

United Overseas Bank Limited

(Incorporated in Singapore)

and its Subsidiaries

Financial Statements

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Directors' Report

for the financial year ended 31 December 2005

The directors are pleased to present their report to the members together with the audited financial statements of United Overseas Bank Limited (the "Bank") and its subsidiaries (the "Group") for the financial year ended 31 December 2005.

Directors

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

Mr Wee Cho Yaw (*Chairman*)
 Mr Wee Ee Cheong (*Deputy Chairman*)
 Mr Ngiam Tong Dow
 Prof Cham Tao Soon
 Mr Wong Meng Meng
 Mr Yeo Liat Kok Philip
 Mr Tan Kok Quan
 Prof Lim Pin
 Mr Ng Boon Yew
 Mr Lien Jown Leam Michael (*appointed on 3 May 2005*)

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those issued in connection with the UOB 1999 Share Option Scheme as set out in this report.

Directors' interests in shares or debentures

- (a) The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, an interest in shares of the Bank or related corporations as stated below:

	Direct interest		Deemed interest	
		At 1.1.2005 or date of appointment, if later		At 1.1.2005 or date of appointment, if later
	At 31.12.2005		At 31.12.2005	
Ordinary shares of \$1 each				
The Bank				
Mr Wee Cho Yaw	16,390,248	16,390,248	245,208,142	211,708,142
Mr Wee Ee Cheong	2,794,899	2,794,899	146,085,251	146,085,251
Mr Ngiam Tong Dow	—	—	8,600	8,600
Prof Cham Tao Soon	—	—	6,520	6,520
Mr Wong Yuen Weng Ernest (<i>resigned on 1 January 2006</i>)	50,000	50,000	—	—
Mr Tan Kok Quan	—	—	74,475	74,475
Mr Ng Boon Yew	—	—	5,280	5,280
United Overseas Insurance Limited				
Mr Wee Cho Yaw	25,400	25,400	—	—

- (b) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2006 (being the 21st day after the end of the financial year).

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except that certain directors received remuneration from related corporations in their capacity as directors and/or executives of those corporations.

Directors' fees and other remuneration

Details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2005 are as follows:

	Directors' fees %	Base or fixed salary %	Variable/ performance bonus %	Benefits-in-kind and other %	Total %
\$8,250,000 to \$8,499,999					
Mr Wee Cho Yaw	3.0	9.7	86.9	0.4	100.0
\$3,000,000 to \$3,249,999					
Mr Wee Ee Cheong	3.8	19.8	73.0	3.4	100.0
Below \$250,000					
Mr Koh Beng Seng (resigned on 16 February 2005)	11.1	80.7	—	8.2	100.0
Mr Ngiam Tong Dow	100.0	—	—	—	100.0
Prof Cham Tao Soon	100.0	—	—	—	100.0
Mr Wong Yuen Weng Ernest (resigned on 1 January 2006)	100.0	—	—	—	100.0
Mr Wong Meng Meng	100.0	—	—	—	100.0
Mr Yeo Liat Kok Philip	100.0	—	—	—	100.0
Mr Tan Kok Quan	100.0	—	—	—	100.0
Prof Lim Pin	100.0	—	—	—	100.0
Mrs Lien Wen Hsien Margaret (resigned on 30 April 2005)	100.0	—	—	—	100.0
Mr Ng Boon Yew	100.0	—	—	—	100.0
Mr Lien Jown Leam Michael (appointed on 3 May 2005)	100.0	—	—	—	100.0

Directors' Report

for the financial year ended 31 December 2005

Share options

(a) On 6 October 1999, the Bank's equity holders approved the adoption of the UOB 1999 Share Option Scheme (hereinafter called the "Scheme") to replace the UOB Executives' Share Option Scheme. Under the Scheme, options may be granted to employees in the corporate grade of Vice President (or equivalent rank) and above and selected employees below the corporate grade of Vice President (or equivalent rank) of the Bank and its subsidiaries, and to directors and controlling equity holders, subject to certain conditions. Share options granted under the Scheme in 1999 had expired at the end of its option period on 26 December 2004. Particulars of the share options granted under the Scheme in 2000, 2003 and 2004 (hereinafter called "Options 2000", "Options 2003" and "Options 2004" respectively) have been set out in the Directors' Reports for the financial years ended 31 December 2000, 2003 and 2004 respectively.

(b) Statutory and other information regarding the options under the Scheme is as follows:

(i) Options	Option period	Offer price \$
2000	11 December 2001 to 10 December 2005	12.90
2003	6 June 2004 to 5 June 2008	11.67
2004	29 November 2005 to 28 November 2009	13.67

(ii) The share options expire at the end of the respective option periods unless they lapse earlier in the event of death, bankruptcy or cessation of employment of the participant or the take-over or winding up of the Bank. Further details of the Scheme are set out in the circulars to equity holders dated 10 September 1999.

(iii) Since the commencement of the Scheme, no participant received 5% or more of the total options available under the Scheme and no options were granted to controlling equity holders (or their associates). No options were granted at a discount during the financial year. No options were granted to the directors of the Bank during the financial year and no options granted to the directors of the Bank since the commencement of the Scheme remained outstanding at the balance sheet date.

(iv) The holders of the Bank's options have no right to participate, by virtue of the options, in any share issue of any other company.

(c) The Scheme is administered by the Remuneration Committee, which comprises the following directors:

Mr Wee Cho Yaw (*Chairman*)
Prof Cham Tao Soon
Mr Yeo Liat Kok Philip
Prof Lim Pin

- (d) During the financial year, the Bank issued 1,588,000 ordinary shares of \$1 each to option holders who exercised their rights in connection with the Scheme as follows:

Year options granted	Subscription price per share, paid in cash	Number of ordinary shares of \$1 each in the Bank
	\$	
2000	12.90	722,000
2003	11.67	806,000
2004	13.67	60,000
		<hr/> 1,588,000

All newly issued shares rank *pari passu* in all respects with the previously issued shares.

- (e) Unissued ordinary shares of \$1 each under option in connection with the Scheme as at 31 December 2005 comprise the following:

Year options granted	Exercise price	Expiry date	Number of shares
	\$		
2003	11.67	6 June 2008	563,000
2004	13.67	29 November 2009	1,907,000
			<hr/> 2,470,000

Directors' Report

for the financial year ended 31 December 2005

Audit Committee

The Audit Committee comprises four members, all of whom are non-executive independent directors. The members of the Audit Committee at the date of this report are as follows:

Prof Cham Tao Soon (*Chairman*)

Mr Yeo Liat Kok Philip

Mr Tan Kok Quan

Mr Ng Boon Yew (*appointed on 10 February 2006*)

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditors' evaluation of the system of internal accounting controls, the scope and results of the internal and external audit procedures, the adequacy of internal audit resources, the cost effectiveness, independence and objectivity of external auditors, the significant findings of internal audit investigations and interested person transactions. The reviews were made with the internal and external auditors, the financial controller and/or other senior management staff, as appropriate. The Audit Committee has also carried out the functions required of the Committee under the Code of Corporate Governance and the Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers which are incorporated in Singapore.

The Audit Committee has also considered the financial, business and professional relationships between the external auditors and the Bank. It is of the view that the relationships are not incompatible with maintaining the independence of the external auditors.

Auditors

The Audit Committee has nominated Messrs Ernst & Young for re-appointment as auditors of the Bank and Messrs Ernst & Young have expressed their willingness to be re-appointed.

On behalf of the Board of Directors,

Wee Cho Yaw

Chairman

Wee Ee Cheong

Deputy Chairman

Singapore

23 February 2006

Statement by Directors

for the financial year ended 31 December 2005

We, Wee Cho Yaw and Wee Ee Cheong, being two of the directors of United Overseas Bank Limited, do hereby state that, in the opinion of the directors:

- (a) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2005, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman

Singapore
23 February 2006

Auditors' Report to the Members of United Overseas Bank Limited

for the financial year ended 31 December 2005

We have audited the accompanying financial statements of United Overseas Bank Limited (the "Bank") and its subsidiaries (the "Group") as set out on pages 89 to 186 for the financial year ended 31 December 2005. These financial statements are the responsibility of the Bank's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2005, the results of the Bank and of the Group and changes in equity of the Bank and of the Group and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Bank and by its subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG

Certified Public Accountants

Singapore
23 February 2006

Profit and Loss Accounts
for the financial year ended 31 December 2005

	Note	The Group		The Bank	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest income	3	4,881,743	3,661,340	3,833,478	2,866,298
Less: Interest expense	4	2,534,226	1,506,444	2,118,930	1,171,563
Net interest income		2,347,517	2,154,896	1,714,548	1,694,735
Dividend income	5	59,594	42,983	239,444	304,497
Fee and commission income	6	899,600	705,897	448,369	427,381
Rental income		63,897	64,578	36,282	37,427
Other operating income	7	390,714	290,389	653,803	172,457
Income before operating expenses		3,761,322	3,258,743	3,092,446	2,636,497
Less:					
Staff costs	8	683,566	587,453	388,450	363,748
Other operating expenses	9	740,374	639,355	484,055	464,200
Total operating expenses		1,423,940	1,226,808	872,505	827,948
Operating profit before amortisation and impairment charges		2,337,382	2,031,935	2,219,941	1,808,549
Less: Intangible assets amortised/ impaired	11	59,980	213,630	–	189,959
Less: Other impairment charges	12	173,531	208,705	5,892	90,685
Operating profit after amortisation and impairment charges		2,103,871	1,609,600	2,214,049	1,527,905
Share of profit of associates		99,854	307,265	–	–
Profit before tax		2,203,725	1,916,865	2,214,049	1,527,905
Less: Tax	13a	472,322	450,432	363,512	337,671
Profit for the financial year		1,731,403	1,466,433	1,850,537	1,190,234
Attributable to:					
Equity holders of the Bank		1,709,206	1,451,769	1,850,537	1,190,234
Minority interests		22,197	14,664	–	–
		1,731,403	1,466,433	1,850,537	1,190,234
Earnings per share:	14				
Basic		111 cents	93 cents		
Diluted		111 cents	93 cents		

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2005

		The Group		The Bank	
	Note	2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Equity					
Share capital	15	1,537,843	1,536,255	1,537,843	1,536,255
Subsidiary preference shares	16	831,550	–	–	–
Capital reserves	17	4,359,925	4,249,917	4,390,810	4,227,906
Statutory reserve	18	3,019,865	2,922,297	2,645,722	2,553,172
Revenue reserves	19	4,962,937	4,606,878	3,907,394	3,395,005
Share of reserves of associates	20	216,542	123,405	–	–
Equity attributable to equity holders of the Bank		14,928,662	13,438,752	12,481,769	11,712,338
Minority interests		291,056	148,306	–	–
Total equity		15,219,718	13,587,058	12,481,769	11,712,338
Liabilities					
Deposits and balances of					
Banks and agents		29,455,531	28,194,097	27,960,008	26,196,438
Non-bank customers		85,502,760	79,018,770	66,481,295	62,354,537
Subsidiaries		–	–	2,448,464	1,668,594
	21	114,958,291	107,212,867	96,889,767	90,219,569
Bills and drafts payable		303,181	256,188	93,493	66,091
Derivative financial liabilities	40	3,775,894	2,703,121	3,706,279	2,637,563
Other liabilities	22	3,098,291	3,495,491	928,478	1,532,205
Tax payables		537,209	522,827	473,885	476,868
Deferred tax liabilities	13b	71,896	11,717	39,947	273
Debts issued	23	7,108,290	7,089,297	6,833,994	6,079,974
Total liabilities		129,853,052	121,291,508	108,965,843	101,012,543
Total equity and liabilities		145,072,770	134,878,566	121,447,612	112,724,881
Off-balance sheet items					
Contingent liabilities	39	11,475,035	10,001,219	9,536,694	8,160,152
Financial derivatives	40	590,802,496	278,085,916	590,824,336	269,758,270
Commitments	41	42,545,092	39,275,821	33,049,044	30,593,118

		The Group		The Bank	
	Note	2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash, balances and placements with central banks	24	11,925,148	11,653,014	8,641,415	8,109,433
Singapore Government treasury bills and securities	25	6,883,521	6,652,762	6,799,634	6,558,506
Other government treasury bills and securities	26	2,088,563	1,723,186	1,472,680	1,373,878
Trading securities	27	624,887	438,934	228,461	124,573
Placements and balances with banks and agents	28	27,969,872	23,942,988	25,983,564	22,349,699
Trade bills	29	1,135,803	1,497,768	399,064	214,429
Advances to customers	29	65,326,737	62,720,387	50,875,801	50,356,374
Placements with and advances to subsidiaries		–	–	2,056,019	1,828,628
Derivative financial assets	40	3,640,632	2,884,689	3,609,187	2,854,211
Assets pledged	30a	4,668,203	4,236,716	2,642,992	2,881,180
Assets held for sale	31	606,240	–	423,538	–
Investment securities	32	10,122,392	8,608,545	8,664,671	6,802,650
Other assets	33	2,871,055	3,006,821	1,342,721	1,410,849
Investment in associates	34	1,000,174	1,702,393	346,410	842,870
Investment in subsidiaries	35	–	–	3,664,665	2,697,667
Fixed assets	37	1,872,205	1,862,434	1,100,220	1,116,994
Deferred tax assets	13b	67,598	72,200	14,751	21,121
Intangible assets	11	4,269,740	3,875,729	3,181,819	3,181,819
Total assets		145,072,770	134,878,566	121,447,612	112,724,881

The accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2005

The Group									
Equity attributable to equity holders of the Bank									
Note	Share capital \$'000	Subsidiary preference shares \$'000	Capital reserves \$'000	Statutory reserve \$'000	Revenue reserves \$'000	Share of reserves of associates \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
2005									
Balance at 1 January 2005									
As previously reported	1,536,255	–	4,249,917	2,922,297	4,606,878	123,405	13,438,752	148,306	13,587,058
Adjustments due to FRS39	–	–	169,378	–	(206,295)	–	(36,917)	8,131	(28,786)
As restated	1,536,255	–	4,419,295	2,922,297	4,400,583	123,405	13,401,835	156,437	13,558,272
Currency translation adjustments	17a	–	(16,278)	–	–	–	(16,278)	(2,615)	(18,893)
Available-for-sale assets	17a								
Net change in fair value		–	(6,679)	–	–	–	(6,679)	(593)	(7,272)
Transferred to profit and loss account on disposal/impairment		–	(68,524)	–	–	–	(68,524)	333	(68,191)
Share of associates' reserves	17a,20	–	17,751	–	–	134,652	152,403	–	152,403
Transfer to revenue reserves upon disposal/liquidation of associates	19a,20	–	–	–	41,515	(41,515)	–	–	–
Other adjustments	17a,19a	–	(2,684)	–	(5,268)	–	(7,952)	177	(7,775)
Total gains/(losses) recognised directly in equity		–	(76,414)	–	36,247	93,137	52,970	(2,698)	50,272
Profit for the financial year		–	–	–	1,709,206	–	1,709,206	22,197	1,731,403
Total recognised gains/(losses) for the financial year		–	(76,414)	–	1,745,453	93,137	1,762,176	19,499	1,781,675
Transfer from/(to) revenue reserves	17a,18,19a	–	(3,048)	97,568	(94,520)	–	–	–	–
Change in minority interests		–	–	–	–	–	–	119,489	119,489
Dividends	19a	–	–	–	(1,088,579)	–	(1,088,579)	(4,369)	(1,092,948)
Grant of share options under share option scheme	17a	–	2,140	–	–	–	2,140	–	2,140
Issue of shares under share option scheme	15b,17a	1,588	17,952	–	–	–	19,540	–	19,540
Issue of subsidiary preference shares	16	–	831,550	–	–	–	831,550	–	831,550
Balance at 31 December 2005	1,537,843	831,550	4,359,925	3,019,865	4,962,937	216,542	14,928,662	291,056	15,219,718

		The Group							
		Equity attributable to equity holders of the Bank							
	Note	Share capital	Capital reserves	Statutory reserve	Revenue reserves	Share of reserves of associates	Total	Minority interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2004									
Balance at 1 January 2004		1,571,664	4,242,284	2,859,850	4,464,952	143,285	13,282,035	155,103	13,437,138
Currency translation adjustments	17a	–	(36,731)	–	–	–	(36,731)	(180)	(36,911)
Share of associates' reserves	20	–	–	–	–	(18,730)	(18,730)	–	(18,730)
Transfer to revenue reserves upon disposal/liquidation of associates	19a,20	–	–	–	1,150	(1,150)	–	–	–
Other adjustments	17a	–	2,681	–	–	–	2,681	131	2,812
Total gains/(losses) recognised directly in equity		–	(34,050)	–	1,150	(19,880)	(52,780)	(49)	(52,829)
Profit for the financial year		–	–	–	1,451,769	–	1,451,769	14,664	1,466,433
Total recognised gains/(losses) for the financial year		–	(34,050)	–	1,452,919	(19,880)	1,398,989	14,615	1,413,604
Transfer from/(to) revenue reserves	17a,18,19a	–	(5,834)	62,447	(56,613)	–	–	–	–
Change in minority interests		–	–	–	–	–	–	(18,183)	(18,183)
Dividends	19a	–	–	–	(754,570)	–	(754,570)	(3,229)	(757,799)
Share buy-back	15b,17a,19a	(36,417)	36,417	–	(499,810)	–	(499,810)	–	(499,810)
Issue of shares under share option scheme	15b,17a	1,008	11,100	–	–	–	12,108	–	12,108
Balance at 31 December 2004		1,536,255	4,249,917	2,922,297	4,606,878	123,405	13,438,752	148,306	13,587,058

The movements of the respective reserve accounts are presented in Notes 15 to 20.

The accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2005

	Note	Share capital \$'000	Capital reserves \$'000	The Bank Statutory reserve \$'000	Revenue reserves \$'000	Total equity \$'000
2005						
Balance at 1 January 2005						
As previously reported		1,536,255	4,227,906	2,553,172	3,395,005	11,712,338
Adjustments due to FRS39		–	121,874	–	(157,019)	(35,145)
As restated		1,536,255	4,349,780	2,553,172	3,237,986	11,677,193
Currency translation adjustments	17b	–	1,476	–	–	1,476
Available-for-sale assets	17b					
Net change in fair value		–	57,520	–	–	57,520
Transferred to profit and loss account on disposal/impairment		–	(38,058)	–	–	(38,058)
Total gains recognised directly in equity		–	20,938	–	–	20,938
Profit for the financial year		–	–	–	1,850,537	1,850,537
Total recognised gains for the financial year		–	20,938	–	1,850,537	1,871,475
Transfer from/(to) revenue reserves	18,19b	–	–	92,550	(92,550)	–
Dividends	19b	–	–	–	(1,088,579)	(1,088,579)
Grant of share options under share option scheme	17b	–	2,140	–	–	2,140
Issue of shares under share option scheme	15b,17b	1,588	17,952	–	–	19,540
Balance at 31 December 2005		1,537,843	4,390,810	2,645,722	3,907,394	12,481,769
2004						
Balance at 1 January 2004		1,571,664	4,180,133	2,493,172	3,514,142	11,759,111
Currency translation adjustments	17b	–	5,265	–	–	5,265
Total gains recognised directly in equity		–	5,265	–	–	5,265
Profit for the financial year		–	–	–	1,190,234	1,190,234
Total recognised gains for the financial year		–	5,265	–	1,190,234	1,195,499
Transfer from/(to) revenue reserves	17b,18,19b	–	(5,009)	60,000	(54,991)	–
Dividends	19b	–	–	–	(754,570)	(754,570)
Share buy-back	15b,17b,19b	(36,417)	36,417	–	(499,810)	(499,810)
Issue of shares under share option scheme	15b,17b	1,008	11,100	–	–	12,108
Balance at 31 December 2004		1,536,255	4,227,906	2,553,172	3,395,005	11,712,338

The movements of the respective reserve accounts are presented in Notes 15 to 19.

