



United Overseas Bank Limited

Incorporated in the Republic of Singapore
Company Registration Number: 193500026Z

GROUP FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR 2005

23 FEBRUARY 2006



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Note:

- ◆ The financial statements are presented in Singapore dollars.
- ◆ Certain comparative figures have been restated to conform with the current period's presentation.
- ◆ Certain figures in this report may not add up to the respective totals due to rounding.


I) Highlights and Performance Indicators

	2005	2004	2005 / 2004 %	4th Quarter 2005	3rd Quarter 2005	4th Quarter 2004	4Q05 / 4Q04 %
• Key Indicators							
Net interest income (NII) (\$'m)	2,348	2,155	+ 8.9	614	578	562	+ 9.1
Non-interest income (Non NII) (\$'m)	1,414	1,104	+ 28.1	414	350	298	+ 39.1
Total income (\$'m)	3,761	3,259	+ 15.4	1,028	927	860	+ 19.5
Total expenses (\$'m)	1,424	1,227	+ 16.1	404	353	364	+ 11.0
Operating profit before amortisation and impairment charges (\$'m)	2,337	2,032	+ 15.0	623	574	496	+ 25.7
❖ Net profit ^							
- Including intangible assets (\$'m)	1,709	1,452	+ 17.7	432	463	376	+ 15.0
- Excluding intangible assets (\$'m)	1,769	1,665	+ 6.2	434	463	434	- 0.1
❖ Income mix:							
- NII / Total income (%)	62.4	66.1	- 3.7 % pt	59.7	62.3	65.4	- 5.7 % pt
- Non NII / Total income (%)	37.6	33.9	+ 3.7 % pt	40.3	37.7	34.6	+ 5.7 % pt
	100.0	100.0	-	100.0	100.0	100.0	-
❖ Profit contribution (before tax and intangible assets):							
- Onshore (including ACU) (%)	77.6	78.8	- 1.2 % pt	80.5	77.3	77.6	+ 2.9 % pt
- Offshore (%)	22.4	21.2	+ 1.2 % pt	19.5	22.7	22.4	- 2.9 % pt
	100.0	100.0	-	100.0	100.0	100.0	-
❖ Return on average shareholders' equity * #							
- Including intangible assets (%)	12.4	10.8	+ 1.6 % pt	12.2	13.7	11.1	+ 1.1 % pt
- Excluding intangible assets (%)	12.9	12.4	+ 0.5 % pt	12.3	13.7	12.8	- 0.5 % pt
❖ Basic earnings per share *							
- Including intangible assets (¢)	111.2	92.6	+ 20.1	112.3	120.4	96.8	+ 16.0
- Excluding intangible assets (¢)	115.1	106.3	+ 8.3	112.9	120.4	111.8	+ 1.0
❖ Return on average assets *							
- Including intangible assets (%)	1.25	1.19	+ 0.06 % pt	1.21	1.35	1.16	+ 0.05 % pt
- Excluding intangible assets (%)	1.29	1.36	- 0.07 % pt	1.21	1.35	1.34	- 0.13 % pt
❖ NII * / Average interest bearing assets (%)	1.99	2.10	- 0.11 % pt	1.96	1.93	2.05	- 0.09 % pt
❖ Expense / Income ratio (%)	37.9	37.6	+ 0.3 % pt	39.3	38.1	42.3	- 3.0 % pt
❖ Dividend rates							
- Interim (%)	20.0	20.0	-	-	-	-	-
- Special dividend in specie (%)	28.5	-	28.5 % pt	-	-	-	-
- Final (%)	40.0	40.0	-	40.0	-	40.0	-

^ Net profit refers to profit attributable to equity holders of the Bank.

* Computed on an annualised basis for quarters.

Shareholders' equity refers to equity attributable to equity holders of the Bank.



l) Highlights and Performance Indicators

	31-Dec-05	31-Dec-04	Dec-05 / Dec-04 (%)	30-Sep-05
• <u>Other Indicators</u>				
❖ Customer loans (net) (\$'m)	67,142	64,300	+ 4.4	65,739
❖ Customer deposits (\$'m)	85,503	79,019	+ 8.2	83,341
❖ Loans / Deposits ratio [@] (%)	78.5	81.4	- 2.9 % pt	78.9
❖ Non-performing loans (NPLs) (\$'m)	3,931	5,484	- 28.3	4,290
❖ Cumulative impairment (\$'m)	2,714	3,724	- 27.1	2,946
❖ NPL ratio [^] (%)	5.6	8.0	- 2.4 % pt	6.2
❖ Cumulative impairment / NPLs (%)	69.0	67.9	+ 1.1 % pt	68.7
❖ Total assets (\$'m)	145,073	134,879	+ 7.6	139,792
❖ Shareholders' equity (\$'m)	14,929	13,439	+ 11.1	13,735
❖ Unrealised revaluation surplus [#] (\$'m)	1,564	1,562	+ 0.1	1,436
❖ Net asset value (NAV) per share (\$)	9.71	8.75	+ 11.0	8.93
❖ Revalued NAV per share (\$)	10.73	9.77	+ 9.8	9.86
❖ Net tangible asset backing per share (\$)	6.92	6.14	+ 12.7	6.31
❖ Capital adequacy ratios				
- Tier 1 capital (%)	11.0	11.0	-	9.9
- Total capital (%)	16.1	15.6	+ 0.5 % pt	15.0
❖ Manpower (number)	18,816	13,574	+ 5,242 no.	13,583

[@] "Loans" refers to net customer loans while "Deposits" refers to customer deposits.

[^] NPL ratio represents NPLs (excluding debt securities) as a percentage of gross customer loans.

[#] Refer to unrealised revaluation surplus on properties and securities which was not incorporated into the financial statements.



II) Review of Financial Performance

New / Revised Financial Reporting Standards

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The new and revised FRS that are applicable to the Group with effect from 1 January 2005 and that have impact on the Group's financials are as follows:

- (a) FRS39 Financial Instruments: Recognition and Measurement
- (b) FRS103 Business Combinations / FRS36 Impairment of Assets / FRS38 Intangible Assets
- (c) FRS102 Share-based Payment
- (d) FRS105 Non-current Assets Held for Sale and Discontinued Operations

FRS39 requires prospective application with the opening balances of the affected financial assets and financial liabilities as at 1 January 2005 to be restated and the resulting changes adjusted to the shareholders' equity.

Other than the above changes, the accounting policies and computation methods adopted in the financial statements for the financial year ended 31 December 2005 are the same as those for the financial year ended 31 December 2004.



II) Review of Financial Performance

Review of Group Performance

Results

The Group's results should be read in the following perspective:

- Full year results of Bank of Asia Public Company Limited ("BOA")¹ and its subsidiaries were included for 2005 as opposed to only 5 months for 2004.
- Full year results of PT Bank Buana Indonesia Tbk. ("Bank Buana")² were included for 2005 (10 months as an associate and 2 months as a subsidiary) as opposed to only 7 months as an associate for 2004.

2005 versus 2004

The Group recorded a net profit of \$1,709 million for 2005, representing an increase of \$257 million or 17.7% over the \$1,452 million registered in 2004. The increase was mainly due to higher fee and commission income, higher net interest income, discontinuation of goodwill amortisation, and higher other operating income. These were partly offset by lower share of profit of associates, higher operating expenses, and write-off of goodwill in respect of United Overseas Bank Philippines.

Total income increased 15.4% to \$3,761 million for 2005 from \$3,259 million for 2004, primarily due to higher fee and commission income mainly from investment-related and fund management activities, higher net interest income mainly from customer loans, and net gain on trading securities, government securities and derivatives as against losses for 2004. These were partially offset by lower gains on investment securities.

The Group's total operating expenses increased 16.1% to \$1,424 million for 2005 from \$1,227 million for 2004. Staff costs increased 16.4% to \$684 million primarily from higher wages and salaries on increased headcount, while other operating expenses increased 15.8% to \$740 million mainly on depreciation, rental and maintenance charges, advertising expenses and professional fees. Consequently, the expense-to-income ratio of the Group increased to 37.9% from 37.6% a year ago.

Total other impairment charges decreased 16.9% to \$174 million for 2005 from \$209 million for 2004, mainly due to lower impairment charges on investment securities and loans, partially offset by lower write-back of collective impairment.

Share of pre-tax profit of associates decreased 67.5% to \$100 million for 2005 compared to the \$307 million for 2004. The decrease was mainly due to the cessation of equity accounting for United Overseas Land Limited ("UOL") with effect from 1 January 2005, coupled with an exceptional gain recorded by UOL in 2004 from the divestment of its holdings in UOB shares.

¹ BOA was acquired by the Bank as a subsidiary on 27 July 2004. It merged with another subsidiary of the Bank, UOB Radanasin Bank Public Company Limited on 28 November 2005 and the enlarged entity was renamed as United Overseas Bank (Thai) Public Company Limited ("UOBT").

² On 31 May 2004, the Bank's wholly-owned subsidiary, UOB International Investment Private Limited ("UOBII") acquired 23% stake in Bank Buana. On 14 October 2005, an additional 30% stake was acquired, making Bank Buana a subsidiary of the Group. On 19 December 2005, following the close of the tender offer for the remaining shares not held by UOBII, a further 8.1% interest was acquired, resulting in UOBII holding a total stake of 61.1% in Bank Buana.



II) Review of Financial Performance

4th Quarter 2005 versus 4th Quarter 2004

The Group's net profit increased \$56 million or 15.0% to \$432 million in the fourth quarter of 2005 ("4Q05") from \$376 million in the fourth quarter of 2004 ("4Q04"). The increase was mainly due to higher fee and commission income, discontinuation of goodwill amortisation, and higher net interest income, partially offset by lower share of profit of associates.

Total income increased 19.5% to \$1,028 million in 4Q05 from \$860 million in 4Q04, mainly due to higher fee and commission income largely from investment-related activities, higher net interest income mainly from customer loans, and net gain on trading securities, government securities and derivatives as against losses in 4Q04. These were partially offset by losses on investment securities as opposed to profit in 4Q04.

The Group's total operating expenses increased 11.0% to \$404 million in 4Q05 compared to \$364 million in 4Q04. Staff cost increased 16.9% to \$199 million while other operating expenses increased 5.8% to \$205 million. Expense-to-income ratio improved to 39.3% in 4Q05 from 42.3% in 4Q04.

Total other impairment charges of \$74 million in 4Q05 was 34.8% lower than the \$113 million in 4Q04, mainly due to lower impairment charges on properties, loans and other assets, coupled with the collective impairment charges in 4Q04.

Share of pre-tax profit of associates decreased 87.4% to \$23 million in 4Q05 from \$184 million in 4Q04. The decrease was mainly due to the cessation of equity accounting for UOL with effect from 1 January 2005, coupled with an exceptional gain recorded by UOL in 4Q04 from the divestment of its holdings in UOB shares.

4th Quarter 2005 versus 3rd Quarter 2005

The Group's net profit of \$432 million recorded in 4Q05 was 6.7% lower than the \$463 million registered in the third quarter of 2005 ("3Q05"). The decrease was mainly due to higher impairment charges, and higher operating expenses, partially offset by higher fee and commission income and higher net interest income.

The Group's total income increased 10.8% to \$1,028 million in 4Q05 from \$927 million in 3Q05, while total expenses increased 14.4% to \$404 million from \$353 million in 3Q05. Consequently, expense-to-income ratio increased to 39.3% in 4Q05 from 38.1% in 3Q05.

Total other impairment charges increased to \$74 million in 4Q05 from \$19 million in 3Q05, largely due to higher impairment charges on loans.



II) Review of Financial Performance

Balance Sheet

The Group's net loans and advances to customers of \$67,142 million as at 31 December 2005 were 4.4% higher than the \$64,300 million as at 31 December 2004. Group non-performing loans ("NPLs") decreased 28.3% to \$3,931 million as at 31 December 2005 from \$5,484 million as at 31 December 2004. Consequently, Group NPL ratio improved to 5.6% as at 31 December 2005 from 8.0% as at 31 December 2004. Of the total Group NPLs as at 31 December 2005, \$2,228 million or 56.7% were secured by collateral, and \$2,529 million or 64.3% were in the Substandard category.

Total cumulative impairment of the Group was \$2,714 million as at 31 December 2005 compared to the \$3,724 million as at 31 December 2004. Collective impairment as at 31 December 2005 was \$1,270 million or 46.8% of total cumulative impairment. The total cumulative impairment as at 31 December 2005 provided a coverage of 69.0% against Group NPLs, as compared to 67.9% as at 31 December 2004. As at 31 December 2005, unsecured NPLs were 159.4% covered by total cumulative impairment, compared to the 138.6% as at 31 December 2004.

Total assets of the Group as at 31 December 2005 were \$145,073 million, representing a growth of 7.6% over the \$134,879 million as at 31 December 2004. Shareholders' equity of the Group as at 31 December 2005 was \$14,929 million, representing an increase of 11.1% over the \$13,439 million as at 31 December 2004. This resulted in the increase in the Group's net asset value per share to \$9.71 as at 31 December 2005 from \$8.75 as at 31 December 2004.

