

## Group Financial Review

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Certain figures in this section may not add up to the relevant totals due to rounding.

Certain comparative figures have been restated to conform with the current year's presentation.

# Group Financial Review

## Review of Financial Performance

### Highlights and Performance Indicators

|   | 2004         | 2003  | Variance (%) |              |
|---|--------------|-------|--------------|--------------|
| <b>Key indicators</b>   |              |       |              |              |
| Net interest income (NII) (\$ million)                                    | <b>2,155</b> | 2,071 | +            | 4.1          |
| Non-interest income (Non-NII) (\$ million)                                | <b>1,104</b> | 1,089 | +            | 1.4          |
| Total income (\$ million)   | <b>3,259</b> | 3,160 | +            | 3.1          |
| Total expenses (\$ million)   | <b>1,227</b> | 1,095 | +            | 12.0         |
| Operating profit before goodwill amortisation and provisions (\$ million) | <b>2,032</b> | 2,064 | –            | 1.6          |
| Net profit after tax  |              |       |              |              |
| Including goodwill amortisation (\$ million)                              | <b>1,452</b> | 1,202 | +            | 20.8         |
| Excluding goodwill amortisation (\$ million)                              | <b>1,665</b> | 1,404 | +            | 18.6         |
| Income mix  |              |       |              |              |
| NII/Total income (%)  | <b>66.1</b>  | 65.5  | +            | 0.6 % point  |
| Non-NII/Total income (%)  | <b>33.9</b>  | 34.5  | –            | 0.6 % point  |
|   | <b>100.0</b> | 100.0 |              | –            |
| Profit contribution (before tax and goodwill amortisation)                |              |       |              |              |
| Onshore (including ACU) (%)   | <b>78.8</b>  | 75.6  | +            | 3.2 % points |
| Offshore (%)  | <b>21.2</b>  | 24.4  | –            | 3.2 % points |
|   | <b>100.0</b> | 100.0 |              | –            |
| Return on average shareholders' funds (ROE)                               |              |       |              |              |
| Including goodwill amortisation (%)                                       | <b>10.8</b>  | 9.3   | +            | 1.5 % points |
| Excluding goodwill amortisation (%)                                       | <b>12.4</b>  | 10.9  | +            | 1.5 % points |
| Basic earnings per share  |              |       |              |              |
| Including goodwill amortisation (cents)                                   | <b>92.6</b>  | 76.5  | +            | 21.0         |
| Excluding goodwill amortisation (cents)                                   | <b>106.3</b> | 89.3  | +            | 19.0         |
| Return on average total assets (ROA)                                      |              |       |              |              |
| Including goodwill amortisation (%)                                       | <b>1.19</b>  | 1.10  | +            | 0.09 % point |
| Excluding goodwill amortisation (%)                                       | <b>1.36</b>  | 1.29  | +            | 0.07 % point |
| NII/Average interest bearing assets (%)                                   | <b>2.10</b>  | 2.25  | –            | 0.15 % point |
| Expense/Income ratio (%)  | <b>37.6</b>  | 34.7  | +            | 2.9 % points |
| Dividend rates (%)  |              |       |              |              |
| Interim   | <b>20.0</b>  | 20.0  |              | –            |
| Final   | <b>40.0</b>  | 40.0  |              | –            |

## Highlights and Performance Indicators

|  | 2004           | 2003    | Variance (%)   |
|--|----------------|---------|----------------|
| <b>Other indicators</b>                      |                |         |                |
| Customer loans (net) (\$ million)            | <b>64,300</b>  | 59,297  | + 8.4          |
| Customer deposits (\$ million)               | <b>79,019</b>  | 69,863  | + 13.1         |
| Loans/Deposits ratio* (%)                    | <b>81.4</b>    | 84.9    | - 3.5 % points |
| Non-performing loans (NPLs) (\$ million)     | <b>5,484</b>   | 5,160   | + 6.3          |
| Cumulative provisions (\$ million)           | <b>3,724</b>   | 3,332   | + 11.8         |
| NPL ratio+ (%)                               | <b>8.0</b>     | 8.1     | - 0.1 % point  |
| Cumulative provisions/NPLs (%)               | <b>67.9</b>    | 64.6    | + 3.3 % points |
| Total assets (\$ million)                    | <b>134,879</b> | 113,446 | + 18.9         |
| Shareholders' funds (\$ million)             | <b>13,439</b>  | 13,282  | + 1.2          |
| Unrealised revaluation surplus# (\$ million) | <b>1,562</b>   | 1,464   | + 6.7          |
| Net asset value (NAV) per share (\$)         | <b>8.75</b>    | 8.45    | + 3.6          |
| Revalued NAV per share (\$)                  | <b>9.77</b>    | 9.38    | + 4.2          |
| Net tangible asset backing per share (\$)    | <b>6.14</b>    | 6.23    | - 1.4          |
| Capital adequacy ratios                      |                |         |                |
| Tier 1 capital (%)                           | <b>11.0</b>    | 13.2    | - 2.2 % points |
| Total capital (%)                            | <b>15.6</b>    | 15.2    | + 0.4 % point  |
| Manpower (number)                            | <b>13,574</b>  | 10,547  | + 3,027 no.    |

