOB Visa Mini, UOBM successfully attracted about 35,000 new customers. Its card base grew by 69.6% in 2004 compared to a 35.6% increase in 2003.

UOBM continues to see strong growth potential in wealth management. The development of wealth management services was a key priority in 2004. The setting up of a new subsidiary, UOB Trustee, signals UOBM's entry into offering trustee and will-writing services. The move is in line with UOBM's business strategy to provide an integrated range of financial solutions for the mass affluent to accumulate, preserve and distribute their wealth.

In investment banking, UOBM was the Lead-Arranger for seven transactions that raised over RM1.2 billion (\$516 million) of capital for various companies. UOBM completed a real estate-backed securitisation exercise involving Mid Valley Megamall, which is one of the prime shopping malls in Malaysia. Another bond issue amounting to RM174 million (\$75 million) was also completed for Lingkarans Trans Kota Sdn Bhd to fund the construction and upgrading of six interchanges along Lebuhraya Damansara-Puchong.

UOBM received recognition for its active involvement and contribution in the development of the local corporate debt market. In June, at the inaugural League Awards by Malaysia's premier credit rating agency, Rating Agency Malaysia, UOBM won the following three awards:

- Third Placing for Top Lead Managers 2003 (number of issues)
- Second Placing for Top Lead Managers 2003 – Islamic (number of issues)
- Second Placing for Top Lead Managers 2003 – Islamic (issue value)

Despite the competitive environment, UOBM has been successful in quickly adapting to changes in Malaysia's banking industry and has in place strategies to accelerate its operations for the next phase of liberalisation, set to take place in 2007. UOBM aims to further consolidate its market position as one of the top foreign banks in the country.

Thailand

UOB Radanasin Bank (UOBR) continued to focus on its core activities of personal financial services, trade services, corporate banking and treasury services with positive results. In 2004,



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UOBR registered net profit after tax of THB161 million (\$6.8 million), up 86.8% from last year, driven primarily by a combination of an increase in loans, lower cost of funds and managed operating expenses.

UOBR's loan portfolio increased by 13.8% to reach THB42.2 billion (\$1.8 billion) while trade services continued to enjoy strong growth momentum, which is in line with the country's export experience.

On the personal financial services front, UOBR positioned itself for growth by launching several initiatives that were driven by customer needs. These included the opening of our first flagship Privilege Banking Centre to meet the wealth management needs of an increasingly affluent society, the introduction of UOB Lady's Visa Mini, and the launch of the Group's regional corporate card products.

Our newly-acquired subsidiary, BOA, established since 1939, has a large distribution network that comprises branches, ATMs and foreign exchange booths. BOA provides a full range of banking, insurance, investment and other financial products and services to both consumer and corporate customers.

After completing the acquisition of BOA, we focused on reorganising BOA's structure and aligning their policies and procedures to those of the Group. For the full year of 2004, BOA registered net profit after tax of THB761 million (\$31.9 million) compared to THB1,818 million (\$76.3 million) for 2003, due mainly to loan provisions of approximately THB905 million (\$37 million) made in the third quarter of 2004 to comply with regulatory guidelines on provisions and to be in line with UOB's prudent provisioning policies.

In line with the Thai government's Financial Sector Master Plan, and subject to regulatory approvals, UOBR and BOA will be merged in 2005. The consolidated bank, with a network of over 160 branches throughout Thailand, will enable us to further embed, compete and penetrate into the growing Thai market.

Philippines

In 2004, UOB Philippines (UOBP) maintained its focus on controlling costs and stabilising its core deposit base. Notwithstanding this, it continued to incur losses in 2004 due to its small loan portfolio.

We completed our 100% acquisition of UOBP in 2004, paving the way for a restructuring of its local operations. To support this initiative, a recapitalisation programme has been finalised in conjunction with the Philippine regulatory agencies for full implementation. We will continue to build a business platform for future growth and an infrastructure that is consistent with the business prospects in the country.

With its network of 67 branches in the Philippines, the largest among foreign banks in the country, UOBP is well-positioned for a recovery within the industry.

Indonesia

In June 2004, we acquired a 23% interest in Bank Buana which has a network of 171 offices in Indonesia and a strong track record of servicing SMEs.

Our partnership with Bank Buana will enable us to leverage on each other's strengths and expertise to jointly expand our business in Indonesia. We are working with Bank Buana

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to build a consumer platform to capitalise on its distribution network and capture a larger market share in credit cards and consumer loans in Indonesia.

Our banking subsidiary, UOBI, has been profitable since its establishment in 1990. In December 2004, UOBI opened a new branch in Medan, its ninth office in Indonesia. We intend to steadily expand our branch network and continue to target export-oriented companies with strong fundamentals and good potential for growth.