As at 31 December 2005, the Group's total Capital Adequacy Ratio ("CAR") of 16.1% was 6.1% points above the minimum of 10% set by Monetary Authority of Singapore.

II) Review of Financial Performance

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	<u>2005</u> \$ million	<u>2004</u> \$ million	<u>2005 /</u> <u>2004</u> %
Interest income	4,882	3,661	33.3
Less: Interest expense	2,534	1,506	68.2
Net interest income	<u>2,348</u>	<u>2,155</u>	8.9
Dividend income	60	43	38.6
Fee and commission income	900	706	27.4
Rental income	64	65	(1.1)
Other operating income	391	290	34.5
Total non-interest income	<u>1,414</u>	<u>1,104</u>	28.1
Income before operating expenses	3,761	3,259	15.4
Less:			
Staff costs	684	587	16.4
Other operating expenses	740	639	15.8
Total operating expenses	<u>1,424</u>	<u>1,227</u>	16.1
Operating profit before amortisation and impairment charges	<u>2,337</u>	<u>2,032</u>	15.0
Less: Intangible assets amortised / impaired	60	214	(71.9)
Less: Other impairment charges	174	209	(16.9)
Operating profit after amortisation and impairment charges	<u>2,104</u>	<u>1,610</u>	30.7
Share of profit of associates	100	307	(67.5)
Profit before tax	<u>2,204</u>	<u>1,917</u>	15.0
Less: Tax	472	450	4.9
Profit for the financial year	<u><u>1,731</u></u>	<u><u>1,466</u></u>	18.1
Attributable to:			
Equity holders of the Bank	1,709	1,452	17.7
Minority interests	22	15	51.4
	<u><u>1,731</u></u>	<u><u>1,466</u></u>	18.1
Earnings per share (¢)			
- Basic	111.2	92.6	20.1
- Diluted	111.2	92.6	20.1

II) Review of Financial Performance

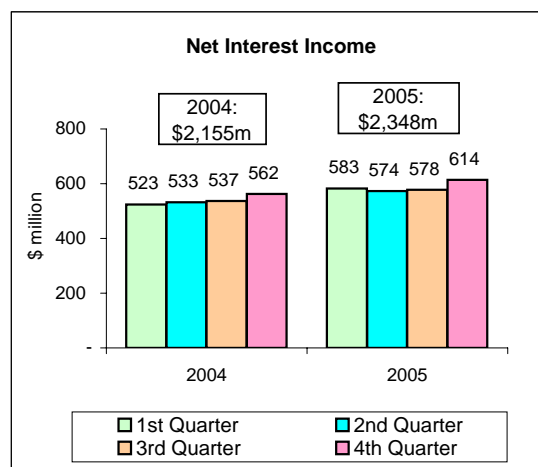
**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005**

	4th Quarter 2005 \$ million	3rd Quarter 2005 \$ million	4Q05 / 3Q05 %	4th Quarter 2004 \$ million	4Q05 / 4Q04 %
Interest income	1,387	1,229	12.9	1,046	32.7
Less: Interest expense	774	651	18.9	484	60.0
Net interest income	<u>614</u>	<u>578</u>	6.2	<u>562</u>	9.1
Dividend income	4	11	(67.8)	5	(23.7)
Fee and commission income	293	234	25.2	204	43.7
Rental income	16	16	(0.5)	16	(0.7)
Other operating income	101	88	14.9	73	38.9
Total non-interest income	<u>414</u>	<u>350</u>	18.4	<u>298</u>	39.1
Income before operating expenses	1,028	927	10.8	860	19.5
Less:					
Staff costs	199	169	18.3	171	16.9
Other operating expenses	205	185	10.9	193	5.8
Total operating expenses	<u>404</u>	<u>353</u>	14.4	<u>364</u>	11.0
Operating profit before amortisation and impairment charges	623	574	8.6	496	25.7
Less: Intangible assets amortised / impaired	2	-	NM	59	(96.5)
Less: Other impairment charges	74	19	280.9	113	(34.8)
Operating profit after amortisation and impairment charges	548	555	(1.2)	324	68.8
Share of profit of associates	23	31	(24.2)	184	(87.4)
Profit before tax	571	585	(2.4)	509	12.2
Less: Tax	134	116	16.1	130	2.9
Profit for the financial period	<u>437</u>	<u>470</u>	(7.0)	<u>378</u>	15.4
Attributable to:					
Equity holders of the Bank	432	463	(6.7)	376	15.0
Minority interests	5	7	(28.9)	3	83.4
	<u>437</u>	<u>470</u>	(7.0)	<u>378</u>	15.4
Annualised earnings per share (¢)					
- Basic	112.3	120.4	(6.7)	96.8	16.0
- Diluted	112.3	120.4	(6.7)	96.7	16.1

NM denotes "Not Meaningful".

II) Review of Financial Performance

Net Interest Income



Net interest income of the Group increased 8.9% to \$2,348 million for 2005 compared to \$2,155 million for 2004. The growth was mainly from increased average loan volume contributed by the acquisition of BOA and improved loan yields. These were partially offset by the increase in average cost of funds. Net interest income continued to be the major contributor of total income, accounting for 62.4% (2004: 66.1%) of total income.

Average interest margin was lower at 1.99% for 2005 as compared to 2.10% a year ago. The decrease was mainly due to higher cost of funds in a rising interest rate environment and a flat yield curve, partially offset by improved loan yields.

In 4Q05, net interest income increased 9.1% to \$614 million from \$562 million in 4Q04. The increase was mainly from higher average loan portfolio and improved loan yields, partially offset by higher average cost of funds. Average interest margin was 1.96% in 4Q05 as compared to 2.05% in 4Q04 mainly due to the narrowing of interest spread.

Average Interest Rates and Margin

	2005			2004		
	Average Balance \$ million	Average Interest \$ million	Average Rate %	Average Balance \$ million	Average Interest \$ million	Average Rate %
Customer loans	64,039	3,123	4.88	60,907	2,570	4.22
Inter-bank balances / balances with central banks	35,601	1,140	3.20	26,739	631	2.36
Securities	18,436	619	3.36	14,951	461	3.08
Total interest bearing assets	118,076	4,882	4.13	102,597	3,661	3.57
Customer deposits	82,542	1,407	1.70	74,764	907	1.21
Inter-bank balances / other	33,632	1,128	3.35	27,216	599	2.20
Total interest bearing liabilities	116,174	2,534	2.18	101,980	1,506	1.48
Net interest income		2,348			2,155	
Average interest margin [^]			1.99			2.10

[^] Average interest margin represents net interest income as a percentage of total interest bearing assets.

II) Review of Financial Performance
Net Interest Income (cont'd)
Average Interest Rates and Margin (cont'd)

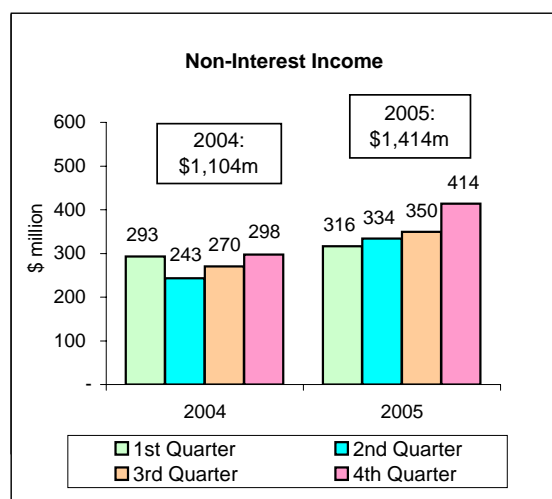
	4th Quarter 2005			3rd Quarter 2005			4th Quarter 2004		
	Average Balance \$ million	Annualised Interest \$ million	Average Rate %	Average Balance \$ million	Annualised Interest \$ million	Average Rate %	Average Balance \$ million	Annualised Interest \$ million	Average Rate %
Customer loans	65,799	3,418	5.19	63,728	3,051	4.79	63,749	2,776	4.35
Inter-bank balances / balances with central banks	39,338	1,404	3.57	35,857	1,181	3.29	28,306	820	2.90
Securities	18,998	682	3.59	19,159	642	3.35	17,264	565	3.27
Total interest bearing assets	124,135	5,504	4.43	118,744	4,874	4.10	109,319	4,160	3.81
Customer deposits	87,036	1,694	1.95	82,435	1,407	1.71	79,107	1,075	1.36
Inter-bank balances / other	35,538	1,376	3.87	34,105	1,176	3.45	30,380	849	2.79
Total interest bearing liabilities	122,574	3,070	2.50	116,540	2,583	2.22	109,487	1,924	1.76
Net interest income		2,434			2,291			2,237	
Average interest margin ^			1.96			1.93			2.05

^ Average interest margin represents annualised net interest income as a percentage of total interest bearing assets.



II) Review of Financial Performance

Non-Interest Income



Non-interest income of the Group increased 28.1% to \$1,414 million for 2005 compared to \$1,104 million for 2004. The growth was primarily from higher fee and commission income mainly from investment-related and fund management activities, and net gain on trading securities, government securities and derivatives as against losses for 2004. These were partially offset by lower gains on investment securities. The Group's non-interest income for 2005 accounted for 37.6% of total income, up 3.7% points from 33.9% for 2004.

In 4Q05, non-interest income increased 39.1% to \$414 million from \$298 million in 4Q04. The increase was mainly from higher fee and commission income mainly from investment-related activities, and net gain on trading securities, government securities and derivatives as against losses in 4Q04. These were partially offset by losses on investment securities as opposed to profit in 4Q04.

Composition of Non-Interest Income

	2005	2004	4th Quarter 2005	3rd Quarter 2005	4th Quarter 2004
	\$ million	\$ million	\$ million	\$ million	\$ million
Fee and commission income					
Credit card	121	109	35	30	31
Fund management	151	111	35	50	33
Futures broking	21	32	6	5	6
Investment-related	251	131	127	65	39
Loan-related	126	114	31	28	33
Service charges	62	52	19	14	16
Trade-related	145	138	40	36	40
Other	22	18	1	7	6
	900	706	293	234	204
Dividend and rental income	123	108	19	27	21
Other operating income					
Net gain / (loss) from:					
- Foreign exchange	130	126	49	32	48
- Trading securities, government securities and derivatives	45	(34)	6	27	(24)
- Investment securities	54	82	(9)	(4)	20
- Disposal of assets held for sale	23	-	8	0*	-
Other income	140	116	47	33	29
	391	290	101	88	73
Total non-interest income	1,414	1,104	414	350	298
Fee and commission income / Total income (%)	23.9	21.7	28.6	25.3	23.7
Non-interest income / Total income (%)	37.6	33.9	40.3	37.7	34.6

* Less than \$500,000.



II) Review of Financial Performance

Operating Expenses

Total operating expenses increased 16.1% to \$1,424 million for 2005 compared to \$1,227 million for 2004, attributed mainly to the acquisition of BOA. Consequently, the expense-to-income ratio of the Group increased to 37.9% for 2005 from 37.6% for 2004.

In 4Q05, total operating expenses increased 11.0% to \$404 million from \$364 million in 4Q04. Expense-to-income ratio, however, improved to 39.3% in 4Q05 from 42.3% in 4Q04.

	2005	2004	4th Quarter 2005	3rd Quarter 2005	4th Quarter 2004
	\$ million	\$ million	\$ million	\$ million	\$ million
Staff costs	684	587	199	169	171
Other operating expenses	740	639	205	185	193
Total operating expenses ^	1,424	1,227	404	353	364
Expense / Income ratio (%)	37.9	37.6	39.3	38.1	42.3

Total operating expenses included:

IT-related expenses	222	188	60	55	56
IT-related expenses / Total operating expenses (%)	15.6	15.3	14.8	15.4	15.4

^ Total operating expenses included auditors' remuneration of \$3 million (2004: \$3 million).

Staff Costs

Staff costs increased 16.4% to \$684 million for 2005 compared to \$587 million for 2004, largely from wages and salaries due to a higher headcount.

	2005	2004	2005 / 2004
	\$ million	\$ million	%
Wages and salaries	580	499	16.3
Employer's contribution to defined contribution plans	48	46	5.7
Share option expense	2	-	NM
Other staff-related costs	53	43	24.1
Total staff costs	684	587	16.4
Manpower (number)	18,816	13,574	5,242

NM denotes "Not Meaningful".



II) Review of Financial Performance

Operating Expenses (cont'd)

Other Operating Expenses

Other operating expenses increased 15.8% to \$740 million for 2005 from \$639 million for 2004. The increase was mainly from depreciation of fixed assets, rental and maintenance charges, advertising expenses and professional fees.

In 4Q05, other operating expenses increased 5.8% to \$205 million from \$193 million in 4Q04.

	2005	2004	4th Quarter	3rd Quarter	4th Quarter
	\$ million	\$ million	2005	2005	2004
			\$ million	\$ million	\$ million
Depreciation					
- Land and buildings	27	27	7	6	7
- Office equipment, computers, fixtures and other fixed assets	113	98	28	28	28
	140	125	35	35	35
Rental of premises and equipment	46	37	11	12	10
Maintenance of premises and other assets	65	56	19	15	17
Other expenses	489	422	139	124	131
Total other operating expenses	740	639	205	185	193

Other Impairment Charges

Other impairment charges of \$174 million for 2005 was 16.9% lower than the \$209 million for 2004. The decrease was mainly due to lower impairment charges on investment securities and loans, partially offset by lower write-back of collective impairment.

