

**United Overseas Bank Limited**  
(Incorporated in Singapore)  
**and its Subsidiaries**

**Financial Statements**

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**Delivering  
Value.  
Driving  
Growth.**

## Directors' Report

for the financial year ended 31 December 2006

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 2006.

### Directors

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

Mr Wee Cho Yaw (*Chairman & Chief Executive Officer*)

Mr Wee Ee Cheong (*Deputy Chairman & President*)

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

### 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 31.12.2006	At 1.1.2006	At 31.12.2006	At 1.1.2006
<b>Ordinary shares</b>				
<b>The Bank</b>				
Mr Wee Cho Yaw	<b>16,390,248</b>	16,390,248	<b>245,208,142</b>	245,208,142
Mr Wee Ee Cheong	<b>2,794,899</b>	2,794,899	<b>146,085,251</b>	146,085,251
Mr Ngiam Tong Dow	–	–	<b>8,600</b>	8,600
Prof Cham Tao Soon	–	–	<b>9,775</b>	6,520
Mr Tan Kok Quan	–	–	<b>74,475</b>	74,475
Mr Ng Boon Yew	–	–	<b>5,280</b>	5,280
<b>United Overseas Insurance Limited</b>				
Mr Wee Cho Yaw	<b>25,400</b>	25,400	–	–

- (b) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2007 (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 2006 are as follows:

	Directors' fees %	Base or fixed salary %	Variable/ performance bonus %	Benefits-in-kind and other %	Total %
<b>\$9,000,000 to \$9,249,999</b>					
Mr Wee Cho Yaw	3.0	9.3	87.5	0.2	100.0
<b>\$3,750,000 to \$3,999,999</b>					
Mr Wee Ee Cheong	3.5	16.9	76.7	2.9	100.0
<b>Below \$250,000</b>					
Mr Ngiam Tong Dow	100.0	—	—	—	100.0
Prof Cham Tao Soon	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
Mr Ng Boon Yew	100.0	—	—	—	100.0
Mr Lien Jown Leam Michael	100.0	—	—	—	100.0

## 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.

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

(i) Options	Option period	Offer price \$
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

## Directors' Report

for the financial year ended 31 December 2006

- (d) During the financial year, the Bank issued 1,501,000 ordinary shares 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 in the Bank
2003	11.67	372,000
2004	13.67	1,129,000
		<hr/> 1,501,000 <hr/>

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

- (e) Unissued ordinary shares under option in connection with the Scheme as at 31 December 2006 comprise the following:

Year options granted	Exercise price \$	Expiry date	Number of shares
2003	11.67	6 June 2008	187,000
2004	13.67	29 November 2009	765,000
			<hr/> 952,000 <hr/>

### 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 chief financial officer 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 & Chief Executive Officer

### Wee Ee Cheong

Deputy Chairman & President

Singapore  
28 February 2007

**Statement by Directors**  
for the financial year ended 31 December 2006

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 2006, 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 & Chief Executive Officer

**Wee Ee Cheong**

Deputy Chairman & President

Singapore

28 February 2007

## Auditors' Report to the Members of United Overseas Bank Limited

for the financial year ended 31 December 2006

We have audited the accompanying financial statements of United Overseas Bank Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 67 to 141, which comprise the balance sheets of the Bank and the Group as at 31 December 2006, the profit and loss accounts and the statements of changes in equity of the Bank and the Group, and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Directors' Responsibility for the Financial Statements*

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion,

- (i) 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 Act and FRS, 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 the Group as at 31 December 2006, the results of the Bank and of the Group, the changes in equity of the Bank and the changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Bank and by those 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

28 February 2007

**Profit and Loss Accounts**  
for the financial year ended 31 December 2006

		The Group		The Bank	
	Note	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Interest income	3	<b>6,962,165</b>	4,881,743	<b>5,426,071</b>	3,833,478
Less: Interest expense	4	<b>4,251,829</b>	2,534,226	<b>3,620,015</b>	2,118,930
Net interest income		<b>2,710,336</b>	2,347,517	<b>1,806,056</b>	1,714,548
Dividend income	5	<b>327,682</b>	59,594	<b>763,533</b>	239,444
Fee and commission income	6	<b>1,002,560</b>	899,600	<b>509,178</b>	448,369
Rental income		<b>64,181</b>	63,897	<b>39,841</b>	36,282
Other operating income	7	<b>732,119</b>	390,714	<b>477,924</b>	653,803
Non-interest income		<b>2,126,542</b>	1,413,805	<b>1,790,476</b>	1,377,898
<b>Total operating income</b>		<b>4,836,878</b>	3,761,322	<b>3,596,532</b>	3,092,446
Less:					
Staff costs	8	<b>866,997</b>	683,566	<b>482,569</b>	388,450
Other operating expenses	9	<b>869,176</b>	740,374	<b>543,575</b>	484,055
<b>Total operating expenses</b>		<b>1,736,173</b>	1,423,940	<b>1,026,144</b>	872,505
<b>Operating profit before amortisation and impairment charges</b>		<b>3,100,705</b>	2,337,382	<b>2,570,388</b>	2,219,941
Less: Intangible assets amortised/impairment	11	<b>12,500</b>	59,980	–	–
Less: Other impairment charges	12	<b>180,697</b>	173,531	<b>30,915</b>	5,892
Operating profit after amortisation and impairment charges		<b>2,907,508</b>	2,103,871	<b>2,539,473</b>	2,214,049
Share of profit of associates		<b>271,168</b>	99,854	–	–
<b>Profit before tax</b>		<b>3,178,676</b>	2,203,725	<b>2,539,473</b>	2,214,049
Less: Tax	13a	<b>553,328</b>	472,322	<b>397,396</b>	363,512
<b>Profit for the financial year</b>		<b>2,625,348</b>	1,731,403	<b>2,142,077</b>	1,850,537
Attributable to:					
Equity holders of the Bank		<b>2,570,488</b>	1,709,206	<b>2,142,077</b>	1,850,537
Minority interests		<b>54,860</b>	22,197	–	–
		<b>2,625,348</b>	1,731,403	<b>2,142,077</b>	1,850,537
<b>Earnings per share</b>	14				
Basic		<b>165 cents</b>	111 cents		
Diluted		<b>165 cents</b>	111 cents		

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

**Balance Sheets**  
as at 31 December 2006

		The Group		The Bank	
	Note	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Equity</b>					
Share capital	15	2,247,332	1,537,843	2,247,332	1,537,843
Subsidiary preference shares	16	831,550	831,550	–	–
Capital reserves	17	3,968,568	4,359,925	3,817,853	4,390,810
Statutory reserve	18	3,130,136	3,019,865	2,752,922	2,645,722
Revenue reserves	19	6,356,283	4,962,937	4,989,347	3,907,394
Share of reserves of associates	20	256,765	216,542	–	–
Equity attributable to equity holders of the Bank		16,790,634	14,928,662	13,807,454	12,481,769
Minority interests		385,307	291,056	–	–
<b>Total equity</b>		<b>17,175,941</b>	<b>15,219,718</b>	<b>13,807,454</b>	<b>12,481,769</b>
<b>Liabilities</b>					
Deposits and balances of					
Banks and agents		33,448,548	29,455,531	30,975,255	27,960,008
Non-bank customers		95,551,715	85,502,760	75,304,248	66,481,295
Subsidiaries		–	–	3,931,093	2,448,464
	21	129,000,263	114,958,291	110,210,596	96,889,767
Bills and drafts payable		388,262	303,181	150,055	93,493
Derivative financial liabilities	39	3,912,065	3,775,894	3,773,518	3,706,279
Other liabilities	22	3,452,866	3,098,291	1,075,126	928,478
Tax payable		631,841	537,209	553,317	473,885
Deferred tax liabilities	13b	154,375	71,896	123,120	39,947
Debts issued	23	6,596,064	7,108,290	6,398,869	6,833,994
<b>Total liabilities</b>		<b>144,135,736</b>	<b>129,853,052</b>	<b>122,284,601</b>	<b>108,965,843</b>
<b>Total equity and liabilities</b>		<b>161,311,677</b>	<b>145,072,770</b>	<b>136,092,055</b>	<b>121,447,612</b>
<b>Assets</b>					
Cash, balances and placements					
with central banks	24	16,301,355	11,925,148	13,323,922	8,641,415
Singapore Government treasury					
bills and securities	25	7,071,612	6,883,521	6,982,225	6,799,634
Other government treasury					
bills and securities	26	2,357,000	2,088,563	1,682,024	1,472,680
Trading securities	27	483,500	624,887	106,273	228,461
Placements and balances with					
banks and agents	28	21,753,108	27,969,872	20,200,614	25,983,564
Loans to non-bank customers	29	76,874,585	66,462,540	59,085,821	51,274,865
Placements with and advances					
to subsidiaries		–	–	659,777	2,056,019
Derivative financial assets	39	3,911,064	3,640,632	3,826,478	3,609,187
Assets pledged	30a	3,339,892	4,668,203	3,339,892	2,642,992
Assets held for sale	31	–	606,240	–	423,538
Investment securities	32	17,606,894	10,122,392	15,881,084	8,664,671
Other assets	33	4,202,338	2,871,055	2,431,420	1,342,721
Investment in associates	34	1,184,389	1,000,174	372,440	346,410
Investment in subsidiaries	35	–	–	3,852,073	3,664,665
Fixed assets	37	1,857,096	1,872,205	1,152,587	1,100,220
Deferred tax assets	13b	75,404	67,598	13,606	14,751
Intangible assets	11	4,293,440	4,269,740	3,181,819	3,181,819
<b>Total assets</b>		<b>161,311,677</b>	<b>145,072,770</b>	<b>136,092,055</b>	<b>121,447,612</b>
<b>Off-balance sheet items</b>					
Contingent liabilities	38	10,254,280	11,475,035	8,210,745	9,536,694
Financial derivatives	39	489,872,320	590,802,496	485,648,820	590,824,336
Commitments	40	44,594,898	42,545,092	36,063,966	33,049,044

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 2006

## 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
<b>2006</b>									
Balance at 1 January 2006	1,537,843	831,550	4,359,925	3,019,865	4,962,937	216,542	14,928,662	291,056	15,219,718
Currency translation adjustments	17a	-	-	(10,871)	-	-	(10,871)	2,337	(8,534)
Change in available-for-sale reserve	17a	-	-	507,063	-	-	507,063	3,148	510,211
Change in share of associates' reserves	20	-	-	-	-	40,223	40,223	-	40,223
Other adjustments		-	-	-	-	-	-	6,398	6,398
Total gains recognised directly in equity		-	-	496,192	-	40,223	536,415	11,883	548,298
Profit for the financial year		-	-	-	2,570,488	-	2,570,488	54,860	2,625,348
Total gains recognised for the financial year		-	-	496,192	-	40,223	3,106,903	66,743	3,173,646
Effect of Companies (Amendment) Act 2005	15a, 17a	863,606	-	(863,606)	-	-	-	-	-
Transfer from/(to) revenue reserves	17a, 18, 19a	-	-	(30,189)	110,271	(80,082)	-	-	-
Change in minority interests		-	-	-	-	-	-	46,889	46,889
Dividends	19a	-	-	-	(1,025,002)	-	(1,025,002)	(19,381)	(1,044,383)
Share buy-back	15a, 17a, 19a	(172,503)	-	4,858	-	(72,058)	(239,703)	-	(239,703)
Issue of shares under share option scheme	15a, 17a	18,386	-	1,388	-	-	19,774	-	19,774
Balance at 31 December 2006		2,247,332	831,550	3,968,568	3,130,136	6,356,283	256,765	16,790,634	385,307
<b>2005</b>									
Balance at 1 January 2005									
As restated		1,536,255	-	4,419,295	2,922,297	4,400,583	123,405	13,401,835	156,437
Currency translation adjustments	17a	-	-	(16,278)	-	-	(16,278)	(2,615)	(18,893)
Change in available-for-sale reserve	17a	-	-	(75,203)	-	-	(75,203)	(260)	(75,463)
Change in share of associates' reserves	17a, 20	-	-	17,751	-	-	134,652	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
Total gains/(losses) recognised directly in equity		-	-	(76,414)	-	36,247	93,137	52,970	(2,698)
Profit for the financial year		-	-	-	-	1,709,206	-	1,709,206	22,197
Total gains/(losses) recognised for the financial year		-	-	(76,414)	-	1,745,453	93,137	1,762,176	19,499
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)
Grant of share options under share option scheme	17a	-	-	2,140	-	-	-	2,140	-
Issue of shares under share option scheme	15a, 17a	1,588	-	17,952	-	-	-	19,540	-
Issue of subsidiary preference shares	16	-	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

The movements of the respective reserve accounts are presented in Notes 17 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 2006

				The Bank		
	Note	Share capital \$'000	Capital reserves \$'000	Statutory reserve \$'000	Revenue reserves \$'000	Total equity \$'000
<b>2006</b>						
Balance at 1 January 2006		1,537,843	4,390,810	2,645,722	3,907,394	12,481,769
Currency translation adjustments	17a	–	(5,289)	–	–	(5,289)
Change in available-for-sale reserve	17a	–	387,197	–	–	387,197
Total gains recognised directly in equity		–	381,908	–	–	381,908
Profit for the financial year		–	–	–	2,142,077	2,142,077
Total gains recognised for the financial year		–	381,908	–	2,142,077	2,523,985
Effect of Companies (Amendment) Act 2005	15a, 17a	863,606	(863,606)	–	–	–
Transfer from/(to) revenue reserves	17a, 18, 19a	–	(97,505)	107,200	(9,695)	–
Dividends	19a	–	–	–	(978,371)	(978,371)
Share buy-back	15a, 17a, 19a	(172,503)	4,858	–	(72,058)	(239,703)
Issue of shares under share option scheme	15a, 17a	18,386	1,388	–	–	19,774
Balance at 31 December 2006		2,247,332	3,817,853	2,752,922	4,989,347	13,807,454
<b>2005</b>						
Balance at 1 January 2005						
As restated		1,536,255	4,349,780	2,553,172	3,237,986	11,677,193
Currency translation adjustments	17a	–	1,476	–	–	1,476
Change in available-for-sale reserve	17a	–	19,462	–	–	19,462
Total gains recognised directly in equity		–	20,938	–	–	20,938
Profit for the financial year		–	–	–	1,850,537	1,850,537
Total gains recognised for the financial year		–	20,938	–	1,850,537	1,871,475
Transfer from revenue reserves	18, 19a	–	–	92,550	(92,550)	–
Dividends	19a	–	–	–	(1,088,579)	(1,088,579)
Grant of share options under share option scheme	17a	–	2,140	–	–	2,140
Issue of shares under share option scheme	15a, 17a	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

The movements of the respective reserve accounts are presented in Notes 17 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 2006

	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>		
Operating profit before amortisation and impairment charges	3,100,705	2,337,382
Adjustments for		
Depreciation of fixed assets	141,782	139,535
Net gain on disposal of assets	(438,542)	(140,435)
Operating profit before working capital changes	2,803,945	2,336,482
Changes in working capital		
Increase in deposits	14,041,972	5,538,455
Increase in bills and drafts payable	85,081	40,675
Increase in other liabilities	480,520	692,062
Decrease/(increase) in trading securities	141,387	(142,914)
Decrease/(increase) in placements and balances with banks and agents	6,814,423	(4,377,479)
Increase in loans to non-bank customers	(9,874,879)	(1,396,886)
Decrease in government treasury bills and securities not qualifying as cash and cash equivalents	51,039	759,115
Increase in other assets	(1,626,325)	(876,810)
Cash generated from operations	12,917,163	2,572,700
Income tax paid	(350,165)	(415,206)
<b>Net cash provided by operating activities</b>	<b>12,566,998</b>	<b>2,157,494</b>
<b>Cash flows from investing activities</b>		
Net cash flow on disposal/(acquisition) of		
Assets held for sale	864,414	–
Investment securities and associates	(6,914,044)	(1,309,691)
Fixed assets	(97,495)	(65,655)
Net cash inflow on acquisition of subsidiaries	–	42,241
Change in minority interests	58,772	(48,924)
Dividends received from associates	71,601	52,004
<b>Net cash used in investing activities</b>	<b>(6,016,752)</b>	<b>(1,330,025)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	19,774	851,090
Net decrease in debts issued	(453,721)	(80,596)
Share buy-back	(239,703)	–
Dividends paid on ordinary shares	(978,371)	(738,002)
Dividends paid on subsidiary preference shares	(34,972)	–
Dividends paid to minority interests	(19,381)	(4,369)
<b>Net cash (used in)/provided by financing activities</b>	<b>(1,706,374)</b>	<b>28,123</b>
Currency translation adjustments	(11,137)	(16,278)
<b>Net increase in cash and cash equivalents for the financial year</b>	<b>4,832,735</b>	<b>839,314</b>
Cash and cash equivalents at beginning of the financial year	20,897,232	20,057,918
<b>Cash and cash equivalents at end of the financial year (Note 41)</b>	<b>25,729,967</b>	<b>20,897,232</b>

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 2006

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 ("MAS"). The principal activities of its subsidiaries are set out in Note 46 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, with modification to FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by 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 in the financial year were consistent with those adopted in the previous financial year.