In the area of capital markets, our subsidiary, UOB Asia, was the Arranger for several transactions in Indonesia, including a US\$200 million (\$327 million) financing package for PT Medco Energi Internasional Tbk (Medco) in connection with its acquisition of Novus Petroleum Limited (Novus), one of Australia's largest upstream oil and gas companies. UOB Asia was also the Joint Lead-Underwriter for Medco's IDR1.35 trillion (\$245 million) bond issue for the repayment of Novus' debt. The acquisition affirmed Medco's position as the largest Indonesian integrated exploration and production oil and gas company. Another notable transaction that UOB Asia arranged was the US\$24 million (\$39 million) financing package for the acquisition of the Pizza Hut franchisee in Indonesia.

Greater China

Greater China is one of our key growth markets. In 2004, we had five branches and a representative office in China, five branches in Hong Kong and a branch in Taipei.

Recognising the potential of the Chinese market, we opened our first office in Beijing as early as 1984. Over the years, we have strengthened our presence and expanded our scope of business in China to more effectively meet the needs of our customers who are investing in China.

Several milestones were achieved in 2004, including the following:

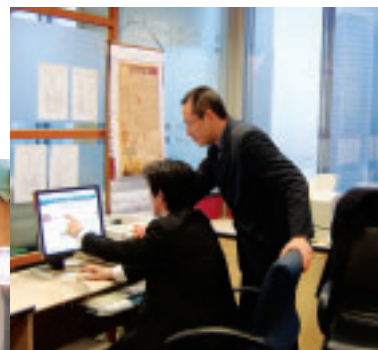
- Approval for UOB Shanghai Branch to offer Renminbi banking services to local Chinese enterprises. This is in addition to the Renminbi banking services offered to foreign individuals, foreign-invested enterprises and foreign joint venture enterprises since January 2004.
- Approval to open a sub-branch in Puxi, Shanghai. The new sub-branch commenced operations in February 2005.
- Setting up of a treasury centre at UOB Shanghai Branch to support various treasury activities of our branches in China. Approval has also been obtained for UOB Shanghai Branch's treasury centre to conduct derivatives business.

In Hong Kong, we continued to grow our credit card base and revenue. Despite being a relatively new player in the highly competitive credit card market in the territory, we managed to clinch the '2003 Outstanding New Visa Exclusive Co-brand-Affinity Card Issuer' award.

Our investment banking arm in Hong Kong, UOB Asia (Hong Kong) [UOBAHK], provides a full range of corporate and investment advisory services. Since obtaining an official licence issued by the China Securities Regulatory Commission to participate in the underwriting of B-shares outside of China, and subsequently establishing a representative office in Shanghai, the focus of UOBAHK has been expanded to cover Greater China to capitalise on the potential of China's investment banking market.

11 The opening of UOBI's Medan Branch brings the number of its offices in Indonesia to nine

12 UOB Shanghai Branch set up a treasury centre to support the treasury activities of our branches in China



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In 2004, UOBANK acted as a financial adviser to two Chinese companies which successfully completed their IPO exercises on the Singapore Exchange, namely Bio-Treat Technology and China Paper Holdings Ltd. UOBANK also acted as a Co-Manager, Underwriter and Co-Lead Manager in the global offering of Tom Online Inc, whose issue was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong and Nasdaq in the United States. In addition, UOBANK provided securities and financial advisory services to a number of Chinese companies during the year, including the Shanghai Automotive Industry Corporation Group and the China Aerospace Science & Technology Corporation.

Other Overseas Operations

Our other overseas centres have been actively diversifying their revenue sources besides servicing customers who invest and trade in these countries. This strategy has resulted in improved profits arising mainly from higher revenue from corporate lending, participation in syndicated credit facilities and purchase of short and medium-term investment grade financial instruments in the secondary market.

Project Finance And Syndications

Our initiative to set up a Project Finance & Syndications unit at Head Office to target project finance and loan syndications in the overseas markets has produced some positive results.

In 2004, UOB acted as a Mandated Lead-Arranger and Underwriter for the AUD2.1 billion (\$3.39 billion) toll road project financing for ConnectEast Finance Pty Ltd. The deal, which garnered the 'Best Project Finance Deal in Australia' Award from FinanceAsia, was the largest project financing in Australia in 2004. During the year, UOB also acted as a Joint Mandated Lead-Arranger for the US\$468 million (\$778 million) refinancing for the Optimal Group of Companies which owns and operates an integrated petrochemical plant in Kertih, Terengganu, Malaysia.

In another significant transaction, UOB was one of the Arrangers for the US\$660 million (\$1.10 billion) project financing for Gulf Power Generation Company Limited to build a gas-fired power plant in the Saraburi province in Thailand.