In 4Q05, other impairment charges decreased 34.8% to \$74 million from the \$113 million in 4Q04, mainly due to lower impairment charges on properties, loans and other assets, coupled with the collective impairment charges in 4Q04.

	2005	2004	4th Quarter	3rd Quarter	4th Quarter
	\$ million	\$ million	2005	2005	2004
			\$ million	\$ million	\$ million
Individual impairment on loans					
Singapore	99	172	48	(41)	33
Regional countries ^	119	65	23	51	30
Greater China ^^	(5)	(5)	(0)*	4	4
Other	2	4	(1)	1	14
	215	235	70	16	81
Individual impairment on other assets and provision for contingent liabilities	15	76	4	4	22
Collective impairment	(56)	(102)	-	-	10
Total other impairment charges	174	209	74	19	113

^ Regional countries comprise Malaysia, Indonesia, the Philippines and Thailand.

^^ Greater China comprises China, Hong Kong S.A.R. and Taiwan.

* Less than \$500,000.

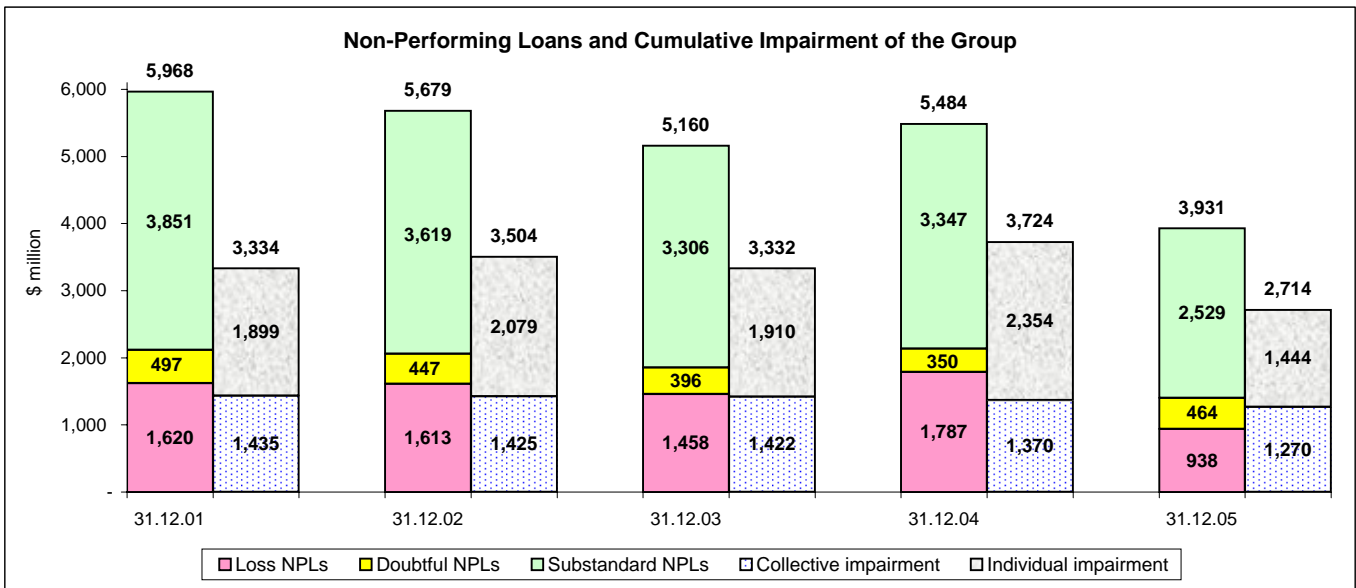


III) Non-Performing Loans (NPLs) and Cumulative Impairment

NPLs and Cumulative Impairment of the Group

With the continued effort to improve asset quality, the Group's NPLs were managed down by 28.3% to \$3,931 million as at 31 December 2005 from \$5,484 million as at 31 December 2004. Correspondingly, NPL ratio improved to 5.6% from 8.0% as at 31 December 2004. As at 31 December 2005, 56.7% of Group NPLs was secured by collateral as compared to the 51.0% as at 31 December 2004. Of the total NPLs, \$2,529 million or 64.3% were in the Substandard category.

In line with the lower NPLs, total cumulative impairment decreased 27.1% from \$3,724 million as at 31 December 2004 to \$2,714 million as at 31 December 2005. Total cumulative impairment provided a coverage of 69.0% against total NPLs, compared to 67.9% as at 31 December 2004. Unsecured NPLs as at 31 December 2005 were 159.4% covered by total cumulative impairment, compared to 138.6% as at 31 December 2004.



31-Dec-05 31-Dec-04 31-Dec-03 31-Dec-02 31-Dec-01

NPLs

	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02	31-Dec-01
Substandard	2,529	3,347	3,306	3,619	3,851
Doubtful	464	350	396	447	497
Loss	938	1,787	1,458	1,613	1,620
Total NPLs	3,931	5,484	5,160	5,679	5,968

Cumulative Impairment

	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02	31-Dec-01
Individual impairment	1,444	2,354	1,910	2,079	1,899
Collective impairment	1,270	1,370	1,422	1,425	1,435
Total cumulative impairment	2,714	3,724	3,332	3,504	3,334

Ratios

	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02	31-Dec-01
NPL ratio*	5.6	8.0	8.1	9.0	9.3
NPLs / Total assets	2.7	4.1	4.5	5.3	5.2
Cumulative impairment / NPLs	69.0	67.9	64.6	61.7	55.9
Cumulative impairment / Doubtful & Loss NPLs	193.6	174.3	179.7	170.1	157.5
Cumulative impairment / Unsecured NPLs	159.4	138.6	141.4	138.3	136.6
Cumulative impairment ^ / Gross customer loans	3.9	5.4	5.2	5.5	5.2
Collective impairment / Gross customer loans (net of individual impairment ^)	1.9	2.1	2.3	2.4	2.3

* NPL ratio represents NPLs (excluding debt securities) as a percentage of gross customer loans.

^ Excluding debt securities.

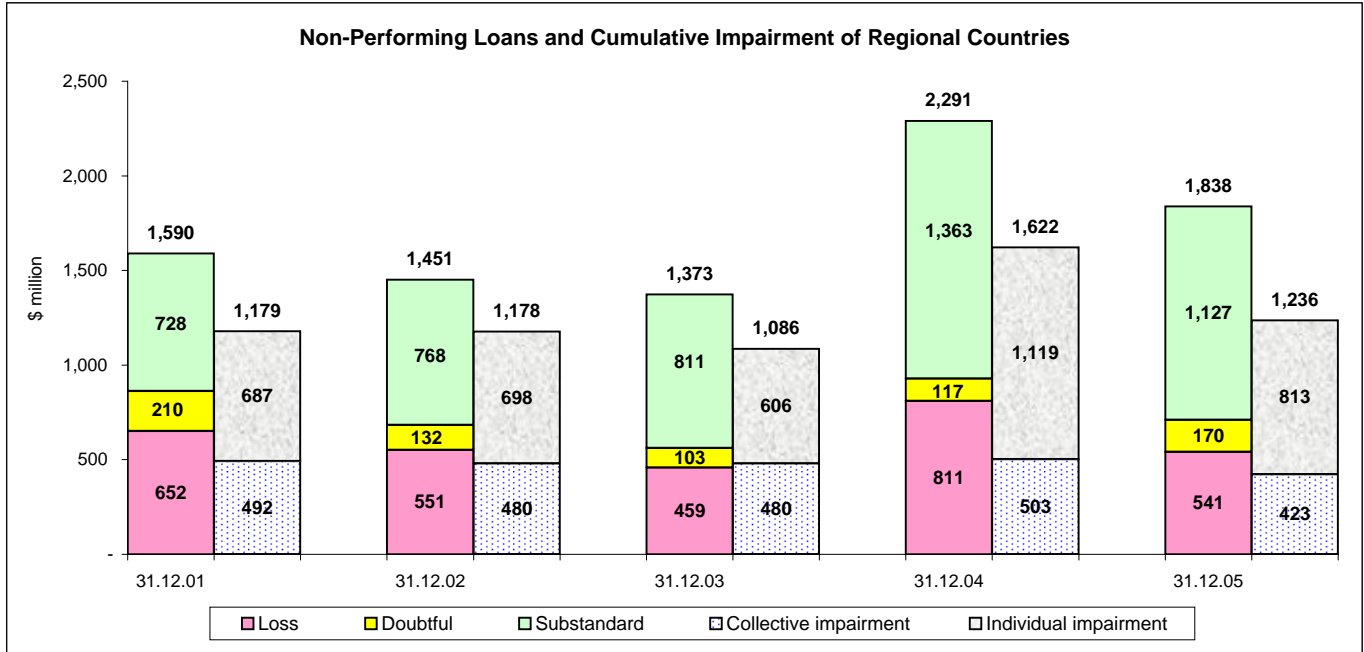


III) Non-Performing Loans (NPLs) and Cumulative Impairment

NPLs and Cumulative Impairment of Regional Countries

NPLs of Regional Countries declined to \$1,838 million as at 31 December 2005 from \$2,291 million as at 31 December 2004, leading to a lower NPL ratio of 10.6% as at 31 December 2005 from 15.2% as at 31 December 2004.

Total cumulative impairment for Regional Countries as at 31 December 2005 were \$1,236 million compared to \$1,622 million as at 31 December 2004. The total cumulative impairment provided coverage of 67.2% for the total NPLs and 173.8% for the Doubtful and Loss NPLs in the Regional Countries.



	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02	31-Dec-01
NPLs					
Substandard	1,127	1,363	811	768	728
Doubtful	170	117	103	132	210
Loss	541	811	459	551	652
Total NPLs	1,838	2,291	1,373	1,451	1,590

	\$ million				
Cumulative Impairment					
Individual impairment	813	1,119	606	698	687
Collective impairment	423	503	480	480	492
Total cumulative impairment	1,236	1,622	1,086	1,178	1,179

	%				
Ratios					
NPL ratio*	10.6	15.2	14.1	17.0	18.4
Cumulative impairment / NPLs	67.2	70.8	79.1	81.2	74.2
Cumulative impairment / Doubtful & Loss NPLs	173.8	174.8	193.2	172.5	136.8
Cumulative impairment / Unsecured NPLs	138.3	142.0	160.2	160.3	147.0
Cumulative impairment ^ / Gross customer loans	7.1	10.7	11.1	13.8	13.7
Collective impairment / Gross customer loans (net of individual impairment ^)	2.6	3.6	5.4	6.2	6.3
NPLs / Gross exposure to the Regional Countries	5.7	8.3	7.3	9.9	9.5

* NPL ratio represents NPLs (excluding debt securities) as a percentage of gross customer loans.

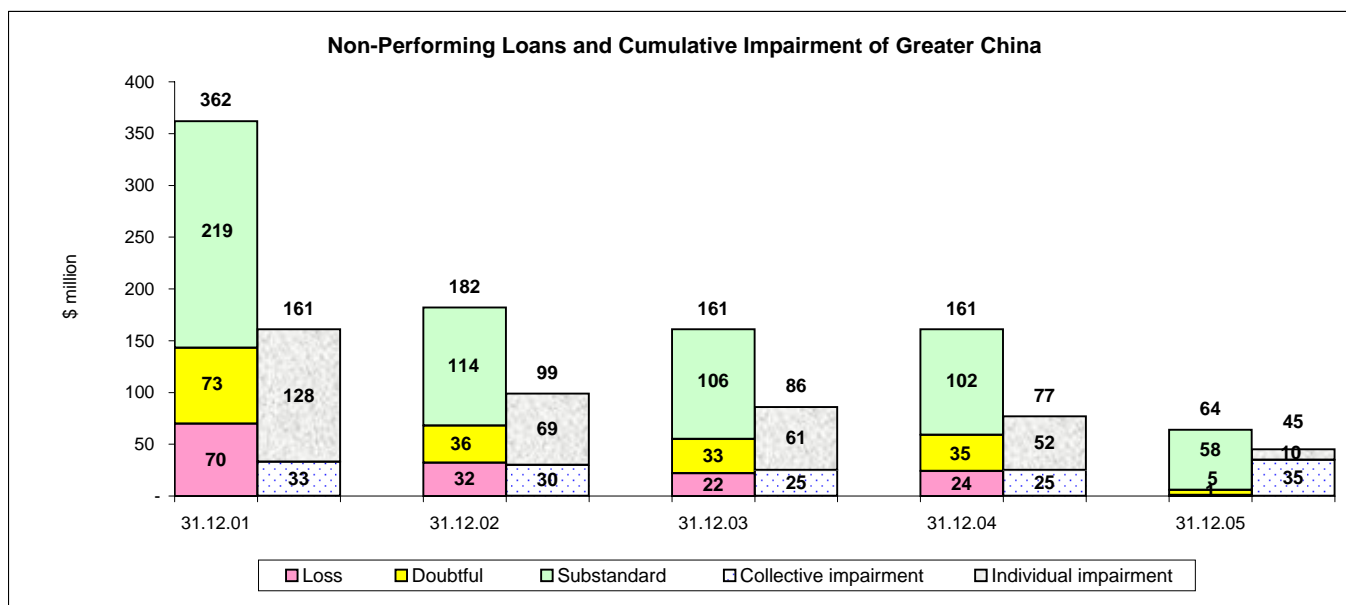
^ Excluding debt securities.