The following accounting standards in issue were adopted by the Group on 1 January 2007.

- (i) FRS1 Presentation of Financial Statements (revised)  
The revised FRS1 requires additional disclosures to enable users of the financial statements to evaluate the entity's objectives, policies and processes of capital management.
- (ii) FRS107 Financial Instruments: Disclosures  
FRS107 requires disclosure of qualitative and quantitative information on the various types of risks exposed to the entity from the holding of financial instruments.
- (iii) FRS40 Investment Property  
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). The Group has adopted the Cost Model for measuring its investment properties.

The adoption of the above FRS is not expected to have any significant impact on the financial statements of the Group.

### (c) Significant accounting estimates and judgements

Certain estimates, judgements and assumptions concerning the future are made in the preparation of the financial statements. They affect the accounting policies applied, financials reported and disclosures made. They are assessed on an on-going basis based on experience and expectations of future events that are believed to be reasonable under the circumstances.

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

### **(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the same accounting period. Accounting policies are consistently applied by the Group.

Subsidiaries are consolidated from the date the Group obtains control 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 2m(i).

Minority interests represent the portion of profit or loss and net assets in subsidiaries that does not belong 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 associates until the date such significant influence ceases. Accounting policies applied to the associates are consistent with those applied to the Group.

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. Where the share of an associate's losses exceeds the Group's interest in the associate, such excess is not recognised in the consolidated profit and loss account.

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 the 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. Exchange differences arising from monetary items that form part of the Group's net investment in foreign operations are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet, and subsequently in the consolidated profit and loss account on disposal of the foreign operations. In the Bank's separate financial statements, such exchange differences are recognised in the profit and loss account.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

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

#### (g) Foreign currencies (cont'd)

##### (i) Foreign currency transactions (cont'd)

Exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are taken to the foreign currency translation reserve in the consolidated balance sheet until the disposal of the net investment, at which time they are recognised in the consolidated profit and loss account.

##### (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 closing rate of exchange 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 account 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 of exchange 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 of exchange prevailing at the date of acquisition.

#### (h) Financial assets and financial liabilities

##### (i) Classification and measurement

Financial assets and liabilities within the scope of FRS39 are classified and 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 where the following criteria are met:
  - the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
  - the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
  - the financial instrument contains an embedded derivative, except where such derivative does not significantly modify the cash flows of the instrument.

Financial assets and financial liabilities at fair value through profit and loss are recognised initially at fair value with transaction costs taken 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 assets are derecognised or impaired, as well as through the amortisation process.

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

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

#### (i) Classification and measurement (cont'd)

##### **Loans and receivables**

Non-derivative financial assets with fixed or determinable payments and 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 or 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.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

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

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

##### (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.

##### ***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.



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

### **(j) 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.

### **(k) 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 hedging instrument 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 of its 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.

### **(l) 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. 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 value, useful life and depreciation method of fixed assets are reviewed at each financial year-end.

Computer software is recognised as intangible assets if it is identifiable, probable of generating future economic benefits and its availability/accessibility is controlled by the Group.

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

## Notes to the Financial Statements

for the financial year ended 31 December 2006

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

#### (m) 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 impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its 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 it 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.

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

### (n) 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 does not affect the accounting profit, taxable profit or tax 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 the transaction does not affect accounting profit, taxable profit or tax 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 deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are offset against deferred tax liabilities 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.

### (o) 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.

## Notes to the Financial Statements

for the financial year ended 31 December 2006

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

#### (p) 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 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.

#### (q) 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 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 a defined contribution scheme. Such contributions are expensed off to the profit and loss account as part of staff costs in the period when the related service is performed.

#### (r) Dividends

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

#### (s) 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 loans to non-bank 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.

#### (t) Comparatives

Comparative figures in the financial statements are adjusted to conform to the current year's presentation, where appropriate.

### 3. Interest income

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Loans to non-bank customers	<b>4,078,092</b>	3,122,784	<b>2,849,158</b>	2,293,843
Placements and balances with banks and agents	<b>1,894,269</b>	1,139,527	<b>1,711,479</b>	1,010,624
Government treasury bills and securities	<b>305,645</b>	212,320	<b>259,404</b>	192,730
Trading and investment securities	<b>684,159</b>	407,112	<b>606,030</b>	336,281
	<b>6,962,165</b>	4,881,743	<b>5,426,071</b>	3,833,478
Of which, interest income on				
Impaired financial assets	<b>32,778</b>	63,593	<b>31,893</b>	56,604
Financial assets at fair value through profit and loss	<b>420,811</b>	553,294	<b>353,800</b>	505,307

### 4. Interest expense

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deposits of non-bank customers	<b>2,330,642</b>	1,406,547	<b>1,735,095</b>	1,033,773
Deposits and balances of banks and agents and debts issued	<b>1,921,187</b>	1,127,679	<b>1,884,920</b>	1,085,157
	<b>4,251,829</b>	2,534,226	<b>3,620,015</b>	2,118,930
Of which, interest expense on financial liabilities at fair value through profit and loss	<b>139,672</b>	335,543	<b>140,314</b>	339,065

### 5. Dividend income

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Investment in subsidiaries				
Quoted	–	–	<b>4,761</b>	4,761
Unquoted	–	–	<b>448,759</b>	136,560
Investment in associates				
Quoted	–	–	<b>34,599</b>	27,409
Unquoted	–	–	<b>39,594</b>	23,113
Other investments				
Quoted	<b>322,114</b>	55,144	<b>232,580</b>	45,368
Unquoted	<b>5,568</b>	4,450	<b>3,240</b>	2,233
	<b>327,682</b>	59,594	<b>763,533</b>	239,444

**Notes to the Financial Statements**  
for the financial year ended 31 December 2006

**6. Fee and commission income**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Credit card	<b>138,183</b>	121,035	<b>96,002</b>	82,411
Fund management	<b>209,980</b>	151,251	<b>5,326</b>	10,428
Futures broking	<b>29,897</b>	20,924	–	–
Investment-related	<b>205,052</b>	250,947	<b>120,646</b>	101,085
Loan-related	<b>163,053</b>	126,093	<b>118,836</b>	98,844
Service charges	<b>67,822</b>	61,675	<b>43,107</b>	43,303
Trade-related	<b>164,247</b>	145,413	<b>110,608</b>	99,326
Other	<b>24,326</b>	22,262	<b>14,653</b>	12,972
	<b>1,002,560</b>	899,600	<b>509,178</b>	448,369

**7. Other operating income**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net gain/(loss) from				
Foreign exchange	<b>152,503</b>	129,753	<b>111,447</b>	90,335
Trading securities, government treasury bills and securities and derivatives	<b>74,965</b>	44,505	<b>18,603</b>	(4,664)
Investment securities	<b>53,860</b>	54,060	<b>64,007</b>	40,437
Disposal of assets held for sale	<b>332,312</b>	22,720	<b>239,956</b>	151,597
Disposal/liquidation of subsidiaries/associates	<b>10,864</b>	2,206	–	291,502
Disposal of fixed and other assets	<b>26,483</b>	18,505	<b>6,703</b>	9,548
Insurance income	<b>19,644</b>	39,376	–	–
Other income	<b>61,488</b>	79,589	<b>37,208</b>	75,048
	<b>732,119</b>	390,714	<b>477,924</b>	653,803

**8. Staff costs**

(a)

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	<b>738,430</b>	579,978	<b>402,642</b>	324,192
Employer's contribution to defined contribution plans	<b>54,756</b>	48,384	<b>34,379</b>	29,133
Share option expense	–	2,140	–	1,598
Other staff-related costs	<b>73,811</b>	53,064	<b>45,548</b>	33,527
	<b>866,997</b>	683,566	<b>482,569</b>	388,450

(b)

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Number of employees at 31 December	<b>20,102</b>	18,816	<b>6,191</b>	5,634

**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			
	2006 Number of shares '000	2006 Weighted average exercise price \$	2005 Number of shares '000	2005 Weighted average exercise price \$
Balance at 1 January	2,470	13.21	4,274	12.88
Exercised	(1,501)	13.17	(1,588)	12.30
Forfeited	(17)	13.20	(116)	13.67
Lapsed	–	–	(100)	12.90
Balance at 31 December	952	13.28	2,470	13.21

(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	
			2006 '000	2005 '000
2003	11.67	6 June 2008	187	563
2004	13.67	29 November 2009	765	1,907
			952	2,470
Of which, exercisable at 31 December			952	2,470

(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	
		2006 \$	2005 \$	2006 '000	2005 '000	2006 \$'000	2005 \$'000
2000	12.90	–	14.36	–	722	–	9,314
2003	11.67	15.85	14.37	372	806	4,341	9,406
2004	13.67	16.00	14.61	1,129	60	15,433	820
				1,501	1,588	19,774	19,540

**Notes to the Financial Statements**  
for the financial year ended 31 December 2006

**9. Other operating expenses**

Included in other operating expenses are:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Depreciation of fixed assets	<b>141,782</b>	139,535	<b>86,994</b>	85,675
Rental of premises and equipment	<b>47,286</b>	46,180	<b>43,065</b>	41,556
Maintenance of premises and other assets	<b>79,863</b>	65,278	<b>48,322</b>	41,310
Other expenses of premises	<b>45,284</b>	41,289	<b>26,128</b>	21,879
Auditors' remuneration	<b>3,497</b>	3,347	<b>1,772</b>	1,847
Non-audit fees paid/payable to auditors	<b>307</b>	339	<b>280</b>	328

**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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Directors of the Bank				
Fees	<b>991</b>	1,012	<b>700</b>	760
Remuneration	<b>12,645</b>	11,373	<b>12,645</b>	11,373
Directors of the subsidiaries				
Fees	<b>899</b>	1,241	<b>10</b>	9
Remuneration	<b>10,070</b>	11,466	<b>–</b>	–
	<b>24,605</b>	25,092	<b>13,355</b>	12,142

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

	<b>The Group</b>	
	<b>Number of directors</b>	
	<b>2006</b>	2005
Total directors' fees and remuneration		
\$9,000,000 to \$9,249,999	<b>1</b>	–
\$8,250,000 to \$8,499,999	<b>–</b>	1
\$3,750,000 to \$3,999,999	<b>1</b>	–
\$3,000,000 to \$3,249,999	<b>–</b>	1
Below \$250,000	<b>8</b>	11
	<b>10</b>	13



**11. Intangible assets**  
(a) **The Group**

	Core deposit base \$'000	Customer loan base \$'000	Goodwill \$'000	Total \$'000
<b>2006</b>				
Cost				
Balance at 1 January	52,048	34,756	4,185,003	4,271,807
Currency translation adjustments	419	280	16,168	16,867
Acquisition of UOBT *	–	–	19,350	19,350
Balance at 31 December	52,467	35,036	4,220,521	4,308,024
Accumulated amortisation				
Balance at 1 January	1,239	828	–	2,067
Currency translation adjustments	10	7	–	17
Amortisation charge	7,495	5,005	–	12,500
Balance at 31 December	8,744	5,840	–	14,584
Net carrying amount	43,723	29,196	4,220,521	4,293,440
<b>2005</b>				
Cost				
Balance at 1 January				
As restated	–	–	3,875,729	3,875,729
Currency translation adjustments	571	380	354	1,305
Acquisitions				
UOBT *	–	–	83,752	83,752
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
Accumulated amortisation				
Balance at 1 January				
As restated	–	–	–	–
Amortisation charge	1,239	828	–	2,067
Balance at 31 December	1,239	828	–	2,067
Net carrying amount	50,809	33,928	4,185,003	4,269,740

\* Refer to United Overseas Bank (Thai) 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2006

## 11. Intangible assets (cont'd)

- (b) Goodwill is allocated on the date of acquisition to the reportable business segments expected to benefit from the synergies of business combination. The recoverable amount of the business segments is based on their value in use, computed by discounting the expected future cash flows of the segments. The key assumptions in computing the 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 specific countries such as Thailand and Indonesia, while growth rates are determined based on economic growth forecasts by major countries. Cash flow projections are based on the most recent five-year financial budget approved by the management, with projected cash flows discounted at rates ranging from 8% to 17% (2005: 8% to 16%) and those beyond the five-year period extrapolated using growth rates ranging from 4% to 6% (2005: 3% to 5%). Impairment is recognised in the profit and loss account when the carrying amount of a business segment exceeds its recoverable amount. 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 business segments.