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2005

	2005 \$'000	2004 \$'000
Cash flows from operating activities		
Operating profit before amortisation and impairment charges	2,337,382	2,031,935
Adjustments for		
Depreciation of fixed assets	139,535	124,701
Net gain on disposal of assets	(140,435)	(95,792)
Operating profit before working capital changes	2,336,482	2,060,844
Changes in working capital		
Increase in deposits	5,538,455	12,664,532
Increase in bills and drafts payable	40,675	14,192
Increase/(decrease) in other liabilities	692,062	(359,756)
(Increase)/decrease in trading securities	(142,914)	85,572
Increase in placements and balances with banks and agents	(4,377,479)	(6,384,549)
Increase in trade bills and advances to non-bank customers	(1,396,886)	(935,391)
Decrease/(increase) in government treasury bills and securities not qualifying as cash and cash equivalents	759,115	(835,298)
Increase in other assets	(876,810)	(512,873)
Cash generated from operations	2,572,700	5,797,273
Income tax paid	(415,206)	(366,367)
Net cash provided by operating activities	2,157,494	5,430,906
Cash flows from investing activities		
Net cash flow on (acquisition)/disposal of		
Investment securities and associates	(1,309,691)	(2,993,027)
Fixed assets	(65,655)	(62,993)
Net cash inflow/(outflow) on acquisition of subsidiaries	42,241	(217,321)
Acquisition of additional interests in subsidiaries	(48,924)	(34,637)
Net dividends received from associates	52,004	167,829
Net cash used in investing activities	(1,330,025)	(3,140,149)
Cash flows from financing activities		
Proceeds from issue of shares	851,090	12,108
Net (decrease)/increase in debts issued	(80,596)	2,809,850
Share buy-back	–	(499,810)
Dividends paid by the Bank	(738,002)	(754,570)
Dividends paid by subsidiaries to minority equity holders	(4,369)	(3,229)
Net cash provided by financing activities	28,123	1,564,349
Currency translation adjustments	(16,278)	(36,731)
Net increase in cash and cash equivalents for the financial year	839,314	3,818,375
Cash and cash equivalents at beginning of the financial year	20,057,918*	16,210,587
Cash and cash equivalents at end of the financial year (Note 42)	20,897,232	20,028,962

* Restated upon adoption of FRS39

The accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2005

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

United Overseas Bank Limited (the “Bank”) is a limited liability company incorporated in Singapore. The registered office of the Bank is at 80 Raffles Place, UOB Plaza, Singapore 048624.

The Bank is principally engaged in the business of banking in all its aspects, including the operation of an Asian Currency Unit under the terms and conditions specified by the Monetary Authority of Singapore. The principal activities of its subsidiaries are set out in Note 47 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Bank and its subsidiaries (the “Group”) have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) as required by the Companies Act, Cap. 50, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 ‘Credit Files, Grading and Provisioning’ issued by the Monetary Authority of Singapore (“MAS”).

The financial statements have been prepared under the historical cost convention, modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit and loss and all financial derivatives. In addition, the carrying amount of assets and liabilities that are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks.

The financial statements are presented in Singapore Dollars.

(b) Changes in accounting policies

The accounting policies applied by the Group are consistent with those used in the previous financial year except for changes arising from the adoption of the following new and revised FRS with effect from 1 January 2005:

New FRS

(i) FRS39 Financial Instruments: Recognition and Measurement

The Group adopted FRS39 on 1 January 2005 and classified and measured its financial assets and financial liabilities in accordance with the standard as described under Note 2h.

The standard was applied prospectively with opening balances of the financial assets and financial liabilities at 1 January 2005 restated. For financial assets and financial liabilities measured at fair value through profit and loss, including all financial derivatives not qualified for hedge accounting, differences between the carrying amounts and fair values were recognised in retained profits. For available-for-sale assets, differences between the carrying amounts and fair values were taken to fair value reserve. For financial assets and financial liabilities carried at amortised cost, differences between the carrying amounts and amortised costs net of provision for impairment were recognised in retained profits.

The impact on the financial statements of the Bank and the Group as at 1 January 2005 upon initial adoption of the standard is as follows:

	Increase/(Decrease)	
	The Group	The Bank
	\$'000	\$'000
Fair value reserve	169,378	121,874
Retained profits	(206,295)	(157,019)
Minority interests	8,131	–
Total equity	(28,786)	(35,145)
Deposits and balances of non-bank customers	(68,062)	(68,062)
Other liabilities (include derivative financial liabilities)	(68,375)	(122,215)
Debts issued	50,755	50,755
Total liabilities	(85,682)	(139,522)
Cash, balances and placements with central banks and banks and agents	(373)	(374)
Singapore Government treasury bills and securities	20,219	19,198
Other government treasury bills and securities	8,918	6,343
Trading securities	(16,140)	–
Trade bills and advances to non-bank customers	(112,044)	(111,224)
Investment securities	245,724	172,047
Other assets (include derivative financial assets)	(260,772)	(260,657)
Total assets	(114,468)	(174,667)

(ii) FRS102 Share-based Payment

The main implication of FRS102 to the Group is the recognition of an expense and a corresponding entry to equity for share options granted to qualifying employees under the UOB 1999 Share Option Scheme. In accordance with the transitional provision of FRS102, the requirement was applied to share options granted after 22 November 2002 and that had not vested on 1 January 2005. The adoption of the standard has no material impact on the financial statements of the Bank and the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2005

2. Summary of significant accounting policies (cont'd)

(b) Changes in accounting policies (cont'd)

(iii) FRS103 Business Combinations, FRS36 (revised) Impairment of Assets and FRS38 (revised) Intangible Assets

FRS103 has been applied for business combinations on or after 1 January 2005. Under the standard, the Group is permitted to recognise only liabilities that exist in the acquiree's financial statements on acquisition. Prior to 1 January 2005, the Group could recognise restructuring provision regardless of whether it had been recognised by the acquiree.

The adoption of FRS103 and revised FRS36 has also resulted in the Group ceasing goodwill amortisation and commencing impairment testing at cash-generating unit level annually or more frequently if events or changes in circumstances indicate that the carrying amount of the cash-generating unit, including the goodwill allocated to it, may be impaired. Consequently, no goodwill amortisation was recorded for the financial year, while goodwill amortisation of \$189,959,000 and \$213,630,000 for the Bank and the Group respectively were recognised for the financial year 2004.

The transitional provisions of FRS103 have required the Group to eliminate the accumulated goodwill amortisation against the goodwill on 1 January 2005 (Note 11).

(iv) FRS105 Non-current Assets Held for Sale and Discontinued Operations

FRS105 requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell.

Certain of the Group's investments have been identified and classified as assets held for sale. Prior to the adoption of FRS105, these assets were classified as investment securities and investment in associates.

Revised FRS

(v) The Group has also adopted the following revised standards mandatory for annual financial periods beginning on or after 1 January 2005 and comparative figures have been restated where applicable:

- FRS1 Presentation of Financial Statements
- FRS8 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS10 Events after the Balance Sheet Date
- FRS16 Property, Plant and Equipment
- FRS17 Leases
- FRS21 The Effects of Changes in Foreign Exchange Rates
- FRS24 Related Party Disclosures
- FRS27 Consolidated and Separate Financial Statements
- FRS28 Investments in Associates
- FRS31 Interests in Joint Ventures
- FRS32 Financial Instruments: Disclosure and Presentation
- FRS33 Earnings Per Share

The adoption of the above revised FRS did not result in any significant change in the accounting policies.

FRS and INT FRS not yet effective

(vi) The Group has not applied the following FRS and INT FRS deemed applicable to the activities of the Group that have been issued but effective after 31 December 2005:

- INT FRS104 Determining whether an arrangement contains a lease
(effective for annual financial periods beginning on or after 1 January 2006)

INT FRS104 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement, and whether the arrangement is dependent on the use of a specific asset or assets and conveys a right to use the asset.

- FRS40 Investment Property
(effective for annual financial periods beginning on or after 1 January 2007)

FRS40 permits an entity to measure its properties either at fair value with fair value changes taken to the profit and loss account (Fair Value Model), or at cost less accumulated depreciation and provision for impairment (Cost Model). A lessee may account for an operating lease property as an investment property if it meets the definition of investment property and apply the Fair Value Model to the property. The Group will examine the implication of the standard closely before the measurement model is selected.

(c) **Significant accounting estimates and judgements**

Preparation of the financial statements involved making certain estimates, assumptions concerning the future and judgements. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(d) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the balance sheet date. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Inter-company transactions and balances are eliminated.

Acquisition of subsidiaries is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Goodwill is accounted for in accordance with Note 2p(i).

Notes to the Financial Statements

for the financial year ended 31 December 2005

2. Summary of significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

Minority interests represent the portion of profit or loss and net assets in subsidiaries not belonged to the equity holders of the Bank. They are disclosed separately in the consolidated profit and loss account and balance sheet accordingly.

Financial statements of special purpose entities ("SPE") are consolidated where the SPE are, in substance, controlled by the Group.

(e) Investment in subsidiaries

A subsidiary is an entity over which the Group has the power to govern its financial and operating policies. The Group generally has such power when it directly or indirectly holds more than 50% of the issued share capital, or controls more than half the voting power or the composition of the board of directors.

Investment in subsidiaries is stated at cost less provision for impairment, if any, determined on an individual basis.

(f) Investment in associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having between 20% and 50% of the voting powers or representation on the board of directors.

The Group's investment in associates is accounted for using the equity method from the date the Group obtains significant influence over the associate until the date the Group ceases to have significant influence or when the assets held-for-sale criteria under FRS105 is satisfied.

Under the equity method, the Group's investment in an associate is carried in the balance sheet at cost (including goodwill on acquisition), plus post-acquisition changes in the Group's share of net assets of the associate, less provision for impairment, if any, determined on an individual basis. The Group's share of results of the associate is recognised in the consolidated profit and loss account. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the Bank's separate financial statements, investment in associates is stated at cost less provision for impairment, if any, determined on an individual basis.

(g) **Foreign currencies**

(i) Foreign currency transactions

Transactions in foreign currencies are recorded, on initial recognition, in the respective functional currencies of the Bank and its subsidiaries at exchange rates approximating those ruling at the transaction dates. Monetary assets and monetary liabilities denominated in foreign currencies are translated at closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the profit and loss account, except for exchange differences arising from monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet, and in the consolidated profit and loss account on disposal of the subsidiary. In the Bank's separate financial statements, such exchange differences are recognised in the profit and loss account.

Exchange differences arising from foreign currency borrowings that provide a hedge against a net investment in a foreign operation are taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the foreign currency translation reserve.

(ii) Foreign currency translation

Revenue and expenses of foreign operations are translated into Singapore Dollars at the average exchange rates for the financial year, which approximate the exchange rates at the transaction dates. Foreign operations' assets and liabilities are translated at the exchange rates ruling at the balance sheet date.

All resultant exchange differences are recognised in a separate component of equity as foreign currency translation reserve, and are taken to the profit and loss upon disposal of the foreign operations.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. For acquisitions prior to 1 January 2005, goodwill and fair value adjustments were treated as assets and liabilities of the parent company and were recorded in Singapore Dollars at the rate prevailing at the date of acquisition.

Notes to the Financial Statements

for the financial year ended 31 December 2005

2. Summary of significant accounting policies (cont'd)

(h) Financial assets and financial liabilities

(i) Classification and measurement

Financial assets and liabilities within the scope of FRS39 are classified and accordingly measured as follows:

Financial assets/liabilities at fair value through profit and loss

- **Held for trading**
Financial assets and financial liabilities are classified as held for trading if they are acquired for short-term profit taking. Financial derivatives are classified as held for trading unless they are designated as hedging instruments in accordance with FRS39. Gains or losses on held for trading financial assets and financial liabilities are recognised in the profit and loss account.
- **Designated as fair value through profit and loss**
These are financial assets and financial liabilities designated at inception to be measured at fair value through profit and loss account. Such designation, once made, is irrevocable.

Financial assets and financial liabilities at fair value through profit and loss are recognised initially at fair value with transaction costs taken directly to the profit and loss account, and are subsequently remeasured at fair value.

Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets till maturity. Such assets are initially recognised at fair value plus directly attributable transaction costs, and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value plus directly attributable transaction costs, and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale

Non-derivative financial assets that are not classified into any of the preceding categories or are designated to be available for sale are classified in this category. At initial recognition, the financial assets are recognised at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with gains or losses recognised in the fair value reserve until the assets are derecognised, or determined to be impaired, at which time the cumulative gains or losses previously reported in equity are transferred to the profit and loss account.

Non-trading liabilities

Non-derivative financial liabilities not held for active trading or designated as fair value through profit and loss are initially recognised at fair value plus directly attributable transaction costs and are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised, as well as through the amortisation process.

(ii) Recognition and derecognition

Financial assets and financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. All regular way purchases and sales of financial assets that require delivery of the assets within the period generally established by regulation or market convention, are recognised on the settlement date.

A financial asset or, where applicable, a part of a financial asset or group of similar financial assets is derecognised where:

- the contractual rights to the cash flows from the asset have expired;
- the Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

On the derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of a) the consideration received (including any new asset obtained less any new liability assumed) and b) any cumulative gain or loss that has been recognised in equity is recognised in the profit and loss account.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and the recognition of a new liability, and the difference in the carrying amounts of the new and original liabilities is recognised in the profit and loss account.

(iii) Impairment

Financial assets, other than those measured at fair value through profit and loss account are subject to impairment review at each balance sheet date. In general, an impairment loss is recognised when there is objective evidence that the carrying amount of an asset is below its recoverable amount.

Assets carried at amortised costs

In determining the impairment loss on loans and receivables or held-to-maturity investments which are carried at amortised costs, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the profit and loss account.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped based on similar credit risks and assessed on a portfolio basis. The resulting impairment losses are referred to as individual impairment in the financial statements.

Collective impairment is made for estimated losses inherent in but not currently identifiable to the individual financial assets in accordance with the transitional arrangement set out in MAS Notice 612.

Notes to the Financial Statements

for the financial year ended 31 December 2005

2. Summary of significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(iii) Impairment (cont'd)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value as its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has occurred, the amount of the loss which is taken to the profit and loss account is measured as the difference between the carrying amount of the asset and present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent period.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversal of impairment losses in respect of equity instruments classified as available-for-sale is recognised through equity. Reversal of impairment losses on debt instruments is recognised in the profit and loss account if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

(iv) Fair value measurement

The fair values of the financial assets and financial liabilities that are quoted in active markets are determined by their bid and asked prices respectively at the valuation date without any deduction for transaction costs. An active market is where price information is readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and the price information is from actual and regularly occurring market transactions on an arm's length basis.

Where the markets for certain financial instruments are not active, fair values are established using valuation techniques commonly used by market participants and based on assumptions and data observable in the market.

(i) **Assets held for sale**

Assets are classified as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Fixed assets held for sale are not subject to depreciation.

(j) **Cash, balances and placements with central banks, agents and banks and subsidiaries**

Cash, balances and placements with central banks, agents and banks and subsidiaries are classified as held for trading, designated as fair value through profit and loss, available-for-sale and loans and receivables.

(k) **Trade bills and advances to customers**

Trade bills and advances to customers are classified as held for trading, designated as fair value through profit and loss and loans and receivables.

(l) **Government, trading and investment securities**

Government, trading and investment securities are classified as held for trading, designated as fair value through profit and loss, available-for-sale, held-to-maturity and loans and receivables.

(m) **Financial derivatives**

Financial derivatives are initially recognised at fair value on the contracted date and are subsequently remeasured at fair value. Financial derivatives with positive and negative fair values are carried as assets and liabilities respectively in the balance sheet.

Derivatives embedded in the financial instruments are accounted for separately as derivatives if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss.

Fair value changes of financial derivatives that do not qualify for hedge accounting are taken to the profit and loss account.

(n) **Hedge accounting**

The Group adopts the following hedge accounting in accordance with FRS39:

(i) Fair value hedge

Fair value hedge is a hedge against exposure to changes in the fair value of a recognised asset or liability, or an unrecognised commitment that is attributable to a particular risk and could affect profit or loss.

The carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured at fair value. Gains and losses from both items are taken to the profit and loss account. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item measured at amortised cost is amortised to the profit and loss account over the expected life of the hedged item.

The Group has adopted fair value hedge accounting for certain subordinated notes issued.

(ii) Hedge of net investment in a foreign operation

A hedge of net investment in a foreign operation, including monetary item that is accounted for as part of the net investment, is a hedge against exposure to the exchange rate fluctuation on net assets of the foreign operation.

The hedge is accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion are recognised in the profit and loss account. On disposal of the foreign operation, the cumulative gains or losses recognised in the reserve are transferred to the profit and loss account.

The Group identifies and documents at the inception of a hedging relationship, the hedged item, hedging instrument, nature of risk to be hedged, risk management objective and strategy for undertaking the hedge and way to assess the hedge effectiveness. Hedges are expected to be highly effective and are assessed on an on-going basis to ensure that they remain highly effective throughout the hedge period.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or is revoked.

Notes to the Financial Statements

for the financial year ended 31 December 2005

2. Summary of significant accounting policies (cont'd)

(o) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and provision for impairment. Fixed assets, other than land and buildings, are depreciated on a straight-line basis over 5 or 10 years.

Computer software is included in fixed assets and amortised accordingly. Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the period of the lease. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. The residual values, useful life and depreciation method are reviewed at each financial year-end.

The carrying amounts of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the amounts may not be recoverable.

(p) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination represents payment made in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. Goodwill on acquisitions of subsidiaries is included in intangible assets while that on acquisition of associates is included in investment in associates.

At initial recognition, goodwill is measured at cost, being the excess of the acquisition cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Where the net fair value exceeds the acquisition cost, the difference, being negative goodwill, is taken to the profit and loss account. After initial recognition, goodwill is measured at cost less accumulated provision for impairment, if any. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

At the date of acquisition, goodwill is allocated to the cash-generating unit or group of cash-generating units expected to benefit from the synergies of the business combination. Each unit or group of units represents the lowest level at which the goodwill is monitored and is not larger than a segment based on either the Group's primary or secondary reporting format. The carrying amount of the unit or group of units is compared to its recoverable amount and where the former is greater than the latter, an impairment loss is recognised.