III) Non-Performing Loans (NPLs) and Cumulative Impairment

NPLs and Cumulative Impairment of Greater China

NPLs of Greater China improved significantly by 60.2% to \$64 million as at 31 December 2005 from \$161 million as at 31 December 2004. Accordingly, NPL ratio was lower at 2.7% compared to 8.0% as at 31 December 2004.

In tandem with the lower NPLs, cumulative impairment for Greater China decreased to \$45 million from the \$77 million as at 31 December 2004. Coverage for Doubtful and Loss NPLs increased from 130.5% to 750.0% over the year.



	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02	31-Dec-01
NPLs					
	\$ million				
Substandard	58	102	106	114	219
Doubtful	5	35	33	36	73
Loss	1	24	22	32	70
Total NPLs	64	161	161	182	362
Cumulative Impairment					
	\$ million				
Individual impairment	10	52	61	69	128
Collective impairment	35	25	25	30	33
Total cumulative impairment	45	77	86	99	161
Ratios					
	%				
NPL ratio*	2.7	8.0	8.2	7.3	12.4
Cumulative impairment / NPLs	70.3	47.8	53.4	54.4	44.5
Cumulative impairment / Doubtful & Loss NPLs	750.0	130.5	156.4	145.6	112.6
Cumulative impairment ^ / Gross customer loans	1.9	3.8	4.4	4.0	5.5
Collective impairment / Gross customer loans (net of individual impairment ^)	1.5	1.3	1.3	1.2	1.2
NPLs / Gross exposure to Greater China	0.6	1.5	1.7	2.4	5.7

* NPL ratio represents NPLs (excluding debt securities) as a percentage of gross customer loans.

^ Excluding debt securities.



III) Non-Performing Loans (NPLs) and Cumulative Impairment

NPLs by Region

Singapore's NPLs accounted for 49.7% of the Group's NPLs as at 31 December 2005. It decreased 33.7% to \$1,955 million as at 31 December 2005 from the \$2,949 million as at 31 December 2004.

NPLs of Regional Countries accounted for 46.8% of the Group's NPLs as at 31 December 2005. It reduced 19.8% to \$1,838 million as at 31 December 2005 from \$2,291 million as at 31 December 2004, mainly from Thailand and Malaysia.

	31-Dec-05		31-Dec-04		31-Dec-03	
	\$ million	%	\$ million	%	\$ million	%
Singapore	1,955	49.7	2,949	53.8	3,530	68.4
Regional Countries						
Malaysia	651	16.6	873	15.9	930	18.0
Indonesia	101	2.6	88	1.6	119	2.3
Philippines	180	4.6	160	2.9	184	3.6
Thailand	906	23.0	1,170	21.4	140	2.7
	1,838	46.8	2,291	41.8	1,373	26.6
Greater China	64	1.6	161	2.9	161	3.1
Other	74	1.9	83	1.5	96	1.9
Total NPLs	3,931	100.0	5,484	100.0	5,160	100.0

NPLs by Industry

As at 31 December 2005, lower NPLs were registered across all the industries compared to those as at 31 December 2004. The major reduction came from professionals and private individuals, manufacturing, and building and construction sectors.

	31-Dec-05		31-Dec-04		31-Dec-03	
	Amount \$ million	As % of Gross Customer Loans	Amount \$ million	As % of Gross Customer Loans	Amount \$ million	As % of Gross Customer Loans
Transport, storage and communication	79	3.2	119	5.7	105	5.0
Building and construction	566	7.1	844	11.3	756	10.3
Manufacturing	834	10.6	1,130	14.5	745	12.7
Non-bank financial institutions	528	5.2	660	6.5	984	9.5
General commerce	769	6.7	1,006	9.2	751	8.1
Professionals and private individuals	578	5.7	897	8.8	926	9.6
Housing loans	390	2.3	505	3.2	632	4.3
Other	150	4.8	244	7.1	182	5.7
Sub-total	3,894	5.6	5,405	8.0	5,081	8.1
Debt securities	37		79		79	
Total NPLs	3,931		5,484		5,160	



III) Non-Performing Loans (NPLs) and Cumulative Impairment

Individual Impairment by Loan Classification

Total individual impairment as at 31 December 2005 was \$1,444 million, of which 65.0% was for the Loss accounts.

	31-Dec-05		31-Dec-04		31-Dec-03	
	\$ million	%	\$ million	%	\$ million	%
Substandard	165	11.4	341	14.5	189	9.9
Doubtful	341	23.6	226	9.6	263	13.8
Loss	938	65.0	1,787	75.9	1,458	76.3
Total individual impairment	1,444	100.0	2,354	100.0	1,910	100.0

Individual Impairment by Region

As at 31 December 2005, individual impairment for Singapore and Regional Countries accounted for 42.2% and 56.3% of the Group's total individual impairment respectively.

	31-Dec-05		31-Dec-04		31-Dec-03	
	\$ million	%	\$ million	%	\$ million	%
Singapore	609	42.2	1,157	49.2	1,200	62.8
Regional Countries						
Malaysia	207	14.3	331	14.0	383	20.0
Indonesia	55	3.8	68	2.9	78	4.1
Philippines	70	4.9	80	3.4	76	4.0
Thailand	481	33.3	640	27.2	69	3.6
	813	56.3	1,119	47.5	606	31.7
Greater China	10	0.7	52	2.2	61	3.2
Other	12	0.8	26	1.1	43	2.3
Total individual impairment	1,444	100.0	2,354	100.0	1,910	100.0

Individual Impairment by Industry

Individual impairment as at 31 December 2005 was mainly for manufacturing and general commerce sectors which accounted for 28.6% and 23.2% of the total individual impairment for loans respectively.

	31-Dec-05		31-Dec-04		31-Dec-03	
	\$ million	%	\$ million	%	\$ million	%
Transport, storage and communication	31	2.2	56	2.4	44	2.4
Building and construction	182	12.7	337	14.6	275	14.8
Manufacturing	410	28.6	602	26.1	352	18.9
Non-bank financial institutions	151	10.5	190	8.3	319	17.1
General commerce	332	23.2	503	21.8	316	16.9
Professionals and private individuals	214	14.9	386	16.8	360	19.3
Housing loans	49	3.4	93	4.0	98	5.3
Other	64	4.5	139	6.0	98	5.3
Sub-total	1,433	100.0	2,306	100.0	1,862	100.0
Debt securities	11		48		48	
Total individual impairment	1,444		2,354		1,910	

III) Non-Performing Loans (NPLs) and Cumulative Impairment

Restructured Loans

NPLs restructured during the financial year were as follows:

	2005		2004		2003	
	NPLs \$ million	Individual Impairment \$ million	NPLs \$ million	Individual Impairment \$ million	NPLs \$ million	Individual Impairment \$ million
Substandard	141	31	223	22	196	31
Doubtful	1	1	49	37	-	-
Loss	10	10	30	30	35	35
Total restructured loans	152	42	302	89	231	66

Ageing of NPLs

The following table analyses NPLs by period in arrears. When payment of interest or principal of an account is overdue, all outstanding balances of that account are deemed non-current and aged accordingly.

<u>Ageing (Days)</u>	31-Dec-05		31-Dec-04		31-Dec-03	
	\$ million	%	\$ million	%	\$ million	%
Current	286	7.3	548	10.0	670	13.0
≤ 90	380	9.6	357	6.5	378	7.3
91 to 180	459	11.7	596	10.9	464	9.0
≥ 181	2,806	71.4	3,983	72.6	3,648	70.7
Total NPLs	3,931	100.0	5,484	100.0	5,160	100.0

Secured / Unsecured NPLs

As at 31 December 2005, 56.7% of the Group's total NPLs was secured by collateral compared to the 51.0% as at 31 December 2004.

	31-Dec-05		31-Dec-04		31-Dec-03	
	\$ million	%	\$ million	%	\$ million	%
Secured	2,228	56.7	2,797	51.0	2,804	54.3
Unsecured	1,703	43.3	2,687	49.0	2,356	45.7
Total NPLs	3,931	100.0	5,484	100.0	5,160	100.0



III) Non-Performing Loans (NPLs) and Cumulative Impairment

Collateral

The Group's NPLs are predominantly secured by properties. Other types of collateral include marketable securities such as listed stocks and shares, cash and deposits, and bankers' standby letters of credit.

Secured NPLs of the Group analysed by country of risk and collateral type are as follows:

	Secured NPLs					Secured NPLs/ Total NPLs %
	Properties	Marketable Securities	Cash and Deposits	Other	Total	
	\$ million	\$ million	\$ million	\$ million	\$ million	
31-Dec-05						
Singapore	1,139	13	16	12	1,180	60.4
Regional Countries	841	47	6	50	944	51.4
Greater China	42	-	-	-	42	65.6
Other	61	1	-	-	62	83.8
Total secured NPLs	2,083	61	22	62	2,228	56.7

	Secured NPLs					Secured NPLs/ Total NPLs %
	Properties	Marketable Securities	Cash and Deposits	Other	Total	
	\$ million	\$ million	\$ million	\$ million	\$ million	
31-Dec-04						
Singapore	1,442	21	19	36	1,518	51.5
Regional Countries	1,008	84	15	42	1,149	50.2
Greater China	84	-	-	-	84	52.2
Other	45	1	-	-	46	55.4
Total secured NPLs	2,579	106	34	78	2,797	51.0

	Secured NPLs					Secured NPLs/ Total NPLs %
	Properties	Marketable Securities	Cash and Deposits	Other	Total	
	\$ million	\$ million	\$ million	\$ million	\$ million	
31-Dec-03						
Singapore	1,883	51	16	78	2,028	57.5
Regional Countries	579	66	9	41	695	50.6
Greater China	44	1	2	-	47	29.2
Other	30	3	-	1	34	35.4
Total secured NPLs	2,536	121	27	120	2,804	54.3



IV) Segmental Analysis

Business Segments

The Group's businesses are organised into five segments based on the types of products and services that it provides. These segments are Individual Financial Services, Institutional Financial Services, Global Treasury, Asset Management and Other.

Individual Financial Services

Individual Financial Services segment covers Personal Financial Services and Private Banking. Personal Financial Services serves individual customers, including the wealthy and affluent privilege banking customers. The principal products and services for personal customers include deposits, loans, investments, and credit and debit cards. Personal Financial Services also sells and distributes a range of life assurance products. For the more affluent customers, Privilege Banking provides an extensive range of financial services, including wealth management and trust services. Private Banking provides an elevated level of personal service and confidential consultation to the sophisticated investors and high networth individuals.

The increase in segment profit by 8.9% to \$548 million in 2005 was mainly due to higher fees from structured deposits, unit trusts and credit cards, apart from stronger net interest income.

Institutional Financial Services

Institutional Financial Services segment encompasses Commercial Credit, Corporate Banking, Corporate Finance and Capital Markets. Commercial Credit serves the small and medium-sized enterprises. Corporate Banking serves the middle market and large local corporate groups, including non-bank financial institutions. Both Commercial Credit and Corporate Banking provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, trade finance, structured finance, cash management and cross-border payments. Corporate Finance serves corporations with services that include initial public offerings, rights issues, and corporate advisory services. Capital Markets specialises in providing solution-based structures to meet clients' financing requirements, as well as in the issue of debt and quasi-debt securities and loan syndications.

Segment profit showed a growth of 30.7% to \$1,034 million in 2005. The increase was largely due to stronger income from capital markets and trade-related activities.

Global Treasury

Global Treasury segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, a full range of gold products, as well as an array of structured products. It is a dominant player in Singapore dollar treasury instruments as well as a provider of banknote services in the region.

Global Treasury's profit grew 36.3% to \$308 million in 2005. The better performance was mainly attributed to higher gains from interest rate management and overseas treasury centres, as well as higher fees from structured product sales and corporate treasury advisory services.

Asset Management

Asset Management segment comprises asset management, venture capital management and proprietary investment activities. Segment profit of \$125 million in 2005 was 11.3% lower than that in 2004 largely due to higher impairment charges, partly offset by higher fee income resulting from an increase in assets under management.

Other

Other segment includes property-related activities, insurance businesses and the management of capital funds. The segment profit of \$196 million in 2005 was 8.4% lower than that in 2004, mainly due to higher expenses incurred for Thailand integration and hubbing projects.

Note: "Profit" in the above analysis refers to "Segment profit before amortisation / impairment of intangible assets".