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

## 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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Individual impairment on/net write-off of loans to non-bank customers	<b>142,447</b>	215,215	<b>19,094</b>	108,142
Individual impairment/(write-back of impairment) on investments, fixed assets and other assets (Note 36, 37)	<b>39,683</b>	12,247	<b>32,111</b>	(7,833)
Collective impairment written back (Write-back of provision)/ provision for contingent liabilities	<b>–</b>	(56,269)	<b>(20,290)</b>	(90,655)
	<b>(1,433)</b>	2,338	<b>–</b>	(3,762)
	<b>180,697</b>	173,531	<b>30,915</b>	5,892

### 13. Tax

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

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
On profit of the financial year				
Current tax	<b>527,157</b>	442,167	<b>395,150</b>	361,333
Deferred tax	<b>(5,065)</b>	7,303	<b>1,367</b>	7,375
	<b>522,092</b>	449,470	<b>396,517</b>	368,708
(Over)/underprovision of tax in respect of prior financial years				
Current tax	<b>784</b>	(2,765)	<b>1,964</b>	(5,692)
Deferred tax	<b>(3,409)</b>	(681)	<b>(1,085)</b>	496
Share of tax of associates	<b>33,861</b>	26,298	–	–
	<b>553,328</b>	472,322	<b>397,396</b>	363,512

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

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Operating profit after amortisation and impairment charges	<b>2,907,508</b>	2,103,871	<b>2,539,473</b>	2,214,049
Tax calculated at tax rate of 20% (2005: 20%)	<b>581,502</b>	420,774	<b>507,895</b>	442,810
Effect on				
Singapore statutory stepped income exemption	<b>(188)</b>	(217)	<b>(11)</b>	(11)
Income taxed at concessionary rates	<b>(42,543)</b>	(44,812)	<b>(34,839)</b>	(27,502)
Different tax rates in other countries	<b>67,770</b>	45,525	<b>29,006</b>	32,732
Losses of foreign operations not offset against taxable income of Singapore operations	<b>4,380</b>	9,320	<b>230</b>	3,503
Income not subject to tax	<b>(151,783)</b>	(25,264)	<b>(134,896)</b>	(108,376)
Expenses not deductible for tax	<b>71,197</b>	68,260	<b>30,533</b>	25,965
Realisation of deferred tax benefit in respect of tax losses not previously recognised	<b>(8,243)</b>	(24,116)	<b>(1,401)</b>	(413)
Tax expense on profit of the financial year	<b>522,092</b>	449,470	<b>396,517</b>	368,708

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 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 \$364,624,000 (2005: \$441,900,000) 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 \$200,006,000 (2005: \$345,156,000) which will expire between the years 2007 and 2026 (2005: 2006 and 2025).

Movements in the deferred tax assets/liabilities of the Bank and the Group during the financial year are as follows:

#### Deferred tax liabilities

	Accelerated tax depreciation \$'000	Fair value of depreciable assets acquired in business combination \$'000	Available- for-sale assets \$'000	Other \$'000	Total \$'000
<b>The Group</b>					
<b>2006</b>					
Balance at 1 January	56,842	60,549	42,555	19,435	179,381
Currency translation adjustments (Credited)/charged to profit and loss account	(151)	–	–	(644)	(795)
Charged to equity	(4,804)	819	–	(4,928)	(8,913)
	–	–	86,107	–	86,107
Balance at 31 December	51,887	61,368	128,662	13,863	255,780
Amount netted against deferred tax assets					(101,405)
Net balance at 31 December					154,375
<b>2005</b>					
Balance at 1 January					
As restated	53,533	45,927	24,239	17,300	140,999
Currency translation adjustments	100	–	1	694	795
Acquisition of subsidiaries (Credited)/charged to profit and loss account	–	17,361	–	–	17,361
Charged to equity	3,209	(2,739)	–	1,441	1,911
	–	–	18,315	–	18,315
Balance at 31 December	56,842	60,549	42,555	19,435	179,381
Amount netted against deferred tax assets					(107,485)
Net balance at 31 December					71,896

**13. Tax** (cont'd)  
(b) (cont'd)

	Accelerated tax depreciation \$'000	Fair value of depreciable assets acquired in business combination \$'000	Available- for-sale assets \$'000	Other \$'000	Total \$'000
<b>The Bank</b>					
<b>2006</b>					
Balance at 1 January	46,879	43,188	38,766	13,733	142,566
Currency translation adjustments	(62)	–	–	(65)	(127)
(Credited)/charged to profit and loss account	(1,085)	819	–	(4,723)	(4,989)
Charged to equity	–	–	84,309	–	84,309
Balance at 31 December	45,732	44,007	123,075	8,945	221,759
Amount netted against deferred tax assets					(98,639)
Net balance at 31 December					123,120
<b>2005</b>					
Balance at 1 January					
As restated	43,692	44,379	20,232	12,941	121,244
Currency translation adjustments	10	–	–	626	636
(Credited)/charged to profit and loss account	3,177	(1,191)	–	166	2,152
Charged to equity	–	–	18,534	–	18,534
Balance at 31 December	46,879	43,188	38,766	13,733	142,566
Amount netted against deferred tax assets					(102,619)
Net balance at 31 December					39,947

**Notes to the Financial Statements**  
for the financial year ended 31 December 2006

**13. Tax** (cont'd)  
(b) (cont'd)  
Deferred tax assets

	2006			2005		
	Non-tax deductible collective impairment \$'000	Other \$'000	Total \$'000	Non-tax deductible collective impairment \$'000	Other \$'000	Total \$'000
<b>The Group</b>						
Balance at 1 January	114,734	60,349	175,083	114,023	63,220	177,243
Currency translation adjustments	(347)	1,250	903	711	(454)	257
Acquisition of subsidiaries	–	–	–	–	2,294	2,294
(Charged)/credited to profit and loss account	3,926	(4,365)	(439)	–	(4,711)	(4,711)
Credited to equity	–	1,262	1,262	–	–	–
Balance at 31 December	118,313	58,496	176,809	114,734	60,349	175,083
Amount netted against deferred tax liabilities			(101,405)			(107,485)
Net balance at 31 December			75,404			67,598
<b>The Bank</b>						
Balance at 1 January	84,165	33,205	117,370	84,165	37,695	121,860
Currency translation adjustments	–	(305)	(305)	–	1,229	1,229
Charged to profit and loss account	–	(5,271)	(5,271)	–	(5,719)	(5,719)
Credited to equity	–	451	451	–	–	–
Balance at 31 December	84,165	28,080	112,245	84,165	33,205	117,370
Amount netted against deferred tax liabilities			(98,639)			(102,619)
Net balance at 31 December			13,606			14,751

**14. Earnings per share**

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

	The Group	
	2006	2005
Profit for the financial year attributable to equity holders of the Bank (\$'000)	2,570,488	1,709,206
Less: Dividends on subsidiary preference shares (\$'000)	46,631	–
Adjusted profit (\$'000)	2,523,857	1,709,206
Weighted average number of ordinary shares ('000)		
In issue (for basic EPS computation)	1,527,525	1,537,300
Assumed exercise of outstanding share options	200	196
Adjusted (for diluted EPS computation)	1,527,725	1,537,496
EPS		
Basic	165 cents	111 cents
Diluted	165 cents	111 cents

## 15. Share capital

(a)

	The Group and The Bank			
	2006		2005	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Issued and fully paid ordinary shares				
Balance at 1 January	1,537,843	1,537,843	1,536,255	1,536,255
Effect of Companies (Amendment) Act 2005 (Note 17a)	–	863,606	–	–
Transfer to capital reserves upon share buy-back (Note 17a)	(4,858)	(4,858)	–	–
Share buy-back	(11,210)	(167,645)	–	–
Issue of shares under share option scheme	1,501	18,386	1,588	1,588
Balance at 31 December	1,523,276	2,247,332	1,537,843	1,537,843
Of which, held by associates of the Group	18,056		18,056	

(b) As at 31 December 2006 and 2005, the Bank has the following unissued non-cumulative non-convertible preference shares:

	Number of shares '000	Liquidation preference per share '000
Class A	20	US\$100
Class B	200	S\$10
Class C	40	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.

- (c) During the financial year, the Bank purchased 16,068,000 UOB shares in the open market at an average price of \$14.92 per share. The total consideration paid for the share buy-back was \$239,703,000, of which, \$72,058,000 was from retained profits and the remaining from capital.
- (d) During the financial year, the Bank issued 1,501,000 (2005: 1,588,000) ordinary shares 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 the Bank under option at the end of the financial year are set out in Note 8c(ii).

# Notes to the Financial Statements

for the financial year ended 31 December 2006

## 16. Subsidiary preference shares

	The Group			
	2006		2005	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Non-cumulative non-convertible guaranteed SPV-A preference shares of US\$0.01 each				
Authorised	20	*	20	*
Issued and fully paid	5	*	5	*
Share premium		831,550		831,550
		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 23b(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 15b), the SPV-A shares will be automatically redeemed. Any redemption is subject to the approval of MAS 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 dividend 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.



## 17. Capital reserves

(a)

	Share premium \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Other \$'000	Total \$'000
<b>The Group</b>						
<b>2006</b>						
Balance at 1 January	820,943	3,412,492	(137,917)	94,175	170,232	4,359,925
Currency translation adjustments	–	–	(11,137)	266	–	(10,871)
Effect of Companies (Amendment) Act 2005	(822,331)	–	–	–	(41,275)	(863,606)
Available-for-sale assets						
Net change in fair value	–	–	–	533,953	–	533,953
Transferred to profit and loss account on disposal/impairment	–	–	–	(26,890)	–	(26,890)
Transfer from share capital upon share buy-back prior to enactment of Companies (Amendment) Act 2005	–	–	–	–	4,858	4,858
Issue of shares under share option scheme prior to enactment of Companies (Amendment) Act 2005	1,388	–	–	–	–	1,388
Transfer (to)/from retained profits (Note 19a)	–	(97,505)	–	–	67,316	(30,189)
Balance at 31 December	–	3,314,987	(149,054)	601,504	201,131	3,968,568
<b>2005</b>						
Balance at 1 January						
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

**Notes to the Financial Statements**  
for the financial year ended 31 December 2006

**17. Capital reserves** (cont'd)  
(a) (cont'd)

	Share premium \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Other \$'000	Total \$'000
<b>The Bank</b>						
<b>2006</b>						
Balance at 1 January	820,943	3,412,492	(22,518)	141,336	38,557	4,390,810
Currency translation adjustments	–	–	(5,293)	4	–	(5,289)
Effect of Companies (Amendment) Act 2005	(822,331)	–	–	–	(41,275)	(863,606)
Available-for-sale assets						
Net change in fair value	–	–	–	418,581	–	418,581
Transferred to profit and loss account on disposal/impairment	–	–	–	(31,384)	–	(31,384)
Transfer from share capital upon share buy-back prior to enactment of Companies (Amendment) Act 2005	–	–	–	–	4,858	4,858
Issue of shares under share option scheme prior to enactment of Companies (Amendment) Act 2005	1,388	–	–	–	–	1,388
Transfer to retained profits (Note 19a)	–	(97,505)	–	–	–	(97,505)
Balance at 31 December	–	3,314,987	(27,811)	528,537	2,140	3,817,853
<b>2005</b>						
Balance at 1 January						
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

**17. Capital reserves (cont'd)**

- (b) The merger reserves of the Bank and the Group represent the premium on shares issued in connection with the acquisition of Overseas Union Bank Limited ("OUB"). On receipt of dividends paid out of OUB Group's pre-acquisition profits, an amount equal to the dividends received is transferred from the reserves to retained 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 foreign operations.

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

Other reserves of the Group include amounts transferred from retained profits pertaining to gains on sale of investments by certain subsidiaries in accordance with their memorandum of articles, as well as arising from bonus shares issued by subsidiaries.

**18. Statutory reserve**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Balance at 1 January	<b>3,019,865</b>	2,922,297	<b>2,645,722</b>	2,553,172
Transfer from retained profits (Note 19a)	<b>110,271</b>	97,568	<b>107,200</b>	92,550
Balance at 31 December	<b>3,130,136</b>	3,019,865	<b>2,752,922</b>	2,645,722

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.

# Notes to the Financial Statements

for the financial year ended 31 December 2006

## 19. Revenue reserves

(a)

	General reserve \$'000	Retained profits \$'000	Total \$'000
<b>The Group</b>			
<b>2006</b>			
Balance at 1 January	1,710,760	3,252,177	4,962,937
Profit for the financial year attributable to equity holders of the Bank	–	2,570,488	2,570,488
Transfer to general reserve	195,407	(195,407)	–
Transfer to statutory reserve (Note 18)	–	(110,271)	(110,271)
Transfer from other reserve (Note 17a)	–	30,189	30,189
Share buy-back (Note 15c)	–	(72,058)	(72,058)
Dividends			
Ordinary shares			
Final dividend of 40 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2005	–	(490,971)	(490,971)
Interim dividend of 20 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2006	–	(243,700)	(243,700)
Special dividend of 20 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2006	–	(243,700)	(243,700)
Subsidiary preference shares			
Semi-annual dividends at 5.796% per annum for the financial year ended 31 December 2006	–	(46,631)	(46,631)
	–	(1,025,002)	(1,025,002)
Balance at 31 December	1,906,167	4,450,116	6,356,283
<b>2005</b>			
Balance at 1 January			
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

**19. Revenue reserves (cont'd)**  
(a) (cont'd)

	General reserve \$'000	Retained profits \$'000	Total \$'000
<b>The Bank</b>			
<b>2006</b>			
Balance at 1 January	1,237,699	2,669,695	3,907,394
Profit for the financial year attributable to equity holders of the Bank	–	2,142,077	2,142,077
Transfer to general reserve	192,800	(192,800)	–
Transfer to statutory reserve (Note 18)	–	(107,200)	(107,200)
Transfer from merger reserve (Note 17a)	–	97,505	97,505
Share buy-back (Note 15c)	–	(72,058)	(72,058)
Dividends			
Final dividend of 40 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2005	–	(490,971)	(490,971)
Interim dividend of 20 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2006	–	(243,700)	(243,700)
Special dividend of 20 cents per share net of tax at 20% paid in respect of financial year ended 31 December 2006	–	(243,700)	(243,700)
	–	(978,371)	(978,371)
Balance at 31 December	1,430,499	3,558,848	4,989,347
<b>2005</b>			
Balance at 1 January			
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

- (b) 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 specific purpose.
- (c) The revenue reserves of the Bank and the Group are distributable except for the amount of \$398,203,000 (2005: \$252,709,000) 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.
- (d) In respect of the financial year ended 31 December 2006, the directors have proposed a final dividend of 50 cents and a special dividend of 10 cents per share net of tax at 18% amounting to a total net dividend of \$749,452,000 (2005: final dividend of 40 cents per share net of tax at 20% amounting to \$492,110,000). The proposed dividend will be accounted for as an appropriation of retained profits for the financial year ending 31 December 2007.

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for the financial year ended 31 December 2006

**20. Share of reserves of associates**

	<b>The Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January	<b>216,542</b>	123,405
Movements in other reserves of associates	<b>40,223</b>	152,403
Transfer to capital reserves (Note 17a)	–	(17,751)
Transfer to retained profits on disposal/liquidation of associates (Note 19a)	–	(41,515)
Balance at 31 December	<b>256,765</b>	216,542

The balance comprises the Group's share of associates' post-acquisition revenue reserves at 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 the revenue reserves with effect from 1 January 1998.

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

(a)

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Held for trading	<b>750,895</b>	12,547,244	<b>750,895</b>	12,794,463
Designated as fair value through profit and loss	<b>1,458,320</b>	1,477,772	<b>1,458,320</b>	1,477,772
Other, at amortised cost	<b>126,791,048</b>	100,933,275	<b>108,001,381</b>	82,617,532
	<b>129,000,263</b>	114,958,291	<b>110,210,596</b>	96,889,767

For deposits designated as fair value through profit and loss, the amount payable by the Bank and the Group at maturity was \$1,537,781,000 (2005: \$1,581,198,000).