When an operation within a unit or group of units is disposed of, goodwill associated with it is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

(ii) Other intangible assets

Other intangible assets acquired are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at costs less accumulated amortisation and accumulated impairment losses, if any.

For intangible assets with finite useful lives, they are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortisation charges are recognised in the profit and loss account. The useful life and amortisation method are reviewed at each financial year-end.

Intangible assets with indefinite useful lives are not amortised but reviewed and tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. The useful life of the asset is reviewed annually to ensure its continuing relevance.

(q) **Tax**

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is provided using the liability method on all significant temporary differences between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets are recognised for all deductible temporary differences, and carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to set off current tax assets against current tax liabilities exists and the deferred taxes relate to the same taxable entity and taxation authority.

Deferred tax relating to items recognised directly in equity is recognised in equity.

Notes to the Financial Statements

for the financial year ended 31 December 2005

2. Summary of significant accounting policies (cont'd)

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(s) Revenue recognition

- (i) Interest income is recognised on a time proportion basis using the effective interest method.
- (ii) Dividend income from subsidiaries is recognised when it is declared, while that from other investments is recognised when it is received.
- (iii) Fee and commission income is recognised as and when services are rendered. Where a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised using the effective interest method.
- (iv) Rental income is recognised on a time proportion basis.

(t) Employee benefits

(i) Equity compensation benefits

The Group has an equity compensation plan referred to as the UOB 1999 Share Option Scheme. Under the scheme, options to subscribe for ordinary shares of \$1 each in the Bank may be granted to employees in the corporate grade of Vice President (or equivalent rank) and above and selected employees below the corporate grade of Vice President (or equivalent rank) of the Bank and its subsidiaries, and to directors and controlling equity holders, subject to certain conditions.

The options have a one-year vesting period with no performance conditions attached and are exercisable at any time before the respective five-year maturity period. The cost of the options is the fair value at the option grant date. The cost is recognised as an expense in the profit and loss account with a corresponding increase in the equity over the one-year vesting period.

(ii) Post employment benefits

The Group contributes to social security schemes, including the Central Provident Fund which is defined contribution scheme. Such contributions are expensed off to the profit and loss account as part of staff costs.

(u) **Dividends**

Dividends on ordinary shares are accounted for as appropriation of retained profits in the period in which they are approved.

(v) **Repurchase and reverse repurchase agreements**

Repurchase agreements (Repo) are treated as collateralised borrowing and the amounts borrowed are shown as liabilities and included in deposits and balances of banks and agents and non-bank customers accordingly. The assets sold under Repo are classified in the financial statements as assets pledged.

Reverse repurchase agreements (reverse Repo) are treated as collateralised lending and the amounts lent are shown as assets and included in placements and balances with banks and agents and advances to customers accordingly.

The difference between the amounts received and paid under Repo and reverse Repo agreements are accounted for as interest expense and interest income respectively and accrued over the life of the agreements using the effective interest method.

3. Interest income

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Trade bills and advances to customers	3,122,784	2,570,283	2,293,843	1,982,214
Placements and balances with banks and agents	1,139,527	630,547	1,010,624	521,739
Government treasury bills and securities	212,320	183,280	192,730	157,063
Trading and investment securities	407,112	277,230	336,281	205,282
	4,881,743	3,661,340	3,833,478	2,866,298
Of which, interest income on				
Impaired financial assets	63,593		56,604	
Financial assets at fair value through profit and loss	553,294		505,307	

4. Interest expense

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Non-bank deposits	1,406,547	907,383	1,033,773	614,696
Deposits and balances of banks and agents and debts issued	1,127,679	599,061	1,085,157	556,867
	2,534,226	1,506,444	2,118,930	1,171,563
Of which, interest expense on financial liabilities at fair value through profit and loss	335,543		339,065	

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for the financial year ended 31 December 2005

5. Dividend income

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Investment in subsidiaries				
Quoted	–	–	4,761	4,947
Unquoted	–	–	136,560	93,226
Investment in associates				
Quoted	–	–	27,409	172,797
Unquoted	–	–	23,113	3,518
Other investments				
Quoted	55,144	31,013	45,368	19,406
Unquoted	4,450	11,970	2,233	10,603
	59,594	42,983	239,444	304,497

6. Fee and commission income

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Credit card	121,035	108,662	82,411	78,832
Fund management	151,251	111,247	10,428	10,076
Futures broking	20,924	32,492	–	–
Investment-related	250,947	130,814	101,085	90,046
Loan-related	126,093	114,027	98,844	95,213
Service charges	61,675	52,389	43,303	44,445
Trade-related	145,413	138,394	99,326	98,081
Other	22,262	17,872	12,972	10,688
	899,600	705,897	448,369	427,381

7. Other operating income

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) from				
Foreign exchange	129,753	126,011	90,335	90,656
Trading securities, government treasury bills and securities and derivatives	44,505	(34,220)	(4,664)	(34,995)
Investment securities	54,060	82,316	40,437	37,206
Disposal of assets held for sale	22,720	–	151,597	–
Disposal/liquidation of subsidiaries/associates	2,206	709	291,502	8,312
Disposal of fixed and other assets	18,505	10,238	9,548	11,901
Insurance income	39,376	39,934	–	–
Other income	79,589	65,401	75,048	59,377
	390,714	290,389	653,803	172,457

The net gain from disposal of assets held for sale arose from the divestment of an associate, United Overseas Land Limited ("UOL"), through the distribution in specie of shares (Note 19c) and redemption of exchangeable notes by way of shares (Note 23b).

8. Staff costs

(a)

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	579,978	498,898	324,192	302,314
Employer's contribution to defined contribution plans	48,384	45,790	29,133	28,153
Share option expense	2,140	–	1,598	–
Other staff-related costs	53,064	42,765	33,527	33,281
	683,566	587,453	388,450	363,748

(b)

	The Group		The Bank	
	2005	2004	2005	2004
Number of employees at 31 December	18,816	13,574	5,634	5,360

Notes to the Financial Statements

for the financial year ended 31 December 2005

8. Staff costs (cont'd)

(c) Equity compensation benefits

(i) Movements in the number of shares under option during the financial year are as follows:

	The Group and The Bank			
	2005		2004	
	Number of shares '000	Weighted average exercise price \$	Number of shares '000	Weighted average exercise price \$
Balance at 1 January	4,274	12.88	4,467	12.78
Issued	–	–	2,083	13.67
Exercised	(1,588)	12.30	(1,008)	12.01
Forfeited	(116)	13.67	(175)	13.40
Lapsed	(100)	12.90	(1,093)	14.70
Balance at 31 December	2,470	13.21	4,274	12.88

(ii) Details of the unissued shares under option at the end of the financial year are as follows:

Year options granted	Exercise price \$	Expiry date	Number of shares	
			2005 '000	2004 '000
2000	12.90	11 December 2005	–	822
2003	11.67	6 June 2008	563	1,369
2004	13.67	29 November 2009	1,907	2,083
			2,470	4,274
Of which, exercisable at 31 December			2,470	2,191

(iii) Details of the share options exercised during the financial year are as follows:

Year options granted	Exercise price \$	Weighted average share price at date of exercise		Number of shares issued		Consideration received in cash	
		2005 \$	2004 \$	2005 '000	2004 '000	2005 \$'000	2004 \$'000
2000	12.90	14.36	13.52	722	280	9,314	3,612
2003	11.67	14.37	13.27	806	728	9,406	8,496
2004	13.67	14.61	–	60	–	820	–
				1,588	1,008	19,540	12,108

9. Other operating expenses

Included in other operating expenses are:

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Depreciation of fixed assets	139,535	124,701	85,675	84,709
Rental of premises and equipment	46,180	36,636	41,556	39,321
Maintenance of premises and other assets	65,278	55,847	41,310	38,489
Other expenses of premises	41,289	36,211	21,879	21,107
Auditors' remuneration	3,347	2,811	1,847	1,708
Non-audit fees paid/payable to auditors	339	131	328	131

10. Directors' fees and remuneration

(a) Included in the total operating expenses are the following fees and remuneration paid/payable to the directors of the Bank and its subsidiaries:

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Directors of the Bank				
Fees	1,012	809	760	600
Remuneration	11,373	10,909	11,373	10,909
Directors of the subsidiaries				
Fees	1,241	673	9	10
Remuneration	11,466	6,258	–	–
	25,092	18,649	12,142	11,519

(b) Distribution of the total fees and remuneration of the Bank's directors is as follows:

	The Group	
	Number of directors	
	2005	2004
Total directors' fees and remuneration		
\$8,250,000 to \$8,499,999	1	–
\$7,500,000 to \$7,749,999	–	1
\$3,000,000 to \$3,249,999	1	–
\$2,250,000 to \$2,499,999	–	1
\$1,000,000 to \$1,249,999	–	1
Below \$250,000	11	10
	13	13

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for the financial year ended 31 December 2005

11. Intangible assets

(a) The Group

	2005				2004
	Core deposit base \$'000	Customer loan base \$'000	Goodwill \$'000	Total \$'000	Goodwill/ Total \$'000
Cost					
Balance at 1 January					
As previously reported	–	–	4,533,051	4,533,051	3,909,851
Adjustments due to FRS103	–	–	(657,322)	(657,322)	–
As restated	–	–	3,875,729	3,875,729	3,909,851
Currency translation adjustments	571	380	354	1,305	–
Acquisitions					
UOBT*	–	–	83,752	83,752	623,200
Bank Buana^	51,477	34,376	299,476	385,329	–
Other	–	–	1,644	1,644	–
Write-off					
UOBP<	–	–	(74,308)	(74,308)	–
Other	–	–	(1,644)	(1,644)	–
Balance at 31 December	52,048	34,756	4,185,003	4,271,807	4,533,051
Accumulated amortisation					
Balance at 1 January					
As previously reported	–	–	657,322	657,322	443,692
Adjustments due to FRS103	–	–	(657,322)	(657,322)	–
As restated	–	–	–	–	443,692
Amortisation charge	1,239	828	–	2,067	213,630
Balance at 31 December	1,239	828	–	2,067	657,322
Net carrying amount	50,809	33,928	4,185,003	4,269,740	3,875,729

* Refer to United Overseas Bank (Thai) Public Company Limited (formerly known as Bank of Asia Public Company Limited)

^ Refer to PT Bank Buana Indonesia Tbk.

< The write-off was in respect of the disposal of branch network by United Overseas Bank Philippines ("UOBP"), of which, \$18,039,000 was set off against the gain arising from the disposal.

(b) **The Bank**

	Goodwill	
	2005	2004
	\$'000	\$'000
Cost		
Balance at 1 January		
As previously reported	3,800,657	3,800,657
Adjustments due to FRS103	(618,838)	–
As restated/Balance at 31 December	3,181,819	3,800,657
Accumulated amortisation		
Balance at 1 January		
As previously reported	618,838	428,879
Adjustments due to FRS103	(618,838)	–
As restated	–	428,879
Amortisation charge	–	189,959
Balance at 31 December	–	618,838
Net carrying amount	3,181,819	3,181,819

- (c) Following the adoption of FRS103 on 1 January 2005, goodwill is no longer subject to amortisation. It is reviewed for impairment annually or when there are indications of impairment. Prior to 1 January 2005, goodwill was amortised evenly over its estimated useful life of 10 to 20 years.

At the date of acquisition, goodwill is allocated to the business segments expected to benefit from the synergies. The recoverable amount of the cash generating units, which are the reportable business segments, is based on their value in use, computed by discounting the expected future cash flows of the units. The key assumptions for the computation of value in use include the discount rates and growth rates applied. Discount rates are estimated based on the current market assessments of the time value of money and the risks specific to the Group as a whole and to certain countries such as, Thailand and Indonesia. The discount rates applied were ranging from 8% to 16%. Growth rates are determined based on economic growth forecasts by major countries. Cash flow projection is based on the most recent five-year financial budget approved by management. Cash flows beyond the five-year period are extrapolated using the average of last ten years' Gross Domestic Product (GDP) growth rates. The growth rates applied beyond the five-year period were ranging from 3% to 5%. Impairment is recognised in the profit and loss account when the carrying amount of a cash-generating unit exceeds its recoverable amount.

The core deposit base and customer loan base intangibles are determined to have estimated useful lives of 7 years.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the cash generating units.

Notes to the Financial Statements

for the financial year ended 31 December 2005

12. Other impairment charges

Other impairment charged/(credited) to the profit and loss accounts during the financial year are as follows:

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Individual impairment on and net write-off of trade bills and advances to customers	215,215	234,782	108,142	189,657
Individual impairment/(write-back of impairment) on investments, fixed assets and other assets (Note 36, 37)	12,247	68,581	(7,833)	26,534
Collective impairment written back	(56,269)	(102,000)	(90,655)	(107,305)
Provision/(write-back of provision) for contingent liabilities	2,338	7,342	(3,762)	(18,201)
	173,531	208,705	5,892	90,685

13. Tax

(a) The tax charge to the profit and loss accounts comprises the following:

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
On profit of the financial year				
Current tax	442,167	405,602	361,333	359,641
Deferred tax	7,303	(19,230)	7,375	(18,893)
	449,470	386,372	368,708	340,748
Share of tax of associates	26,298	65,887	—	—
	475,768	452,259	368,708	340,748
(Over)/underprovision of tax in respect of prior financial years				
Current tax	(2,765)	(3,027)	(5,692)	(3,076)
Deferred tax	(681)	1,200	496	(1)
	472,322	450,432	363,512	337,671

The tax charge on the results of the Bank and the Group for the financial year differs from the theoretical amount that would arise by applying the Singapore statutory income tax rate to the profit before tax due to the following:

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Profit before tax	2,203,725	1,916,865	2,214,049	1,527,905
Tax calculated at tax rate of 20% (2004: 20%)	440,745	383,373	442,810	305,581
Effect on				
Singapore statutory stepped income exemption	(217)	(210)	(11)	(11)
Offshore income from Asian Currency Unit and other income taxed at concessionary rates	(44,812)	(30,699)	(27,502)	(24,729)
Different tax rates in other countries	47,753	38,647	32,732	24,547
Losses of overseas branches, subsidiaries and associates not offset against taxable income of other entities	9,516	7,716	3,503	219
Income not subject to tax	(24,271)	(30,151)	(108,376)	(16,153)
Expenses not deductible for tax	71,170	84,613	25,965	51,490
Realisation of deferred tax benefit in respect of tax losses not previously recognised	(24,116)	(1,030)	(413)	(196)
Tax expense on profit of the financial year	475,768	452,259	368,708	340,748

Notes to the Financial Statements

for the financial year ended 31 December 2005

13. Tax (cont'd)

- (b) Deferred tax asset is recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group has not recognised the deferred tax asset in respect of tax losses of \$441,900,000 (2004: \$581,277,000) which can be carried forward to offset against future taxable income subject to meeting certain statutory requirements of the relevant tax authorities. These tax losses have no expiry date except for the amount of \$345,156,000 (2004: \$527,026,000) which will expire between the years 2006 and 2025 (2004: 2005 and 2024).

Movements in the deferred tax assets/liabilities of the Bank and the Group during the financial year before offsetting with the deferred tax liabilities/assets of the same tax jurisdiction are as follows:

Deferred tax liabilities

	2005					2004			
	Accelerated tax depreciation \$'000	Fair value of depreciable assets acquired in business combination \$'000	Available- for-sale assets \$'000	Other \$'000	Total \$'000	Accelerated tax depreciation \$'000	Fair value of depreciable assets acquired in business combination \$'000	Other \$'000	Total \$'000
The Group									
Balance at 1 January									
As previously reported	53,533	45,927	–	17,300	116,760	58,997	52,181	6,972	118,150
Adjustments due to FRS39	–	–	24,239	–	24,239	–	–	–	–
As restated	53,533	45,927	24,239	17,300	140,999	58,997	52,181	6,972	118,150
Currency translation adjustments	100	–	1	694	795	(186)	(84)	375	105
Acquisition of subsidiaries	–	17,361	–	–	17,361	–	–	–	–
(Credited)/charged to profit and loss account	3,209	(2,739)	–	1,441	1,911	(5,278)	(6,170)	9,953	(1,495)
Charged to equity	–	–	18,315	–	18,315	–	–	–	–
Balance at 31 December	56,842	60,549	42,555	19,435	179,381	53,533	45,927	17,300	116,760

	2005					2004				
	Accelerated tax depreciation \$'000	Fair value of depreciable assets acquired in business combination \$'000	Available- for-sale assets \$'000	Other \$'000	Total \$'000	Accelerated tax depreciation \$'000	Fair value of depreciable assets acquired in business combination \$'000	Other \$'000	Total \$'000	
The Bank										
Balance at 1 January										
As previously reported	43,692	44,379	–	12,941	101,012	48,526	52,181	3,432	104,139	
Adjustments due to FRS39	–	–	20,232	–	20,232	–	–	–	–	
As restated	43,692	44,379	20,232	12,941	121,244	48,526	52,181	3,432	104,139	
Currency translation adjustments	10	–	–	626	636	(35)	–	375	340	
(Credited)/charged to profit and loss account	3,177	(1,191)	–	166	2,152	(4,799)	(7,802)	9,134	(3,467)	
Charged to equity	–	–	18,534	–	18,534	–	–	–	–	
Balance at 31 December	46,879	43,188	38,766	13,733	142,566	43,692	44,379	12,941	101,012	

Notes to the Financial Statements

for the financial year ended 31 December 2005

13. Tax (cont'd)

(b) (cont'd)

Deferred tax assets

	2005			2004		
	Non-tax deductible collective impairment \$'000	Other \$'000	Total \$'000	Non-tax deductible collective impairment \$'000	Other \$'000	Total \$'000
The Group						
Balance at 1 January	114,023	63,220	177,243	123,852	16,189	140,041
Currency translation adjustments	711	(454)	257	(1,244)	292	(952)
Acquisition of subsidiaries (Charged)/credited to profit and loss account	–	2,294	2,294	–	21,619	21,619
	–	(4,711)	(4,711)	(8,585)	25,120	16,535
Balance at 31 December	114,734	60,349	175,083	114,023	63,220	177,243
The Bank						
Balance at 1 January	84,165	37,695	121,860	92,581	13,497	106,078
Currency translation adjustments	–	1,229	1,229	–	355	355
(Charged)/credited to profit and loss account	–	(5,719)	(5,719)	(8,416)	23,843	15,427
Balance at 31 December	84,165	33,205	117,370	84,165	37,695	121,860

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. Deferred tax assets and liabilities are shown in the balance sheets after netting as follows:

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred tax liabilities				
Before netting	179,381	116,760	142,566	101,012
Amount netted against deferred tax assets	(107,485)	(105,043)	(102,619)	(100,739)
After netting	71,896	11,717	39,947	273
Deferred tax assets				
Before netting	175,083	177,243	117,370	121,860
Amount netted against deferred tax liabilities	(107,485)	(105,043)	(102,619)	(100,739)
After netting	67,598	72,200	14,751	21,121

14. Earnings per share

Basic and diluted earnings per share ("EPS") are determined as follows:

	The Group	
	2005	2004
Profit for the financial year attributable to equity holders of the Bank (\$'000)	1,709,206	1,451,769
Weighted average number of ordinary shares in issue ('000)		
For computation of basic EPS	1,537,300	1,567,228
Adjustment for assumed exercise of share options	196	215
For computation of diluted EPS	1,537,496	1,567,443
EPS		
Basic	111 cents	93 cents
Diluted	111 cents	93 cents

15. Share capital

	The Group and The Bank			
	2005		2004	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
(a) Authorised share capital				
Ordinary shares of \$1 each	3,000,000	3,000,000	3,000,000	3,000,000
Non-cumulative non-convertible preference shares				
Class A - US\$0.01 each	20	*	—	—
Class B - S\$0.01 each	200	2	—	—
Class C - EURO.01 each	40	1	—	—
	260	3	—	—
(b) Issued and fully paid				
Ordinary shares of \$1 each				
Balance at 1 January	1,536,255	1,536,255	1,571,664	1,571,664
Share buy-back	—	—	(36,417)	(36,417)
Issue of shares under share option scheme	1,588	1,588	1,008	1,008
Balance at 31 December	1,537,843	1,537,843	1,536,255	1,536,255
(c) Shares held by associates of the Group				
Ordinary shares of \$1 each	18,056		42,074	

* Less than \$500

Notes to the Financial Statements

for the financial year ended 31 December 2005

15. Share capital (cont'd)

- (d) With the approval of equity holders at the extraordinary general meeting held on 18 November 2005, the authorised share capital of the Bank was increased through the creation of the following non-cumulative non-convertible preference shares:

	Number of shares	Par value	Liquidation preference per share
	'000		'000
Class A	20	US\$0.01	US\$100
Class B	200	S\$0.01	S\$10
Class C	40	EUR0.01	EUR50

In relation to the issue of the SPV-A preference shares (Note 16), 5,000 Class A preference shares have been provisionally allotted to the holders of the SPV-A preference shares on a one for one basis. Upon the occurrence of certain events specified under MAS Notice 637 ("Substitution Event"), the SPV-A preference shares will be automatically redeemed through the substitution of the Class A preference shares.