\* "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 revaluation surplus on properties and investment securities which was not incorporated into the financial statements.

## Review of Group Performance

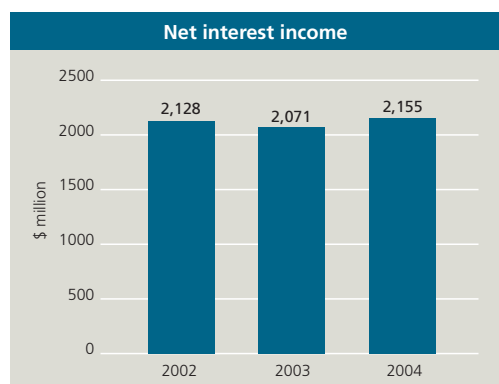
Following UOB's acquisition of Bank of Asia Public Company Limited and its subsidiaries ("BOA") on 27 July 2004, BOA's results for the five months ended 31 December 2004 and its balance sheet as at 31 December 2004 were consolidated into the Group's financial statements.

The Group's net profit after tax ("NPAT") for the financial year ended 31 December 2004 of \$1,452 million represented an increase of \$250 million or 20.8% over the \$1,202 million registered for the financial year ended 31 December 2003. The increase in NPAT was mainly due to higher share of profit of associates, lower provision charges, higher fee and commission income, and higher net interest income. These were partially offset by higher operating expenses and lower other operating income.

Share of profit of associates (before tax) increased \$200 million to \$307 million for 2004 mainly due to an exceptional gain recorded by United Overseas Land Limited from the divestment of its holdings in UOB shares.



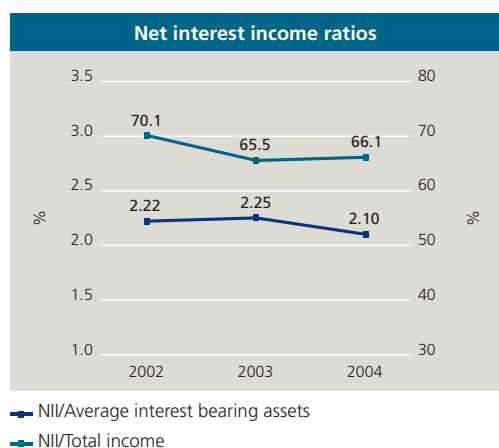
## Group Financial Review



### Net Interest Income

Net interest income of the Group increased 4.1% to \$2,155 million for 2004 compared to \$2,071 million for 2003. The increase was mainly from inter-bank money market activities and debt securities, partly offset by lower contributions from customer loans due to a lower average interest spread. Net interest income continued to be the major contributor of total income, accounting for 66.1% (2003: 65.5%) of total income.

Average interest margin decreased 15 basis points to 2.10% for 2004 from 2.25% for 2003. The contraction in interest margin was mainly due to competitive market conditions that eroded the loan yields, coupled with a higher average cost of funds.