(b) Total deposits analysed by remaining maturity

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	<b>125,029,929</b>	111,984,793	<b>106,959,000</b>	94,337,660
Over 1 year but within 3 years	<b>1,733,696</b>	1,116,924	<b>1,314,407</b>	852,127
Over 3 years but within 5 years	<b>1,566,389</b>	816,014	<b>1,320,144</b>	731,493
Over 5 years	<b>670,249</b>	1,040,560	<b>617,045</b>	968,487
	<b>129,000,263</b>	114,958,291	<b>110,210,596</b>	96,889,767

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fixed deposits	<b>63,053,089</b>	54,946,502	<b>50,474,469</b>	44,821,209
Current, savings and other deposits	<b>32,498,626</b>	30,556,258	<b>24,829,779</b>	21,660,086
	<b>95,551,715</b>	85,502,760	<b>75,304,248</b>	66,481,295

## 22. Other liabilities

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Accrued interest payable	632,636	444,866	512,977	350,287
Accrued operating expenses	316,078	253,699	151,021	110,625
Sundry creditors	2,237,995	2,094,484	200,498	301,635
Other	266,157	305,242	210,630	165,931
	<b>3,452,866</b>	<b>3,098,291</b>	<b>1,075,126</b>	<b>928,478</b>

## 23. Debts issued

(a)

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Subordinated notes</b>				
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	998,125	997,881	998,125	997,881
US\$1 billion 4.50% subordinated notes due 2013	1,532,052	1,662,601	1,532,052	1,662,601
US\$1 billion 5.375% subordinated notes due 2019 callable with step-up in 2014	1,531,617	1,662,079	1,531,617	1,662,079
US\$0.5 billion 5.796% subordinated note	–	–	766,225	831,550
THB2 billion subordinated debentures due 2008	–	80,880	–	–
IDR300 billion 13.25% subordinated bonds due 2014	50,550	50,183	–	–
Unamortised expenses relating to issue of subordinated notes	(10,579)	(13,055)	(10,579)	(12,282)
Total, at amortised cost	5,401,765	5,740,569	6,117,440	6,441,829
Fair value hedge adjustments	(140,654)	(123,984)	(140,654)	(123,984)
	<b>5,261,111</b>	<b>5,616,585</b>	<b>5,976,786</b>	<b>6,317,845</b>
<b>S\$276,250,000 zero coupon exchangeable notes due 2006</b>	–	61,300	–	61,300
<b>Asset Backed Commercial Paper ("ABCP")</b>				
S\$ ABCP, at amortised cost	507,500	553,750	–	–
US\$ ABCP, at amortised cost	295,380	284,806	–	–
	<b>802,880</b>	<b>838,556</b>	<b>–</b>	<b>–</b>
<b>Other</b>				
Credit linked notes, at amortised cost	15,325	16,631	15,325	16,631
Interest rate linked notes, at amortised cost	92,360	92,720	92,360	92,720
Equity linked notes				
At amortised cost	232,263	293,533	232,263	293,533
Designated as fair value through profit and loss	82,135	51,965	82,135	51,965
Other structured notes, at amortised cost	109,990	137,000	–	–
	<b>532,073</b>	<b>591,849</b>	<b>422,083</b>	<b>454,849</b>
Total debts issued	<b>6,596,064</b>	<b>7,108,290</b>	<b>6,398,869</b>	<b>6,833,994</b>

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### 23. Debts issued (cont'd)

#### (b) 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 MAS 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 per annum equal to the five-year Singapore Dollar Interest Rate Swap (Offer Rate) as at 30 September 2011 plus 2.25%.
- (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 MAS 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 MAS 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 MAS 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 MAS 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 are 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 with maturity on 15 August 2008. The debentures were redeemed on 15 August 2006. Interest was paid 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 7.03% (2005: 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.



**23. Debts issued (cont'd)****(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 2006 range from 3.46% to 3.59% (2005: 2.27% to 3.36%) per annum and 5.44% to 5.69% (2005: 4.06% to 4.54%) 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 the 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 9 June 2016. 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 12 January 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 \$95,230,000 (2005: \$70,183,000).

(iv) The other structured notes were issued by UOBT at par with maturity ranging from 4 January 2007 to 16 October 2008 and they are not secured. Interest rates of the notes range from 2.50% to 5.38% (2005: 3.00% to 5.02%) per annum.

**24. Cash, balances and placements with central banks**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Held for trading	<b>61,364</b>	5,000,634	<b>61,364</b>	5,000,634
Available-for-sale	<b>1,134,827</b>	1,030,053	<b>652,420</b>	1,030,053
Loans and receivables	<b>15,105,164</b>	5,894,461	<b>12,610,138</b>	2,610,728
	<b>16,301,355</b>	11,925,148	<b>13,323,922</b>	8,641,415

**25. Singapore Government treasury bills and securities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Held for trading	<b>320,206</b>	765,748	<b>310,918</b>	758,407
Available-for-sale	<b>7,117,128</b>	6,690,247	<b>7,037,029</b>	6,613,701
	<b>7,437,334</b>	7,455,995	<b>7,347,947</b>	7,372,108
Amount sold under Repo (Note 30)	<b>(365,722)</b>	(572,474)	<b>(365,722)</b>	(572,474)
	<b>7,071,612</b>	6,883,521	<b>6,982,225</b>	6,799,634

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**26. Other government treasury bills and securities**

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held for trading	695,596	201,537	247,202	137,064
Designated as fair value through profit and loss	34,743	38,714	34,743	38,714
Available-for-sale	1,745,290	1,612,321	1,596,061	1,296,902
Held to maturity	77,353	276,260	–	–
	<b>2,552,982</b>	<b>2,128,832</b>	<b>1,878,006</b>	<b>1,472,680</b>
Amount sold under Repo (Note 30)	<b>(195,982)</b>	<b>(40,269)</b>	<b>(195,982)</b>	<b>–</b>
	<b>2,357,000</b>	<b>2,088,563</b>	<b>1,682,024</b>	<b>1,472,680</b>

**27. Trading securities**

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Quoted equity securities	166,550	190,234	106,273	158,696
Quoted debt securities	73,589	145,941	–	59,749
Unquoted marketable unit trusts	35,717	35,593	–	–
Unquoted debt securities	207,644	253,119	–	10,016
	<b>483,500</b>	<b>624,887</b>	<b>106,273</b>	<b>228,461</b>

**28. Placements and balances with banks and agents**

(a)

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held for trading	323,230	7,888,939	267,317	7,600,450
Designated as fair value through profit and loss	–	61,512	–	61,512
Available-for-sale	6,345,714	6,052,705	5,227,480	4,482,428
Loans and receivables	17,862,352	17,342,563	17,484,005	15,909,692
	<b>24,531,296</b>	<b>31,345,719</b>	<b>22,978,802</b>	<b>28,054,082</b>
Amount sold under Repo (Note 30)	<b>(2,778,188)</b>	<b>(3,375,847)</b>	<b>(2,778,188)</b>	<b>(2,070,518)</b>
	<b>21,753,108</b>	<b>27,969,872</b>	<b>20,200,614</b>	<b>25,983,564</b>

(b) Analysed by remaining maturity

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Within 1 year	24,066,547	30,908,084	22,573,140	27,616,447
Over 1 year but within 3 years	269,476	437,635	221,257	437,635
Over 3 years but within 5 years	184,540	–	184,405	–
Over 5 years	10,733	–	–	–
	<b>24,531,296</b>	<b>31,345,719</b>	<b>22,978,802</b>	<b>28,054,082</b>

## 29. Loans to non-bank customers

(a)

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held for trading	143,846	281,779	143,846	281,779
Designated as fair value through profit and loss	100,521	109,334	100,520	109,334
Loans and receivables	79,135,597	69,454,447	60,334,738	52,689,183
Loans to non-bank customers (gross)	79,379,964	69,845,560	60,579,104	53,080,296
Individual impairment	(1,234,652)	(1,433,219)	(436,093)	(727,291)
Collective impairment	(1,270,727)	(1,270,188)	(1,057,190)	(1,078,140)
Loans to non-bank customers (net)	76,874,585	67,142,153	59,085,821	51,274,865
Amount sold under Repo (Note 30)	–	(679,613)	–	–
	76,874,585	66,462,540	59,085,821	51,274,865
Comprising:				
Trade bills	2,351,628	1,135,803	661,505	399,064
Advances to customers	74,522,957	65,326,737	58,424,316	50,875,801
	76,874,585	66,462,540	59,085,821	51,274,865

(b) Total gross loans to non-bank customers analysed by remaining maturity

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Within 1 year	35,095,527	34,235,226	25,632,574	24,618,160
Over 1 year but within 3 years	10,215,075	8,572,273	8,707,510	7,508,980
Over 3 years but within 5 years	9,490,494	6,787,642	8,167,614	5,689,107
Over 5 years	24,578,868	20,250,419	18,071,406	15,264,049
	79,379,964	69,845,560	60,579,104	53,080,296

(c) Total gross loans to non-bank customers analysed by industry

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Transport, storage and communication	4,024,048	2,447,209	3,333,434	1,956,812
Building and construction	7,893,838	7,645,189	6,770,421	6,639,512
Manufacturing	8,860,009	7,870,127	5,090,687	4,265,261
Non-bank financial institutions	12,911,925	10,445,458	11,925,196	9,566,532
General commerce	11,734,854	11,482,857	8,237,371	8,310,195
Professionals and private individuals (exclude housing loans)	10,296,304	10,209,148	7,708,508	8,029,080
Housing loans	18,897,579	16,631,827	13,623,187	12,374,428
Other	4,761,407	3,113,745	3,890,300	1,938,476
	79,379,964	69,845,560	60,579,104	53,080,296

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### 29. Loans to non-bank customers (cont'd)

(d) Total gross loans to non-bank customers analysed by currency and interest rate

	Fixed rate \$'000	2006 Variable rate \$'000	Total \$'000	Fixed rate \$'000	2005 Variable rate \$'000	Total \$'000
<b>The Group</b>						
Singapore dollar	7,814,118	33,755,306	41,569,424	6,236,359	33,441,578	39,677,937
US dollar	1,732,821	10,964,726	12,697,547	1,849,387	7,955,150	9,804,537
Malaysian ringgit	378,946	8,275,821	8,654,767	254,754	6,789,457	7,044,211
Thai baht	2,931,745	3,793,994	6,725,739	2,541,368	3,684,573	6,225,941
Indonesian rupiah	53,529	2,134,335	2,187,864	117,708	1,737,073	1,854,781
Other	1,235,955	6,308,668	7,544,623	664,265	4,573,888	5,238,153
	<b>14,147,114</b>	<b>65,232,850</b>	<b>79,379,964</b>	<b>11,663,841</b>	<b>58,181,719</b>	<b>69,845,560</b>
<b>The Bank</b>						
Singapore dollar	7,764,278	33,552,341	41,316,619	6,183,398	33,225,251	39,408,649
US dollar	1,653,089	10,269,387	11,922,476	1,717,698	6,907,548	8,625,246
Hong Kong dollar	2,812	1,179,283	1,182,095	20,869	977,103	997,972
Other	1,229,883	4,928,031	6,157,914	628,757	3,419,672	4,048,429
	<b>10,650,062</b>	<b>49,929,042</b>	<b>60,579,104</b>	<b>8,550,722</b>	<b>44,529,574</b>	<b>53,080,296</b>

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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Substandard	2,118,435	2,528,604	1,086,443	1,449,133
Doubtful	159,653	429,412	116,568	353,012
Loss	884,007	936,186	316,420	417,657
	<b>3,162,095</b>	<b>3,894,202</b>	<b>1,519,431</b>	<b>2,219,802</b>

**29. Loans to non-bank customers (cont'd)**  
(f) Movements of provision for impairment

	Individual impairment \$'000	2006 Collective impairment \$'000	Total \$'000	Individual impairment \$'000	2005 Collective impairment \$'000	Total \$'000
<b>The Group</b>						
Balance at 1 January	1,433,219	1,270,188	2,703,407	2,140,018	1,370,454	3,510,472
Currency translation adjustments	17,823	539	18,362	(11,882)	441	(11,441)
Write-off	(452,830)	–	(452,830)	(791,517)	–	(791,517)
Reclassification	40,045	–	40,045	(3,663)	(61,124)	(64,787)
Net charge/(write-back) to profit and loss account	196,395	–	196,395	90,471	(56,269)	34,202
Acquisition of Bank Buana	–	–	–	9,792	16,686	26,478
Balance at 31 December	1,234,652	1,270,727	2,505,379	1,433,219	1,270,188	2,703,407
<b>The Bank</b>						
Balance at 1 January	727,291	1,078,140	1,805,431	1,252,830	1,168,747	2,421,577
Currency translation adjustments	(12,666)	(660)	(13,326)	2,294	48	2,342
Write-off	(314,663)	–	(314,663)	(523,009)	–	(523,009)
Net charge/(write-back) to profit and loss account	36,131	(20,290)	15,841	(4,824)	(90,655)	(95,479)
Balance at 31 December	436,093	1,057,190	1,493,283	727,291	1,078,140	1,805,431

**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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Assets pledged for Repo transactions, at carrying amount				
Government treasury bills and securities	561,704	612,743	561,704	572,474
Negotiable certificates of deposit	2,336,427	2,885,104	2,336,427	1,579,775
Bankers' acceptances	441,761	1,170,356	441,761	490,743
	3,339,892	4,668,203	3,339,892	2,642,992

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

(b)

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Assets received for reverse Repo transactions, at fair value	324,382	1,313,897	324,382	521,297

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**31. Assets held for sale**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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

During the financial year, assets held for sale were divested by the Bank and its subsidiaries to comply with the Banking Act, Chapter 19 which requires Singapore-incorporated banks and their affiliates to reduce their aggregate interests in non-financial businesses to not more than 10%.