- (e) The Bank did not conduct any share buy-back exercise during the financial year. For the financial year 2004, the Bank purchased 36,417,000 UOB shares at an average price of \$13.72 per share under a share buy-back programme of up to \$500 million by way of open market purchase, pursuant to a share purchase mandate approved by equity holders at the extraordinary general meeting held on 29 April 2004.

On 6 January 2006, in exercise of the share purchase mandate renewed by equity holders of the Bank at the extraordinary general meeting held on 27 April 2005, the Bank has set aside \$600 million for on-market purchases of its ordinary shares for cancellation.

- (f) During the financial year, the Bank issued 1,588,000 (2004: 1,008,000) ordinary shares of \$1 each to option holders who exercised their rights. All newly issued shares rank *pari passu* in all respects with the previously issued shares. Details of the unissued ordinary shares of \$1 each of the Bank under option at the end of the financial year are set out in Note 8c.

16. Subsidiary preference shares

	The Group 2005	
	Number of shares '000	Amount \$'000
Non-cumulative non-convertible guaranteed SPV-A preference shares of US\$0.01 each		
Authorised	20	*
Issued and fully paid	5	*
Share premium		831,550
		831,550

* Less than \$500

Subsidiary preference shares

The 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\$0.5 billion subordinated note (Note 23a(v)) 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%.

The shares are perpetual securities with no maturity date. They are redeemable in whole but not in part, (a) for cash at the discretion of the subsidiary on any dividend payment date on or after 15 March 2016 or (b) at the discretion of the Bank, for cash or for one Class A preference share per subsidiary preference share in the event of certain changes in the tax laws of Singapore or the Cayman Islands, or on any day after 13 December 2010 on the occurrence of certain events. Upon occurrence of the Substitution Event (Note 15d), the SPV-A shares will be automatically redeemed. Any redemption is subject to the approval of the Monetary Authority of Singapore and certain other conditions.

Subordinated guarantee

The shares are guaranteed by the Bank on a subordinated basis in respect of dividends and redemption payments. In the event any dividend or guaranteed payment with respect to the shares is not paid in full, the Bank and its subsidiaries (other than those carrying on banking business) that have outstanding preference shares or other similar obligations that constitute Tier 1 capital of the Group on an unconsolidated basis are estopped from declaring and paying any dividends or other distributions in respect of their ordinary shares or any other security or obligation of the Group ranking *pari passu* with or junior to the subordinated guarantee.

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for the financial year ended 31 December 2005

17. Capital reserves

(a) The Group

	Share premium \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Other \$'000	Total \$'000
2005						
Balance at 1 January						
As previously reported	802,991	3,412,492	(121,639)	–	156,073	4,249,917
Adjustments due to FRS39	–	–	–	169,378	–	169,378
As restated	802,991	3,412,492	(121,639)	169,378	156,073	4,419,295
Currency translation adjustments	–	–	(16,278)	–	–	(16,278)
Available-for-sale assets						
Net change in fair value	–	–	–	(6,679)	–	(6,679)
Transferred to profit and loss account on disposal/impairment	–	–	–	(68,524)	–	(68,524)
Grant of share options under share option scheme	–	–	–	–	2,140	2,140
Issue of shares under share option scheme	17,952	–	–	–	–	17,952
Transfer to retained profits (Note 19a)	–	–	–	–	(3,048)	(3,048)
Transfer from share of associates' reserves (Note 20)	–	–	–	–	17,751	17,751
Other adjustments	–	–	–	–	(2,684)	(2,684)
Balance at 31 December	820,943	3,412,492	(137,917)	94,175	170,232	4,359,925
2004						
Balance at 1 January	791,891	3,417,501	(84,908)	–	117,800	4,242,284
Currency translation adjustments	–	–	(36,731)	–	–	(36,731)
Issue of shares under share option scheme	11,100	–	–	–	–	11,100
Share buy-back	–	–	–	–	36,417	36,417
Transfer to retained profits (Note 19a)	–	(5,009)	–	–	(825)	(5,834)
Other adjustments	–	–	–	–	2,681	2,681
Balance at 31 December	802,991	3,412,492	(121,639)	–	156,073	4,249,917

(b) **The Bank**

	Share premium \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Other \$'000	Total \$'000
2005						
Balance at 1 January						
As previously reported	802,991	3,412,492	(23,994)	–	36,417	4,227,906
Adjustments due to FRS39	–	–	–	121,874	–	121,874
As restated	802,991	3,412,492	(23,994)	121,874	36,417	4,349,780
Currency translation adjustments	–	–	1,476	–	–	1,476
Available-for-sale assets						
Net change in fair value	–	–	–	57,520	–	57,520
Transferred to profit and loss account on disposal/impairment	–	–	–	(38,058)	–	(38,058)
Grant of share options under share option scheme	–	–	–	–	2,140	2,140
Issue of shares under share option scheme	17,952	–	–	–	–	17,952
Balance at 31 December	820,943	3,412,492	(22,518)	141,336	38,557	4,390,810
2004						
Balance at 1 January	791,891	3,417,501	(29,259)	–	–	4,180,133
Currency translation adjustments	–	–	5,265	–	–	5,265
Issue of shares under share option scheme	11,100	–	–	–	–	11,100
Share buy-back	–	–	–	–	36,417	36,417
Transfer to retained profits (Note 19b)	–	(5,009)	–	–	–	(5,009)
Balance at 31 December	802,991	3,412,492	(23,994)	–	36,417	4,227,906

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17. Capital reserves (cont'd)

- (c) The share premium account may only be utilised for specific purposes provided for by the Singapore Companies Act, Cap. 50 (the "Act").

The merger reserves of the Bank and the Group represent the premium arising from the issue of shares in connection with the acquisition of Overseas Union Bank Limited ("OUB") which were not transferred to the share premium account due to the relief provided under Section 69B of the Act. The balances at the balance sheet date were net of the amount transferred to retained profits following the receipt of dividends paid out of OUB Group's pre-acquisition profits.

The foreign currency translation reserves of the Bank and the Group relate to currency translation differences arising from the use of year-end exchange rates versus historical rates in translating the net assets of overseas branches, subsidiaries and associates.

The fair value reserves of the Bank and the Group represent the cumulative fair value changes on outstanding available-for-sale financial assets.

The other reserves of the Bank and the Group include capital redemption reserve of \$36,417,000 (2004: \$36,417,000), arising from share buy-back. The Group's other reserves also include an amount of \$57,796,000 (2004: \$57,796,000) relating to bonus shares which were issued by a subsidiary as fully paid shares through capitalisation of the subsidiary's revenue reserve.

18. Statutory reserve

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Balance at 1 January	2,922,297	2,859,850	2,553,172	2,493,172
Transfer from retained profits (Note 19)	97,568	62,447	92,550	60,000
Balance at 31 December	3,019,865	2,922,297	2,645,722	2,553,172

The statutory reserves of the Bank and the Group are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non-distributable unless approved by the relevant authorities.

19. Revenue reserves

(a) The Group

	General reserve \$'000	Retained profits \$'000	Total \$'000
2005			
Balance at 1 January			
As previously reported	1,506,010	3,100,868	4,606,878
Adjustments due to FRS39	–	(206,295)	(206,295)
As restated	1,506,010	2,894,573	4,400,583
Profit for the financial year attributable to equity holders of the Bank	–	1,709,206	1,709,206
Transfer to general reserve	210,018	(210,018)	–
Transfer to statutory reserve (Note 18)	–	(97,568)	(97,568)
Transfer from share of reserves of associates (Note 20)	–	41,515	41,515
Transfer from other reserve (Note 17a)	–	3,048	3,048
Expenses relating to issue of subsidiary preference shares	(5,268)	–	(5,268)
Dividends			
Final dividend of 40 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2004	–	(491,982)	(491,982)
Interim dividend of 20 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2005	–	(246,020)	(246,020)
Special dividend in specie of 28.5 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2005	–	(350,577)	(350,577)
	–	(1,088,579)	(1,088,579)
Balance at 31 December	1,710,760	3,252,177	4,962,937
2004			
Balance at 1 January	1,263,212	3,201,740	4,464,952
Profit for the financial year attributable to equity holders of the Bank	–	1,451,769	1,451,769
Transfer to general reserve	242,798	(242,798)	–
Transfer to statutory reserve (Note 18)	–	(62,447)	(62,447)
Transfer from merger reserve (Note 17a)	–	5,009	5,009
Transfer from share of reserves of associates (Note 20)	–	1,150	1,150
Transfer from other reserve (Note 17a)	–	825	825
Share buy-back (Note 15e)	–	(499,810)	(499,810)
Dividends			
Final dividend of 40 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2003	–	(502,976)	(502,976)
Interim dividend of 20 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2004	–	(251,594)	(251,594)
	–	(754,570)	(754,570)
Balance at 31 December	1,506,010	3,100,868	4,606,878

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for the financial year ended 31 December 2005

19. Revenue reserves (cont'd)

(b) The Bank

	General reserve \$'000	Retained profits \$'000	Total \$'000
2005			
Balance at 1 January			
As previously reported	1,030,249	2,364,756	3,395,005
Adjustments due to FRS39	–	(157,019)	(157,019)
As restated	1,030,249	2,207,737	3,237,986
Profit for the financial year attributable to equity holders of the Bank	–	1,850,537	1,850,537
Transfer to general reserve	207,450	(207,450)	–
Transfer to statutory reserve (Note 18)	–	(92,550)	(92,550)
Dividends			
Final dividend of 40 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2004	–	(491,982)	(491,982)
Interim dividend of 20 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2005	–	(246,020)	(246,020)
Special dividend in specie of 28.5 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2005	–	(350,577)	(350,577)
	–	(1,088,579)	(1,088,579)
Balance at 31 December	1,237,699	2,669,695	3,907,394
2004			
Balance at 1 January	790,249	2,723,893	3,514,142
Profit for the financial year attributable to equity holders of the Bank	–	1,190,234	1,190,234
Transfer to general reserve	240,000	(240,000)	–
Transfer to statutory reserve (Note 18)	–	(60,000)	(60,000)
Transfer from merger reserve (Note 17b)	–	5,009	5,009
Share buy-back (Note 15e)	–	(499,810)	(499,810)
Dividends			
Final dividend of 40 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2003	–	(502,976)	(502,976)
Interim dividend of 20 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2004	–	(251,594)	(251,594)
	–	(754,570)	(754,570)
Balance at 31 December	1,030,249	2,364,756	3,395,005

- (c) As part of the Bank's divestment plan (Note 31), interim dividend in specie of UOL shares was paid during the financial year in the ratio of 100 UOL ordinary shares of \$1 each for every 1,000 ordinary shares held by equity holders of the Bank. The dividend was accounted for at the market value of the UOL shares on the books closure date of the distribution. The difference between the market value of the shares and the carrying amount of the investment in UOL was recognised in the profit and loss account.
- (d) In each financial year, a certain amount of retained profits is transferred to general reserve of the Bank and the Group. The general reserve has not been earmarked for any particular purpose.
- (e) The revenue reserves of the Bank and the Group are distributable except for the amount of \$252,709,000 (2004: \$367,092,000) being the Group's share of revenue reserves of associates which is distributable only upon realisation by way of dividend from or disposal of investment in the associates.

20. Share of reserves of associates

	The Group	
	2005	2004
	\$'000	\$'000
Balance at 1 January	123,405	143,285
Movements in other reserves of associates	152,403	(18,730)
Transfer to capital reserves (Note 17a)	(17,751)	–
Transfer to retained profits on disposal/liquidation of associates (Note 19a)	(41,515)	(1,150)
Balance at 31 December	216,542	123,405

The balance comprises the Group's share of associates' post-acquisition revenue reserves at the beginning of 1 January 1998, and other reserves, adjusted for goodwill arising from acquisition of associates prior to 1 January 2001. These reserves are non-distributable until they are realised by way of dividend from or disposal of investment in the associates. In the year of realisation, revaluation reserves previously brought into the Group without going through the consolidated profit and loss account are recognised in the consolidated profit and loss account. In all other cases, they are transferred to other reserves as appropriate.

The Group's share of profit of associates is included in revenue reserves of the Group with effect from 1 January 1998.

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21. Deposits and balances of banks and agents, non-bank customers and subsidiaries

(a)

	2005			2004	
	Held for trading \$'000	Designated as fair value through profit and loss \$'000	Other, at amortised cost \$'000	Total \$'000	Total \$'000
The Group	12,547,244	1,477,772	100,933,275	114,958,291	107,212,867
The Bank	12,794,463	1,477,772	82,617,532	96,889,767	90,219,569

For deposits designated as fair value through profit and loss, the amount payable by the Bank and the Group at maturity was \$1,581,198,000. The change in fair value of these deposits was due to change in interest rates.

(b) Total deposits analysed by remaining maturity

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Within 1 year	111,984,793	104,728,583	94,337,660	88,287,529
Over 1 year but within 3 years	1,116,924	1,411,887	852,127	1,000,076
Over 3 years but within 5 years	816,014	903,065	731,493	852,069
Over 5 years	1,040,560	169,332	968,487	79,895
	114,958,291	107,212,867	96,889,767	90,219,569

(c) Deposits of non-bank customers analysed by deposit type

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Fixed rate deposits	54,946,502	50,933,202	44,821,209	41,194,858
Current, savings and other deposits	30,556,258	28,085,568	21,660,086	21,159,679
	85,502,760	79,018,770	66,481,295	62,354,537

22. Other liabilities

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Accrued interest payable	444,866	541,261	350,287	448,195
Accrued operating expenses	253,699	206,212	110,625	102,399
Sundry creditors	2,094,484	2,003,063	301,635	352,701
Other	305,242	744,955	165,931	628,910
	3,098,291	3,495,491	928,478	1,532,205

23. Debts issued

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
(a) Subordinated notes				
S\$1.3 billion 4.95% subordinated notes due 2016 callable with step-up in 2011	1,300,000	1,300,000	1,300,000	1,300,000
S\$1 billion 4.100% subordinated notes due 2019 callable with step-up in 2014	997,881	997,637	997,881	997,637
US\$1 billion 4.50% subordinated notes due 2013	1,662,601	1,633,245	1,662,601	1,633,245
US\$1 billion 5.375% subordinated notes due 2019 callable with step-up in 2014	1,662,079	1,632,681	1,662,079	1,632,681
US\$0.5 billion 5.796% subordinated note	–	–	831,550	–
THB2 billion subordinated debentures due 2008	80,880	83,957	–	–
IDR300 billion 13.25% subordinated bonds due 2014	50,183	–	–	–
Unamortised expenses relating to issue of subordinated notes	(13,055)	(13,986)	(12,282)	(13,986)
Total, at amortised cost	5,740,569	5,633,534	6,441,829	5,549,577
Fair value hedge adjustments	(123,984)	–	(123,984)	–
	5,616,585	5,633,534	6,317,845	5,549,577
(b) S\$276,250,000 zero coupon exchangeable notes due 2006	61,300	–	61,300	–
(c) Asset Backed Commercial Paper (“ABCP”)				
S\$ ABCP, at amortised cost	553,750	724,000	–	–
US\$ ABCP, at amortised cost	284,806	201,366	–	–
	838,556	925,366	–	–
(d) Other				
Credit linked notes, at amortised cost	16,631	32,676	16,631	32,676
Interest rate linked notes, at amortised cost	92,720	95,470	92,720	95,470
Equity linked notes				
At amortised cost	293,533	402,251	293,533	402,251
Designated as fair value through profit and loss	51,965	–	51,965	–
Other structured notes, at amortised cost	137,000	–	–	–
	591,849	530,397	454,849	530,397
Total debts issued	7,108,290	7,089,297	6,833,994	6,079,974

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23. Debts issued (cont'd)

(a) Subordinated notes

- (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.
- (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%.
- (v) The US\$0.5 billion 5.796% subordinated note was issued by the Bank at par to UOB Cayman I Limited on 13 December 2005. It matures on 12 December 2055 which is subject to extension. The note may be redeemed, in whole but not in part, at the option of the Bank, on 15 March 2016 or any interest payment date thereafter, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 5.796% per annum beginning 15 March 2006. After 15 March 2016, interest is payable quarterly at a floating rate per annum equal to the three-month LIBOR plus 1.745% (Note 16).

The S\$ and US\$ subordinated notes issued by the Bank are unsecured obligations with the US\$0.5 billion subordinated note ranking junior to all other S\$ and US\$ subordinated notes. All other liabilities of the Bank outstanding at the balance sheet date rank senior to all the S\$ and US\$ subordinated notes. Except for the US\$0.5 billion subordinated note, the S\$ and US\$ subordinated notes qualify 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.

(vi) 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%).

(vii) 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) S\$276,250,000 zero coupon exchangeable notes due 2006

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) Asset Backed Commercial Paper ("ABCP")

The ABCP were issued in relation to a \$1 billion ABCP programme carried out by Archer 1 Limited, a SPE. The ABCP have maturity of less than 1 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% (2004: 1.25% to 1.60%) per annum and 4.06% to 4.54% (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

(i) The credit linked notes, with embedded credit default swaps, were issued at par and mature on 15 February 2008. The notes will be redeemed at face value on its respective maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying assets or the market values of the underlying assets in cash term, depending on the terms and conditions of the contracts, would be delivered to the holders of the notes.