### Average interest rates and margin

|  | 2004                          |                        |                            | 2003                          |                        |                            |
|--|-------------------------------|------------------------|----------------------------|-------------------------------|------------------------|----------------------------|
|  | Average balance<br>\$ million | Interest<br>\$ million | Average interest rate<br>% | Average balance<br>\$ million | Interest<br>\$ million | Average interest rate<br>% |
| <b>Assets</b>  |                               |                        |                            |                               |                        |                            |
| Interest bearing                                       |                               |                        |                            |                               |                        |                            |
| Customer loans   | 60,907                        | 2,570                  | 4.22                       | 58,865                        | 2,533                  | 4.30                       |
| Inter-bank balances and<br>balances with central banks | 26,739                        | 631                    | 2.36                       | 20,784                        | 410                    | 1.97                       |
| Government securities                                  | 8,729                         | 183                    | 2.10                       | 8,607                         | 167                    | 1.93                       |
| Dealing and investment securities                      | 6,222                         | 277                    | 4.46                       | 3,783                         | 185                    | 4.89                       |
| Total interest bearing assets                          | 102,597                       | 3,661                  | 3.57                       | 92,039                        | 3,294                  | 3.58                       |
| Non-interest bearing                                   |                               |                        |                            |                               |                        |                            |
| Cash and balances with<br>central banks                | 5,121                         |                        |                            | 3,017                         |                        |                            |
| Investments in associates                              | 1,542                         |                        |                            | 1,269                         |                        |                            |
| Fixed assets   | 1,800                         |                        |                            | 1,779                         |                        |                            |
| Goodwill   | 3,626                         |                        |                            | 3,586                         |                        |                            |
| Other assets   | 5,641                         |                        |                            | 4,209                         |                        |                            |
| Total non-interest bearing assets                      | 17,730                        |                        |                            | 13,860                        |                        |                            |
| Total assets   | 120,327                       |                        |                            | 105,899                       |                        |                            |
| <b>Liabilities</b>                                     |                               |                        |                            |                               |                        |                            |
| Interest bearing                                       |                               |                        |                            |                               |                        |                            |
| Customer deposits                                      | 74,764                        | 907                    | 1.21                       | 68,016                        | 796                    | 1.17                       |
| Inter-bank balances                                    | 21,901                        | 367                    | 1.67                       | 17,695                        | 293                    | 1.65                       |
| Debts issued   | 5,315                         | 232                    | 4.37 <sup>+</sup>          | 3,293                         | 135                    | 4.09 <sup>+</sup>          |
| Total interest bearing liabilities                     | 101,980                       | 1,506                  | 1.48                       | 89,004                        | 1,224                  | 1.37                       |
| Total non-interest bearing liabilities                 | 4,792                         |                        |                            | 4,042                         |                        |                            |
| Total liabilities                                      | 106,772                       |                        |                            | 93,046                        |                        |                            |
| Net interest income                                    |                               | 2,155                  |                            |                               | 2,071                  |                            |
| Average interest margin*                               |                               |                        | 2.10                       |                               |                        | 2.25                       |

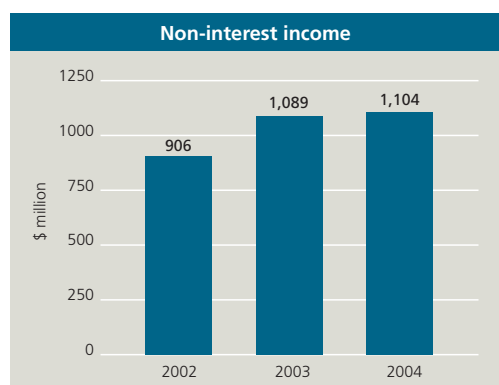
\* Average interest margin represents net interest income as a percentage of total interest bearing assets.

<sup>+</sup> Including the effect of hedging, the average interest rate would be reduced to 2.57% and 3.18% for 2004 and 2003 respectively.

## Group Financial Review

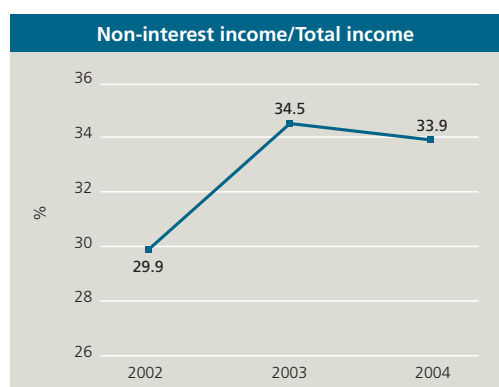
### Analysis of changes in net interest income

|  | 2004                        |                           |                          | 2003                        |                           |                          |
|--|-----------------------------|---------------------------|--------------------------|-----------------------------|---------------------------|--------------------------|
|  | Volume change<br>\$ million | Rate change<br>\$ million | Net change<br>\$ million | Volume change<br>\$ million | Rate change<br>\$ million | Net change<br>\$ million |
| <b>Interest bearing assets</b>                         |                             |                           |                          |                             |                           |                          |
| Customer loans   | 88                          | (51)                      | 37                       | (63)                        | (215)                     | (278)                    |
| Inter-bank balances and<br>balances with central banks | 117                         | 104                       | 221                      | (44)                        | (92)                      | (136)                    |
| Government securities                                  | 2                           | 15                        | 17                       | (28)                        | (4)                       | (32)                     |
| Dealing and investment securities                      | 119                         | (27)                      | 92                       | 45                          | (16)                      | 29                       |
| <b>Total interest bearing assets</b>                   | <b>326</b>                  | <b>41</b>                 | <b>367</b>               | <b>(90)</b>                 | <b>(327)</b>              | <b>(417)</b>             |
| <b>Interest bearing liabilities</b>                    |                             |                           |                          |                             |                           |                          |
| Customer deposits                                      | 79                          | 32                        | 111                      | (10)                        | (261)                     | (271)                    |
| Inter-bank balances                                    | 70                          | 4                         | 74                       | (50)                        | (53)                      | (103)                    |
| Debts issued   | 83                          | 15                        | 98                       | 3                           | 11                        | 14                       |
| <b>Total interest bearing liabilities</b>              | <b>232</b>                  | <b>51</b>                 | <b>283</b>               | <b>(57)</b>                 | <b>(303)</b>              | <b>(360)</b>             |