**32. Investment securities**

(a)

	<b>Designated as fair value through profit and loss \$'000</b>	<b>Available- for-sale \$'000</b>	<b>Loans and receivables \$'000</b>	<b>Held to maturity \$'000</b>	<b>Total \$'000</b>
<b>The Group</b>					
<b>2006</b>					
Quoted securities					
Equity	53,540	1,525,930	–	–	1,579,470
Debt	4,522,404	6,140,283	–	6,087	10,668,774
Unquoted securities					
Equity	–	586,113	–	–	586,113
Debt	773,720	3,345,181	741,268	178,905	5,039,074
Investment securities (gross)	5,349,664	11,597,507	741,268	184,992	17,873,431
Provision for impairment (Note 36)					(266,537)
Investment securities (net)					17,606,894
<b>2005</b>					
Quoted securities					
Equity	23,399	663,274	–	–	686,673
Debt	2,789,370	2,710,351	–	44,771	5,544,492
Unquoted securities					
Equity	–	455,956	–	–	455,956
Debt	1,041,769	1,927,434	500,230	182,275	3,651,708
Investment securities (gross)	3,854,538	5,757,015	500,230	227,046	10,338,829
Provision for impairment (Note 36)					(216,437)
Investment securities (net)					10,122,392

**32. Investment securities (cont'd)**  
(a) (cont'd)

	Designated as fair value through profit and loss \$'000	Available- for-sale \$'000	Loans and receivables \$'000	Total \$'000
<b>The Bank</b>				
<b>2006</b>				
Quoted securities				
Equity	–	1,206,184	–	1,206,184
Debt	3,816,312	6,113,174	–	9,929,486
Unquoted securities				
Equity	–	402,904	–	402,904
Debt	685,369	3,012,758	739,877	4,438,004
Investment securities (gross)	4,501,681	10,735,020	739,877	15,976,578
Provision for impairment (Note 36)				(95,494)
Investment securities (net)				15,881,084
<b>2005</b>				
Quoted securities				
Equity	–	602,971	–	602,971
Debt	1,979,020	2,709,446	–	4,688,466
Unquoted securities				
Equity	–	317,118	–	317,118
Debt	763,628	1,859,144	500,230	3,123,002
Investment securities (gross)	2,742,648	5,488,679	500,230	8,731,557
Provision for impairment (Note 36)				(66,886)
Investment securities (net)				8,664,671

(b) Included in the Group's investment securities designated as fair value through profit and loss as at 31 December 2006 was an amount of \$847,981,000 (2005: \$888,159,000) held by the SPE, Archer 1 Limited. These securities were subject to a first floating charge for the liabilities under the ABCP Programme (Note 23c).

(c) Gross investment securities analysed by industry

	<b>The Group</b>		<b>The Bank</b>	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Transport, storage and communication	1,028,979	561,040	938,360	461,436
Building and construction	985,739	759,735	940,065	653,716
Manufacturing	1,018,709	431,112	997,316	421,806
Financial institutions	12,429,605	6,794,794	11,220,812	5,946,121
General commerce	181,838	173,402	114,232	130,682
Other	2,228,561	1,618,746	1,765,793	1,117,796
	17,873,431	10,338,829	15,976,578	8,731,557

**Notes to the Financial Statements**  
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**33. Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest receivable	<b>1,394,811</b>	771,352	<b>1,125,886</b>	557,031
Sundry debtors	<b>1,859,993</b>	1,144,975	<b>1,058,651</b>	565,340
Foreclosed properties	<b>671,762</b>	665,736	–	–
Other	<b>414,995</b>	418,945	<b>303,665</b>	283,414
Provision for impairment on other assets (Note 36)	<b>(139,223)</b>	(129,953)	<b>(56,782)</b>	(63,064)
	<b>4,202,338</b>	2,871,055	<b>2,431,420</b>	1,342,721

**34. Investment in associates**

(a)

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Quoted equity securities	<b>127,053</b>	127,053	<b>92,207</b>	92,207
Unquoted equity securities	<b>395,477</b>	397,062	<b>281,609</b>	255,374
	<b>522,530</b>	524,115	<b>373,816</b>	347,581
Provision for impairment (Note 36)	–	–	<b>(1,376)</b>	(1,171)
Group's share of post-acquisition reserves of associates, net of dividends received	<b>661,859</b>	476,059	–	–
	<b>1,184,389</b>	1,000,174	<b>372,440</b>	346,410
Market value of quoted equity securities at 31 December	<b>544,527</b>	450,130	<b>494,153</b>	408,345

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

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Total operating income	<b>470,487</b>	382,533
Profit before tax	<b>271,168</b>	99,854
Total assets	<b>2,345,244</b>	1,593,460
Total liabilities	<b>1,138,061</b>	569,401
Contingent liabilities	<b>76,298</b>	76,000

(c) Major associates of the Group as at the balance sheet date are set out in Note 48 to the financial statements. The carrying amount of the Group's investment in associates includes goodwill amounting to \$12,045,000 (2005: \$12,045,000).



### 35. Investment in subsidiaries

(a)

	The Bank	
	2006 \$'000	2005 \$'000
Quoted equity securities	15,268	1,835,910
Unquoted equity securities	4,093,330	2,076,290
	<b>4,108,598</b>	3,912,200
Provision for impairment (Note 36)	<b>(256,525)</b>	(247,535)
	<b>3,852,073</b>	3,664,665
Market value of quoted equity securities at 31 December	<b>94,268</b>	1,825,969

- (b) The subsidiaries of the Group as at the balance sheet date are set out in Note 46 to the financial statements.
- (c) Certain subsidiaries of the Group were liquidated during the financial year. The liquidation had no material effect on the financials of the Bank and the Group for the financial year.

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

	Assets held for sale \$'000	Investment securities \$'000	Other assets \$'000	Total \$'000
<b>The Group</b>				
<b>2006</b>				
Balance at 1 January	26,739	216,437	129,953	373,129
Currency translation adjustments	–	8,202	1,536	9,738
Write-off	(18,574)	(10,191)	(14,184)	(42,949)
Reclassification	(8,272)	–	17,981	9,709
Charge to profit and loss account (Note 12)	107	52,089	3,937	56,133
Balance at 31 December	–	266,537	139,223	405,760
<b>2005</b>				
Balance at 1 January				
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	(7,692)	45,859	64,787
Charge to profit and loss account (Note 12)	119	17,869	10,899	28,887
Acquisition of Bank Buana	–	–	131	131
Balance at 31 December	26,739	216,437	129,953	373,129

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

	Assets held for sale \$'000	Investment securities \$'000	Investment in associates \$'000	Investment in subsidiaries \$'000	Other assets \$'000	Total \$'000
<b>The Bank</b>						
<b>2006</b>						
Balance at 1 January	8,272	66,886	1,171	247,535	63,064	386,928
Currency translation adjustments	–	(1,410)	–	(6)	(43)	(1,459)
Write-off	–	(11,605)	–	–	(6,092)	(17,697)
Reclassification	(8,272)	–	(78)	–	8,350	–
Charge/(write-back) to profit and loss account (Note 12)	–	41,623	283	8,996	(8,497)	42,405
Balance at 31 December	–	95,494	1,376	256,525	56,782	410,177
<b>2005</b>						
Balance at 1 January						
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

### 37. Fixed assets

	2006			2005		
	Land and buildings \$'000	Other \$'000	Total \$'000	Land and buildings \$'000	Other \$'000	Total \$'000
<b>The Group</b>						
Balance at 1 January						
Cost	<b>1,837,946</b>	<b>1,219,377</b>	<b>3,057,323</b>	1,833,504	1,133,335	2,966,839
Accumulated depreciation	<b>(282,461)</b>	<b>(864,598)</b>	<b>(1,147,059)</b>	(264,399)	(784,061)	(1,048,460)
Provision for impairment	<b>(38,059)</b>	–	<b>(38,059)</b>	(55,945)	–	(55,945)
Net carrying amount	<b>1,517,426</b>	<b>354,779</b>	<b>1,872,205</b>	1,513,160	349,274	1,862,434
Movements during the financial year						
Currency translation adjustments	<b>3,525</b>	<b>3,846</b>	<b>7,371</b>	(2,999)	(2,122)	(5,121)
Acquisition of subsidiaries	–	–	–	47,804	13,368	61,172
Additions	<b>5,974</b>	<b>141,793</b>	<b>147,767</b>	52	109,205	109,257
Disposals	<b>(26,108)</b>	<b>(18,807)</b>	<b>(44,915)</b>	(30,449)	(2,193)	(32,642)
Depreciation charge	<b>(26,524)</b>	<b>(115,258)</b>	<b>(141,782)</b>	(26,782)	(112,753)	(139,535)
Write-back of impairment (Note 12)	<b>16,450</b>	–	<b>16,450</b>	16,640	–	16,640
Net carrying amount at 31 December	<b>1,490,743</b>	<b>366,353</b>	<b>1,857,096</b>	1,517,426	354,779	1,872,205
Balance at 31 December						
Cost	<b>1,832,246</b>	<b>1,270,799</b>	<b>3,103,045</b>	1,837,946	1,219,377	3,057,323
Accumulated depreciation	<b>(311,709)</b>	<b>(904,446)</b>	<b>(1,216,155)</b>	(282,461)	(864,598)	(1,147,059)
Provision for impairment	<b>(29,794)</b>	–	<b>(29,794)</b>	(38,059)	–	(38,059)
Net carrying amount	<b>1,490,743</b>	<b>366,353</b>	<b>1,857,096</b>	1,517,426	354,779	1,872,205
Comprising:						
Freehold properties	<b>396,497</b>			411,960		
Leasehold properties	<b>1,094,246</b>			1,105,466		
	<b>1,490,743</b>			1,517,426		
Market value of properties based on directors' valuation at 31 December	<b>2,975,791</b>			2,726,202		

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**37. Fixed assets (cont'd)**

	2006			2005		
	Land and buildings \$'000	Other \$'000	Total \$'000	Land and buildings \$'000	Other \$'000	Total \$'000
<b>The Bank</b>						
Balance at 1 January						
Cost	<b>1,029,594</b>	<b>770,837</b>	<b>1,800,431</b>	1,044,314	720,590	1,764,904
Accumulated depreciation	<b>(141,790)</b>	<b>(544,903)</b>	<b>(686,693)</b>	(129,784)	(502,840)	(632,624)
Provision for impairment	<b>(13,518)</b>	–	<b>(13,518)</b>	(15,286)	–	(15,286)
Net carrying amount	<b>874,286</b>	<b>225,934</b>	<b>1,100,220</b>	899,244	217,750	1,116,994
Movements during the financial year						
Currency translation adjustments	<b>(896)</b>	<b>(682)</b>	<b>(1,578)</b>	(1,690)	(41)	(1,731)
Additions	<b>78,285</b>	<b>64,635</b>	<b>142,920</b>	–	78,849	78,849
Disposals	<b>(11,020)</b>	<b>(1,255)</b>	<b>(12,275)</b>	(9,567)	(299)	(9,866)
Depreciation charge	<b>(15,636)</b>	<b>(71,358)</b>	<b>(86,994)</b>	(15,350)	(70,325)	(85,675)
Write-back of impairment (Note 12)	<b>10,294</b>	–	<b>10,294</b>	1,649	–	1,649
Net carrying amount at 31 December	<b>935,313</b>	<b>217,274</b>	<b>1,152,587</b>	874,286	225,934	1,100,220
Balance at 31 December						
Cost	<b>1,108,154</b>	<b>794,495</b>	<b>1,902,649</b>	1,029,594	770,837	1,800,431
Accumulated depreciation	<b>(169,609)</b>	<b>(577,221)</b>	<b>(746,830)</b>	(141,790)	(544,903)	(686,693)
Provision for impairment	<b>(3,232)</b>	–	<b>(3,232)</b>	(13,518)	–	(13,518)
Net carrying amount	<b>935,313</b>	<b>217,274</b>	<b>1,152,587</b>	874,286	225,934	1,100,220
Comprising:						
Freehold properties	<b>192,812</b>			124,926		
Leasehold properties	<b>742,501</b>			749,360		
	<b>935,313</b>			874,286		
Market value of properties based on directors' valuation at 31 December						
	<b>1,829,050</b>			1,552,164		

### 38. Contingent liabilities

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

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Direct credit substitutes	<b>4,087,357</b>	6,135,666	<b>3,509,009</b>	5,581,867
Transaction-related contingencies	<b>2,584,248</b>	2,505,909	<b>1,543,115</b>	1,550,479
Trade-related contingencies	<b>3,391,867</b>	2,648,751	<b>2,997,750</b>	2,239,797
Other contingent liabilities	<b>190,808</b>	184,709	<b>160,871</b>	164,551
	<b>10,254,280</b>	11,475,035	<b>8,210,745</b>	9,536,694

Included in other contingent liabilities are estimated legal claims of \$155 million (2005: \$159 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.

## Notes to the Financial Statements

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### 39. Financial derivatives

Financial derivatives, such as forwards, swaps, futures and options, are instruments whose values change in response to the change in prices of the underlying instruments.

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 and policies for controlling these risks are set out in Note 44.

The table below shows the Bank's and the Group's financial derivatives at the balance sheet date. The contract/notional amount reflects 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.

	2006			2005		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
<b>The Group</b>						
<b>Foreign exchange contracts</b>						
Forwards	8,180,036	245,837	58,143	8,250,675	223,940	50,748
Swaps	205,648,599	1,178,265	1,114,770	226,503,057	1,605,183	1,586,827
Options purchased	2,640,061	25,857	–	3,632,772	30,555	–
Options written	2,285,753	–	32,368	2,491,839	–	27,338
<b>Interest rate contracts</b>						
Forwards	14,799,704	4,489	3,724	6,077,547	2,090	4,355
Swaps	240,198,310	1,298,378	1,501,908	326,345,175	1,620,444	1,932,873
Futures	7,966,379	15,270	4,171	10,085,131	7,080	6,772
Options purchased	956,915	3,834	–	1,286,680	7,810	–
Options written	1,188,354	–	4,821	1,082,054	–	7,620
<b>Equity-related contracts</b>						
Swaps	2,285,113	388,795	369,414	1,503,294	64,878	63,225
Futures	21,958	5	281	–	–	–
Options purchased	1,522,282	741,220	–	931,976	52,391	–
Options written	1,417,582	–	758,359	964,275	–	58,656
<b>Credit-related contracts</b>						
Swaps	477,469	1,173	1,652	1,361,016	7,054	1,226
<b>Precious metal contracts</b>						
Forwards	172,812	4,604	62,454	216,035	6,806	35,547
Swaps	110,993	3,337	–	70,970	12,401	707
	<b>489,872,320</b>	<b>3,911,064</b>	<b>3,912,065</b>	<b>590,802,496</b>	<b>3,640,632</b>	<b>3,775,894</b>

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:

	2006			2005		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
Interest rate swaps	5,364,900	13,280	174,942	5,626,200	28,926	161,973

### 39. Financial derivatives (cont'd)

	2006			2005		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
<b>The Bank</b>						
<b>Foreign exchange contracts</b>						
Forwards	7,122,680	231,856	53,946	7,377,163	217,130	48,849
Swaps	213,175,214	1,152,222	1,087,582	236,485,985	1,615,884	1,599,963
Options purchased	2,624,665	25,802	–	3,617,654	30,555	–
Options written	2,270,453	–	32,351	2,480,042	–	27,317
<b>Interest rate contracts</b>						
Forwards	14,799,704	4,489	3,724	6,044,329	2,029	4,355
Swaps	234,476,382	1,269,582	1,446,814	323,316,761	1,607,344	1,890,562
Futures	3,254,595	7,776	3,436	4,312,882	3,622	2,712
Options purchased	956,915	3,834	–	1,286,680	7,810	–
Options written	1,188,354	–	4,821	1,082,054	–	7,620
<b>Equity-related contracts</b>						
Swaps	2,285,113	388,795	369,414	1,503,294	64,878	63,225
Futures	21,958	5	281	–	–	–
Options purchased	1,483,248	740,924	–	927,346	52,361	–
Options written	1,474,218	–	768,634	971,280	–	58,800
<b>Credit-related contracts</b>						
Swaps	492,794	1,173	1,940	1,377,647	7,054	1,727
<b>Precious metal contracts</b>						
Forwards	22,527	20	575	38,345	–	1,147
Swaps	–	–	–	2,874	520	2
	<b>485,648,820</b>	<b>3,826,478</b>	<b>3,773,518</b>	<b>590,824,336</b>	<b>3,609,187</b>	<b>3,706,279</b>