(ii) The interest rate linked notes, with embedded interest rate derivatives, were issued at par with maturity ranging from 21 September 2007 to 15 December 2015. The periodic payouts and redemptions of the notes are linked to the interest rate indices.

(iii) The equity linked notes, with embedded equity derivatives, were issued at par with maturity ranging from 15 November 2007 to 20 January 2015. The periodic payments and payouts of the notes at maturity are linked to the closing value of certain underlying equities listed on various stock exchanges or the closing value of certain underlying equity indices.

For the equity linked notes designated as fair value through profit and loss, the amount payable by the Bank and the Group at maturity was \$70,183,000. The change in fair value of these notes was due to the change in interest rates.

(iv) The other structured notes were issued by UOBT at par with maturity ranging from 25 January 2006 to 31 July 2008 and they are not secured. Interest rates of the notes range from 3.00% to 5.02% per annum.

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24. Cash, balances and placements with central banks

	2005			2004	
	Held for trading \$'000	Available-for-sale \$'000	Loans and receivables \$'000	Total \$'000	Total \$'000
The Group	5,000,634	1,030,053	5,894,461	11,925,148	11,653,014
The Bank	5,000,634	1,030,053	2,610,728	8,641,415	8,109,433

25. Singapore Government treasury bills and securities

	The Group \$'000	The Bank \$'000
2005		
Held for trading	765,748	758,407
Available-for-sale	6,690,247	6,613,701
	7,455,995	7,372,108
Amount sold under Repo (Note 30)	(572,474)	(572,474)
	6,883,521	6,799,634
2004		
Held for trading, at fair value	1,547,306	1,535,348
Not held for trading, at cost adjusted for premium and discount	6,227,351	6,145,053
Provision for impairment (Note 36)	(2,195)	(2,195)
	6,225,156	6,142,858
	7,772,462	7,678,206
Amount sold under Repo (Note 30)	(1,119,700)	(1,119,700)
	6,652,762	6,558,506

26. Other government treasury bills and securities

	The Group \$'000	The Bank \$'000
2005		
Held for trading	201,537	137,064
Designated as fair value through profit and loss	38,714	38,714
Available-for-sale	1,612,321	1,296,902
Held to maturity	276,260	–
	2,128,832	1,472,680
Amount sold under Repo (Note 30)	(40,269)	–
	2,088,563	1,472,680
2004		
Held for trading, at fair value	482,660	370,113
Not held for trading, at cost adjusted for premium and discount	1,492,684	1,245,351
	1,975,344	1,615,464
Amount sold under Repo (Note 30)	(252,158)	(241,586)
	1,723,186	1,373,878

27. Trading securities

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Quoted equity securities	190,234	117,789	158,696	76,854
Quoted debt securities	145,941	76,110	59,749	41,278
Unquoted marketable unit trusts	35,593	37,697	–	–
Unquoted debt securities	253,119	207,338	10,016	6,441
	624,887	438,934	228,461	124,573

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28. Placements and balances with banks and agents

(a)

	The Group \$'000	The Bank \$'000
2005		
Held for trading	7,888,939	7,600,450
Designated as fair value through profit and loss	61,512	61,512
Available-for-sale	6,052,705	4,482,428
Loans and receivables	17,342,563	15,909,692
	31,345,719	28,054,082
Amount sold under Repo (Note 30)	(3,375,847)	(2,070,518)
	27,969,872	25,983,564
2004		
At cost	26,725,985	23,869,593
Amount sold under Repo (Note 30)	(2,782,997)	(1,519,894)
	23,942,988	22,349,699

(b) Analysed by remaining maturity

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Within 1 year	30,908,084	26,136,524	27,616,447	23,280,332
Over 1 year but within 3 years	437,635	589,461	437,635	589,261
	31,345,719	26,725,985	28,054,082	23,869,593

29. Trade bills and advances to customers

(a)

	The Group \$'000	The Bank \$'000
2005		
Held for trading	281,779	281,779
Designated as fair value through profit and loss	109,334	109,334
Loans and receivables	69,454,447	52,689,183
Trade bills and advances to customers (gross)	69,845,560	53,080,296
Individual impairment	(1,433,219)	(727,291)
Collective impairment	(1,270,188)	(1,078,140)
Trade bills and advances to customers (net)	67,142,153	51,274,865
Amount sold under Repo (Note 30)	(679,613)	–
	66,462,540	51,274,865
Comprising:		
Trade bills	1,135,803	399,064
Advances to customers	65,326,737	50,875,801
	66,462,540	51,274,865
2004		
Trade bills and advances to customers (gross)	67,976,819	53,043,438
Individual impairment	(2,022,470)	(1,136,103)
Interest-in-suspense	(283,879)	(167,785)
Collective impairment	(1,370,454)	(1,168,747)
Trade bills and advances to customers (net)	64,300,016	50,570,803
Amount sold under Repo (Note 30)	(81,861)	–
	64,218,155	50,570,803
Comprising:		
Trade bills	1,497,768	214,429
Advances to customers	62,720,387	50,356,374
	64,218,155	50,570,803

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for the financial year ended 31 December 2005

29. Trade bills and advances to customers (cont'd)

(b) Total gross trade bills and advances to customers analysed by remaining maturity

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Within 1 year	34,235,226	33,566,011	24,618,160	25,295,939
Over 1 year but within 3 years	8,572,273	9,293,144	7,508,980	7,904,899
Over 3 years but within 5 years	6,787,642	5,897,758	5,689,107	5,043,653
Over 5 years	20,250,419	19,219,906	15,264,049	14,798,947
	69,845,560	67,976,819	53,080,296	53,043,438

(c) Total gross trade bills and advances to customers analysed by industry

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	2,447,209	2,103,986	1,956,812	1,652,042
Building and construction	8,009,862	7,477,144	6,639,512	6,261,125
Manufacturing	7,870,127	7,795,580	4,265,261	4,489,302
Non-bank financial institutions	10,061,187	10,205,132	9,566,532	9,540,561
General commerce	11,482,857	10,907,800	8,310,195	8,494,560
Professionals and private individuals (exclude housing loans)	10,209,148	10,155,198	8,029,080	8,030,515
Housing loans	16,631,827	15,875,340	12,374,428	12,299,584
Other	3,133,343	3,456,639	1,938,476	2,275,749
	69,845,560	67,976,819	53,080,296	53,043,438

(d) Total gross trade bills and advances to customers analysed by currency and interest rate

	2005			2004		
	Fixed rate \$'000	Variable rate \$'000	Total \$'000	Fixed rate \$'000	Variable rate \$'000	Total \$'000
The Group						
Singapore dollar	6,236,359	33,441,578	39,677,937	8,146,248	32,102,265	40,248,513
US dollar	1,988,113	7,816,424	9,804,537	1,528,534	7,241,569	8,770,103
Malaysian ringgit	254,754	6,789,457	7,044,211	255,097	6,317,679	6,572,776
Hong Kong dollar	20,869	977,103	997,972	46,754	848,416	895,170
Thai baht	3,191,112	3,034,829	6,225,941	2,651,910	3,822,168	6,474,078
Other	761,105	5,333,857	6,094,962	524,251	4,491,928	5,016,179
	12,452,312	57,393,248	69,845,560	13,152,794	54,824,025	67,976,819
The Bank						
Singapore dollar	6,183,398	33,225,251	39,408,649	8,064,669	31,880,678	39,945,347
US dollar	1,717,698	6,907,548	8,625,246	1,262,151	6,312,185	7,574,336
Hong Kong dollar	20,869	977,103	997,972	46,754	848,416	895,170
Other	628,757	3,419,672	4,048,429	536,105	4,092,480	4,628,585
	8,550,722	44,529,574	53,080,296	9,909,679	43,133,759	53,043,438

Fixed rate loans that have effectively been converted to variable rate loans through interest rate swaps are classified as variable rate loans.

(e) Non-performing loans

Non-performing loans are graded as Substandard, Doubtful and Loss in accordance with MAS Notice 612. Provision for impairment is made where the carrying amount of the loans is less than their recoverable amount.

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Substandard	2,528,604	3,330,674	1,449,133	2,048,184
Doubtful	429,412	309,425	353,012	238,569
Loss	936,186	1,764,909	417,657	1,027,929
	3,894,202	5,405,008	2,219,802	3,314,682

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29. Trade bills and advances to customers (cont'd)

(f) Movements of provision for impairment

	Individual impairment \$'000	Interest-in- suspense \$'000	Collective impairment \$'000	Total \$'000
The Group				
2005				
Balance at 1 January				
As previously reported	2,022,470	720,507	1,370,454	4,113,431
Adjustments due to FRS39	117,548	(720,507)	–	(602,959)
As restated	2,140,018	–	1,370,454	3,510,472
Currency translation adjustments	(11,882)	–	441	(11,441)
Write-off	(791,517)	–	–	(791,517)
Transfer to investment securities and other assets (Note 36)	(8,171)	–	(56,616)	(64,787)
Reclassification	4,508	–	(4,508)	–
Net charge/(write-back) to profit and loss account	90,471	–	(56,269)	34,202
Acquisition of Bank Buana	9,792	–	16,686	26,478
Balance at 31 December	1,433,219	–	1,270,188	2,703,407
2004				
Balance at 1 January	1,576,927	711,888	1,422,419	3,711,234
Currency translation adjustments	(20,958)	(6,039)	(5,295)	(32,292)
Write-off	(260,682)	(64,366)	–	(325,048)
Net charge/(write-back) to profit and loss account	178,827	–	(102,000)	76,827
Interest suspended	–	82,937	–	82,937
Transfer to investment securities (Note 36)	(14,652)	(3,913)	–	(18,565)
Acquisition of BOA	563,008	–	55,330	618,338
Balance at 31 December	2,022,470	720,507	1,370,454	4,113,431

	Individual impairment \$'000	Interest-in- suspense \$'000	Collective impairment \$'000	Total \$'000
The Bank				
2005				
Balance at 1 January				
As previously reported	1,136,103	585,334	1,168,747	2,890,184
Adjustments due to FRS39	116,727	(585,334)	–	(468,607)
As restated	1,252,830	–	1,168,747	2,421,577
Currency translation adjustments	2,294	–	48	2,342
Write-off	(523,009)	–	–	(523,009)
Write-back to profit and loss account	(4,824)	–	(90,655)	(95,479)
Balance at 31 December	727,291	–	1,078,140	1,805,431
2004				
Balance at 1 January	1,221,267	576,576	1,276,364	3,074,207
Currency translation adjustments	(7,942)	(843)	(312)	(9,097)
Write-off	(214,226)	(47,126)	–	(261,352)
Net charge/(write-back) to profit and loss account	137,004	–	(107,305)	29,699
Interest suspended	–	56,727	–	56,727
Balance at 31 December	1,136,103	585,334	1,168,747	2,890,184

Notes to the Financial Statements

for the financial year ended 31 December 2005

30. Assets pledged/received as collateral

At the balance sheet date, assets pledged for Repo transactions and assets received for reverse Repo transactions whereby the pledgees have the right by contract or custom to sell or repledge the assets and the obligation to return them subsequently are as follows:

(a)	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Assets pledged for Repo transactions, at carrying amount				
Government treasury bills and securities	612,743	1,371,858	572,474	1,361,286
Negotiable certificates of deposit	2,885,104	2,782,997	1,579,775	1,519,894
Bankers' acceptances	1,170,356	81,861	490,743	–
	4,668,203	4,236,716	2,642,992	2,881,180

The amount of the associated liabilities approximates the carrying amount of the assets pledged.

(b)	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Assets received for reverse Repo transactions, at fair value				
	1,313,897	1,808,239	521,297	219,367

31. Assets held for sale

	The Group 2005 \$'000	The Bank 2005 \$'000
Quoted equity securities	590,349	415,160
Unquoted equity securities	42,630	16,650
	632,979	431,810
Provision for impairment (Note 36)	(26,739)	(8,272)
	606,240	423,538

Assets held for sale comprise equity securities held exclusively with a view to their subsequent disposal to comply with the Banking Act, Chapter 19. Under the Act, Singapore-incorporated banks are required to divest their interest in non-financial businesses to reduce the aggregate interests held by them and their affiliated entities to not more than 10%. The Bank has obtained the approval of MAS to comply with the requirement by 17 July 2006. Prior to 2005, these securities were classified under investment securities and investment in associates.

32. Investment securities

(a)

	2005				2004	
	Designated as fair value through profit and loss \$'000	Available- for-sale \$'000	Loans and receivables \$'000	Held to maturity \$'000	Total \$'000	Total \$'000
The Group						
Quoted securities						
Equity	23,399	663,274	–	–	686,673	903,858
Debt	2,789,370	2,710,351	–	44,771	5,544,492	4,344,076
Unquoted securities						
Equity	–	455,956	–	–	455,956	561,033
Debt	1,041,769	1,927,434	500,230	182,275	3,651,708	3,057,592
Investment securities (gross)	3,854,538	5,757,015	500,230	227,046	10,338,829	8,866,559
Provision for impairment (Note 36)					(216,437)	(258,014)
Investment securities (net)					10,122,392	8,608,545
The Bank						
Quoted securities						
Equity	–	602,971	–	–	602,971	640,025
Debt	1,979,020	2,709,446	–	–	4,688,466	3,376,687
Unquoted securities						
Equity	–	317,118	–	–	317,118	385,715
Debt	763,628	1,859,144	500,230	–	3,123,002	2,518,958
Investment securities (gross)	2,742,648	5,488,679	500,230	–	8,731,557	6,921,385
Provision for impairment (Note 36)					(66,886)	(118,735)
Investment securities (net)					8,664,671	6,802,650

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32. Investment securities (cont'd)

(b) Included in the investment securities designated as fair value through profit and loss at the Group level as at 31 December 2005 was an amount of \$888,159,000 (2004: \$1,007,317,000) held by the SPE, Archer I Limited, which was subject to a first floating charge for the liabilities under the ABCP Programme (Note 23c).

(c) Gross investment securities analysed by industry

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	561,040	394,965	461,436	239,362
Building and construction	759,735	434,000	653,716	266,466
Manufacturing	431,112	587,996	421,806	560,177
Financial institutions	6,794,794	5,132,667	5,946,121	4,245,462
General commerce	173,402	800,285	130,682	573,398
Other	1,618,746	1,516,646	1,117,796	1,036,520
	10,338,829	8,866,559	8,731,557	6,921,385

33. Other assets

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Interest receivable	771,352	1,258,899	557,031	1,049,050
Interest-in-suspense	–	(436,628)	–	(417,549)
	771,352	822,271	557,031	631,501
Sundry debtors	1,144,975	822,858	565,340	247,782
Foreclosed properties	665,736	568,914	–	–
Other	418,945	864,409	283,414	563,235
Provision for impairment on other assets (Note 36)	(129,953)	(71,631)	(63,064)	(31,669)
	2,871,055	3,006,821	1,342,721	1,410,849

34. Investment in associates

(a)

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Quoted equity securities	127,053	915,723	92,207	684,690
Unquoted equity securities	397,062	289,548	255,374	162,085
	524,115	1,205,271	347,581	846,775
Provision for impairment (Note 36)	–	–	(1,171)	(3,905)
Group's share of post-acquisition reserves of associates, net of dividends received	476,059	497,122	–	–
	1,000,174	1,702,393	346,410	842,870
Market value of quoted equity securities at 31 December	450,130	1,283,050	408,345	1,079,400

(b) The Group's share of the associates' financials are as follows:

	2005	2004
	\$'000	\$'000
Income before operating expenses	382,533	491,685
Profit before tax	99,854	307,265
Total assets	1,593,460	3,447,112
Total liabilities	569,401	1,685,066
Contingent liabilities	76,000	152,657

(c) Major associates of the Group as at the balance sheet date are set out in Note 49 to the financial statements. The carrying amount of the Group's investment in associates includes goodwill amounting to \$12,044,000 (2004: \$132,664,000).

(d) Equity interest in UOL was partially divested during the year through the distribution in specie of shares (Note 19c) and redemption of exchangeable notes by way of shares (Note 23b). The remaining equity interest was reclassified to investment securities and assets held for sale.

(e) Bank Buana was converted from an associate to a subsidiary of the Group on 14 October 2005 (Note 35c).

35. Investment in subsidiaries

(a)

	The Bank	
	2005	2004
	\$'000	\$'000
Quoted equity securities	1,835,910	1,139,422
Unquoted equity securities	2,076,290	1,909,972
	3,912,200	3,049,394
Provision for impairment (Note 36)	(247,535)	(351,727)
	3,664,665	2,697,667
Market value of quoted equity securities at 31 December	1,825,969	1,192,739

(b) The subsidiaries of the Group as at the balance sheet date are set out in Note 47 to the financial statements.

(c) On 14 October 2005, the Bank's wholly owned subsidiary, UOB International Investment Private Limited ("UOBII") acquired an additional 30% of the issued common shares of Bank Buana for a cash consideration of approximately \$269 million, resulting in UOBII's holdings in Bank Buana increased from 23% to 53% and conversion of Bank Buana from an associate to a subsidiary of the Group.

Following the close of the tender offer on 19 December 2005 for the remaining shares not held by UOBII, an additional 8.1% of the issued common shares of Bank Buana were acquired for a cash consideration of approximately \$75 million, resulting in UOBII holding a total stake of 61.1% in Bank Buana.

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for the financial year ended 31 December 2005

35. Investment in subsidiaries (cont'd)

(c) (cont'd)

Fair values of the identifiable net assets of Bank Buana acquired were as follows:

	Carrying amount \$'000	Fair value \$'000
Cash, balances and placements with central banks	223,531	223,531
Government treasury bills and securities	364,658	360,368
Investment and trading securities	75,048	75,048
Placements and balances with banks and agents	242,447	242,447
Trade bills and advances to customers	1,716,241	1,716,241
Other assets	125,138	125,138
Intangible assets		
Core deposit base	–	51,477
Customer loan base	–	34,376
Total identifiable assets	2,747,063	2,828,626
Deposits and balances of		
Banks and agents	77,114	77,114
Non-bank customers	2,197,917	2,197,917
Other liabilities	118,786	147,790
Total identifiable liabilities	2,393,817	2,422,821
Net identifiable assets	353,246	405,805
Less: Minority interests		157,858
Net identifiable assets attributed to equity holders of the Bank		247,947
Goodwill (include branch network, workforce, banking licence and other intangible assets not capable of individually identified and separately recognised)		299,476
Total cost of investment (include acquisition expenses of \$5,765,000)		547,423
Cash and cash equivalents acquired		583,899
Cash consideration paid		(541,658)
Net inflow of cash and cash equivalents on acquisition		42,241

Income before operating expenses and profit from Bank Buana for the financial year amounted to \$32,596,000 and \$7,169,000 respectively. Had the acquisition taken place at the beginning of the financial year, the Group's income before operating expenses and profit attributable to equity holders of the Bank would have been \$3,916,621,000 and \$1,751,679,000 respectively.