#### Non-Interest Income

Non-interest income of the Group increased 1.4% to \$1,104 million for 2004 from \$1,089 million for 2003. The increase was primarily due to higher fee and commission income derived largely from fund management, investment-related and trade-related activities, higher net profit on disposal of investment securities, and higher net profit on foreign exchange dealings. This was partially negated by the net loss on dealing securities, government securities and derivatives. The Group's non-interest income for 2004 accounted for 33.9% of total income compared to 34.5% for 2003.



## Composition of non-interest income

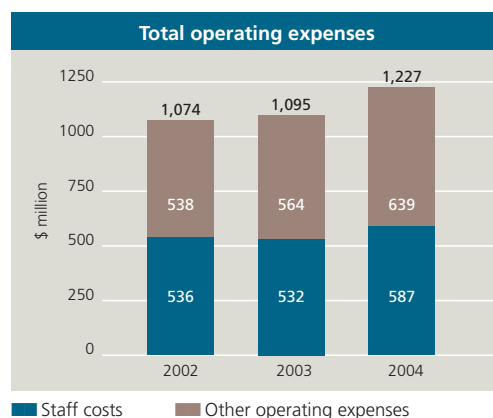
|   | 2004<br>\$ million | 2003<br>\$ million | Variance<br>% |
|---|--------------------|--------------------|---------------|
| Fee and commission income   |                    |                    |               |
| Credit card   | 109                | 94                 | 15.9          |
| Fund management   | 111                | 78                 | 42.8          |
| Futures broking   | 32                 | 35                 | (8.1)         |
| Investment-related  | 131                | 98                 | 34.1          |
| Loan-related  | 114                | 97                 | 18.1          |
| Service charges   | 52                 | 49                 | 5.9           |
| Trade-related   | 138                | 111                | 24.3          |
| Other   | 18                 | 26                 | (31.2)        |
|   | 706                | 588                | 20.1          |
| Dividend and rental income  | 108                | 115                | (6.2)         |
| Other operating income  |                    |                    |               |
| Net profit/(loss) on:   |                    |                    |               |
| Dealing securities, government treasury bills and securities, and derivatives | (34)               | 142                | (124.0)       |
| Foreign exchange dealings   | 126                | 111                | 13.3          |
| Disposal of investment securities and associates                              | 88                 | 54                 | 63.9          |
| Disposal and liquidation of subsidiaries                                      | (5)                | 0*                 | NM            |
| Disposal of fixed assets  | 13                 | 19                 | (31.2)        |
| Other   | 103                | 60                 | 71.3          |
|   | 290                | 387                | (24.9)        |
| Total non-interest income   | 1,104              | 1,089              | 1.4           |

\* Less than \$500,000.

NM denotes 'Not Meaningful'.

## Operating Expenses

Total operating expenses increased 12.0% to \$1,227 million for 2004 compared to \$1,095 million for 2003, attributed mainly to the acquisition of BOA. Consequently, the expense-to-income ratio of the Group increased to 37.6% for 2004 from 34.7% for 2003. Excluding BOA, the Group's total operating expenses would have shown a lower increase of 4.9% and a lower expense-to-income ratio of 36.6%.