IV) Segmental Analysis
Business Segments (cont'd)

						\$ million
31-Dec-05	Individual Financial Services	Institutional Financial Services	Global Treasury	Asset Management	Other	Total
Income before operating expenses	1,202	1,589	480	222	268	3,761
Less: Segment operating expenses	557	421	171	88	139	1,376
Less: Other impairment charges	97	134	1	9	(67)	174
Segment profit before amortisation / impairment of intangible assets	548	1,034	308	125	196	2,211
Less: Impairment of goodwill	-	-	-	-	58	58
Less: Amortisation of other intangible assets	1	1	-	-	-	2
Segment profit before tax	547	1,033	308	125	138	2,151
Unallocated corporate expenses						(47)
Operating profit after amortisation and impairment charges						2,104
Share of profit of associates						100
Profit before tax						2,204
Tax and minority interests						(495)
Profit attributable to Bank's equity holders						1,709
Segment assets	26,926	43,263	61,053	1,072	6,802	139,116
Assets held for sale	-	-	-	-	606	606
Intangible assets						
- Goodwill	1,168	2,272	398	267	80	4,185
- Other	27	58	-	-	-	85
Investment in associates						1,000
Unallocated assets						81
Total assets						145,073
Segment liabilities	49,625	37,452	35,431	80	6,599	129,187
Unallocated liabilities						666
Total liabilities						129,853
Other information:						
Gross customer loans	26,841	43,005	-	-	-	69,846
NPLs [@]	968	2,926	-	-	-	3,894
Individual impairment [@]	263	1,170	-	-	-	1,433
Non-trading securities (gross)						
- Government and debt securities	-	760	12,750	124	4,180	17,814
- Equity securities	-	14	90	663	375	1,142
Intangible assets acquired	66	347	55	2	1	471
Capital expenditure	47	50	7	1	4	109
Depreciation of fixed assets	46	53	10	1	30	140

[@] Excluding debt securities.



IV) Segmental Analysis

Business Segments (cont'd)

	\$ million					
31-Dec-04	Individual Financial Services	Institutional Financial Services	Global Treasury	Asset Management	Other	Total
Income before operating expenses	1,090	1,328	395	193	253	3,259
Less: Segment operating expenses	497	368	165	69	76	1,175
Less: Other impairment charges	90	169	4	(17)	(37)	209
Segment profit before amortisation / impairment of intangible assets	503	791	226	141	214	1,875
Unallocated corporate expenses						(51)
						1,824
Intangible assets amortised / impaired						(214)
Operating profit after amortisation and impairment charges						1,610
Share of profit of associates						307
Profit before tax						1,917
Tax and minority interests						(465)
Profit attributable to Bank's equity holders						1,452
Segment assets	25,908	41,942	55,245	872	5,251	129,218
Intangible assets						3,876
Investment in associates						1,702
Unallocated assets						83
Total assets						134,879
Segment liabilities	46,061	34,842	33,861	66	5,870	120,700
Unallocated liabilities						592
Total liabilities						121,292
Other information:						
Gross customer loans	26,031	41,946	-	-	-	67,977
NPLs [@]	1,402	4,003	-	-	-	5,405
Individual impairment [@]	479	1,827	-	-	-	2,306
Non-trading securities (gross)						
- Government and debt securities	-	1,285	11,061	143	2,633	15,122
- Equity securities	-	29	112	486	838	1,465
Capital expenditure	41	32	10	2	13	98
Depreciation of fixed assets	38	34	14	2	37	125

[@] Excluding debt securities.



IV) Segmental Analysis

Geographical Segments

The following geographical segment information is based on the location where the transactions and assets are booked which approximates that based on the location of the customers and assets. The information is stated after elimination of inter-segment transactions.

Income before Operating Expenses

	2005	2004	4th Quarter 2005	3rd Quarter 2005	4th Quarter 2004
	\$ million	\$ million	\$ million	\$ million	\$ million
Singapore (including Asian Currency Unit)	2,540	2,332	712	614	561
Other ASEAN countries	872	624	229	230	209
Other Asia-Pacific countries	166	178	44	35	51
Rest of the world	183	125	43	48	39
Total	3,761	3,259	1,028	927	860

Profit before Tax

	2005	2004	4th Quarter 2005	3rd Quarter 2005	4th Quarter 2004
	\$ million	\$ million	\$ million	\$ million	\$ million
Singapore (including Asian Currency Unit)	1,756	1,680	461	452	441
Other ASEAN countries	266	278	65	66	101
Other Asia-Pacific countries	108	95	21	30	12
Rest of the world	134	78	26	37	14
	2,264	2,131	573	585	568
Intangible assets amortised / impaired	(60)	(214)	(2)	-	(59)
Total	2,204	1,917	571	585	509

Total Assets

	31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%
Singapore (including Asian Currency Unit)	90,710	64.4	84,688	64.6
Other ASEAN countries	25,869	18.4	23,387	17.9
Other Asia-Pacific countries	16,255	11.5	15,740	12.0
Rest of the world	7,969	5.7	7,188	5.5
	140,803	100.0	131,003	100.0
Intangible assets	4,270		3,876	
Total	145,073		134,879	

V) Overview of Balance Sheet

Total Assets

Total assets as at 31 December 2005 were \$145,073 million, representing a growth of 7.6% over the \$134,879 million as at 31 December 2004, mainly attributed to higher placements and balances with banks and agents, customer loans and securities.

<u>Assets Mix</u>	<u>31-Dec-05</u>		<u>31-Dec-04</u>	
	<u>\$ million</u>	<u>%</u>	<u>\$ million</u>	<u>%</u>
Cash, balances and placements with central banks	11,925	8.2	11,653	8.6
Securities *	20,332	14.0	18,795	13.9
Placements and balances with banks and agents	31,346	21.6	26,726	19.8
Customer loans	67,142	46.3	64,300	47.7
Intangible assets	4,270	3.0	3,876	2.9
Other	10,058	6.9	9,529	7.1
Total assets	145,073	100.0	134,879	100.0

Securities *

Total securities as at 31 December 2005 amounted to \$20,332 million, representing an increase of 8.2% over the \$18,795 million as at 31 December 2004. The growth was mainly from increased holdings in debt securities issued by banks.

	<u>31-Dec-05</u>	<u>31-Dec-04</u>
	<u>\$ million</u>	<u>\$ million</u>
Total Securities		
Trading	1,592	2,469
Non-trading	18,956	16,587
Provision for impairment	(216)	(260)
	18,740	16,326
Total securities (net)	20,332	18,795

Non-trading Securities Analysed by Issuer Type

	<u>31-Dec-05</u>		<u>31-Dec-04</u>	
	<u>\$ million</u>	<u>%</u>	<u>\$ million</u>	<u>%</u>
Government	8,618	45.5	7,720	46.5
Public sector	49	0.2	51	0.3
Bank	5,327	28.1	3,605	21.7
Corporate	4,620	24.4	4,955	29.9
Other	343	1.8	256	1.6
Non-trading securities (gross)	18,956	100.0	16,587	100.0

Non-trading Securities Analysed by Industry

	<u>31-Dec-05</u>		<u>31-Dec-04</u>	
	<u>\$ million</u>	<u>%</u>	<u>\$ million</u>	<u>%</u>
Transport, storage and communication	561	3.0	395	2.4
Building and construction	760	4.0	434	2.6
Manufacturing	431	2.3	588	3.6
Financial institutions	6,795	35.8	5,133	30.9
General commerce	173	0.9	800	4.8
Government	8,618	45.5	7,720	46.5
Other	1,619	8.5	1,517	9.2
Non-trading securities (gross)	18,956	100.0	16,587	100.0

* Comprising government, trading and investment securities.

V) Overview of Balance Sheet
Customer Loans

Net loans and advances to customers increased \$2,842 million or 4.4% to \$67,142 million as at 31 December 2005 from the \$64,300 million as at 31 December 2004.

<u>Customer Loans Analysed by Product Group</u>	31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%
Housing loans	16,632	23.8	15,875	23.4
Term loans	39,658	56.8	38,371	56.4
Trade financing	4,808	6.9	4,503	6.6
Overdrafts	8,747	12.5	9,228	13.6
Total gross customer loans	69,846	100.0	67,977	100.0
Individual impairment	(1,433)		(2,306)	
Collective impairment	(1,270)		(1,370)	
Total net customer loans	67,142		64,300	

<u>Gross Customer Loans Analysed by Industry</u>	31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%
Transport, storage and communication	2,447	3.5	2,104	3.1
Building and construction	8,010	11.5	7,477	11.0
Manufacturing	7,870	11.3	7,796	11.5
Non-bank financial institutions	10,061	14.4	10,205	15.0
General commerce	11,483	16.4	10,908	16.0
Professionals and private individuals	10,209	14.6	10,155	14.9
Housing loans	16,632	23.8	15,875	23.4
Other	3,133	4.5	3,457	5.1
Total gross customer loans	69,846	100.0	67,977	100.0

<u>Gross Customer Loans Analysed by Currency and Fixed / Variable Rates</u>	31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%
<u>Fixed Rate</u>				
Singapore dollar	6,236	8.9	8,146	12.0
US dollar	1,988	2.9	1,529	2.2
Malaysian ringgit	255	0.4	255	0.4
Hong Kong dollar	21	-	47	0.1
Thai baht	3,191	4.6	2,652	3.9
Other	761	1.1	524	0.8
Total fixed rate gross customer loans	12,452	17.9	13,153	19.4

<u>Variable Rate</u>				
Singapore dollar	33,442	47.9	32,103	47.2
US dollar	7,816	11.2	7,241	10.7
Malaysian ringgit	6,789	9.7	6,318	9.3
Hong Kong dollar	977	1.4	848	1.2
Thai baht	3,035	4.3	3,822	5.6
Other	5,334	7.6	4,492	6.6
Total variable rate gross customer loans	57,393	82.1	54,824	80.6
Total gross customer loans	69,846	100.0	67,977	100.0

V) Overview of Balance Sheet
Customer Loans (cont'd)

<u>Gross Customer Loans Analysed by Remaining Maturity</u>	31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%
Within 1 year	34,235	49.0	33,566	49.4
Over 1 year but within 3 years	8,572	12.3	9,293	13.7
Over 3 years but within 5 years	6,788	9.7	5,898	8.6
Over 5 years	20,250	29.0	19,220	28.3
Total gross customer loans	69,846	100.0	67,977	100.0

Deposits

Total deposits of \$114,958 million as at 31 December 2005 increased 7.2% over the \$107,213 million as at 31 December 2004, contributed mainly by higher customer deposits.

As at 31 December 2005, customer deposits accounted for 74.4% of total deposits and the loans-to-deposits ratio was 78.5%.

<u>Deposits Analysed by Product Group</u>	31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%
Banker deposits	29,456	25.6	28,194	26.3
Customer deposits				
Fixed rate deposits	54,947	47.8	50,933	47.5
Current, savings and other deposits	30,556	26.6	28,086	26.2
	85,503	74.4	79,019	73.7
Total deposits	114,958	100.0	107,213	100.0
 Loans / Deposits ratio * (%)		78.5		81.4

<u>Deposits Analysed by Remaining Maturity</u>	31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%
Within 1 year	111,985	97.4	104,729	97.7
Over 1 year but within 3 years	1,117	1.0	1,412	1.3
Over 3 years but within 5 years	816	0.7	903	0.8
Over 5 years	1,041	0.9	169	0.2
Total deposits	114,958	100.0	107,213	100.0

* "Loans" refers to net customer loans while "Deposits" refers to customer deposits.

V) Overview of Balance Sheet
Debts Issued

	<u>31-Dec-05</u> \$ million	<u>31-Dec-04</u> \$ million
(a) <u>Subordinated Notes</u>		
(i) S\$1.3 billion 4.95% subordinated notes due 2016 callable with step-up in 2011	1,300	1,300
(ii) S\$1 billion 4.100% subordinated notes due 2019 callable with step-up in 2014	998	998
(iii) US\$1 billion 4.50% subordinated notes due 2013	1,663	1,633
(iv) US\$1 billion 5.375% subordinated notes due 2019 callable with step-up in 2014	1,662	1,633
(v) THB2 billion subordinated debentures due 2008	81	84
(vi) IDR300 billion 13.25% subordinated bonds due 2014	50	-
Unamortised expenses relating to issue of subordinated notes	(13)	(14)
Total, at amortised cost	5,741	5,634
Fair value hedge adjustments	(124)	-
	5,617	5,634
(b) S\$276,250,000 zero coupon exchangeable notes due 2006	61	-
(c) <u>Asset Backed Commercial Paper ("ABCP")</u>		
(i) S\$ ABCP, at amortised cost	554	724
(ii) US\$ ABCP, at amortised cost	285	201
	839	925
(d) Other	592	530
Total debts issued	7,108	7,089

- (a) (i) The S\$1.3 billion 4.95% subordinated notes were issued by the Bank at par on 30 August 2001 and mature on 30 September 2016. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 30 September 2011 or at any interest payment date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 4.95% per annum up to and including 29 September 2011. From and including 30 September 2011, interest is payable semi-annually at a fixed rate equal to the five-year Singapore Dollar Interest Rate Swap (Offer Rate) as at 30 September 2011 plus 2.25% per annum.
- (ii) The S\$1 billion 4.100% subordinated notes were issued by the Bank at 99.755% on 24 August 2004 and mature on 3 September 2019. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 3 September 2014 or at any interest payment date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 4.100% per annum beginning 3 March 2005. From and including 3 September 2014, interest is payable semi-annually at a fixed rate per annum equal to the five-year Singapore Dollar Interest Rate Swap (Offer Rate) plus 1.680%.
- (iii) The US\$1 billion 4.50% subordinated notes were issued by the Bank at 99.96% on 30 June 2003 and mature on 2 July 2013. The notes may be redeemed at par at the option of the Bank, in whole, on notice, in the event of certain changes in the tax laws of Singapore, subject to the approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 4.50% per annum beginning 2 January 2004.