- (d) On 8 September 2005, the Bank acquired 208,409,296 or approximately 16.22% of the issued shares of UOB Radanasin Bank Public Company Limited ("UOBR") for a cash consideration of approximately \$122 million, resulting in goodwill of \$73,110,000.

On 16 November 2005, as part of the merger of the Bank's two banking subsidiaries, Bank of Asia Public Company Limited ("BOA") and UOBR, BOA completed a rights issue to raise funds to acquire all the shares in UOBR held by the Bank. Pursuant to the rights issue, the Bank subscribed for 3,117,629,566 new BOA shares.

On 28 November 2005, the merger of UOBR and BOA was completed and the enlarged BOA was renamed as United Overseas Bank (Thai) Public Company Limited.

- (e) During the financial year, certain subsidiaries of the Group were liquidated which had no material effect on the balance sheets and results of the Bank and the Group for the financial year.

36. Movements of provision for impairment on investments and other assets

	Singapore Government treasury bills and securities \$'000	Other government treasury bills and securities \$'000	Assets held for sale \$'000	Investment securities \$'000	Other assets \$'000	Total \$'000
The Group						
2005						
Balance at 1 January						
As previously reported	2,195	–	–	258,014	71,631	331,840
Adjustments due to FRS39	(2,195)	–	–	2,669	5,171	5,645
As restated	–	–	–	260,683	76,802	337,485
Currency translation adjustments	–	–	–	(266)	(1,285)	(1,551)
Write-off	–	–	–	(54,157)	(2,453)	(56,610)
Reclassification	–	–	26,620	(64,308)	37,688	–
Charge/(write-back) to profit and loss account (Note 12)	–	–	119	17,869	10,899	28,887
Transfer from trade bills and advances to customers (Note 29f)	–	–	–	56,616	8,171	64,787
Acquisition of Bank Buana	–	–	–	–	131	131
Balance at 31 December	–	–	26,739	216,437	129,953	373,129
2004						
Balance at 1 January	147	3	–	130,974	23,690	154,814
Currency translation adjustments	–	–	–	(1,926)	(409)	(2,335)
Write-off	–	–	–	(6,635)	(469)	(7,104)
Charge/(write-back) to profit and loss account (Note 12)	2,048	(3)	–	48,170	21,871	72,086
Transfer from trade bills and advances to customers (Note 29f)	–	–	–	18,565	–	18,565
Transfer from Overseas Union Insurance, Limited	–	–	–	–	1,192	1,192
Acquisition of BOA	–	–	–	68,866	25,756	94,622
Balance at 31 December	2,195	–	–	258,014	71,631	331,840

Notes to the Financial Statements

for the financial year ended 31 December 2005

36. Movements of provision for impairment on investments and other assets (cont'd)

	Singapore Government treasury bills and securities \$'000	Other government treasury bills and securities \$'000	Assets held for sale \$'000	Investment securities \$'000	Investment in associates \$'000	Investment in subsidiaries \$'000	Other assets \$'000	Total \$'000
The Bank								
2005								
Balance at 1 January								
As previously reported	2,195	–	–	118,735	3,905	351,727	31,669	508,231
Adjustments due to FRS39	(2,195)	–	–	13,667	–	–	5,171	16,643
As restated	–	–	–	132,402	3,905	351,727	36,840	524,874
Currency translation adjustments	–	–	–	(177)	–	1	(117)	(293)
Write-off	–	–	–	(49,911)	–	(78,763)	(2,795)	(131,469)
Reclassification	–	–	8,272	(27,120)	–	–	18,848	–
Charge/(write-back) to profit and loss account (Note 12)	–	–	–	11,692	(2,734)	(25,430)	10,288	(6,184)
Balance at 31 December	–	–	8,272	66,886	1,171	247,535	63,064	386,928
2004								
Balance at 1 January	143	3	–	90,311	10,216	366,663	11,679	479,015
Currency translation adjustments	–	–	–	(1,019)	–	(3)	(225)	(1,247)
Charge/(write-back) to profit and loss account (Note 12)	2,052	(3)	–	29,443	(6,311)	(14,933)	20,215	30,463
Balance at 31 December	2,195	–	–	118,735	3,905	351,727	31,669	508,231

37. Fixed assets

(a)

	2005			2004		
	Land and buildings \$'000	Other \$'000	Total \$'000	Land and buildings \$'000	Other \$'000	Total \$'000
The Group						
Balance at 1 January						
Cost	1,833,504	1,133,335	2,966,839	1,753,898	924,383	2,678,281
Accumulated depreciation	(264,399)	(784,061)	(1,048,460)	(219,408)	(630,092)	(849,500)
Provision for impairment	(55,945)	–	(55,945)	(60,388)	–	(60,388)
Net carrying amount	1,513,160	349,274	1,862,434	1,474,102	294,291	1,768,393
Movements during the financial year						
Currency translation adjustments	(2,999)	(2,122)	(5,121)	(5,636)	(2,595)	(8,231)
Acquisition of subsidiaries	47,804	13,368	61,172	75,320	65,658	140,978
Additions	52	109,205	109,257	2,574	95,309	97,883
Disposals	(30,449)	(2,193)	(32,642)	(10,067)	(5,326)	(15,393)
Depreciation charge	(26,782)	(112,753)	(139,535)	(26,638)	(98,063)	(124,701)
Write-back of impairment (Note 12)	16,640	–	16,640	3,505	–	3,505
Net carrying amount at 31 December	1,517,426	354,779	1,872,205	1,513,160	349,274	1,862,434
Balance at 31 December						
Cost	1,837,946	1,219,377	3,057,323	1,833,504	1,133,335	2,966,839
Accumulated depreciation	(282,461)	(864,598)	(1,147,059)	(264,399)	(784,061)	(1,048,460)
Provision for impairment	(38,059)	–	(38,059)	(55,945)	–	(55,945)
Net carrying amount	1,517,426	354,779	1,872,205	1,513,160	349,274	1,862,434

Notes to the Financial Statements

for the financial year ended 31 December 2005

37. Fixed assets (cont'd)

(a) (cont'd)

	2005			2004		
	Land and buildings \$'000	Other \$'000	Total \$'000	Land and buildings \$'000	Other \$'000	Total \$'000
The Bank						
Balance at 1 January						
Cost	1,044,314	720,590	1,764,904	1,055,953	677,363	1,733,316
Accumulated depreciation	(129,784)	(502,840)	(632,624)	(115,665)	(451,163)	(566,828)
Provision for impairment	(15,286)	–	(15,286)	(19,348)	–	(19,348)
Net carrying amount	899,244	217,750	1,116,994	920,940	226,200	1,147,140
Movements during the financial year						
Currency translation adjustments	(1,690)	(41)	(1,731)	(197)	(245)	(442)
Additions	–	78,849	78,849	–	64,622	64,622
Disposals	(9,567)	(299)	(9,866)	(9,852)	(3,694)	(13,546)
Depreciation charge	(15,350)	(70,325)	(85,675)	(15,576)	(69,133)	(84,709)
Write-back of impairment (Note 12)	1,649	–	1,649	3,929	–	3,929
Net carrying amount at 31 December	874,286	225,934	1,100,220	899,244	217,750	1,116,994
Balance at 31 December						
Cost	1,029,594	770,837	1,800,431	1,044,314	720,590	1,764,904
Accumulated depreciation	(141,790)	(544,903)	(686,693)	(129,784)	(502,840)	(632,624)
Provision for impairment	(13,518)	–	(13,518)	(15,286)	–	(15,286)
Net carrying amount	874,286	225,934	1,100,220	899,244	217,750	1,116,994

- (b) Based on directors' valuation, market values of the land and buildings of the Bank and the Group as at 31 December 2005 were estimated to be \$1,552 million and \$2,726 million (2004: \$1,548 million and \$2,611 million) respectively. The excess of the estimated market values over the net carrying amounts of the land and buildings is not recognised in the financial statements.
- (c) Included in the land and buildings of the Bank and the Group are leasehold properties with net carrying amounts as at 31 December 2005 amounting to \$749 million and \$1,105 million (2004: \$770 million and \$1,090 million) respectively. The remaining properties are freehold.

38. Dividends

In respect of the financial year ended 31 December 2005, the directors have proposed a final dividend of 40 cents per share net of tax at 20% amounting to a total of \$492,110,000 (2004: 40 cents per share net of tax at 20% amounting to a total of \$491,602,000). The proposed dividend will be accounted for as an appropriation of retained profits for the financial year ending 31 December 2006.

39. Contingent liabilities

In the normal course of business, the Bank and the Group conduct businesses involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are reimbursable by the corresponding obligations of the customers. No assets of the Bank and the Group have been pledged as security for these contingent liabilities.

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Direct credit substitutes	6,135,666	5,634,628	5,581,867	5,305,009
Transaction-related contingencies	2,505,909	2,156,052	1,550,479	1,184,478
Trade-related contingencies	2,648,751	2,027,212	2,239,797	1,515,394
Other contingent liabilities	184,709	183,327	164,551	155,271
	11,475,035	10,001,219	9,536,694	8,160,152

Included in other contingent liabilities are estimated legal claims of \$159 million (2004: \$150 million). The Bank is of the view that these claims have no merit and their ultimate resolution is not expected to have a significant effect on the financials of the Bank and the Group. Accordingly, no provision has been made in respect of these legal claims in the financial statements.

40. 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.

In its normal course of business, the Bank and the Group transact in customised derivatives to meet specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes as well as to manage their assets/liabilities and structural positions. The risks associated with the use of derivatives, as well as management's policies for controlling these risks are set out in Note 45.

Notes to the Financial Statements

for the financial year ended 31 December 2005

40. Financial derivatives (cont'd)

The table below shows the Bank's and 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 future cash flows and amounts at risk of the derivatives.

	2005			2004		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
The Group						
Foreign exchange contracts						
Forwards	8,250,675	223,940	50,748	9,694,082	302,429	151,281
Swaps	226,503,057	1,605,183	1,586,827	117,500,745	1,925,688	1,994,248
Options purchased	3,632,772	30,555	–	5,107,060	89,133	–
Options written	2,491,839	–	27,338	5,173,131	–	88,430
Interest rate contracts						
Forwards	6,077,547	2,090	4,355	19,931,300	8,728	8,961
Swaps	326,345,175	1,620,444	1,932,873	108,787,108	703,661	859,546
Futures	10,085,131	7,080	6,772	9,010,893	8,028	11,559
Options purchased	1,286,680	7,810	–	489,141	7,318	–
Options written	1,082,054	–	7,620	409,141	–	5,888
Equity-related contracts						
Swaps	1,503,294	64,878	63,225	233,177	10,512	11,278
Futures	–	–	–	15,201	–	808
Options purchased	931,976	52,391	–	563,260	53,160	–
Options written	964,275	–	58,656	540,502	–	53,051
Credit-related contracts						
Swaps	1,361,016	7,054	1,226	384,453	3,479	281
Precious metal contracts						
Forwards	216,035	6,806	35,547	211,152	4,870	12,916
Swaps	70,970	12,401	707	35,570	1,117	176
	590,802,496	3,640,632	3,775,894	278,085,916	3,118,123	3,198,423
Less : Financial derivatives accounted for on accrual basis		–	–		233,434	495,302
Financial derivatives measured at fair value		3,640,632	3,775,894		2,884,689	2,703,121

Included in the interest rate contracts are the following interest rate swaps designated to hedge the interest rate risk of certain S\$ and US\$ subordinated notes issued:

	2005		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
Interest rate swaps	5,626,200	28,926	161,973

	2005			2004		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
The Bank						
Foreign exchange contracts						
Forwards	7,377,163	217,130	48,849	8,376,697	290,091	145,617
Swaps	236,485,985	1,615,884	1,599,963	117,826,144	1,913,216	1,987,386
Options purchased	3,617,654	30,555	–	5,086,152	89,136	–
Options written	2,480,042	–	27,317	5,166,817	–	88,354
Interest rate contracts						
Forwards	6,044,329	2,029	4,355	19,931,300	8,728	8,961
Swaps	323,316,761	1,607,344	1,890,562	108,192,959	712,804	822,927
Futures	4,312,882	3,622	2,712	2,471,394	4,110	4,798
Options purchased	1,286,680	7,810	–	489,141	7,318	–
Options written	1,082,054	–	7,620	409,141	–	5,888
Equity-related contracts						
Swaps	1,503,294	64,878	63,225	233,177	10,512	11,278
Futures	–	–	–	15,201	–	808
Options purchased	927,346	52,361	–	562,367	53,160	–
Options written	971,280	–	58,800	540,502	–	53,051
Credit-related contracts						
Swaps	1,377,647	7,054	1,727	417,129	3,479	1,013
Precious metal contracts						
Forwards	38,345	–	1,147	40,149	–	107
Swaps	2,874	520	2	–	–	–
	<u>590,824,336</u>	<u>3,609,187</u>	<u>3,706,279</u>	<u>269,758,270</u>	<u>3,092,554</u>	<u>3,130,188</u>
Less : Financial derivatives accounted for on accrual basis		–	–		238,343	492,625
Financial derivatives measured at fair value		<u>3,609,187</u>	<u>3,706,279</u>		<u>2,854,211</u>	<u>2,637,563</u>

Included in the interest rate contracts are the following interest rate swaps designated to hedge the interest rate risk of certain S\$ and US\$ subordinated notes issued:

	2005		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
Interest rate swaps	<u>5,626,200</u>	<u>28,926</u>	<u>161,973</u>

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41. Commitments

(a)

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Undrawn credit facilities	40,768,342	38,559,562	31,485,556	29,906,824
Spot/forward contracts	1,539,486	501,955	1,385,774	501,955
Capital commitments	35,949	28,175	27,655	24,576
Operating lease commitments	59,184	53,662	44,224	33,543
Other	142,131	132,467	105,835	126,220
	42,545,092	39,275,821	33,049,044	30,593,118

(b) Operating lease commitments

The aggregate minimum lease payments under non-cancellable operating leases at the balance sheet date are as follows:

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Minimum lease payable				
Not later than 1 year	25,550	22,218	19,282	15,007
Later than 1 year but not later than 5 years	29,261	25,455	21,134	16,002
Later than 5 years	4,373	5,989	3,808	2,534
	59,184	53,662	44,224	33,543
Minimum lease receivable				
Not later than 1 year	56,991	66,173	30,935	29,395
Later than 1 year but not later than 5 years	80,078	99,724	34,154	31,180
Later than 5 years	26,447	4,242	384	–
	163,516	170,139	65,473	60,575

42. Cash and cash equivalents

Cash equivalents are highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible into known amounts of cash. In the consolidated cash flow statement, cash and cash equivalents comprise the following:

	The Group	
	2005	2004
	\$'000	\$'000
Cash, balances and placements with central banks	11,925,148	11,653,014
Singapore Government treasury bills and securities	6,883,521	6,652,762
Other government treasury bills and securities	2,088,563	1,723,186
	20,897,232	20,028,962

43. Related party transactions

Related parties cover the Group's subsidiaries, associates and their subsidiaries, and key management personnel and their related parties.

Key management personnel include the Bank's directors, members of its Management Executive Committee which was formed in financial year 2005, as well as their related parties which cover:

- their close family members
- companies that are majority-owned by them or their family members
- companies or firms in which they or their family members control or exercise significant influence over the board of directors
- individuals, companies or firms whose credit facilities are guaranteed by them
- companies (other than those reported under subsidiaries and associates of the Group) in which they hold directorship

All related party transactions entered into by the Bank and the Group are made in the ordinary course of their business. In addition to the information shown elsewhere in the financial statements, other related party transactions that may be of interest are as follows:

(a)

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Interest income				
Subsidiaries	–	–	49,800	29,207
Associates	8,060	6,296	8,060	6,282
Interest expense				
Subsidiaries	–	–	53,488	28,521
Associates	5,371	3,339	4,776	2,364
Rental income				
Subsidiaries	–	–	2,025	2,276
Associates	5,714	10,147	5,633	10,073
Rental expense				
Subsidiaries	–	–	13,990	14,513
Associates	2,722	3,615	2,293	3,615
Fee and commission and other income				
Subsidiaries	–	–	36,367	28,912
Associates	9,103	5,392	2,242	–
Placements, loans and advances				
Subsidiaries	–	–	2,056,019	1,828,628
Associates	398,646	658,328	396,841	656,229
Key management personnel and their related parties	1,450,928	1,037,128	1,450,928	1,037,128
Deposits				
Subsidiaries	–	–	2,448,464	1,668,594
Associates	353,429	1,066,900	348,491	1,035,737
Off-balance sheet credit facilities				
Subsidiaries	–	–	429,228	322,415
Associates	21,366	91,323	21,366	87,646
Key management personnel and their related parties	246,391	35,214	243,068	35,214

Notes to the Financial Statements

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43. Related party transactions (cont'd)

(b) Compensation of key management personnel

	The Group		The Bank	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	16,836	10,882	16,836	10,882
Other	347	27	347	27
	17,183	10,909	17,183	10,909

44. Segment information

(a) 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.

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.

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.

Asset Management

Asset Management segment comprises asset management, venture capital management and proprietary investment activities.

Other

Other segment includes property-related activities, insurance businesses and the management of capital funds.

The following business segment information is stated after elimination of inter-segment transactions.

	The Group					
	Individual Financial Services \$'million	Institutional Financial Services \$'million	Global Treasury \$'million	Asset Management \$'million	Other \$'million	Total \$'million
2005						
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 ¹	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 ²	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 ²	49,625	37,452	35,431	80	6,599	129,187
Unallocated liabilities						666
Total liabilities						129,853
Other information:						
Trade bills and advances to customers (gross)	26,841	43,005	–	–	–	69,846
Non-performing loans*	968	2,926	–	–	–	3,894
Provision for individual impairment*	263	1,170	–	–	–	1,433
Securities not held for trading (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

* Exclude debt securities

[^] Exclude investment in associates and securities held for sale

[<] Include assets pledged

Notes to the Financial Statements

for the financial year ended 31 December 2005

44. Segment information (cont'd)

(a) Business segments (cont'd)

	The Group					
	Individual Financial Services \$'million	Institutional Financial Services \$'million	Global Treasury \$'million	Asset Management \$'million	Other \$'million	Total \$'million
2004						
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/impairment						(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 ²	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 ²	46,061	34,842	33,861	66	5,870	120,700
Unallocated liabilities						592
Total liabilities						121,292
Other information:						
Trade bills and advances to customers (gross)	26,031	41,946	–	–	–	67,977
Non-performing loans*	1,402	4,003	–	–	–	5,405
Provision for individual impairment*	479	1,827	–	–	–	2,306
Securities not held for trading (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

* Exclude debt securities

[^] Exclude investment in associates and securities held for sale

[<] Include assets pledged

Note:

- ¹ Segment profit before tax represents income less operating expenses that is directly attributable or can be allocated on a reasonable basis to a segment. Inter-segment transactions are charged at internal transfer prices, estimated based on costs of products and services provided, and taking into account market prices charged to unaffiliated customers.
- ² Segment assets and liabilities comprise operating assets and liabilities that are directly attributable or can be allocated on a reasonable basis to a segment.