## Group Financial Review

|   | 2004<br>\$ million | 2003<br>\$ million | Variance<br>% |
|---|--------------------|--------------------|---------------|
| Wages and salaries  | <b>499</b>         | 450                | 10.9          |
| Employer's contribution to defined contribution plans, including Central Provident Fund | <b>46</b>          | 49                 | (7.3)         |
| Other staff-related costs   | <b>43</b>          | 33                 | 31.4          |
| Staff costs   | <b>587</b>         | 532                | 10.5          |
| Other operating expenses  | <b>639</b>         | 564                | 13.4          |
| Total operating expenses*   | <b>1,227</b>       | 1,095              | 12.0          |
| * Total operating expenses included:  |                    |                    |               |
| IT-related expenses   | <b>188</b>         | 199                | (5.5)         |
| IT-related expenses/<br>Total operating expenses (%)                                    | <b>15.3</b>        | 18.2               | (2.9)%pts     |

### Provisions Charged To Profit and Loss Account

Provision charges of \$209 million for 2004 were 42.3% lower than the \$362 million for 2003. The decrease was largely attributable to lower specific provisions for loans and the write-back of general provisions as a result of improved asset quality and economic conditions in Singapore and the region, partly offset by higher specific provisions for investments and other assets.

|                               | 2004<br>\$ million | 2003<br>\$ million | Variance<br>% |
|-------------------------------|--------------------|--------------------|---------------|
| Specific provisions for loans |                    |                    |               |
| Five Regional Countries*      | <b>63</b>          | (38)               | NM            |
| Greater China <sup>+</sup>    | <b>(5)</b>         | (3)                | (73.3)        |
| Singapore and other countries | <b>177</b>         | 387                | (54.2)        |
|                               | <b>235</b>         | 345                | (32.0)        |
| General provisions            |                    |                    |               |
| Five Regional Countries*      | <b>6</b>           | 1                  | NM            |
| Greater China <sup>+</sup>    | <b>3</b>           | 1                  | 100.0         |
| Singapore and other countries | <b>(110)</b>       | (2)                | NM            |
|                               | <b>(102)</b>       | –                  | NM            |
| Other provisions              | <b>76</b>          | 16                 | 371.3         |
| Total provisions              | <b>209</b>         | 362                | (42.3)        |

\* The Five Regional Countries comprise Malaysia, Indonesia, the Philippines, Thailand and South Korea.

<sup>+</sup> Greater China comprises China, Hong Kong S.A.R. and Taiwan.

NM denotes 'Not Meaningful'.



## Overview of Balance Sheet

### Total Assets

Total assets as at 31 December 2004 were \$134,879 million, representing a growth of 18.9% over the \$113,446 million as at 31 December 2003. The increase was mainly from placements and balances with banks, customer loans largely from the acquisition of BOA, and investment securities.

### Assets mix

|  | 2004           |              | 2003           |              |
|--|----------------|--------------|----------------|--------------|
|  | \$ million     | %            | \$ million     | %            |
| Cash, balances and placements with central banks | 11,653         | 8.6          | 9,085          | 8.0          |
| Securities*                                      | 18,795         | 13.9         | 13,609         | 12.0         |
| Placements and balances with banks               | 26,726         | 19.8         | 20,072         | 17.7         |
| Customer loans                                   | 64,300         | 47.7         | 59,297         | 52.3         |
| Goodwill   | 3,876          | 2.9          | 3,466          | 3.0          |
| Other  | 9,529          | 7.1          | 7,917          | 7.0          |
| <b>Total assets</b>                              | <b>134,879</b> | <b>100.0</b> | <b>113,446</b> | <b>100.0</b> |

\* Comprise Singapore and other government treasury bills and securities, dealing and investment securities.

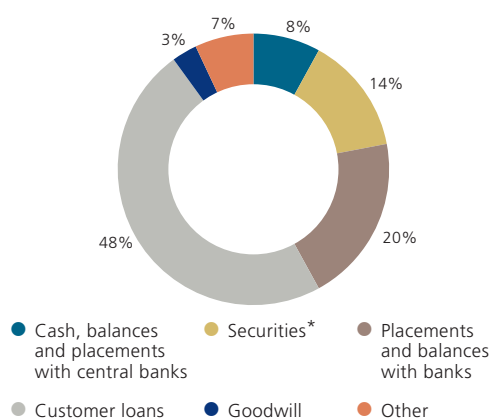
### Securities

Total securities as at 31 December 2004 amounted to \$18,795 million, representing an increase of 38.1% over the \$13,609 million as at 31 December 2003. The growth was mainly from increased holdings in securities issued by governments, banks and corporates.