**V) Overview of Balance Sheet****Debts Issued (cont'd)**

(iv) The US\$1 billion 5.375% subordinated notes were issued by the Bank at 99.929% on 24 August 2004 and mature on 3 September 2019. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 3 September 2014 or at any interest payment date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 5.375% per annum beginning 3 March 2005. From and including 3 September 2014, interest is payable semi-annually at a floating rate per annum equal to the six-month LIBOR plus 1.666%.

The S\$ and US\$ subordinated notes issued by the Bank are unsecured obligations. All other liabilities of the Bank outstanding at the balance sheet date rank senior to all the S\$ and US\$ subordinated notes. The above S\$ and US\$ subordinated notes qualifies for upper tier 2 capital.

Expenses incurred in connection with the issue of the subordinated notes are, where material, capitalised and amortised over 10 years from the date of issue of the subordinated notes.

The Bank has entered into interest rate swaps to hedge the interest rate risks of certain subordinated notes with fixed coupon rates and applied fair value hedge accounting in accordance with FRS39. Fair value changes attributable to interest rate risk is adjusted to the carrying amount of the subordinated notes with the corresponding entry to profit and loss account. Fair value changes on the interest rate swaps are recognised in the profit and loss account.

(v) The THB2 billion subordinated debentures were issued by UOBT at par on 15 August 2001 and mature on 15 August 2008. Interest is payable quarterly at a floating rate calculated based on the average of the deposit rate of one year of four major banks in Thailand and UOBT, plus 2.50% per annum with a minimum guaranteed rate of 6.50% per annum. Average interest rate of the debentures for the financial year was 6.50% (2004: 6.50%).

(vi) The IDR300 billion 13.25% subordinated bonds were issued by Bank Buana on 14 July 2004 and mature on 14 July 2014. The bonds may be redeemed at par at the option of Bank Buana on the fifth anniversary from issuance date with the approval of Bank Indonesia. The bonds may also be purchased and held by Bank Buana for future trading after its first anniversary date. Interest is payable quarterly at 13.25% per annum until its fifth anniversary from the issuance date and at 22.05% per annum from the sixth year until the maturity.

(b) The S\$276,250,000 zero coupon exchangeable notes were issued at par by the Bank on 12 April 2005. The notes are direct, unsubordinated and unsecured obligations of the Bank and rank *pari passu* without any preference amongst themselves. The notes are exchangeable in whole by the noteholders into cash, or if the Bank elects, in whole or in part, into 121,696,035 ordinary shares of \$1 each in UOL. Unless the notes have been exchanged or redeemed or purchased and cancelled, they will be redeemed by the Bank on 12 January 2006 at 101.13% of their principal amount.

During the financial year, notices were served by the noteholders to redeem S\$273,250,000 of the notes, of which, S\$214,950,000 and S\$58,300,000 were exchanged into UOL shares during the financial year and in January 2006 respectively. The remaining notes of S\$3,000,000 were redeemed in cash on 12 January 2006 at 101.13%.

(c) The ABCP were issued in relation to a \$1 billion ABCP programme carried out by Archer 1 Limited, a special purpose entity ("SPE"). The ABCP have maturity of less than one year, and are secured by a first floating charge on all assets of the SPE.

Interest rates of the S\$ ABCP and US\$ ABCP as at 31 December 2005 range from 2.27% to 3.36% (31 December 2004: 1.25% to 1.60%) per annum and 4.06% to 4.54% (31 December 2004: 2.00% to 2.48%) per annum respectively.

The holders of the ABCP are entitled to receive payment comprising both the principal and interest as contracted in the ABCP but only to the extent that there are available resources in the SPE to meet those payments. The holders of the ABCP have no recourse to the Group.

(d) Other debts issued comprise equity linked notes, interest rate linked notes, credit linked notes and other structured notes.

V) Overview of Balance Sheet

Shareholders' Equity

Shareholders' equity as at 31 December 2005 was \$14,929 million, representing an increase of 11.1% over the \$13,439 million as at 31 December 2004, mainly from the issuance of US\$500 million SPV-A preference shares and profit for the financial year.

The US\$500 million non-cumulative non-convertible guaranteed SPV-A preference shares of US\$0.01 each with liquidation preference of US\$100,000 per share were issued on 13 December 2005 by the Bank via its wholly-owned subsidiary, UOB Cayman I Limited. The entire proceeds were used by the subsidiary to subscribe for the US\$500 million subordinated note issued by the Bank. Dividends on the shares are payable at the sole discretion of the Bank semi-annually at an annual rate of 5.796% of the liquidation preference from 15 March 2006 to and including 15 March 2016. After 15 March 2016, dividends are payable quarterly at a floating rate per annum equal to the three-month LIBOR plus 1.745%.

As at 31 December 2005, the Group's unrealised revaluation surplus on properties and securities was \$1,564 million which was not incorporated into the financial statements.

	<u>31-Dec-05</u>	<u>31-Dec-04</u>
	<u>\$ million</u>	<u>\$ million</u>
Shareholders' equity	14,929	13,439
Add: Unrealised revaluation surplus		
- Properties	1,212	1,098
- Securities	352	464
	<u>1,564</u>	<u>1,562</u>
Shareholders' equity including revaluation surplus	<u>16,493</u>	<u>15,001</u>
Net asset value (NAV) per share (\$)	9.71	8.75
Revaluation surplus per share (\$)	1.02	1.02
Revalued NAV per share (\$)	<u>10.73</u>	<u>9.77</u>

Contingent Liabilities

In the normal course of business, the Group conducts businesses involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are reimbursable by the corresponding obligations of the customers.

Contingent liabilities of \$11,475 million as at 31 December 2005 were 14.7% higher than the \$10,001 million reported as at 31 December 2004. The increase was primarily from trade-related contingencies, direct credit substitutes and transaction-related contingencies.

	<u>31-Dec-05</u>	<u>31-Dec-04</u>
	<u>\$ million</u>	<u>\$ million</u>
Direct credit substitutes	6,136	5,635
Transaction-related contingencies	2,506	2,156
Trade-related contingencies	2,649	2,027
Other contingent liabilities	185	183
Total contingent liabilities	<u>11,475</u>	<u>10,001</u>

V) Overview of Balance Sheet
Financial Derivatives

Financial derivatives are instruments whose values change in response to the change in prices / rates (such as foreign exchange rate, interest rate, security price and credit spread) of the underlying instruments. They include forwards, swaps, futures and options.

The table below shows the Group's financial derivatives at the balance sheet date. The contract / notional amount represents the volume of the outstanding transactions while the positive / negative fair value indicates the fair value of the financial derivatives at the balance sheet date. These amounts do not necessarily represent the future cash flows and the amounts at risk of the derivatives.

The total contract / notional amount of financial derivatives as at 31 December 2005 was \$590,802 million, representing an increase of 112.5% compared to the \$278,086 million as at 31 December 2004. The increase was primarily from interest rate swaps and foreign exchange swaps.

	31-Dec-05			31-Dec-04		
	Contract / Notional Amount	Positive Fair Value	Negative Fair Value	Contract / Notional Amount	Positive Fair Value	Negative Fair Value
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Foreign exchange contracts						
Forwards	8,251	224	51	9,694	302	151
Swaps	226,503	1,605	1,587	117,501	1,926	1,994
Options purchased	3,633	31	-	5,107	89	-
Options written	2,492	-	27	5,173	-	88
Interest rate contracts						
Forwards	6,078	2	4	19,931	9	9
Swaps	326,345	1,620	1,933	108,787	704	860
Futures	10,085	7	7	9,011	8	12
Options purchased	1,287	8	-	489	7	-
Options written	1,082	-	8	409	-	6
Equity-related contracts						
Swaps	1,503	65	63	233	11	11
Futures	-	-	-	15	-	1
Options purchased	932	52	-	563	53	-
Options written	964	-	59	541	-	53
Credit-related contracts						
Swaps	1,361	7	1	384	3	-
Precious metal contracts						
Forwards	216	7	36	211	5	13
Swaps	71	12	1	36	1	-
Total financial derivatives	590,802	3,641	3,776	278,086	3,118	3,198
Less: Financial derivatives accounted for on accrual basis		-	-		233	495
Financial derivatives measured at fair value		3,641	3,776		2,885	2,703

**V) Overview of Balance Sheet****Commitments**

As at 31 December 2005, the Group's total commitments of \$42,545 million were 8.3% higher than the \$39,276 million as at 31 December 2004. The increase was primarily from undrawn credit facilities and spot / forward contracts.

	<u>31-Dec-05</u> \$ million	<u>31-Dec-04</u> \$ million
Undrawn credit facilities	40,768	38,560
Spot / forward contracts	1,539	502
Capital commitments	36	28
Operating lease commitments	59	54
Other	142	133
Total commitments	<u>42,545</u>	<u>39,276</u>

**VI) Capital Adequacy Ratios**

The Group's capital management policy is to maintain a strong capital position to support its growth, both organically and through acquisitions.

As at 31 December 2005, the Group's total Capital Adequacy Ratio ("CAR") of 16.1% was 6.1% points above the minimum of 10% set by Monetary Authority of Singapore ("MAS"). It was 0.5% point higher than the total CAR of 15.6% as at 31 December 2004, mainly attributed to profit for the financial year and the issuance of the US\$500 million SPV-A preference shares which qualifies for tier 1 capital, partly offset by higher risk-weighted assets as a result of the consolidation of Bank Buana and increase in placements with banks and financial derivatives.

The Group's tier 1 CAR of 11.0% as at 31 December 2005 was the same as that as at 31 December 2004, and 4.0% points higher than the minimum of 7% set by MAS.

	31-Dec-05	31-Dec-04
	\$ million	\$ million
Capital		
<u>Tier 1 Capital</u>		
Share capital	1,538	1,536
Subsidiary preference shares	832	-
Disclosed reserves / other	12,393	11,910
Deduction of intangible assets	(4,284)	(4,008)
	10,479	9,438
<u>Upper Tier 2 Capital</u>		
Cumulative collective impairment / other	1,171	1,079
Subordinated notes	5,486	5,550
	6,657	6,629
Deductions from Tier 1 and Upper Tier 2 Capital	(1,816)	(2,623)
Total capital	15,320	13,444
Risk-weighted assets (including market risk)	95,285	85,966
Capital adequacy ratios		
Tier 1 capital	11.0%	11.0%
Total capital	16.1%	15.6%


VII) Exposure by Country of Operations

The Group's total direct net exposure to the countries outside Singapore where it has a presence amounted to \$54.8 billion or 37.8% of Group assets as at 31 December 2005. This represented an increase of 11.6% over the \$49.1 billion as at 31 December 2004, attributed mainly to the acquisition of Bank Buana.