Technology

As the Bank sets out to reach new markets, open new channels and transform products as well as services, technology is continually leveraged to bring value to our customers and to meet changing demands. In 2004, we focused on straight-through processing capabilities in our systems to improve service delivery, operational efficiency, risk management and business decisions.

A major strategic initiative for the year was to completely overhaul our existing branch operations. The main goal was to focus on improving operational efficiency and sales capability. The project spearheaded several parallel activities such as process re-engineering, system replacement, workflow and imaging, review of branches' role, sales distribution strategy and further centralisation of non-customer-facing activities to back-office operations.

UOB was the first local bank in Singapore to deploy the global EMV standard for our chip credit cards and point-of-sale terminals. This reinforces our leadership position in the credit card business and will further improve our fraud management capabilities.

The Bank also focused on improving our credit management capabilities. Credit origination processes were revamped to include credit scoring capabilities. In addition, consumer debt collection processes were revamped and centralised with the introduction of an automated collections system.

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13 UOB received the 'Best Project Finance Deal in Australia' Award from FinanceAsia for our Mandated Lead-Arranger role in the AUD2.1 billion project financing for ConnectEast Finance

14 A forerunner again – UOB was the first local bank to employ the global EMV standard for our chip credit cards and point-of-sale terminals



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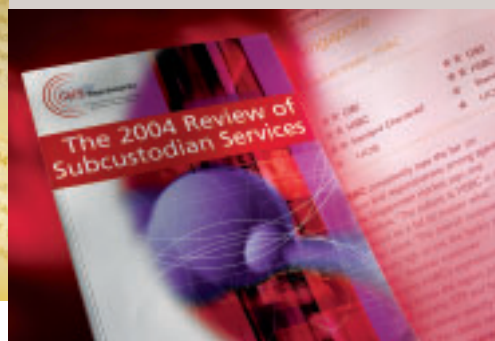
Throughout the year, we also upgraded several major operating infrastructures. One was the upgrade of our international SWIFT network infrastructure to ensure secure and reliable inter-bank transactions for our Head Office and overseas branch network. Our treasury system was also upgraded to provide more robust file management, better performance and data protection, as well as to improve the scalability of treasury operations in the region to be hubbed into Singapore. To meet the revised reporting requirements of the Monetary Authority of Singapore (MAS), a MAS Regulatory Reporting System was implemented.

With the acquisition of BOA, the IT and operating platforms of UOBR and BOA will have to be integrated. Planning has begun for the eventual integration of the two banks. The core guiding principles to the integration will be speed as well as to minimise operating risk and customer disruption. In addition, for systems in UOBR that are already hubbed, such as cards and treasury, the corresponding systems in BOA will also be hubbed during the integration process.

IT and operating platform will continue to be hubbed on shared-service model amongst branches and subsidiaries where appropriate. This strategy will allow the Group to enjoy economies of scale especially in IT investments, improve our product and service capabilities in the region, as well as improve risk management as process and policies can be uniformly applied.

Operations

The Centralisation programme in the Bank started two years ago, sparked off by the need to integrate and consolidate back-office operations following the merger of UOB and Overseas Union Bank. The aims were to achieve economies of scale, and operational efficiencies and effectiveness.



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In 2003, the Bank's Centralised Operations were ISO 9001 (2000) certified. In addition, the sector was accorded the Singapore Quality Class Award that year.

For 2004, banking processes continued to be streamlined so as to maximise the benefits from the objectives set out in 2002. The focus was on maximising the returns from the strengths of the organisation. With the successful launch of several process redesign projects, we also had the opportunity to upgrade our staff skills level through re-training and re-tooling. We were also able to reduce operational risks because of enhanced processes, better control and from product knowledge attained by our staff due to the time spent on skills upgrading. Due to the increased relevance of our retrained staff, our turnover remained low relative to the market in spite of the better employment situation.

In terms of outsourcing, we successfully migrated our unit trust registry to a new system in our joint venture company, Asia Fund Services (AFS), in November 2004. The new system incorporates Straight-Through Processing capabilities by allowing the trades that are captured on the Bank's front-end CRM system to be electronically transmitted to AFS for processing. This introduces greater scalability into the processes, reducing transaction costs by 20%.

Globally, the Bank was recognised for its custody services in two annual surveys – Global Custodian awarded the Bank a 'Commended' rating and GSCS Benchmark gave us a 'Star' rating. The Asian Banker listed UOB as one of the highest-rated in the 'Value of Franchise' across the region. We had pronounced strengths in Process and Technology, Risk Management and Regional Centralisation in comparison with other financial institutions in the Asia-Pacific region.



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15 – 16 *The Bank was again recognised globally for its custody services*

17 *Dual priority counters provide high networth and mass affluent clients priority service at selected branches*

Service Channels

We continue to renovate branches and rationalise our branch network to better serve our customers' banking needs.