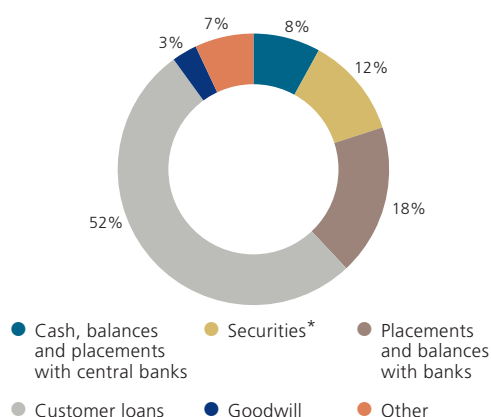
### Total securities

|                                   | 2004          | 2003          | Variance    |
|-----------------------------------|---------------|---------------|-------------|
|                                   | \$ million    | \$ million    | %           |
| Trading securities                | 2,469         | 1,028         | 140.2       |
| Non-trading securities            | 16,587        | 12,713        | 30.5        |
| Provision for diminution in value | (260)         | (131)         | 98.4        |
|                                   | 16,326        | 12,582        | 29.8        |
| <b>Total securities (net)</b>     | <b>18,795</b> | <b>13,609</b> | <b>38.1</b> |

### Assets mix – 2004



### Assets mix – 2003



## Securities analysed by issuer type

|                          | 2004                  |                           | 2003                  |                           |
|--------------------------|-----------------------|---------------------------|-----------------------|---------------------------|
|                          | Trading<br>\$ million | Non-Trading<br>\$ million | Trading<br>\$ million | Non-Trading<br>\$ million |
| Government               | 2,030                 | 7,720                     | 503                   | 7,159                     |
| Public sector            | 8                     | 51                        | 11                    | 4                         |
| Bank                     | 39                    | 3,605                     | 64                    | 1,498                     |
| Corporate                | 343                   | 4,955                     | 426                   | 3,799                     |
| Other                    | 49                    | 256                       | 24                    | 253                       |
| Total securities (gross) | 2,469                 | 16,587                    | 1,028                 | 12,713                    |

## Securities analysed by industry

|                                      | 2004       |       | 2003       |       |
|--------------------------------------|------------|-------|------------|-------|
|                                      | \$ million | %     | \$ million | %     |
| Transport, storage and communication | 395        | 2.4   | 401        | 3.1   |
| Building and construction            | 434        | 2.6   | 236        | 1.9   |
| Manufacturing                        | 588        | 3.6   | 561        | 4.4   |
| Financial institutions               | 5,133      | 30.9  | 2,613      | 20.6  |
| General commerce                     | 800        | 4.8   | 689        | 5.4   |
| Government                           | 7,720      | 46.5  | 7,159      | 56.3  |
| Other                                | 1,517      | 9.2   | 1,053      | 8.3   |
| Non-trading securities (gross)       | 16,587     | 100.0 | 12,713     | 100.0 |

## Customer Loans

Net loans and advances to customers of \$64,300 million as at 31 December 2004 was 8.4% higher than the \$59,297 million as at 31 December 2003, mainly contributed by the acquisition of BOA.

## Customer loans analysed by product group

|                            | 2004       |       | 2003       |       |
|----------------------------|------------|-------|------------|-------|
|                            | \$ million | %     | \$ million | %     |
| Housing loans              | 15,875     | 23.4  | 14,789     | 23.6  |
| Term loans                 | 38,371     | 56.4  | 35,033     | 56.0  |
| Trade financing            | 4,503      | 6.6   | 3,397      | 5.4   |
| Overdrafts                 | 9,228      | 13.6  | 9,362      | 15.0  |
| Total gross customer loans | 67,977     | 100.0 | 62,581     | 100.0 |
| General provisions         | (1,370)    |       | (1,422)    |       |
| Specific provisions        | (2,306)    |       | (1,862)    |       |
| Total net customer loans   | 64,300     |       | 59,297     |       |

*Gross customer loans analysed by industry*

|                                       | 2004       |       | 2003       |       |
|---------------------------------------|------------|-------|------------|-------|
|                                       | \$ million | %     | \$ million | %     |
| Transport, storage and communication  | 2,104      | 3.1   | 2,104      | 3.4   |
| Building and construction             | 7,477      | 11.0  | 7,320      | 11.7  |
| Manufacturing                         | 7,796      | 11.5  | 5,846      | 9.4   |
| Non-bank financial institutions       | 10,205     | 15.0  | 10,408     | 16.6  |
| General commerce                      | 10,908     | 16.0  | 9,273      | 14.8  |
| Professionals and private individuals | 10,155     | 14.9  | 9,653      | 15.4  |
| Housing loans                         | 15,875     | 23.4  | 14,789     | 23.6  |
| Other                                 | 3,457      | 5.1   | 3,188      | 5.1   |
| Total gross customer loans            | 67,977     | 100.0 | 62,581     | 100.0 |