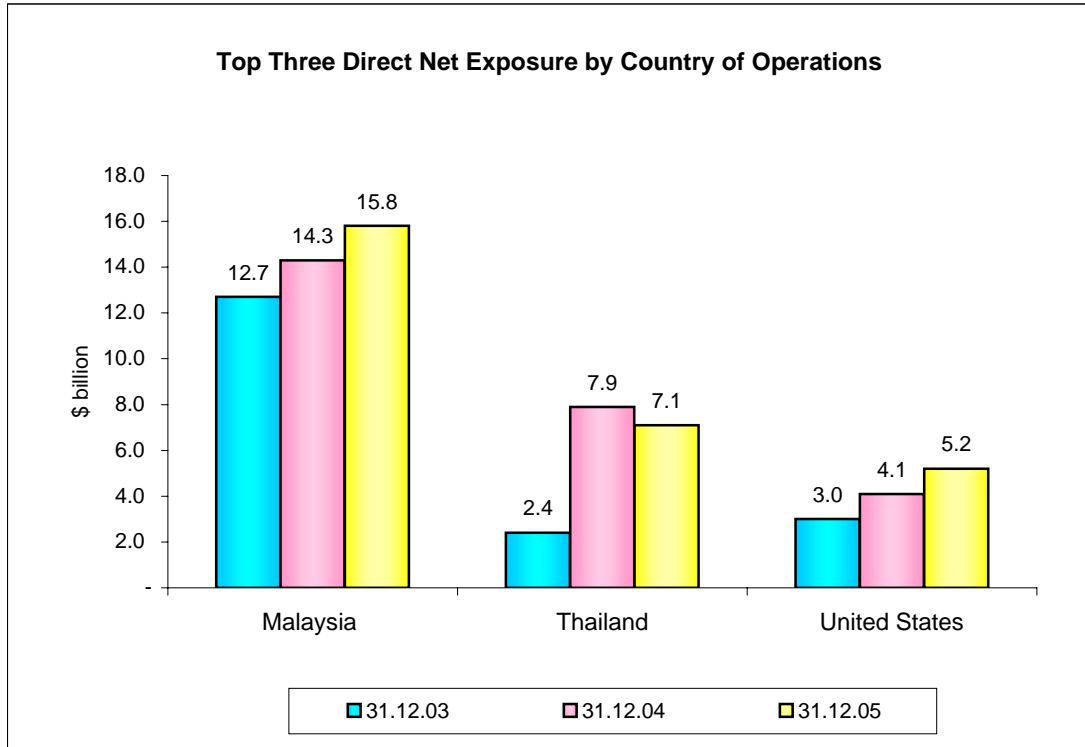
Exposure to countries outside Singapore (where UOB Group has a presence)

\$ million

	Loans to		Government	Investments	Total	Less: Loans to / Investments in Subsidiaries & Branches	Net Exposure		Contingent Liabilities
	Non-Bank	Bank					Total	% of Group Assets	
Malaysia									
31-Dec-05	7,584	6,099	3,274	1,210	18,167	2,363	15,804	10.9	1,117
31-Dec-04	7,051	5,014	3,377	1,009	16,451	2,137	14,314	10.6	1,066
31-Dec-03	6,624	4,307	3,353	742	15,026	2,296	12,730	11.2	1,067
Indonesia									
31-Dec-05	2,519	319	716	747	4,301	598	3,703	2.5	310
31-Dec-04	448	127	234	260	1,069	109	960	0.7	240
31-Dec-03	491	48	165	79	783	50	733	0.7	132
Philippines									
31-Dec-05	202	29	44	2	277	29	248	0.2	24
31-Dec-04	197	59	217	2	475	50	425	0.3	46
31-Dec-03	241	53	221	12	527	41	486	0.4	60
Thailand									
31-Dec-05	6,455	213	473	2,296	9,437	2,326	7,111	4.9	918
31-Dec-04	6,565	165	1,094	1,694	9,518	1,580	7,938	5.9	993
31-Dec-03	1,642	112	527	240	2,521	156	2,365	2.1	332
Greater China									
31-Dec-05	2,392	5,971	1,396	679	10,438	1,750	8,688	6.0	723
31-Dec-04	2,017	7,007	1,384	439	10,847	3,907	6,940	5.1	571
31-Dec-03	1,968	5,943	1,038	352	9,301	3,340	5,961	5.2	639
OECD									
31-Dec-05	4,397	9,645	1,861	4,386	20,289	1,473	18,816	13.0	1,210
31-Dec-04	4,915	8,580	3,017	2,697	19,209	943	18,266	13.6	1,015
31-Dec-03	5,535	6,180	3,655	1,338	16,708	2,076	14,632	12.9	1,084
Other									
31-Dec-05	299	182	47	-	528	103	425	0.3	134
31-Dec-04	195	121	19	5	340	68	272	0.2	74
31-Dec-03	166	53	17	1	237	12	225	0.2	65
Grand Total									
31-Dec-05	23,848	22,458	7,811	9,320	63,437	8,642	54,795	37.8	4,436
31-Dec-04	21,388	21,073	9,342	6,106	57,909	8,794	49,115	36.4	4,005
31-Dec-03	16,667	16,696	8,976	2,764	45,103	7,971	37,132	32.7	3,379

VII) Exposure by Country of Operations

At the country level, direct net exposure to Malaysia where the Group has a long-standing presence, remained the largest at \$15.8 billion or 10.9% of Group assets, followed by Thailand at \$7.1 billion and United States at \$5.2 billion.



CONSOLIDATED PROFIT AND LOSS ACCOUNT

	4th Quarter 2005	3rd Quarter 2005	2nd Quarter 2005	1st Quarter 2005	Full Year 2005	Full Year 2004
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Interest income	1,387	1,229	1,169	1,096	4,882	3,661
Less: Interest expense	774	651	596	514	2,534	1,506
Net interest income	614	578	574	583	2,348	2,155
Dividend income	4	11	42	3	60	43
Fee and commission income	293	234	186	186	900	706
Rental income	16	16	16	16	64	65
Other operating income	101	88	90	112	391	290
Total non-interest income	414	350	334	316	1,414	1,104
Income before operating expenses	1,028	927	908	899	3,761	3,259
Less:						
Staff costs	199	169	163	153	684	587
Other operating expenses	205	185	185	166	740	639
Total operating expenses	404	353	347	319	1,424	1,227
Operating profit before amortisation and impairment charges	623	574	560	580	2,337	2,032
Less: Intangible assets amortised / impaired	2	-	56	2	60	214
Less: Other impairment charges	74	19	14	66	174	209
Operating profit after amortisation and impairment charges	548	555	489	512	2,104	1,610
Share of profit of associates	23	31	32	14	100	307
Profit before tax	571	585	522	526	2,204	1,917
Less: Tax	134	116	106	117	472	450
Profit for the financial period	437	470	416	409	1,731	1,466
Attributable to:						
Equity holders of the Bank	432	463	409	406	1,709	1,452
Minority interests	5	7	7	4	22	15
	437	470	416	409	1,731	1,466

**CONSOLIDATED BALANCE SHEET**

	31-Dec-05 \$ million	30-Sep-05 \$ million	30-Jun-05 \$ million	31-Mar-05 \$ million	31-Dec-04 \$ million
Equity					
Share capital	1,538	1,538	1,538	1,537	1,536
Subsidiary preference shares	832	-	-	-	-
Capital reserves	4,360	4,398	4,404	4,405	4,250
Statutory reserves	3,020	2,922	2,922	2,922	2,922
Revenue reserves	4,963	4,667	4,451	4,859	4,607
Share of reserves of associates	217	210	202	213	123
Equity attributable to equity holders of the Bank	14,929	13,735	13,517	13,935	13,439
Minority interests	291	118	161	168	148
Total equity	15,220	13,852	13,678	14,103	13,587
Liabilities					
Deposits and balances of banks and agents	29,456	27,949	28,415	26,639	28,194
Deposits of non-bank customers	85,503	83,341	80,475	80,069	79,019
Total deposits and balances	114,958	111,290	108,890	106,707	107,213
Bills and drafts payable	303	294	486	331	256
Other liabilities	7,483	7,011	6,385	5,920	6,733
Debts issued	7,108	7,346	7,417	7,005	7,089
Total liabilities	129,853	125,940	123,179	119,963	121,292
Total equity and liabilities	145,073	139,792	136,856	134,066	134,879
Assets					
Cash, balances and placements with central banks	11,925	11,059	12,417	11,878	11,653
Singapore Government treasury bills and securities *	7,456	7,671	7,039	7,252	7,772
Other government treasury bills and securities *	2,129	2,339	2,003	1,854	1,975
Trading securities	625	464	408	299	439
Placements and balances with banks and agents *	31,346	29,281	26,965	26,297	26,726
Loans and advances including trade bills to non-bank customers *	67,142	65,739	64,623	64,106	64,300
Other assets	6,579	6,269	5,560	4,724	5,964
Assets held for sale	606	817	819	1,149	-
Investment securities	10,122	9,112	10,069	9,495	8,609
Investment in associates	1,000	1,348	1,313	1,296	1,702
Fixed assets	1,872	1,797	1,817	1,839	1,862
Intangible assets	4,270	3,896	3,822	3,877	3,876
Total assets	145,073	139,792	136,856	134,066	134,879
Off-Balance Sheet Items					
Contingent liabilities	11,475	11,071	10,650	9,884	10,001
Financial derivatives	590,802	629,169	555,901	431,984	278,086
Commitments	42,545	43,811	41,556	42,103	39,276

* Including amount pledged under repurchase agreements.


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Equity Attributable to Equity Holders of the Bank

	Share Capital	Subsidiary Preference Shares	Capital Reserves	Statutory Reserves	Revenue Reserves	Share of Reserves of Associates	Total	Minority Interests	Total Equity
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Balance at 1 January 2005									
As previously reported	1,536	-	4,250	2,922	4,607	123	13,439	148	13,587
Adjustments due to FRS39	-	-	169	-	(206)	-	(37)	8	(29)
As restated	1,536	-	4,419	2,922	4,401	123	13,402	156	13,558
Currency translation adjustments	-	-	(16)	-	-	-	(16)	(3)	(19)
Available-for-sale assets									
Net change in fair value	-	-	(7)	-	-	-	(7)	(1)	(7)
Transferred to profit and loss account on disposal / impairment	-	-	(69)	-	-	-	(69)	0*	(68)
Share of associates' reserves	-	-	18	-	-	135	152	-	152
Transfer to revenue reserves upon disposal / liquidation of associates	-	-	-	-	42	(42)	-	-	-
Other adjustments	-	-	(3)	-	(5)	-	(8)	0*	(8)
Total gains / (losses) recognised directly in equity	-	-	(76)	-	36	93	53	(3)	50
Profit for the financial year	-	-	-	-	1,709	-	1,709	22	1,731
Total recognised gains / (losses) for the financial year	-	-	(76)	-	1,745	93	1,762	19	1,782
Transfer from / (to) revenue reserves	-	-	(3)	98	(95)	-	-	-	-
Change in minority interests	-	-	-	-	-	-	-	119	119
Dividends	-	-	-	-	(1,089)	-	(1,089)	(4)	(1,093)
Grant of share options under share option scheme	-	-	2	-	-	-	2	-	2
Issue of shares under share option scheme	2	-	18	-	-	-	20	-	20
Issue of subsidiary preference shares	-	832	-	-	-	-	832	-	832
Balance at 31 December 2005	1,538	832	4,360	3,020	4,963	217	14,929	291	15,220

* Less than \$500,000.


UNITED OVERSEAS BANK GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Bank							Total Equity \$ million
	Share Capital \$ million	Capital Reserves \$ million	Statutory Reserves \$ million	Revenue Reserves \$ million	Share of Reserves of Associates \$ million	Total \$ million	Minority Interests \$ million	
Balance at 1 January 2004	1,572	4,242	2,860	4,465	143	13,282	155	13,437
Currency translation adjustments	-	(37)	-	-	-	(37)	(0)*	(37)
Share of associates' reserves	-	-	-	-	(19)	(19)	-	(19)
Transfer to revenue reserves upon disposal / liquidation of associates	-	-	-	1	(1)	-	-	-
Other adjustments	-	3	-	-	-	3	0*	3
Total gains / (losses) recognised directly in equity	-	(34)	-	1	(20)	(53)	(0)*	(53)
Profit for the financial year	-	-	-	1,452	-	1,452	15	1,466
Total recognised gains / (losses) for the financial year	-	(34)	-	1,453	(20)	1,399	15	1,414
Transfer from / (to) revenue reserves	-	(6)	62	(57)	-	-	-	-
Change in minority interests	-	-	-	-	-	-	(18)	(18)
Dividends	-	-	-	(755)	-	(755)	(3)	(758)
Share buy-back	(36)	36	-	(500)	-	(500)	-	(500)
Issue of shares under share option scheme	1	11	-	-	-	12	-	12
Balance at 31 December 2004	1,536	4,250	2,922	4,607	123	13,439	148	13,587

* Less than \$500,000.



CONSOLIDATED CASH FLOW STATEMENT

	2005 \$ million	2004 \$ million
Cash flows from operating activities		
Operating profit before amortisation and impairment charges	2,337	2,032
Adjustments for		
Depreciation of fixed assets	140	125
Net gain on disposal of assets	(140)	(96)
Operating profit before working capital changes	<u>2,336</u>	<u>2,061</u>
Changes in working capital		
Increase in deposits	5,538	12,665
Increase in bills and drafts payable	41	14
Increase / (decrease) in other liabilities	692	(360)
(Increase) / decrease in trading securities	(143)	86
Increase in placements and balances with banks and agents	(4,377)	(6,385)
Increase in trade bills and advances to non-bank customers	(1,397)	(935)
Decrease / (increase) in government treasury bills and securities not qualifying as cash and cash equivalents	759	(835)
Increase in other assets	(877)	(513)
Cash generated from operations	<u>2,573</u>	<u>5,797</u>
Income tax paid	(415)	(366)
Net cash provided by operating activities	<u>2,157</u>	<u>5,431</u>
Cash flows from investing activities		
Net cash flow on (acquisition) / disposal of		
Investment securities and associates	(1,310)	(2,993)
Fixed assets	(66)	(63)
Net cash inflow / (outflow) on acquisition of subsidiaries	42	(217)
Acquisition of additional interests in subsidiaries	(49)	(35)
Net dividends received from associates	52	168
Net cash used in investing activities	<u>(1,330)</u>	<u>(3,140)</u>
Cash flows from financing activities		
Proceeds from issue of shares	851	12
Net (decrease) / increase in debts issued	(81)	2,810
Share buy-back	-	(500)
Dividends paid by the Bank	(738)	(755)
Dividends paid by subsidiaries to minority equity holders	(4)	(3)
Net cash provided by financing activities	<u>28</u>	<u>1,564</u>
Currency translation adjustments	(16)	(37)
Net increase in cash and cash equivalents for the financial year	<u>839</u>	<u>3,818</u>
Cash and cash equivalents at beginning of the financial year	20,058 [*]	16,211
Cash and cash equivalents at end of the financial year	<u>20,897</u>	<u>20,029</u>
Represented by:		
Cash, balances and placements with central banks	11,925	11,653
Singapore Government treasury bills and securities [^]	6,884	6,653
Other government treasury bills and securities [^]	2,089	1,723
Cash and cash equivalents at end of the financial year	<u>20,897</u>	<u>20,029</u>

* Restated upon adoption of FRS39.