In Singapore, there was one branch closure, while another branch has been temporarily relocated as the building where it was located is undergoing retrofitting. To give branches a distinctive and consistent identity, branches have been renovated in phases. To date, more than 50 branches have been renovated.

To further enhance customer convenience, we extended branch banking hours in February 2004. Various branches in high pedestrian traffic locations have longer banking hours of up to 4pm on Saturdays while the remaining branches continue to operate up to 12.30pm. On weekdays, some branches operate up to 3pm while the remaining have extended hours up to 4pm. The exception is UOB Toa Payoh, which operates up to 6pm.

We are working towards re-branding our ATMs to improve visibility and ensure consistency of all UOB ATMs across the network. This will enhance our competitive edge.

We have also rolled out the new Aprta Advance software to ATMs in phases. Several enhancements have been made to the ATM features to improve turnaround time for customers. During the year, we have installed new ATMs and terminated the under-performing ones. Old ATMs will continue to be replaced with newer models.

2004 also saw the introduction of dual priority counters in selected branches for our high networth and mass affluent customers. The VIP customers have applauded the move as it has improved service and turnaround time for transactions.

In July 2004, we kick-started the project to replace the existing Branch Teller System (BTS), which is running on an old system, to a more efficient NT platform. The new BTS system will leverage on latest technology to provide an integrated platform to support seamless access for various applications such as CRM and Signature Verification. With streamlining of transaction processing, there will be improvement in the overall process efficiency and increase in productivity of our branch staff. It will also free up capacity to allow staff to put more emphasis on cross-selling activities and achieving higher service standards.

The new BTS system is scheduled to roll out in phases in 2005.

In conjunction with the BTS upgrade, we worked with an external consultant to re-engineer our branch processes to improve branch controls and reduce operational risks. Nearly 50 key processes have been identified and re-engineered. Further centralisation of branch activities into back-office units are in the pipeline to reap economies of scale and to allow our branch staff to be more focused on customer service.

The CRM system was implemented in two phases for individual and commercial/corporate customers. Launched as a bank-wide initiative in 2003, our branch personnel have been diligently making use of the CRM platform to log in service requests and perform account opening for individual customers. The roll-out to Commercial Credit and Corporate Banking users was completed in November 2004. The system has enabled the staff to have a comprehensive view of all customer interaction activities, thus ensuring that consistent quality of customer service is delivered across all customer touch points.

2004 in Review

Several system enhancements were implemented to improve service delivery to our customers including the migration of Singapore Dollar Time Deposit to the Foreign Currency Fixed Deposit system.

UOB Call Centre made history in 2004 when it swept up five awards at the fourth Call Centre Council of Singapore Annual Call Centre Awards and first Regional Call Centre Awards for Singapore/Malaysia/Hong Kong. We were the only financial institution to have been accorded two inaugural awards – the Regional Award and the Judges' Perfect Score Award.

Staff

With the improved economy and lower unemployment rate in Singapore, retention of talent is critical for the Bank. Attracting the right talent remains a priority as we seek to become a premier regional bank.

Development of human capital continues to be a major objective. This encompasses succession planning for key positions and career development planning for top performers. In addition, a Management Trainee Programme was also implemented to build up a pool of talent for the future. We continually augment the competencies of our staff through a variety of learning/enrichment opportunities and development initiatives.

Our performance management system was enhanced to further promote a strong bank-wide culture of performance excellence, and the alignment of individual performance with the Bank's business goals and objectives.

UOB is the first local bank in Singapore to implement the recommendations of the Tripartite Task Force on Wage Restructuring. This helps to make the Bank's wage structure more flexible and competitive.

Corporate Citizenship

We continue to play an active and meaningful role in the communities in which we work and live, with our focus on community development, education and the arts.

Community Development

In 2004, UOB contributed to a number of charities including the President's Challenge.

Staff of the Group rallied to raise funds to help regional aid efforts for victims affected by the earthquake and tsunamis in Asia. The Group raised over \$1 million for the relief funds in Singapore, Indonesia, Malaysia and Thailand. To facilitate donations to the Singapore Red Cross Society, the Bank also opened up its bank channels to allow customers to donate via Internet Banking and Phone Banking.

The Arts

UOB has been supporting the development of local arts for over three decades. Over the past 23 years, through our UOB Painting Of The Year Competition and Exhibition, we have helped many promising artists in Singapore gain recognition for their works.

The National Arts Council acknowledged our contributions towards the promotion of arts in Singapore by conferring on us the Friend Of The Arts award.

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18 The Bank's wage structure was rendered more flexible and competitive with the implementation of the recommendations of the Tripartite Task Force of Wage Restructuring

19 The Bank continues to support the local arts scene, especially through its annual Painting Of The Year Competition and Exhibition



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