*Gross customer loans analysed by currency and fixed/variable rates*

|  | 2004       |       | 2003       |       |
|--|------------|-------|------------|-------|
|  | \$ million | %     | \$ million | %     |
| <b>Fixed rate</b>                        |            |       |            |       |
| Singapore dollar                         | 8,146      | 12.0  | 8,987      | 14.4  |
| US dollar                                | 1,529      | 2.2   | 960        | 1.5   |
| Malaysian ringgit                        | 255        | 0.4   | 204        | 0.3   |
| Hong Kong dollar                         | 47         | 0.1   | 35         | 0.1   |
| Thai baht                                | 2,652      | 3.9   | 948        | 1.5   |
| Other                                    | 524        | 0.8   | 469        | 0.7   |
| Total fixed rate gross customer loans    | 13,153     | 19.4  | 11,603     | 18.5  |
| <b>Variable rate</b>                     |            |       |            |       |
| Singapore dollar                         | 32,103     | 47.2  | 31,777     | 50.8  |
| US dollar                                | 7,241      | 10.7  | 6,948      | 11.1  |
| Malaysian ringgit                        | 6,318      | 9.3   | 6,110      | 9.8   |
| Hong Kong dollar                         | 848        | 1.2   | 966        | 1.5   |
| Thai baht                                | 3,822      | 5.6   | 599        | 0.9   |
| Other                                    | 4,492      | 6.6   | 4,578      | 7.4   |
| Total variable rate gross customer loans | 54,824     | 80.6  | 50,978     | 81.5  |
| Total gross customer loans               | 67,977     | 100.0 | 62,581     | 100.0 |

## Gross customer loans analysed by remaining maturity

|                                 | 2004          |              | 2003       |       |
|---------------------------------|---------------|--------------|------------|-------|
|                                 | \$ million    | %            | \$ million | %     |
| Within 1 year                   | <b>33,566</b> | <b>49.4</b>  | 30,256     | 48.3  |
| Over 1 year but within 3 years  | <b>9,293</b>  | <b>13.7</b>  | 9,668      | 15.5  |
| Over 3 years but within 5 years | <b>6,428</b>  | <b>9.4</b>   | 5,386      | 8.6   |
| Over 5 years                    | <b>18,689</b> | <b>27.5</b>  | 17,271     | 27.6  |
| Total gross customer loans      | <b>67,977</b> | <b>100.0</b> | 62,581     | 100.0 |

For a breakdown of credit facilities to related parties, please refer to Note 28(g) to the financial statements.

## Deposits

Total deposits of \$107,213 million as at 31 December 2004 rose 20.9% from \$88,702 million as at 31 December 2003. The increase was mainly from bankers' deposits, customer fixed deposits and savings accounts, largely from the acquisition of BOA.

As at 31 December 2004, customer deposits accounted for 73.7% of total deposits.

## Deposits analysed by product group

|                                     | 2004           |              | 2003       |       |
|-------------------------------------|----------------|--------------|------------|-------|
|                                     | \$ million     | %            | \$ million | %     |
| Bankers' deposits                   | <b>28,194</b>  | <b>26.3</b>  | 18,839     | 21.2  |
| Customer deposits                   |                |              |            |       |
| Fixed rate deposits                 | <b>50,933</b>  | <b>47.5</b>  | 45,801     | 51.7  |
| Current, savings and other deposits | <b>28,086</b>  | <b>26.2</b>  | 24,062     | 27.1  |
|                                     | <b>79,019</b>  | <b>73.7</b>  | 69,863     | 78.8  |
| Total deposits                      | <b>107,213</b> | <b>100.0</b> | 88,702     | 100.0 |

## Deposits analysed by remaining maturity

|                                 | 2004           |              | 2003       |       |
|---------------------------------|----------------|--------------|------------|-------|
|                                 | \$ million     | %            | \$ million | %     |
| Within 1 year                   | <b>104,729</b> | <b>97.7</b>  | 87,450     | 98.6  |
| Over 1 year but within 3 years  | <b>1,412</b>   | <b>1.3</b>   | 703        | 0.8   |
| Over 3 years but within 5 years | <b>903</b>     | <b>0.8</b>   | 434        | 0.5   |
| Over 5 years                    | <b>169</b>     | <b>0.2</b>   | 115        | 0.1   |
| Total deposits                  | <b>107,213</b> | <b>100.0</b> | 88,702     | 100.0 |

### Loans/Deposits Ratio\*

With the 13.1% increase in customer deposits outpacing the 8.4% increase in net customer loans, the loans-to-deposits ratio decreased 3.5% points to 81.4% as at 31 December 2004.