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:

	2006			2005		
	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000	Contract/ notional amount \$'000	Positive fair value \$'000	Negative fair value \$'000
Interest rate swaps	5,364,900	13,280	174,942	5,626,200	28,926	161,973

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**40. Commitments**

(a)

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Undrawn credit facilities	<b>42,921,200</b>	40,768,342	<b>35,062,275</b>	31,485,556
Spot/forward contracts	<b>1,438,228</b>	1,539,486	<b>806,483</b>	1,385,774
Capital commitments	<b>70,021</b>	35,949	<b>50,796</b>	27,655
Operating lease commitments	<b>61,810</b>	59,184	<b>41,686</b>	44,224
Other	<b>103,639</b>	142,131	<b>102,726</b>	105,835
	<b>44,594,898</b>	42,545,092	<b>36,063,966</b>	33,049,044

(b) Operating lease commitments

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Minimum lease payable</b>				
Not later than 1 year	<b>28,311</b>	25,550	<b>20,274</b>	19,282
Later than 1 year but not later than 5 years	<b>29,813</b>	29,261	<b>19,019</b>	21,134
Later than 5 years	<b>3,686</b>	4,373	<b>2,393</b>	3,808
	<b>61,810</b>	59,184	<b>41,686</b>	44,224
<b>Minimum lease receivable</b>				
Not later than 1 year	<b>55,943</b>	56,991	<b>34,926</b>	30,935
Later than 1 year but not later than 5 years	<b>69,774</b>	80,078	<b>32,706</b>	34,154
Later than 5 years	<b>14,322</b>	26,447	<b>241</b>	384
	<b>140,039</b>	163,516	<b>67,873</b>	65,473

**41. 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:

	<b>The Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash, balances and placements with central banks	<b>16,301,355</b>	11,925,148
Singapore Government treasury bills and securities	<b>7,071,612</b>	6,883,521
Other government treasury bills and securities	<b>2,357,000</b>	2,088,563
	<b>25,729,967</b>	20,897,232



#### 42. 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 refer to the Bank's directors and members of its Management Executive Committee. Parties related to key management personnel include:

- 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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Interest income</b>				
Subsidiaries	–	–	75,475	49,800
Associates	15,804	8,060	15,804	8,060
<b>Interest expense</b>				
Subsidiaries	–	–	100,001	53,488
Associates	15,214	5,371	15,043	4,776
<b>Rental income</b>				
Subsidiaries	–	–	2,218	2,025
Associates	6,528	6,454	4,660	4,660
<b>Rental expense</b>				
Subsidiaries	–	–	13,401	13,990
Associates	985	2,722	536	2,293
<b>Fee and commission and other income</b>				
Subsidiaries	–	–	36,835	36,367
Associates	9,844	7,653	557	597
<b>Placements, loans and advances</b>				
Subsidiaries	–	–	659,777	2,056,019
Associates	484,151	398,646	481,822	396,841
Key management personnel and their related parties	1,371,836	1,450,928	1,371,836	1,450,928

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 42. Related party transactions (cont'd)

(a) (cont'd)

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Deposits</b>				
Subsidiaries	–	–	<b>3,931,093</b>	2,448,464
Associates	<b>568,907</b>	353,429	<b>537,246</b>	348,491
<b>Off-balance sheet credit facilities</b>				
Subsidiaries	–	–	<b>542,472</b>	429,228
Associates	<b>20,407</b>	21,366	<b>14,201</b>	21,366
Key management personnel and their related parties	<b>203,386</b>	246,391	<b>201,975</b>	243,068
<b>(b) Compensation of key management personnel</b>				
Short-term employee benefits	<b>17,909</b>	16,836	<b>17,909</b>	16,836
Other	<b>541</b>	347	<b>541</b>	347
	<b>18,450</b>	17,183	<b>18,450</b>	17,183

### 43. 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 Personal Financial Services, Institutional Financial Services, Global Treasury, Asset Management and Other.

#### **Personal Financial Services**

Personal Financial Services segment covers Consumer, Privilege and Private Banking. Consumer Banking serves the mass individual customers with a wide range of products and services including deposits, loans, investments, credit and debit cards and life assurance products. Privilege Banking provides an extended range of financial services, including wealth management and trust services to the wealthy and affluent customers. For the sophisticated investors and high networth individuals, Private Banking provides an elevated level of personal services and consultation.

#### **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.

**43. Segment information** (cont'd)  
**(a) Business segments** (cont'd)

	The Group					
	Personal Financial Services \$'million	Institutional Financial Services \$'million	Global Treasury \$'million	Asset Management \$'million	Other \$'million	Total \$'million
<b>2006</b>						
Total operating income	1,390	1,699	543	306	899	4,837
Less: Segment operating expenses	686	523	217	118	127	1,671
Less: Other impairment charges	74	66	–	37	4	181
Segment profit before amortisation/impairment of intangible assets	630	1,110	326	151	768	2,985
Less: Amortisation of other intangible assets	4	9	–	–	–	13
Segment profit before tax <sup>1</sup>	626	1,101	326	151	768	2,972
Unallocated corporate expenses						(64)
Operating profit after amortisation and impairment charges						2,908
Share of profit of associates						271
Profit before tax						3,179
Tax and minority interests						(609)
<b>Profit attributable to Bank's equity holders</b>						<b>2,570</b>
Segment assets <sup>2</sup>	29,487	50,877	63,362	1,962	9,997	155,685
Intangible assets						
Goodwill	1,174	2,296	403	268	80	4,221
Other	23	50	–	–	–	73
Investment in associates						1,184
Unallocated assets						149
<b>Total assets</b>						<b>161,312</b>
Segment liabilities <sup>2</sup>	53,578	43,761	39,576	56	6,277	143,248
Unallocated liabilities						888
<b>Total liabilities</b>						<b>144,136</b>
<b>Other information:</b>						
Loans to non-bank customers (gross)	29,194	50,186	–	–	–	79,380
Non-performing loans*	712	2,450	–	–	–	3,162
Provision for individual impairment*	194	1,041	–	–	–	1,235
Securities not held for trading (gross) ^						
Government and debt securities <	–	1,111	17,381	169	6,021	24,682
Equity securities	–	88	59	1,518	501	2,166
Intangible assets acquired	4	12	3	–	–	19
Capital expenditure	59	71	7	1	10	148
Depreciation of fixed assets	49	55	9	1	28	142

\* Exclude debt securities

^ Exclude investment in associates

< Include assets pledged

# Notes to the Financial Statements

for the financial year ended 31 December 2006

## 43. Segment information (cont'd)

### (a) Business segments (cont'd)

	The Group					
	Personal Financial Services \$'million	Institutional Financial Services \$'million	Global Treasury \$'million	Asset Management \$'million	Other \$'million	Total \$'million
<b>2005</b>						
Total operating income	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 <sup>1</sup>	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)
<b>Profit attributable to Bank's equity holders</b>						<b>1,709</b>
Segment assets <sup>2</sup>	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
<b>Total assets</b>						<b>145,073</b>
Segment liabilities <sup>2</sup>	49,625	37,452	35,431	80	6,599	129,187
Unallocated liabilities						666
<b>Total liabilities</b>						<b>129,853</b>
<b>Other information:</b>						
Loans to non-bank 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

**43. Segment information (cont'd)****(a) Business segments (cont'd)****Note:**

<sup>1</sup> 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.

<sup>2</sup> 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.

	<b>Total operating income</b>		<b>The Group Profit before tax</b>		<b>Total assets</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'million</b>	<b>\$'million</b>	<b>\$'million</b>	<b>\$'million</b>	<b>\$'million</b>	<b>\$'million</b>
Singapore (include Asian Currency Unit)	<b>3,198</b>	2,540	<b>2,392</b>	1,756	<b>105,397</b>	90,710
Malaysia	<b>489</b>	417	<b>314</b>	189	<b>13,379</b>	13,987
Thailand	<b>400</b>	372	<b>55</b>	53	<b>8,042</b>	7,912
Other ASEAN countries	<b>295</b>	83	<b>127</b>	24	<b>4,249</b>	3,970
	<b>1,184</b>	872	<b>496</b>	266	<b>25,670</b>	25,869
Other Asia-Pacific countries	<b>187</b>	166	<b>115</b>	108	<b>15,236</b>	16,255
Rest of the world	<b>268</b>	183	<b>189</b>	134	<b>10,716</b>	7,969
	<b>4,837</b>	3,761	<b>3,192</b>	2,264	<b>157,019</b>	140,803
Intangible assets	<b>–</b>	–	<b>(13)</b>	(60)	<b>4,293</b>	4,270
	<b>4,837</b>	3,761	<b>3,179</b>	2,204	<b>161,312</b>	145,073

**44. 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 assumes the independent oversight of risk undertaken by the Group, and takes the lead in the formulation and approval of risk policy, controls and processes. The Middle Office enforces Global Treasury's compliance with trading policies and limits. This is further enhanced by the periodic risk assessment audit carried out by the Group Audit.

## Notes to the Financial Statements

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### 44. Financial risk management (cont'd)

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 its 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, and the periodic review of existing credit facilities.

Exposure to credit risk is managed through a robust credit structuring, underwriting, and monitoring process to ensure credit quality, timely recognition of asset impairment and recovery action, as well as the avoidance of undue concentration. Group-wide credit risk policies and guidelines are in place to ensure a consistent credit risk management framework is applied throughout the organisation.

To address the risks arising from credit concentration, the Group has in place various policies and procedures to identify, measure, monitor and control these exposures. A rigorous process is established to regularly review and report asset concentrations and portfolio quality so that risks are adequately assessed, properly approved and monitored. Note 29c analyses the Group's total gross loans to non-bank customers by industry classification as at the balance sheet date.

Country risk is defined as exposures to a loss in cross-border lending, caused by events in a particular country. Cross border limits are in place for the avoidance of undue concentration to any single country. Such limits are established based on a country's rating, the bank's historical presence and major focus of business activities in those countries and each country's economic potential as measured by its GDP.

#### (i) Cross-border exposure above 1% of total assets

	The Group					% of Total Assets
	Banks \$'million	Non- Banks \$'million	Central Banks and Government \$'million	Investments \$'million	Total \$'million	
<b>2006</b>						
United States	2,346	43	–	4,408	6,797	4.2
United Kingdom	4,699	292	–	998	5,989	3.7
Germany	3,598	223	200	157	4,178	2.6
France	2,095	148	–	732	2,975	1.8
South Korea	1,591	30	–	1,107	2,728	1.7
Netherlands	1,072	95	–	784	1,951	1.2
Hong Kong	750	441	–	599	1,790	1.1
Australia	371	149	–	1,176	1,696	1.1
<b>2005</b>						
United Kingdom	5,404	149	–	342	5,895	4.1
France	4,853	61	–	213	5,127	3.5
United States	1,487	10	–	2,176	3,673	2.5
Germany	3,095	94	4	104	3,297	2.3
Italy	2,236	55	–	31	2,322	1.6
Taiwan	1,818	124	–	211	2,153	1.5
Malaysia	1,484	159	39	381	2,063	1.4
South Korea	1,381	9	–	661	2,051	1.4
Hong Kong	1,260	329	–	120	1,709	1.2
India	1,427	*	–	169	1,596	1.1
Belgium	1,450	10	–	1	1,461	1.0

\* Less than \$500,000

**44. Financial risk management (cont'd)**

**(a) Credit risk (cont'd)**

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

	The Group			
	2006		2005	
	Non-performing loans and debt securities \$'million	Individual impairment \$'million	Non-performing loans and debt securities \$'million	Individual impairment \$'million
Singapore	1,346	403	1,955	609
Regional Countries				
Malaysia	594	159	651	207
Indonesia	115	46	101	55
Philippines	182	97	180	70
Thailand	823	520	906	481
	1,714	822	1,838	813
Greater China	19	3	64	10
Other	86	9	74	12
	3,165	1,237	3,931	1,444

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

	The Group			
	2006		2005	
	Non-performing loans and debt securities \$'million	Individual impairment \$'million	Non-performing loans and debt securities \$'million	Individual impairment \$'million
Transport, storage and communication	70	41	79	31
Building and construction	428	141	566	182
Manufacturing	786	392	834	410
Non-bank financial institutions	398	117	562	160
General commerce	652	290	770	332
Professionals and private individuals	408	165	578	214
Housing loans	304	29	390	49
Other	119	62	152	66
	3,165	1,237	3,931	1,444

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 44. Financial risk management (cont'd)

#### (a) Credit risk (cont'd)

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

	The Group					
	Properties \$'million	2006 Other \$'million	Total \$'million	Properties \$'million	2005 Other \$'million	Total \$'million
Singapore	740	31	771	1,139	41	1,180
Regional Countries	796	87	883	841	103	944
Greater China	14	–	14	42	–	42
Other	42	2	44	61	1	62
	<b>1,592</b>	<b>120</b>	<b>1,712</b>	<b>2,083</b>	<b>145</b>	<b>2,228</b>

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

	The Group	
	2006 \$'million	2005 \$'million
Substandard	45	141
Doubtful	1	1
Loss	3	10
	<b>49</b>	<b>152</b>

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

	The Group	
	2006 \$'million	2005 \$'million
Current	270	286
≤ 90 days	281	380
Between 91 and 180 days	333	459
≥ 181 days	2,281	2,806
	<b>3,165</b>	<b>3,931</b>

#### (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. 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 by Middle Office.