(b) 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.

	The Group					
	Income before operating expenses		Profit before tax		Total assets	
	2005 \$'million	2004 \$'million	2005 \$'million	2004 \$'million	2005 \$'million	2004 \$'million
Singapore (include Asian Currency Unit)	2,540	2,332	1,756	1,680	90,710	84,688
Malaysia	417	356	189	237	13,987	12,783
Thailand	372	213	53	35	7,912	9,087
Other ASEAN countries	83	55	24	6	3,970	1,517
	872	624	266	278	25,869	23,387
Other Asia-Pacific countries	166	178	108	95	16,255	15,740
Rest of the world	183	125	134	78	7,969	7,188
	3,761	3,259	2,264	2,131	140,803	131,003
Intangible assets	–	–	(60)	(214)	4,270	3,876
	3,761	3,259	2,204	1,917	145,073	134,879

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for the financial year ended 31 December 2005

45. 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.

The main financial risks that the Group is exposed to and how they are being managed are set out below:

(a) **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 UOB 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.

Given the amounts, types and nature of its existing products and businesses, the Group assesses that industry concentration risk arises primarily from the Group's advances to customers and trade bills. Note 29c analyses the Group's total gross trade bills and advances to customers by industry classification as at the balance sheet date.

(i) Financial assets and credit-related contingent assets analysed by geographical sector

	The Group				Total \$'million
	Trade bills and advances to customers (gross) \$'million	Placements and balances with banks and agents^ \$'million	Other assets \$'million	Credit- related contingent assets \$'million	
2005					
Singapore	44,576	736	24,801	6,158	76,271
Regional Countries *	17,363	4,325	6,280	2,369	30,337
Greater China	2,392	4,102	2,350	723	9,567
Other **	5,515	22,183	6,383	2,040	36,121
	69,846	31,346	39,814	11,290	152,296
2004					
Singapore	44,855	3,043	23,064	5,812	76,774
Regional Countries *	14,918	3,337	6,688	2,344	27,287
Greater China	2,017	3,193	1,870	571	7,651
Other **	6,187	17,153	5,785	1,091	30,216
	67,977	26,726	37,407	9,818	141,928

* Refer to Malaysia, Indonesia, the Philippines and Thailand

** Comprise mainly member countries of the Organisation for Economic Co-operation and Development

^ Include assets pledged

(ii) Total non-performing loans and debt securities analysed by geographical sector

	The Group			
	2005		2004	
	Non- performing loans and debt securities \$'million	Individual impairment \$'million	Non- performing loans and debt securities \$'million	Individual impairment \$'million
Singapore	1,955	609	2,949	1,157
Regional Countries				
Malaysia	651	207	873	331
Indonesia	101	55	88	68
Philippines	180	70	160	80
Thailand	906	481	1,170	640
	1,838	813	2,291	1,119
Greater China	64	10	161	52
Other	74	12	83	26
	3,931	1,444	5,484	2,354

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45. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Total non-performing loans and debt securities analysed by industry

	The Group			
	2005		2004	
	Non-performing loans and debt securities \$'million	Individual impairment \$'million	Non-performing loans and debt securities \$'million	Individual impairment \$'million
Transport, storage and communication	79	31	119	56
Building and construction	566	182	844	337
Manufacturing	834	410	1,165	622
Non-bank financial institutions	562	160	701	216
General commerce	770	332	1,007	503
Professionals and private individuals	578	214	897	386
Housing loans	390	49	505	93
Other	152	66	246	141
	3,931	1,444	5,484	2,354

(iv) Total secured non-performing loans and debt securities analysed by collateral type

	The Group				
	Properties \$'million	Marketable securities \$'million	Cash and deposits \$'million	Other \$'million	Total \$'million
2005					
Singapore	1,139	13	16	12	1,180
Regional Countries	841	47	6	50	944
Greater China	42	–	–	–	42
Other	61	1	–	–	62
	2,083	61	22	62	2,228
2004					
Singapore	1,442	21	19	36	1,518
Regional Countries	1,008	84	15	42	1,149
Greater China	84	–	–	–	84
Other	45	1	–	–	46
	2,579	106	34	78	2,797

(v) Non-performing loans restructured during the financial year

	The Group	
	2005 \$'million	2004 \$'million
Substandard	141	223
Doubtful	1	49
Loss	10	30
	152	302

(vi) Total non-performing loans and debt securities analysed by period overdue

	The Group	
	2005 \$'million	2004 \$'million
Current	286	548
≤ 90 days	380	357
Between 91 and 180 days	459	596
≥ 181 days	2,806	3,983
	3,931	5,484

(b) **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.

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45. Financial risk management (cont'd)

(b) Foreign exchange risk (cont'd)

- (i) The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date. The off-balance sheet gap represents the net contract or notional amount of derivatives which is used principally to reduce the Group's exposure to foreign exchange rate movements:

	The Group						
	Singapore dollar \$'million	US dollar \$'million	Malaysian ringgit \$'million	Thai baht \$'million	Indonesian rupiah \$'million	Other \$'million	Total \$'million
2005							
Cash, balances and placements with central banks	6,731	42	2,551	318	344	1,939	11,925
Government treasury bills and securities ^	7,456	45	151	145	366	1,422	9,585
Placements and balances with banks and agents ^	2,474	18,244	2,496	3	19	8,110	31,346
Trade bills and advances to customers ^	38,079	9,598	6,770	5,747	1,824	4,957	66,975
Trading and investment securities	913	6,324	303	204	64	2,099	9,907
Investment in associates	908	15	71	5	–	1	1,000
Intangible assets	3,182	–	–	700	388	–	4,270
Other	4,988	939	440	819	91	1,655	8,932
	64,731	35,207	12,782	7,941	3,096	20,183	143,940
Assets of SPE*							1,133
Total assets							145,073
Deposits and balances of non-bank customers	47,474	12,236	8,946	6,245	2,066	8,574	85,541
Deposits and balances of banks and agents, and bills and drafts payable	6,186	15,015	1,020	281	77	6,905	29,484
Debts issued	2,378	3,619	–	218	49	6	6,270
Other	4,242	1,014	868	22	55	1,250	7,451
	60,280	31,884	10,834	6,766	2,247	16,735	128,746
Liabilities of SPE*							1,107
Total liabilities							129,853
On-balance sheet open position	4,451	3,323	1,948	1,175	849	3,448	
Off-balance sheet open position	4,556	(565)	(567)	455	(30)	(3,849)	
Net open position	9,007	2,758	1,381	1,630	819	(401)	
Of which:							
Net structural position	–	19	969	1,199	580	186	

^ Include assets pledged

* After elimination of inter-company balances

	The Group						Total \$'million
	Singapore dollar \$'million	US dollar \$'million	Malaysian ringgit \$'million	Thai baht \$'million	Indonesian rupiah \$'million	Other \$'million	
2004							
Cash, balances and placements with central banks	5,171	55	2,542	690	223	2,972	11,653
Government treasury bills and securities ^	7,773	297	50	217	–	1,411	9,748
Placements and balances with banks and agents ^	3,124	14,471	1,994	14	11	7,112	26,726
Trade bills and advances to customers ^	38,020	8,604	6,155	5,816	100	5,605	64,300
Trading and investment securities	1,831	4,137	268	438	10	1,416	8,100
Investment in associates	1,428	4	63	6	200	1	1,702
Intangible assets	3,182	–	–	618	2	74	3,876
Other	4,354	1,725	391	885	6	453	7,814
	64,883	29,293	11,463	8,684	552	19,044	133,919
Assets of SPE*							960
Total assets							134,879
Deposits and balances of non-bank customers	45,075	11,777	7,663	7,173	190	7,174	79,052
Deposits and balances of banks and agents, and bills and drafts payable	3,093	15,957	1,305	650	2	7,443	28,450
Debts issued	2,300	3,780	–	84	–	–	6,164
Other	3,861	753	918	144	9	998	6,683
	54,329	32,267	9,886	8,051	201	15,615	120,349
Liabilities of SPE*							943
Total liabilities							121,292
On-balance sheet open position	10,554	(2,974)	1,577	633	351	3,429	
Off-balance sheet open position	(30)	3,978	(961)	858	41	(3,886)	
Net open position	10,524	1,004	616	1,491	392	(457)	
Of which:							
Net structural position	–	(1)	885	1,505	285	262	

^ Include assets pledged

* After elimination of inter-company balances

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for the financial year ended 31 December 2005

45. Financial risk management (cont'd)

(b) Foreign exchange risk (cont'd)

(ii) The structural currency exposures of the Group as at the balance sheet date are as follows:

	The Group			
	Structural currency exposure in overseas operations \$'million	Hedges by funding in respective currencies \$'million	Other hedges \$'million	Net structural currency exposure \$'million
2005				
Australian dollar	176	—	147	29
Hong Kong dollar	64	16	41	7
Indonesian rupiah	580	—	—	580
Malaysian ringgit	969	—	—	969
Thai baht	1,182	—	(17)	1,199
US dollar	575	254	302	19
Other	334	43	141	150
	3,880	313	614	2,953
2004				
Australian dollar	211	—	177	34
Hong Kong dollar	64	16	40	8
Indonesian rupiah	285	—	—	285
Malaysian ringgit	885	—	—	885
Thai baht	1,488	—	(17)	1,505
US dollar	423	188	236	(1)
Other	374	46	108	220
	3,730	250	544	2,936

(c) **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.

- (i) The table below summarises the effective average interest rate of the financial assets and liabilities as at the balance sheet date by major currency:

	Singapore dollar %	The Group US dollar %	Malaysian ringgit %
2005			
Assets			
Placements with central banks	2.60	0.54	3.52
Placements and balances with banks and agents	3.19	4.30	2.98
Trade bills and advances to customers	4.20	5.25	6.48
Government, trading and investment securities	2.85	5.40	3.82
Liabilities			
Non-bank deposits	1.65	3.40	3.12
Deposits and balances of banks and agents and debts issued	2.94	4.50	2.84
2004			
Assets			
Placements with central banks	1.30	0.11	2.78
Placements and balances with banks and agents	1.66	2.27	2.75
Trade bills and advances to customers	3.57	3.79	6.87
Government, trading and investment securities	1.79	3.71	4.80
Liabilities			
Non-bank deposits	0.88	1.86	3.04
Deposits and balances of banks and agents and debts issued	1.90	2.27	2.34

Notes to the Financial Statements

for the financial year ended 31 December 2005

45. Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

- (ii) The table below shows the interest rate sensitivity gap by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual dates due to prepayments.

	Up to 7 days		Over 7 days to 1 month	Over 1 to 3 months	Over 3 to 12 months	The Group		Non-interest bearing	Banking book total	Trading book total	Total
	\$'million		\$'million	\$'million	\$'million	Over 1 to 3 years	Over 3 years	\$'million	\$'million	\$'million	\$'million
2005											
Cash, balances and placements with central banks	356	262	772	399	–	–	3,272	5,061	6,864	11,925	
Government treasury bills and securities ^	265	1,616	2,697	2,455	953	490	–	8,476	1,109	9,585	
Placements and balances with banks and agents ^	4,006	6,638	5,470	7,372	45	–	119	23,650	7,696	31,346	
Trade bills and advances to customers ^	27,566	10,957	11,806	8,953	3,657	1,288	2,442	66,669	306	66,975	
Trading and investment securities	74	691	1,464	656	978	4,381	1,038	9,282	625	9,907	
Investments in associates	–	–	–	–	–	–	1,000	1,000	–	1,000	
Intangible assets	–	–	–	–	–	–	4,270	4,270	–	4,270	
Other	–	–	–	–	–	–	8,000	8,000	932	8,932	
	32,267	20,164	22,209	19,835	5,633	6,159	20,141	126,408	17,532	143,940	
Assets of SPE*										1,133	
Total assets										145,073	

^ Include assets pledged

* After elimination of inter-company balances

					The Group					
	Up to 7 days	Over 7 days to 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 3 years	Over 3 years	Non- interest bearing	Banking book total	Trading book total	Total
	\$'million	\$'million	\$'million	\$'million	\$'million	\$'million	\$'million	\$'million	\$'million	\$'million
2005										
Deposits and balances of non-bank customers	29,896	19,695	12,781	12,601	1,169	1,186	6,689	84,017	1,524	85,541
Deposits and balances of banks and agents, and bills and drafts payable	4,045	6,742	3,243	1,996	–	–	1,165	17,191	12,293	29,484
Debts issued	19	159	276	164	3	5,649	–	6,270	–	6,270
Other	–	–	–	–	–	–	5,889	5,889	1,562	7,451
Internal funding of trading book	(2,153)	–	–	–	–	–	–	(2,153)	2,153	–
	31,807	26,596	16,300	14,761	1,172	6,835	13,743	111,214	17,532	128,746
Liabilities of SPE*										1,107
Total liabilities										129,853
Equity attributable to										
Equity holders of the Bank	–	–	–	–	–	–	14,903	14,903	–	14,903
Minority	–	–	–	–	–	–	291	291	–	291
SPE*										26
Total equity										15,220
Total liabilities and equity										145,073
Net on-balance sheet position	460	(6,432)	5,909	5,074	4,461	(676)	(8,796)	–	–	
Net off-balance sheet position	(2,152)	(1,428)	(3,287)	1,935	920	4,012	–	–	–	
Net interest rate sensitivity gap	(1,692)	(7,860)	2,622	7,009	5,381	3,336	(8,796)	–	–	

^ Include assets pledged

* After elimination of inter-company balances

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for the financial year ended 31 December 2005

45. Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

					The Group					
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million	Non- interest bearing \$'million	Banking book total \$'million	Trading book total \$'million	Total \$'million
2004										
Cash, balances and placements with central banks	744	444	57	6	–	–	3,883	5,134	6,519	11,653
Government treasury bills and securities ^	–	448	1,637	2,709	1,620	1,314	–	7,728	2,020	9,748
Placements and balances with banks and agents ^	2,963	6,193	5,902	7,099	–	–	99	22,256	4,470	26,726
Trade bills and advances to customers ^	23,054	13,825	10,763	10,851	4,181	1,578	–	64,252	48	64,300
Trading and investment securities	129	507	1,487	979	1,017	2,333	1,209	7,661	439	8,100
Investments in associates	–	–	–	–	–	–	1,702	1,702	–	1,702
Intangible assets	–	–	–	–	–	–	3,876	3,876	–	3,876
Other	–	–	–	–	–	–	4,326	4,326	3,488	7,814
	26,890	21,417	19,846	21,644	6,818	5,225	15,095	116,935	16,984	133,919
Assets of SPE*										960
Total assets										134,879

^ Include assets pledged

* After elimination of inter-company balances

	The Group									
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million	Non- interest bearing \$'million	Banking book total \$'million	Trading book total \$'million	Total \$'million
2004										
Deposits and balances of non-bank customers	25,929	22,118	10,140	11,848	1,306	1,036	6,208	78,585	467	79,052
Deposits and balances of banks and agents, and bills and drafts payable	3,889	6,677	4,320	1,613	–	–	1,107	17,606	10,844	28,450
Debts issued	25	103	177	225	84	5,550	–	6,164	–	6,164
Other	–	–	–	–	–	–	3,083	3,083	3,600	6,683
Internal funding of trading book	(2,073)	–	–	–	–	–	–	(2,073)	2,073	–
	27,770	28,898	14,637	13,686	1,390	6,586	10,398	103,365	16,984	120,349
Liabilities of SPE*										943
Total liabilities										121,292
Equity attributable to Equity holders of the Bank	–	–	–	–	–	–	13,422	13,422	–	13,422
Minority SPE*	–	–	–	–	–	–	148	148	–	148
										17
Total equity										13,587
Total liabilities and equity										134,879
Net on-balance sheet position	(880)	(7,481)	5,209	7,958	5,428	(1,361)	(8,873)	–	–	
Net off-balance sheet position	(479)	(1,761)	(2,685)	2,491	(1,720)	4,154	–	–	–	
Net interest rate sensitivity gap	(1,359)	(9,242)	2,524	10,449	3,708	2,793	(8,873)	–	–	

^ Include assets pledged

* After elimination of inter-company balances

Notes to the Financial Statements

for the financial year ended 31 December 2005

45. Financial risk management (cont'd)

(d) Liquidity risk

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

The Group manages liquidity risk in accordance with 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 cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements.

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms:

	The Group							
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million	Non- specific maturity \$'million	Total \$'million
2005								
Cash, balances and placements with central banks	4,252	2,085	4,797	791	–	–	–	11,925
Government treasury bills and securities ^	318	1,413	2,690	2,776	1,126	1,262	–	9,585
Placements and balances with banks and agents ^	7,783	8,127	5,129	9,869	438	–	–	31,346
Trade bills and advances to customers ^	13,083	5,492	10,292	8,060	7,029	23,019	–	66,975
Trading and investment securities	402	79	184	612	1,410	5,956	1,264	9,907
Investments in associates	–	–	–	–	–	–	1,000	1,000
Intangible assets	–	–	–	–	–	–	4,270	4,270
Other	114	103	174	122	113	145	8,161	8,932
	25,952	17,299	23,266	22,230	10,116	30,382	14,695	143,940
Assets of SPE*								1,133
Total assets								145,073

^ Include assets pledged

* After elimination of inter-company balances

	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	The Group Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million	Non- specific maturity \$'million	Total \$'million
2005								
Deposits and balances of non-bank customers	37,405	18,736	13,718	12,498	1,167	2,017	–	85,541
Deposits and balances of banks and agents, and bills and drafts payable	7,424	12,574	5,374	4,107	–	5	–	29,484
Debts issued	–	60	7	74	109	6,020	–	6,270
Other	109	132	88	102	6	8	7,006	7,451
	44,938	31,502	19,187	16,781	1,282	8,050	7,006	128,746
Liabilities of SPE*								1,107
Total liabilities								129,853
Equity attributable to Equity holders of the Bank	–	–	–	–	–	–	14,903	14,903
Minority SPE*	–	–	–	–	–	–	291	291
								26
Total equity								15,220
Total liabilities and equity								145,073
Net maturity mismatch	(18,986)	(14,203)	4,079	5,449	8,834	22,332	(7,505)	

^ Include assets pledged

* After elimination of inter-company balances

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for the financial year ended 31 December 2005

45. Financial risk management (cont'd)

(d) **Liquidity risk** (cont'd)

	The Group							
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million	Non- specific maturity \$'million	Total \$'million
2004								
Cash, balances and placements with central banks	5,410	2,290	2,442	1,511	–	–	–	11,653
Government treasury bills and securities ^	19	456	1,709	2,875	2,019	2,670	–	9,748
Placements and balances with banks and agents ^	5,108	6,414	6,464	8,151	589	–	–	26,726
Trade bills and advances to customers ^	14,982	3,980	5,337	7,451	8,791	23,759	–	64,300
Trading and investment securities	152	–	141	1,048	1,574	3,703	1,482	8,100
Investments in associates	–	–	–	–	–	–	1,702	1,702
Intangible assets	–	–	–	–	–	–	3,876	3,876
Other	254	54	42	116	121	235	6,992	7,814
	25,925	13,194	16,135	21,152	13,094	30,367	14,052	133,919
Assets of SPE*								960
Total assets								134,879

^ Include assets pledged

* After elimination of inter-company balances

	The Group							
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million	Non- specific maturity \$'million	Total \$'million
2004								
Deposits and balances of non-bank customers	33,144	21,545	10,013	11,866	1,412	1,072	–	79,052
Deposits and balances of banks and agents, and bills and drafts payable	7,104	12,740	6,344	2,215	23	24	–	28,450
Debts issued	–	1	–	16	91	6,056	–	6,164
Other	242	82	32	37	108	40	6,142	6,683
	40,490	34,368	16,389	14,134	1,634	7,192	6,142	120,349
Liabilities of SPE*								943
Total liabilities								121,292
Equity attributable to Equity holders of the Bank	–	–	–	–	–	–	13,422	13,422
Minority	–	–	–	–	–	–	148	148
SPE*								17
Total equity								13,587
Total liabilities and equity								134,879
Net maturity mismatch	(14,565)	(21,174)	(254)	7,018	11,460	23,175	(5,660)	

^ Include assets pledged

* After elimination of inter-company balances

The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group has a significant amount of “core deposits” of non-bank customers which are contractually at call (included in the “Up to 7 days” time band) but history shows that such deposits provide a stable source of long-term funding for the Group.