[^] Excluding amount pledged under repurchase agreements.



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 and liquidity risk.

Managing financial risks is an integral part of the Group's business. It is carried out centrally by the various specialist committees of the Group under delegated authority from the Board of Directors. These various specialist committees formulate, review and approve policies and limits on monitoring and managing risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to review by the Executive Committee.

The Risk Management sector, which is independent of the business units, performs the role of implementing the risk management policies and procedures. Compliance officers in the business units ensure that each business unit puts in place the proper control procedures to ensure regulatory and operational compliance while the Middle Office (under Finance Division) enforces compliance of trading policies and limits by the trading desks at Global Treasury. This is further enhanced by the periodic risk assessment audit carried out by the Group Audit.

Credit Risk

Credit risk is defined as the potential loss arising from any failure by a borrower or a counterparty to fulfil their financial obligations as and when they fall due. Credit risk is inherent in lending, trade finance, investments, treasury activities and other credit-related activities undertaken by the Group.

The Credit Committee, under delegated authority from the Board of Directors, deals with all credit, as well as country / transfer risk matters, including approval of credit applications, formulation of credit policies and the review of existing credit facilities.

The Group has in place a disciplined process to regularly monitor, review and report its portfolio risks for the timely recognition of asset impairment, recovery action and the avoidance of undue concentration. These include large credit exposures by obligors, aggregate exposure levels to individual groups and sectors, security types, internal credit ratings, industry exposures, level of non-performing loans, appropriateness of classification, adequacy of provisioning and country risk concentrations.

In respect of other credit risk activities such as money market transactions and financial derivatives, the Group has counterparty risk policies that set out approved counterparties with whom the Group may transact and their respective transaction limits.

Exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral when certain thresholds are exceeded, the right to terminate transactions upon the occurrence of unfavourable events, the right to reset the terms of transactions after specified time periods or upon the occurrence of unfavourable events, and entering into netting agreements with counterparties that permit the Group to offset receivables and payables with such counterparties.



Financial Risk Management

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Group's foreign exchange exposures comprise trading, non-trading and structural foreign exchange exposures arising from overseas investments. Foreign exchange non-trading exposures are principally derived from customer businesses. Structural foreign currency exposures are represented by the net asset values of its overseas branches, share of the net asset values of its overseas subsidiaries and associates, and long-term investment in overseas properties. The Group utilises mainly foreign currency forwards and swaps to hedge its foreign exchange exposures. Where possible, foreign investments are funded in the functional currencies of the respective locations to mitigate structural foreign currency exposures.

Foreign exchange risk is managed through risk limits and policies approved by the Asset Liability Committee. These limits and policies, such as exposure by currency and total overnight and intra-day positions, are independently monitored on a daily basis by Middle Office.

Interest Rate Risk

Interest rate risk is the risk to earnings and economic value of the Group caused by fluctuations in interest rates.

Interest rate exposure arises from the differences in maturities 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 Asset Liability Committee.

Liquidity Risk

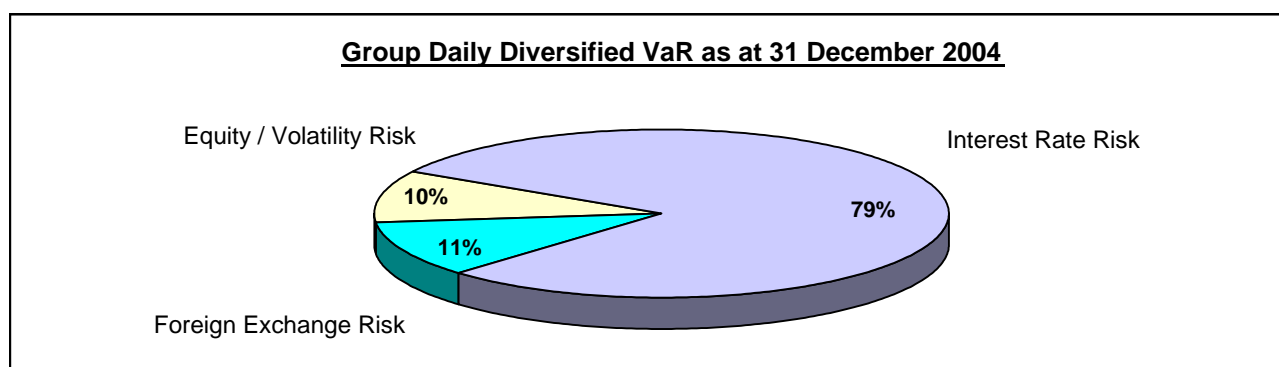
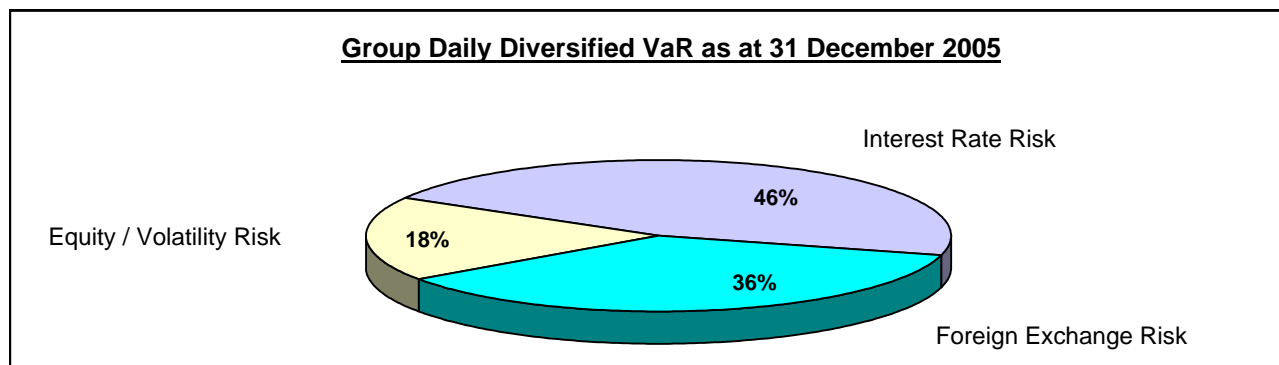
Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Group manages liquidity risk in accordance with a framework of liquidity policies, controls and limits approved by the Asset Liability Committee. 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. These controls and policies include setting of cashflow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cashflows 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.



Value-at-Risk (VaR)

The Group's Daily Diversified VaR as at 31 December 2005 was \$4.44 million, comprising 46% interest rate risk (including credit spread risk), 36% foreign exchange risk and 18% equity / volatility risk.



The Group's Daily Diversified VaR for 2005, averaging \$5.67 million, ranged between a low of \$3.30 million and a high of \$9.93 million:

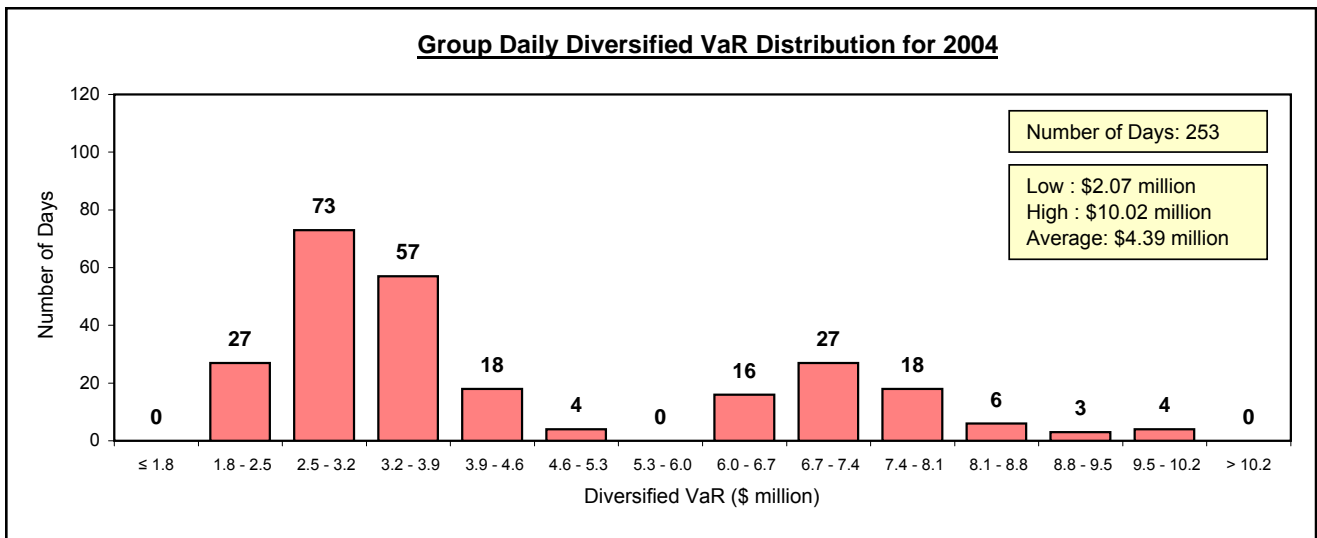
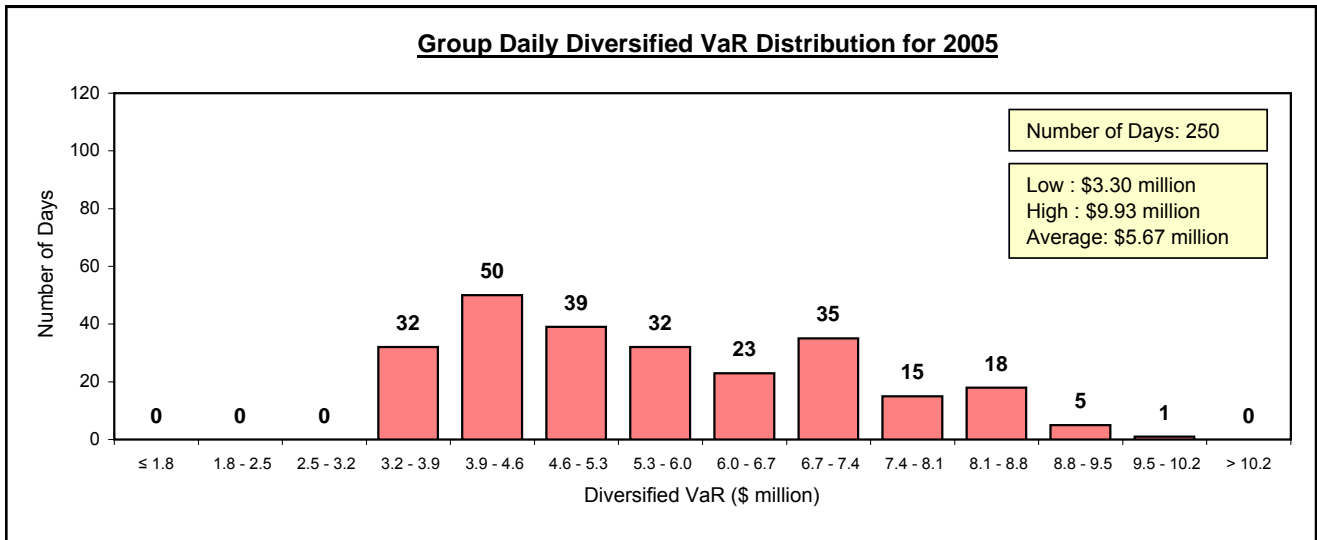
Group Daily Diversified VaR (\$ million)	31-Dec-05	High	Low	Average
Interest rate	3.30	9.79	2.42	4.97
Foreign exchange	2.61	4.62	0.74	2.04
Equity / volatility	1.30	3.44	0.98	1.87
Diversification effect	(2.77)	NM	NM	(3.21)
Total VaR	4.44	9.93	3.30	5.67

Group Daily Diversified VaR (\$ million)	31-Dec-04	High	Low	Average
Interest rate	7.97	9.55	0.39	3.48
Foreign exchange	1.09	3.34	0.52	1.38
Equity / volatility	1.00	4.16	0.41	1.58
Diversification effect	(2.39)	NM	NM	(2.03)
Total VaR	7.71	10.02	2.07	4.39

NM denotes not meaningful to compute diversification effect because the high and low may occur on different days for different risk types.



Value-at-Risk (VaR)





Value-at-Risk (VaR)

The Group's daily trading income for 2005, averaging \$0.48 million, ranged between a low of \$(11.78) million and a high of \$15.23 million :