#### 44. Financial risk management (cont'd)

##### (b) Foreign exchange risk

- (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
<b>2006</b>							
Cash, balances and placements with central banks	12,606	26	1,921	293	699	756	16,301
Securities ^	9,968	9,257	665	435	98	6,858	27,281
Placements and balances with banks and agents ^	2,343	11,852	1,125	48	15	9,143	24,526
Loans to non-bank customers	40,148	12,623	8,368	6,182	2,140	7,246	76,707
Investment in associates	1,085	16	76	6	–	1	1,184
Intangible assets	3,181	–	–	725	387	–	4,293
Other	6,075	959	527	906	96	1,493	10,056
	<b>75,406</b>	<b>34,733</b>	<b>12,682</b>	<b>8,595</b>	<b>3,435</b>	<b>25,497</b>	<b>160,348</b>
Assets of SPE *							964
<b>Total assets</b>							<b>161,312</b>
Deposits and balances of non-bank customers	55,714	14,748	9,129	6,594	2,043	7,350	95,578
Deposits and balances of banks and agents, and bills and drafts payable	4,754	15,739	1,748	227	153	11,069	33,690
Debts issued	2,325	3,299	–	110	51	8	5,793
Other	4,242	1,166	663	125	60	1,845	8,101
	<b>67,035</b>	<b>34,952</b>	<b>11,540</b>	<b>7,056</b>	<b>2,307</b>	<b>20,272</b>	<b>143,162</b>
Liabilities of SPE *							974
<b>Total liabilities</b>							<b>144,136</b>
<b>On-balance sheet open position</b>	<b>8,371</b>	<b>(219)</b>	<b>1,142</b>	<b>1,539</b>	<b>1,128</b>	<b>5,225</b>	
<b>Off-balance sheet open position</b>	<b>3,241</b>	<b>(2,087)</b>	<b>94</b>	<b>264</b>	<b>(6)</b>	<b>(1,506)</b>	
<b>Net open position</b>	<b>11,612</b>	<b>(2,306)</b>	<b>1,236</b>	<b>1,803</b>	<b>1,122</b>	<b>3,719</b>	
Of which:							
<b>Net structural position</b>	<b>–</b>	<b>75</b>	<b>1,297</b>	<b>1,562</b>	<b>864</b>	<b>337</b>	

^ Include assets pledged

\* After elimination of inter-company balances

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**44. Financial risk management (cont'd)**  
**(b) Foreign exchange risk (cont'd)**

	<b>The Group</b>						
	Singapore dollar \$'million	US dollar \$'million	Malaysian ringgit \$'million	Thai baht \$'million	Indonesian rupiah \$'million	Other \$'million	Total \$'million
<b>2005</b>							
Cash, balances and placements with central banks	6,731	42	2,551	318	344	1,939	11,925
Securities ^	8,369	6,369	454	349	430	3,521	19,492
Placements and balances with banks and agents ^	2,474	18,244	2,496	3	19	8,110	31,346
Loans to non-bank customers ^	38,079	9,598	6,770	5,747	1,824	4,957	66,975
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
<b>Total assets</b>							<b>145,073</b>
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
<b>Total liabilities</b>							<b>129,853</b>
<b>On-balance sheet open position</b>	4,451	3,323	1,948	1,175	849	3,448	
<b>Off-balance sheet open position</b>	4,556	(565)	(567)	455	(30)	(3,849)	
<b>Net open position</b>	9,007	2,758	1,381	1,630	819	(401)	
Of which:							
<b>Net structural position</b>	—	19	969	1,199	580	186	

^ Include assets pledged

\* After elimination of inter-company balances

**44. 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		Net
	Structural currency exposure \$'million	Exposure hedged \$'million	structural currency exposure \$'million
<b>2006</b>			
Australian dollar	158	144	14
Hong Kong dollar	312	202	110
Indonesian rupiah	864	–	864
Malaysian ringgit	1,297	–	1,297
Thai baht	1,561	(1)	1,562
US dollar	789	714	75
Other	438	225	213
	<b>5,419</b>	<b>1,284</b>	<b>4,135</b>
<b>2005</b>			
Australian dollar	176	147	29
Hong Kong dollar	64	57	7
Indonesian rupiah	580	–	580
Malaysian ringgit	969	–	969
Thai baht	1,182	(17)	1,199
US dollar	575	556	19
Other	334	184	150
	<b>3,880</b>	<b>927</b>	<b>2,953</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 44. Financial risk management (cont'd)

#### (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 differences in the maturity 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 %	US dollar %	The Group Malaysian ringgit %	Thai baht %	Indonesian rupiah %
<b>2006</b>					
<b>Assets</b>					
Placements with central banks	3.41	1.38	3.59	4.95	10.93
Placements and balances with banks and agents	3.41	5.19	3.62	4.93	8.77
Loans to non-bank customers	4.66	6.48	6.46	7.14	15.47
Securities	3.32	5.34	4.33	3.45	12.32
<b>Liabilities</b>					
Deposits of non-bank customers	2.39	4.29	3.20	3.09	7.46
Deposits and balances of banks and agents and debts issued	3.89	5.31	3.52	3.69	9.25
<b>2005</b>					
<b>Assets</b>					
Placements with central banks	2.60	0.54	3.52	3.95	4.55
Placements and balances with banks and agents	3.19	4.30	2.98	0.86	10.77
Loans to non-bank customers	4.20	5.25	6.48	6.17	13.88
Securities	2.85	5.40	3.82	2.23	8.84
<b>Liabilities</b>					
Deposits of non-bank customers	1.65	3.40	3.12	1.32	6.00
Deposits and balances of banks and agents and debts issued	2.94	4.50	2.84	4.00	9.67

#### 44. 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 prepayment of loans or early withdrawal of deposits.

	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	Total banking book \$'million	Trading book \$'million	Total \$'million
<b>2006</b>										
Cash, balances and placements with central banks	2,448	3,725	2,314	3,617	–	–	2,504	14,608	1,693	16,301
Securities <sup>^</sup>	78	2,674	5,792	3,946	3,410	8,034	1,987	25,921	1,360	27,281
Placements and balances with banks and agents <sup>^</sup>	4,712	8,034	8,691	2,415	77	1	244	24,174	352	24,526
Loans to non-bank customers	18,452	25,388	13,193	9,517	5,519	1,608	3,022	76,699	8	76,707
Investment in associates	–	–	–	–	–	–	1,184	1,184	–	1,184
Intangible assets	–	–	–	–	–	–	4,293	4,293	–	4,293
Other	–	–	–	–	–	–	8,711	8,711	1,345	10,056
	25,690	39,821	29,990	19,495	9,006	9,643	21,945	155,590	4,758	160,348
Assets of SPE *										964
<b>Total assets</b>										<b>161,312</b>
Deposits and balances of non-bank customers	32,599	24,202	12,496	15,084	1,622	949	7,912	94,864	714	95,578
Deposits and balances of banks and agents, and bills and drafts payable	7,565	14,010	7,248	1,940	11	9	1,986	32,769	921	33,690
Debts issued	47	117	211	207	21	5,365	(175)	5,793	–	5,793
Other	–	–	–	–	–	–	7,490	7,490	611	8,101
Internal funding of trading book	(2,455)	–	–	–	–	–	–	(2,455)	2,455	–
	37,756	38,329	19,955	17,231	1,654	6,323	17,213	138,461	4,701	143,162
Liabilities of SPE *										974
<b>Total liabilities</b>										<b>144,136</b>
Equity attributable to Equity holders of the Bank	–	–	–	–	–	–	16,744	16,744	57	16,801
Minority interests	–	–	–	–	–	–	385	385	–	385
SPE *										(10)
<b>Total equity</b>										<b>17,176</b>
<b>Total liabilities and equity</b>										<b>161,312</b>
<b>Net on-balance sheet position</b>	(12,066)	1,492	10,035	2,264	7,352	3,320	(12,397)	–	–	
<b>Net off-balance sheet position</b>	(1,300)	(1,852)	(2,458)	3,256	2,816	(462)	–	–	–	
<b>Net interest rate sensitivity gap</b>	(13,366)	(360)	7,577	5,520	10,168	2,858	(12,397)	–	–	

<sup>^</sup> Include assets pledged

\* After elimination of inter-company balances

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**44. 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	Total banking book \$'million	Trading book \$'million	Total \$'million
<b>2005</b>										
Cash, balances and placements with central banks	356	262	772	399	–	–	3,272	5,061	6,864	11,925
Securities <sup>^</sup>	339	2,307	4,161	3,111	1,931	4,871	1,038	17,758	1,734	19,492
Placements and balances with banks and agents <sup>^</sup>	4,002	6,619	5,455	7,362	45	–	186	23,669	7,677	31,346
Loans to non-bank customers <sup>^</sup>	27,514	10,938	11,785	8,936	3,650	1,286	2,560	66,669	306	66,975
Investment in associates	–	–	–	–	–	–	1,000	1,000	–	1,000
Intangible assets	–	–	–	–	–	–	4,270	4,270	–	4,270
Other	–	–	–	–	–	–	8,405	8,405	527	8,932
	32,211	20,126	22,173	19,808	5,626	6,157	20,731	126,832	17,108	143,940
Assets of SPE *										1,133
<b>Total assets</b>										<u>145,073</u>
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	4,026	6,710	3,228	1,986	–	–	1,241	17,191	12,293	29,484
Debts issued	19	163	282	168	3	5,773	(138)	6,270	–	6,270
Other	–	–	–	–	–	–	7,005	7,005	446	7,451
Internal funding of trading book	(2,845)	–	–	–	–	–	–	(2,845)	2,845	–
	31,096	26,568	16,291	14,755	1,172	6,959	14,797	111,638	17,108	128,746
Liabilities of SPE *										1,107
<b>Total liabilities</b>										<u>129,853</u>
Equity attributable to Equity holders of the Bank	–	–	–	–	–	–	14,903	14,903	–	14,903
Minority interests	–	–	–	–	–	–	291	291	–	291
SPE *										26
<b>Total equity</b>										<u>15,220</u>
<b>Total liabilities and equity</b>										<u>145,073</u>
<b>Net on-balance sheet position</b>	1,115	(6,442)	5,882	5,053	4,454	(802)	(9,260)	–	–	
<b>Net off-balance sheet position</b>	(2,152)	(1,428)	(3,287)	1,935	920	4,012	–	–	–	
<b>Net interest rate sensitivity gap</b>	(1,037)	(7,870)	2,595	6,988	5,374	3,210	(9,260)	–	–	

<sup>^</sup> Include assets pledged

\* After elimination of inter-company balances

#### 44. 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 the liquidity framework, comprising 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
<b>2006</b>								
Cash, balances and placements with central banks	5,163	3,922	3,467	3,749	–	–	–	16,301
Securities ^	124	1,592	3,536	4,378	4,454	11,189	2,008	27,281
Placements and balances with banks and agents ^	6,633	8,217	6,804	2,412	269	195	(4)	24,526
Loans to non-bank customers	9,671	9,077	9,842	8,793	8,214	29,492	1,618	76,707
Investment in associates	–	–	–	–	–	–	1,184	1,184
Intangible assets	–	–	–	–	–	–	4,293	4,293
Other	167	283	250	227	203	570	8,356	10,056
	<b>21,758</b>	<b>23,091</b>	<b>23,899</b>	<b>19,559</b>	<b>13,140</b>	<b>41,446</b>	<b>17,455</b>	<b>160,348</b>
Assets of SPE *								964
<b>Total assets</b>								<b>161,312</b>
Deposits and balances of non-bank customers	41,288	23,684	12,162	14,372	1,548	2,245	279	95,578
Deposits and balances of banks and agents, and bills and drafts payable	8,411	14,470	8,223	2,303	54	12	217	33,690
Debts issued	47	4	10	76	163	5,668	(175)	5,793
Other	182	170	99	111	9	14	7,516	8,101
	<b>49,928</b>	<b>38,328</b>	<b>20,494</b>	<b>16,862</b>	<b>1,774</b>	<b>7,939</b>	<b>7,837</b>	<b>143,162</b>
Liabilities of SPE *								974
<b>Total liabilities</b>								<b>144,136</b>
Equity attributable to Equity holders of the Bank	–	–	–	–	–	–	16,801	16,801
Minority interests	–	–	–	–	–	–	385	385
SPE *								(10)
<b>Total equity</b>								<b>17,176</b>
<b>Total liabilities and equity</b>								<b>161,312</b>
<b>Net maturity mismatch</b>	<b>(28,170)</b>	<b>(15,237)</b>	<b>3,405</b>	<b>2,697</b>	<b>11,366</b>	<b>33,507</b>	<b>(7,568)</b>	

^ Include assets pledged

\* After elimination of inter-company balances

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## 44. Financial risk management (cont'd)

### (d) Liquidity risk (cont'd)

	The Group							Total \$'million
	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	
<b>2005</b>								
Cash, balances and placements with central banks	4,252	2,085	4,797	791	–	–	–	11,925
Securities ^	720	1,492	2,874	3,388	2,536	7,218	1,264	19,492
Placements and balances with banks and agents ^	7,766	8,110	5,118	9,848	437	–	67	31,346
Loans to non-bank customers ^	9,718	5,595	10,486	8,219	7,173	23,490	2,294	66,975
Investment in associates	–	–	–	–	–	–	1,000	1,000
Intangible assets	–	–	–	–	–	–	4,270	4,270
Other	114	103	174	122	113	145	8,161	8,932
	22,570	17,385	23,449	22,368	10,259	30,853	17,056	143,940
Assets of SPE *								1,133
<b>Total assets</b>								<b>145,073</b>
Deposits and balances of non-bank customers	37,091	18,736	13,718	12,498	1,167	2,017	314	85,541
Deposits and balances of banks and agents, and bills and drafts payable	7,405	12,542	5,360	4,096	–	5	76	29,484
Debts issued	–	61	7	76	111	6,153	(138)	6,270
Other	109	132	88	102	6	8	7,006	7,451
	44,605	31,471	19,173	16,772	1,284	8,183	7,258	128,746
Liabilities of SPE *								1,107
<b>Total liabilities</b>								<b>129,853</b>
Equity attributable to Equity holders of the Bank	–	–	–	–	–	–	14,903	14,903
Minority interests	–	–	–	–	–	–	291	291
SPE *								26
<b>Total equity</b>								<b>15,220</b>
<b>Total liabilities and equity</b>								<b>145,073</b>
<b>Net maturity mismatch</b>	(22,035)	(14,086)	4,276	5,596	8,975	22,670	(5,396)	

^ 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 historically a stable source of long-term funding for the Group.

In addition to the above, the Group is also subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 38 and 40. 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 contingent liabilities (such as letters of credit) are reimbursable by customers.



#### 45. 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
<b>2006</b>				
<b>Financial assets</b>				
Cash, balances and placements ^	40,832,651	40,832,651	36,962,501	36,962,501
Government securities ^	9,990,316	9,990,316	9,225,953	9,225,953
Trading securities	483,500	483,500	106,273	106,273
Loans to non-bank customers	76,874,585	76,874,585	59,085,821	59,085,821
Investment securities	17,606,894	17,601,161	15,881,084	15,875,351
Derivative financial assets	3,911,064	3,911,064	3,826,478	3,826,478
	<b>149,699,010</b>	<b>149,693,277</b>	<b>125,088,110</b>	<b>125,082,377</b>
<b>Financial liabilities</b>				
Deposits and balances of banks, non-bank customers and subsidiaries	129,000,263	129,000,263	110,210,596	110,210,596
Bills and drafts payable	388,262	388,262	150,055	150,055
Debts issued	6,596,064	6,755,243	6,398,869	6,560,006
Derivative financial liabilities	3,912,065	3,912,065	3,773,518	3,773,518
	<b>139,896,654</b>	<b>140,055,833</b>	<b>120,533,038</b>	<b>120,694,175</b>
<b>2005</b>				
<b>Financial assets</b>				
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
Loans to non-bank 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
	<b>134,385,758</b>	<b>134,385,758</b>	<b>111,373,488</b>	<b>111,373,488</b>
<b>Financial liabilities</b>				
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
	<b>126,145,656</b>	<b>126,310,158</b>	<b>107,523,533</b>	<b>107,683,901</b>

^ Include assets pledged

## Notes to the Financial Statements

for the financial year ended 31 December 2006

### 45. Fair values of financial instruments (cont'd)

Fair values of government securities, trading securities, investment securities and certain financial derivatives, such as exchange-traded futures and options, 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 2006, fair value of financial assets amounting to \$3,757 million (2005: \$17,890 million) and \$3,882 million (2005: \$16,372 million), and fair value of financial liabilities amounting to \$4,155 million (2005: \$16,366 million) and \$4,225 million (2005: \$16,149 million), for the Bank and the Group respectively were estimated based on valuation techniques.