In addition to the above, the Group is also subjected to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 39 and 41. The total outstanding contractual amounts do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the commitments to pay third parties (such as letters of credit) are reimbursed immediately by customers.

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46. Fair values of financial instruments

The table below shows the fair value of financial assets and financial liabilities at the balance sheet date. As assumptions were made regarding risk characteristics of the financial instruments, discount rates and future expected loss, changes in these assumptions could materially affect the resulting fair value estimates.

	The Group		The Bank	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
2005				
Financial assets				
Cash, balances and placements [^]	43,270,867	43,270,867	38,751,516	38,751,516
Government securities [^]	9,584,827	9,584,827	8,844,788	8,844,788
Trading securities	624,887	624,887	228,461	228,461
Trade bills and advances to customers [^]	67,142,153	67,142,153	51,274,865	51,274,865
Investment securities	10,122,392	10,122,392	8,664,671	8,664,671
Derivative financial assets	3,640,632	3,640,632	3,609,187	3,609,187
	134,385,758	134,385,758	111,373,488	111,373,488
Financial liabilities				
Deposits and balances of banks, non-bank customers and subsidiaries	114,958,291	114,958,291	96,889,767	96,889,767
Bills and drafts payable	303,181	303,181	93,493	93,493
Debts issued	7,108,290	7,272,792	6,833,994	6,994,362
Derivative financial liabilities	3,775,894	3,775,894	3,706,279	3,706,279
	126,145,656	126,310,158	107,523,533	107,683,901
2004				
Financial assets				
Cash, balances and placements [^]	38,378,999	38,378,999	33,807,654	33,807,654
Government securities [^]	9,747,806	9,776,896	9,293,670	9,319,163
Trading securities	438,934	438,934	124,573	124,573
Trade bills and advances to customers [^]	64,300,016	64,300,016	50,570,803	50,570,803
Investment securities	8,608,545	9,073,445	6,802,650	7,114,170
Derivative financial assets	2,884,689	2,884,689	2,854,211	2,854,211
	124,358,989	124,852,979	103,453,561	103,790,574
Financial liabilities				
Deposits and balances of banks and non-bank customers	107,212,867	107,212,867	90,219,569	90,219,569
Bills and drafts payable	256,188	256,188	66,091	66,091
Debts issued	7,089,297	7,255,389	6,079,974	6,240,508
Derivative financial liabilities	2,703,121	2,703,121	2,637,563	2,637,563
	117,261,473	117,427,565	99,003,197	99,163,731

[^] Include assets pledged

Fair values of government securities, trading securities, investment securities and certain financial derivatives, such as exchange-traded futures and options, and credit related contracts are determined based on prices quoted in the market or by the brokers/issuers.

Fair values of placements and deposits held for trading and other financial derivatives, such as foreign exchange contracts, interest rate forwards and interest rate swaps are established using valuation techniques commonly used by market participants, including discounted cash flow method, and based on assumptions and data observable in the market. As at 31 December 2005, fair value of financial assets amounting to \$17,890 million and \$16,372 million, and fair value of financial liabilities amounting to \$16,366 million and \$16,149 million, for the Bank and the Group respectively were estimated based on valuation techniques.

Fair values of cash, balances and placements, trade bills and advances to customers, deposits and bills and drafts payable measured at amortised costs were deemed approximation of their carrying amounts due to their short-term nature or frequent repricing.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS32. These include investment in associates, investment in subsidiaries, fixed assets, long-term relationships with customers, franchise and other intangibles, which are integral to the full assessment of the Bank's and the Group's financial positions and the values of their net assets.

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47. Subsidiaries

The subsidiaries of the Group as at the balance sheet date are as follows:

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of	
		The Bank		Subsidiaries		Bank's investment	
		2005 %	2004 %	2005 %	2004 %	2005 \$'000	2004 \$'000
Commercial Banking							
United Overseas Bank (Thai) Public Company Limited (formerly known as Bank of Asia Public Company Limited) ⁽¹⁾	Thailand	98	97	–	–	1,820,642	1,124,154
Far Eastern Bank Limited	Singapore	78	78	–	–	39,083	38,921
PT Bank UOB Indonesia ⁽¹⁾	Indonesia	99	99	–	–	48,462	48,462
United Overseas Bank (Malaysia) Bhd ⁽¹⁾	Malaysia	45	45	55	55	123,731	123,731
United Overseas Bank Philippines ⁽¹⁾	Philippines	100	100	–	–	#	#
UOB Radanasin Bank Public Company Limited ⁽¹⁾	Thailand	–	84	100	–	–	268,149
ICB (2002) Limited (formerly known as Industrial & Commercial Bank Limited) ^{(2) **}	Singapore	100	100	–	–	–	–
Overseas Union Bank (Malaysia) Berhad ^{(1) **}	Malaysia	–	–	100	100	–	–
Overseas Union Bank Limited ^{(2) **}	Singapore	100	100	–	–	–	–
PT Bank Buana Indonesia Tbk. ⁽¹⁾	Indonesia	–	–	61	–	–	–
Merchant Banking							
UOB Asia (Hong Kong) Limited ⁽¹⁾	Hong Kong S.A.R.	50	50	50	50	11,687	11,687
UOB Asia Limited	Singapore	100	100	–	–	9,747	9,747
UOB Australia Limited ⁽¹⁾	Australia	100	100	–	–	10,865	10,865
Leasing							
UOB Leasing (Thai) Co., Ltd. (formerly known as B.O.A. Leasing Co., Ltd) ⁽¹⁾	Thailand	–	–	100	100	–	–
OUB Credit Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of	
		The Bank		Subsidiaries		Bank's investment	
		2005 %	2004 %	2005 %	2004 %	2005 \$'000	2004 \$'000
Insurance							
PT UOB Life-Sun Assurance ⁽¹⁾	Indonesia	—	—	80	80	—	
United Overseas Insurance Limited	Singapore	58	58	—	—	15,268	15,268
UOB Insurance (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	—	—	100	100	—	—
UOB Life Assurance Limited	Singapore	97	88	3	12	143,856	32,078
Investment							
Chung Khiaw Bank (Malaysia) Bhd ⁽¹⁾	Malaysia	100	100	—	—	152,403	152,403
OUB.com Pte Ltd	Singapore	100	100	—	—	18,020	18,454
Overseas Union Holdings (Aust) Pty Limited ⁽¹⁾	Australia	—	—	100	100	—	—
Overseas Union Holdings Private Limited	Singapore	100	100	—	—	196,323	196,323
United Investments Limited <i>(liquidated during the year)</i>	Singapore	—	100	—	—	—	—
UOB Capital Investments Pte Ltd	Singapore	100	100	—	—	113,000	88,136
UOB Capital Management Pte Ltd	Singapore	100	100	—	—	29,939	29,899
UOB Equity Holdings (Pte) Ltd	Singapore	100	100	—	—	9,600	9,600
UOB Finance (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	100	100	—	—	21,450	21,015
UOB Holdings (USA) Inc. ⁽²⁾	United States of America	100	100	—	—	12,026	11,503
UOB Realty (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	—	—	100	100	—	—
UOB Venture Management (Shanghai) Co., Ltd ⁽³⁾	People's Republic of China	—	—	100	100	—	—
CKB (2000) Limited ⁽²⁾ **	Singapore	100	100	—	—	—	—
Overseas Union Trust Limited ⁽²⁾ **	Singapore	100	100	—	—	10	10
Securities Investments Pte Ltd <i>(liquidated during the year)</i>	Singapore	—	100	—	—	—	—
United Overseas Finance (Malaysia) Bhd. ⁽¹⁾ **	Malaysia	—	—	100	100	—	—
UOB International Investment Private Limited	Singapore	100	100	—	—	604,000	201,967
UOF (2000) Limited ⁽²⁾ **	Singapore	100	100	—	—	10	10
UOB Cayman I Limited ⁽²⁾	Cayman Islands	100	—	—	—	*	

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47. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of	
		The Bank		Subsidiaries		Bank's investment	
		2005 %	2004 %	2005 %	2004 %	2005 \$'000	2004 \$'000
Trustee/Investment Management							
UOB Asset Management (Thai) Co., Ltd. (formerly known as BoA Asset Management Company Limited) ⁽¹⁾	Thailand	–	–	100	100	–	–
United Overseas Bank Trustee Limited	Singapore	20	20	80	80	1,436	1,436
UOBT (2003) Limited **	Singapore	20	20	80	80	100	100
UOB Asset Management Ltd	Singapore	100	100	–	–	2,000	2,000
UOB Bioventures Management Pte Ltd	Singapore	–	–	100	100	–	–
UOB Capital Partners LLC ⁽²⁾	United States of America	–	–	70	70	–	–
UOBGC General Partners Limited ⁽²⁾	United Kingdom	–	–	100	100	–	–
UOB Global Capital (Dublin) Ltd ⁽²⁾	Ireland	–	–	100	100	–	–
UOB Global Capital LLC ⁽²⁾	United States of America	–	–	70	70	–	–
UOB Global Capital Private Limited	Singapore	70	70	–	–	277	159
UOB Global Equity Sales LLC ⁽²⁾	United States of America	–	–	100	100	–	–
UOB Global Capital SARL ⁽²⁾	France	–	–	100	100	–	–
UOB Hermes Asia Management Pte Limited	Singapore	–	–	60	60	–	–
UOB Investment Advisor (Taiwan) Ltd ⁽¹⁾	Taiwan	–	–	100	100	–	–
UOB Venture Management Private Limited	Singapore	100	100	–	–	250	250
UOB-OSK Asset Management Sdn. Bhd. ⁽¹⁾	Malaysia	–	–	70	70	–	–
UOB Trustee (Malaysia) Bhd. ⁽¹⁾	Malaysia	–	–	100	100	–	–
OUB Asset Management Ltd (liquidated during the year)	Singapore	–	100	–	–	–	–

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of	
		The Bank		Subsidiaries		Bank's investment	
		2005 %	2004 %	2005 %	2004 %	2005 \$'000	2004 \$'000
Nominee Services							
Chung Khiaw Nominees (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	100	100	–	–	2	2
Far Eastern Bank Nominees (Private) Limited ⁽²⁾	Singapore	–	–	100	100	–	–
Mandarin Nominees Pte Ltd ⁽²⁾	Singapore	–	–	100	100	–	–
OUB Nominees (Asing) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
OUB Nominees (Tempatan) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
Overseas Union Bank Nominees (Private) Limited ⁽²⁾	Singapore	100	100	–	–	192	192
Overseas Union Nominees (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	100	100	–	–	4	4
Overseas Union Trust (Nominees) Pte Ltd ⁽²⁾	Singapore	100	100	–	–	10	10
Tye Hua Nominees Private Limited ⁽²⁾	Singapore	100	100	–	–	10	10
United Merchant Bank Nominees (Pte) Ltd ⁽²⁾	Singapore	–	–	100	100	–	–
United Overseas Bank Nominees (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	100	100	–	–	4	4
United Overseas Bank Nominees (Private) Limited ⁽²⁾	Singapore	100	100	–	–	10	10
United Overseas Nominees (Asing) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
United Overseas Nominees (Tempatan) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–

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47. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of	
		The Bank		Subsidiaries		Bank's investment	
		2005 %	2004 %	2005 %	2004 %	2005 \$'000	2004 \$'000
Nominee Services (cont'd)							
UOB Nominees (Australia) Limited ⁽¹⁾	Australia	–	–	100	100	–	–
UOB Nominees (UK) Limited ⁽¹⁾	United Kingdom	100	100	–	–	2	3
UOBM Nominees (Asing) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
UOBM Nominees (Tempatan) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
Chung Khiaw Nominees (Private) Limited ^{(2) **}	Singapore	100	100	–	–	10	10
ICB Nominees (Private) Limited ^{(2) **}	Singapore	100	100	–	–	10	10
Lee Wah Nominees (S) Pte Ltd ^{(2) **}	Singapore	100	100	–	–	*	*
Singapore UMB (Hong Kong) Limited ^{(1) **}	Hong Kong S.A.R.	–	–	100	100	–	–
UOF Nominees (Private) Limited ^{(2) **}	Singapore	100	100	–	–	*	*
Stockbroking							
Grand Orient Securities Pte Ltd **	Singapore	–	–	100	100	–	–
OUB Securities Pte Ltd **	Singapore	100	100	–	–	29,457	29,320
OUB Securities (H.K.) Limited (liquidated during the year)	Hong Kong S.A.R.	–	100	–	–	–	–
Gold/Futures Dealing							
UOB Bullion and Futures Limited	Singapore	100	100	–	–	9,000	9,000
OUB Bullion & Futures Ltd (under voluntary liquidation) ⁽⁴⁾	Singapore	100	100	–	–	–	–
UBF Future Company Limited ⁽¹⁾	Thailand	–	–	100	–	–	–

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of	
		The Bank		Subsidiaries		Bank's investment	
		2005 %	2004 %	2005 %	2004 %	2005 \$'000	2004 \$'000
Computer Services							
Unicom Databank Private Limited	Singapore	100	100	—	—	*	*
UOB Smart Solutions Sdn. Bhd. ⁽¹⁾ ** (formerly known as UOB Info Tech Sdn Bhd)	Malaysia	—	—	100	100	—	—
UOBF Schneider Trading Private Limited	Singapore	—	—	50	—	—	—
General Services							
United General Services (Pte) Ltd	Singapore	100	100	—	—	*	*
Consultancy and Research Services							
UOB Investment Consultancy (Beijing) Limited ⁽⁵⁾	People's Republic of China	—	—	—	60	—	—
UOB Venture Management (USA) Inc. ⁽²⁾	United States of America	—	—	100	100	—	—
Property							
Chung Khiaw Realty, Limited	Singapore	99	99	—	—	60,448	60,448
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100	—	—	30,829	32,000
UOB Realty (USA) Inc. ⁽²⁾	United States of America	100	100	—	—	251	255
UOB Realty (USA) Ltd Partnership ⁽²⁾	United States of America	99	99	1	1	14,988	15,199
UOB Warehouse Private Limited	Singapore	100	100	—	—	88,000	88,000
FEB Realty Company Pte. Ltd. **	Singapore	—	—	100	100	—	—

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for the financial year ended 31 December 2005

47. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of	
		The Bank		Subsidiaries		Bank's investment	
		2005 %	2004 %	2005 %	2004 %	2005 \$'000	2004 \$'000
Property Management							
OUB Towers Pte Ltd	Singapore	100	100	–	–	30,321	29,885
Overseas Union Developments (Private) Limited	Singapore	100	100	–	–	12,945	12,991
Travel							
UOB Travel Planners Pte Ltd	Singapore	100	100	–	–	3,987	3,987
						3,664,665	2,697,667

Investment cost is fully provided for.

* Investment cost is less than \$500.

** Inactive.

Note:

⁽¹⁾ Audited by member firms of Ernst & Young Global in the respective countries.

⁽²⁾ Not required to be audited.

⁽³⁾ Not audited by Ernst & Young, Singapore or member firms of Ernst & Young Global.

⁽⁴⁾ Not required to be audited as subsidiary has been put into liquidation.

⁽⁵⁾ Ceased to be a subsidiary during the financial year.

48. Special purpose entities (SPE)

Name of SPE	Principal activities	Country of incorporation and place of business
Archer 1 Limited	Investment holding	Singapore
Onshore Strategic Assets ⁽¹⁾	Asset management	Philippines

Note:

⁽¹⁾ Not audited by Ernst & Young, Singapore or member firms of Ernst & Young Global.

49. Major associates

Name of major associates	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2005 %	2004 %
Quoted associates				
United International Securities Limited	Investment	Singapore	45	45
United Overseas Land Limited ^{(1) (3)}	Property/hotel	Singapore	–	45
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	40	40
PT Bank Buana Indonesia Tbk. ^{(2) (4)}	General Banking	Indonesia	–	23
Unquoted associates				
Asfinco Singapore Limited	Investment holding	Singapore	40	40
Asia Fund Services Pte Ltd <i>(disposed off during the year)</i>	Registrar services	Singapore	–	50
AXA Insurance Public Company Limited	Non-life insurance	Thailand	22	21
Clearing and Payment Services Pte Ltd	Continuous linked settlement	Singapore	33	33
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	33	33
Novena Square Development Ltd	Property	Singapore	20	20
Novena Square Investments Ltd	Investment	Singapore	20	20
Orix Leasing Singapore Limited	Leasing/rental	Singapore	20	20
OSK-UOB Unit Trust Management Berhad	Investment management	Malaysia	30	30
Overseas Union Facilities (Pte) Ltd	Investment holding	Singapore	49	–
Overseas Union Insurance, Limited	General insurance	Singapore	50	50
Singapore Consortium Investment Management Ltd	Unit trust fund management	Singapore	33	33
SZVC-UOB Venture Management Co., Ltd	Investment	People's Republic of China	50	50
Uni.Asia Capital Sdn Bhd	General and life insurance	Malaysia	49	49

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49. Major associates (cont'd)

Name of major associates	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2005 %	2004 %
Unquoted associates (cont'd)				
UOB JAIC Venture Bio Investments Ltd	Investment	Singapore	28	41
UOB Venture (Shenzhen) Limited ⁽⁵⁾	Investment holding	Mauritius	50	50
Vertex Asia Limited (under voluntary liquidation)	Venture capital investment	Singapore	21	21
Walden Asia II Limited	Venture capital investment	Cayman Islands/ People's Republic of China	25	25

Note:

⁽¹⁾ Audited by PricewaterhouseCoopers, Singapore.

⁽²⁾ Audited by Ernst and Young Global, Jakarta.

⁽³⁾ Ceased to be an associate during the financial year.

⁽⁴⁾ Became a subsidiary during the financial year.

⁽⁵⁾ Held 50% of the preference shares with voting right and 100% of the ordinary shares with no voting right.

50. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 23 February 2006.