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

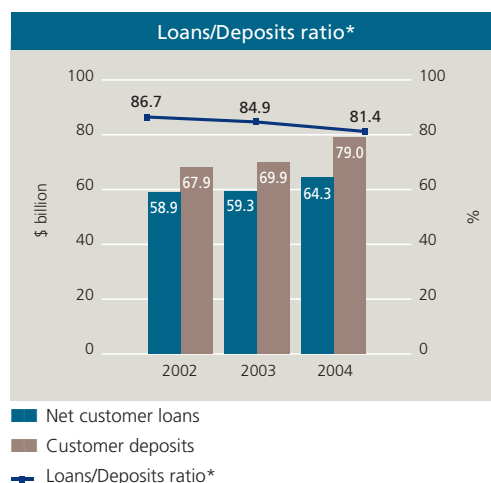
### Shareholders' Funds

Shareholders' funds as at 31 December 2004 were \$13,439 million, representing an increase of 1.2% over the \$13,282 million as at 31 December 2003. The increase was largely contributed by retained profits, net of the amount of \$500 million utilised for the share buy-back.

Unrealised revaluation surplus on properties and investment securities amounted to \$1,562 million as at 31 December 2004. The revaluation surplus was not incorporated into the financial statements.

|   | 2004<br>\$ million | 2003<br>\$ million | Variance<br>% |
|---|--------------------|--------------------|---------------|
| Shareholders' funds                               | <b>13,439</b>      | 13,282             | 1.2           |
| Add: Revaluation surplus*                         | <b>1,562</b>       | 1,464              | 6.7           |
| Shareholders' funds including revaluation surplus | <b>15,001</b>      | 14,746             | 1.7           |
| Net Asset Value (NAV) per share (\$)              | <b>8.75</b>        | 8.45               | 3.6           |
| Revaluation surplus per share (\$)                | <b>1.02</b>        | 0.93               | 9.7           |
| Revalued NAV per share (\$)                       | <b>9.77</b>        | 9.38               | 4.2           |

\* Refer to revaluation surplus on properties and investment securities which was not incorporated into the financial statements.



### Capital Adequacy Ratios

The Capital Adequacy Ratios ("CAR") of the Group were computed in accordance to the revised capital framework for Singapore-incorporated banks issued by the Monetary Authority of Singapore ("MAS").

As at 31 December 2004, the Group's total CAR of 15.6% was 5.6% points higher than the minimum total CAR of 10% set by MAS. Compared to the total CAR of 15.2% as at 31 December 2003, it had increased 0.4% point mainly attributable to the issue of US\$1 billion 5.375% and S\$1 billion 4.100% subordinated notes in August 2004, largely offset by the increase in risk-weighted assets due primarily to the consolidation of BOA's financials and higher holdings in investment securities.

The Group's tier 1 CAR of 11.0% was 4.0% points higher than the minimum tier 1 CAR of 7% set by MAS. However, the Group's tier 1 CAR as at 31 December 2004 had decreased by 2.2% points as compared to 31 December 2003. The decrease was mainly attributable to enlarged risk-weighted assets arising from the acquisition of BOA and higher holdings in investment securities, higher goodwill, and share buy-back of \$500 million.

|   | 2004<br>\$ million | 2003*<br>\$ million |
|---|--------------------|---------------------|
| <b>Capital</b>                                      |                    |                     |
| Tier 1 Capital                                      |                    |                     |
| Share capital                                       | <b>1,536</b>       | 1,572               |
| Disclosed reserves/other                            | <b>11,910</b>      | 11,726              |
| Deduction of goodwill                               | <b>(4,008)</b>     | (3,483)             |
|   | <b>9,438</b>       | 9,815               |
| Upper Tier 2 Capital                                |                    |                     |
| Cumulative general provisions/other                 | <b>1,079</b>       | 934                 |
| Subordinated notes                                  | <b>5,550</b>       | 2,991               |
|   | <b>6,629</b>       | 3,925               |
| Deductions from Tier 1 and Upper Tier 2 Capital     | <b>(2,623)</b>     | (2,410)             |
| Total capital                                       | <b>13,444</b>      | 11,330              |
| <b>Risk-weighted assets</b> (including market risk) | <b>85,966</b>      | 74,353              |
| <b>Capital adequacy ratios</b>                      |                    |                     |
| Tier 1 capital                                      | <b>11.0%</b>       | 13.2%               |
| Total capital                                       | <b>15.6%</b>       | 15.2%               |

\* The comparative figures as at 31 December 2003 have been adjusted to conform with the revised capital framework for Singapore-incorporated banks issued by MAS, which was effective from 30 June 2004.