Fair values of cash, balances and placements, loans to non-bank 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 net asset values.

#### 46. Subsidiaries

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

Name of subsidiary	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2006	2005
		2006	2005	2006	2005	2006	2005
		%	%	%	%	\$'000	\$'000
<b>Commercial Banking</b>							
United Overseas Bank (Thai) Public Company Limited <sup>(1)</sup>	Thailand	99.6	98	–	–	1,845,915	1,820,642
Far Eastern Bank Limited	Singapore	78	78	–	–	39,083	39,083
PT Bank UOB Indonesia <sup>(1)</sup>	Indonesia	99	99	–	–	128,307	48,462
United Overseas Bank (Malaysia) Bhd <sup>(1)</sup>	Malaysia	45	45	55	55	123,731	123,731
United Overseas Bank Philippines <sup>(1)</sup>	Philippines	100	100	–	–	#	#
Overseas Union Bank Limited <sup>(2) **</sup>	Singapore	100	100	–	–	–	–
PT Bank Buana Indonesia Tbk. (renamed to PT Bank UOB Buana Tbk. on 28 February 2007) <sup>(1)</sup>	Indonesia	–	–	61	61	–	–
<b>Merchant Banking</b>							
UOB Asia (Hong Kong) Limited <sup>(1)</sup>	Hong Kong S.A.R.	50	50	50	50	10,494	11,687
UOB Asia Limited	Singapore	100	100	–	–	9,747	9,747
UOB Australia Limited <sup>(1)</sup>	Australia	100	100	–	–	10,865	10,865
<b>Leasing</b>							
UOB Leasing (Thai) Co., Ltd. <sup>(1)</sup>	Thailand	–	–	100	100	–	–
UOB Credit Bhd. (formerly known as OUB Credit Bhd) <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
<b>Insurance</b>							
PT UOB Life-Sun Assurance <sup>(1)</sup>	Indonesia	–	–	80	80	–	–
United Overseas Insurance Limited	Singapore	58	58	–	–	15,268	15,268
UOB Insurance (H.K.) Limited <sup>(1)</sup>	Hong Kong S.A.R.	–	–	100	100	–	–
UOB Life Assurance Limited	Singapore	97	97	3	3	141,309	143,856
<b>Investment</b>							
Chung Khiaw Bank (Malaysia) Bhd <sup>(1)</sup>	Malaysia	100	100	–	–	152,403	152,403
UOB.com Pte. Ltd. (formerly known as OUB.com Pte Ltd)	Singapore	100	100	–	–	998	18,020
Overseas Union Holdings (Aust) Pty Limited (under voluntary liquidation)	Australia	–	–	100	100	–	–
UOB Holdings Private Limited (formerly known as Overseas Union Holdings Private Limited)	Singapore	100	100	–	–	119,702	196,323

# Notes to the Financial Statements

for the financial year ended 31 December 2006

## 46. Subsidiaries (cont'd)

Name of subsidiary	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank	Subsidiaries			2006	2005
		2006	2005	2006	2005	2006	2005
		%	%	%	%	\$'000	\$'000
<b>Investment (cont'd)</b>							
UOB Capital Investments Pte Ltd	Singapore	100	100	–	–	120,000	113,000
UOB Capital Management Pte Ltd	Singapore	100	100	–	–	30,003	29,939
UOB Equity Holdings (Pte) Ltd	Singapore	100	100	–	–	9,600	9,600
UOB Finance (H.K.) Limited <sup>(1)</sup>	Hong Kong S.A.R.	100	100	–	–	167,226	21,450
UOB Holdings (USA) Inc. <sup>(2)</sup>	United States of America	100	100	–	–	12,026	12,026
UOB Realty (H.K.) Limited <sup>(1)</sup>	Hong Kong S.A.R.	–	–	100	100	–	–
UOB Venture Management (Shanghai) Co., Ltd <sup>(3)</sup>	People's Republic of China	–	–	100	100	–	–
CKB (2000) Limited <sup>(2) **</sup>	Singapore	100	100	–	–	–	–
UOB Trust Limited <i>(formerly known as Overseas Union Trust Limited)</i> <sup>(2) **</sup>	Singapore	100	100	–	–	10	10
United Overseas Finance (Malaysia) Bhd. <sup>(1) **</sup>	Malaysia	–	–	100	100	–	–
UOB International Investment Private Limited	Singapore	100	100	–	–	654,000	604,000
UOF (2000) Limited <sup>(2) **</sup>	Singapore	100	100	–	–	10	10
UOB Cayman I Limited <sup>(2)</sup>	Cayman Islands	100	100	–	–	81	*
UOB Radanasin Public Company Limited <i>(formerly known as UOB Radanasin Bank Public Company Limited – under voluntary liquidation)</i>	Thailand	–	–	100	100	–	–
ICB (2002) Limited <sup>(2) **</sup>	Singapore	100	100	–	–	–	–
UOB (2006) Bhd. <i>(formerly known as Overseas Union Bank (Malaysia) Berhad)</i> <sup>(1) **</sup>	Malaysia	–	–	100	100	–	–
<b>Trustee/Investment Management</b>							
Asia Select Management Pte Limited <sup>(2)</sup>	Cayman Islands	–	–	51	–	–	–
UOB Asset Management (Thai) Co., Ltd. <sup>(1)</sup>	Thailand	–	–	100	100	–	–
United Overseas Bank Trustee Limited	Singapore	20	20	80	80	527	1,436
UOBT (2003) Limited <i>(under voluntary liquidation)</i>	Singapore	20	20	80	80	–	100
UOB Asset Management Ltd	Singapore	100	100	–	–	2,000	2,000
UOB Bioventures Management Pte Ltd	Singapore	–	–	100	100	–	–
UOB Capital Partners LLC <sup>(2)</sup>	United States of America	–	–	70	70	–	–

**46. Subsidiaries (cont'd)**

Name of subsidiary	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2006	2005
		2006	2005	2006	2005	2006	2005
		%	%	%	%	\$'000	\$'000
<b>Trustee/Investment Management (cont'd)</b>							
UOBGC General Partners Limited <sup>(2)</sup>	United Kingdom	–	–	100	100	–	–
UOB Global Capital (Dublin) Ltd <sup>(2)</sup>	Ireland	–	–	100	100	–	–
UOB Global Capital LLC <sup>(2)</sup>	United States of America	–	–	70	70	–	–
UOB Global Capital Private Limited	Singapore	70	70	–	–	315	277
UOB Global Equity Sales LLC <sup>(2)</sup>	United States of America	–	–	100	100	–	–
UOB Global Capital SARL <sup>(2)</sup>	France	–	–	100	100	–	–
UOB Hermes Asia Management Pte Limited	Singapore	–	–	60	60	–	–
UOB IL&FS Management Limited <sup>(2)</sup>	Mauritius	–	–	51	–	–	–
UOB Investment Advisor (Taiwan) Ltd <sup>(1)</sup>	Taiwan	–	–	100	100	–	–
UOB Venture Management Private Limited	Singapore	100	100	–	–	250	250
UOB-OSK Asset Management Sdn. Bhd. <sup>(1)</sup>	Malaysia	–	–	70	70	–	–
UOB Trustee (Malaysia) Bhd. <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
<b>Nominee Services</b>							
Chung Khiaw Nominees (H.K.) Limited <sup>(1)</sup>	Hong Kong S.A.R.	100	100	–	–	2	2
Far Eastern Bank Nominees (Private) Limited <sup>(2)</sup>	Singapore	–	–	100	100	–	–
Mandarin Nominees Pte Ltd <sup>(2)</sup>	Singapore	–	–	100	100	–	–
UOB 2006 Nominees (Asing) Sdn. Bhd. (formerly known as OUB Nominees (Asing) Sdn Bhd) <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
UOB 2006 Nominees (Tempatan) Sdn. Bhd. (formerly known as OUB Nominees (Tempatan) Sdn Bhd) <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
UOB Nominees (2006) Private Limited (formerly known as Overseas Union Bank Nominees (Private) Limited) <sup>(2)</sup>	Singapore	100	100	–	–	192	192
UOB Nominees (2006) H.K. Limited (formerly known as Overseas Union Nominees (H.K.) Limited) <sup>(1)</sup>	Hong Kong S.A.R.	100	100	–	–	4	4
Overseas Union Trust (Nominees) Pte Ltd (under voluntary liquidation)	Singapore	100	100	–	–	–	10
Tye Hua Nominees Private Limited <sup>(2)</sup>	Singapore	100	100	–	–	10	10
United Merchant Bank Nominees (Pte) Ltd <sup>(2)</sup>	Singapore	–	–	100	100	–	–
United Overseas Bank Nominees (H.K.) Limited <sup>(1)</sup>	Hong Kong S.A.R.	100	100	–	–	4	4

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**46. Subsidiaries (cont'd)**

Name of subsidiary	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank	Subsidiaries			2006	2005
		2006	2005	2006	2005	2006	2005
		%	%	%	%	\$'000	\$'000
<b>Nominee Services (cont'd)</b>							
United Overseas Bank Nominees (Private) Limited <sup>(2)</sup>	Singapore	100	100	–	–	10	10
United Overseas Nominees (Asing) Sdn Bhd <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
United Overseas Nominees (Tempatan) Sdn Bhd <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
UOB Nominees (Australia) Limited <sup>(1)</sup>	Australia	–	–	100	100	–	–
UOB Nominees (UK) Limited <sup>(1)</sup>	United Kingdom	100	100	–	–	2	2
UOBM Nominees (Asing) Sdn Bhd <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
UOBM Nominees (Tempatan) Sdn Bhd <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
Chung Khiaw Nominees (Private) Limited <sup>(2) **</sup>	Singapore	100	100	–	–	10	10
ICB Nominees (Private) Limited <sup>(2) **</sup>	Singapore	100	100	–	–	10	10
Lee Wah Nominees (S) Pte Ltd <sup>(2) **</sup>	Singapore	100	100	–	–	*	*
Singapore UMB (Hong Kong) Limited <sup>(1) **</sup>	Hong Kong S.A.R.	–	–	100	100	–	–
UOF Nominees (Private) Limited (renamed to UOB Property Investments Pte. Ltd. on 22 February 2007) <sup>(2) **</sup>	Singapore	100	100	–	–	*	*
<b>Stockbroking</b>							
Grand Orient Securities Pte Ltd **	Singapore	–	–	100	100	–	–
United Securities (2006) Private Limited (formerly known as OUB Securities Pte Ltd) **	Singapore	100	100	–	–	2,457	29,457
<b>Gold/Futures Dealing</b>							
UOB Bullion and Futures Limited	Singapore	100	100	–	–	9,000	9,000
OUB Bullion & Futures Ltd (liquidated during the year)	Singapore	–	100	–	–	–	–
UOB Bullion & Futures (Thai) Company Limited (formerly known as UBF Future Company Limited) <sup>(1)</sup>	Thailand	–	–	100	100	–	–
<b>Computer Services</b>							
Unicom Databank Private Limited	Singapore	100	100	–	–	*	*
UOB Smart Solutions Sdn. Bhd. <sup>(1)</sup>	Malaysia	–	–	100	100	–	–
UOBF Schneider Trading Private Limited	Singapore	–	–	50	50	–	–

#### 46. Subsidiaries (cont'd)

Name of subsidiary	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2006	2005
		2006	2005	2006	2005	2006	2005
		%	%	%	%	\$'000	\$'000
<b>General Services</b>							
United General Services (Pte) Ltd	Singapore	100	100	–	–	*	*
<b>Consultancy and Research Services</b>							
UOB Venture Management (USA) Inc. <sup>(2)</sup>	United States of America	–	–	100	100	–	–
<b>Property</b>							
Chung Khiaw Realty, Limited	Singapore	99.5	99.5	–	–	60,448	60,448
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100	–	–	32,000	30,829
UOB Realty (USA) Inc. <sup>(2)</sup>	United States of America	100	100	–	–	218	251
UOB Realty (USA) Ltd Partnership <sup>(2)</sup>	United States of America	99	99	1	1	10,864	14,988
UOB Warehouse Private Limited	Singapore	100	100	–	–	88,000	88,000
FEB Realty Company Pte. Ltd. **	Singapore	–	–	100	100	–	–
<b>Property Management</b>							
UOB Towers Pte. Ltd. (formerly known as OUB Towers Pte Ltd)	Singapore	100	100	–	–	35,742	30,321
UOB Developments Private Limited (formerly known as Overseas Union Developments (Private) Limited)	Singapore	100	100	–	–	15,243	12,945
<b>Travel</b>							
UOB Travel Planners Pte Ltd	Singapore	100	100	–	–	3,987	3,987
						<b>3,852,073</b>	<b>3,664,665</b>

# Investment cost is fully provided for.

\* Investment cost is less than \$500.

\*\* Inactive.

**Note:**

<sup>(1)</sup> Audited by member firms of Ernst & Young Global.

<sup>(2)</sup> Not required to be audited.

<sup>(3)</sup> Not audited by Ernst & Young, Singapore or member firms of Ernst & Young Global. Subsidiaries under liquidation are not required to be audited.

# Notes to the Financial Statements

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## 47. 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, Inc.*	Asset management	Philippines

\* Not audited by Ernst & Young, Singapore or member firms of Ernst & Young Global.

## 48. Major associates

Name of major associates	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2006 %	2005 %
Quoted associates				
United International Securities Limited	Investment	Singapore	45	45
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	40	40
Unquoted associates				
Asfinco Singapore Limited	Investment holding	Singapore	40	40
AXA Insurance Public Company Limited	Non-life insurance	Thailand	22	22
Clearing and Payment Services Pte Ltd	Clearing, payment and settlement services	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
United Facilities Private Limited (formerly known as Overseas Union Facilities (Pte) Ltd)	Investment holding	Singapore	49	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
UOB JAIC Venture Bio Investments Ltd	Investment	Singapore	28	28
UOB Venture (Shenzhen) Limited	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

\* Comprising 50% of the preference shares with voting right and 100% of the ordinary shares with no voting right.



**49. Event subsequent to the balance sheet date**

On 25 January 2007, the Bank announced that it has entered into a Subscription Agreement with The Southern Commercial Joint Stock Bank ("Southern Bank") in Vietnam to take an initial 10% stake in Southern Bank for a total cash consideration of VND480,000,000,000 (approximately \$46 million). The completion of the subscription is subject to satisfactory due diligence and regulatory approvals.

The Subscription Agreement also provides for the Bank to increase its shareholding in Southern Bank to the extent allowed by law. In the event that Vietnamese law allows the Bank to raise its shareholdings in Southern Bank to 20% of the enlarged issued share capital, the subscription price for the additional new shares will be VND462,275,970,000 (approximately \$44 million).

The investment in Southern Bank is not expected to have a material impact on the earnings or net tangible assets of the Bank for the current financial year.

**50. Authorisation of financial statements**

The financial statements for the financial year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 28 February 2007.