

## Group Financial Review

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**Delivering  
Value.  
Driving  
Growth.**

Certain figures in this section may not add up to the relevant totals due to rounding. Certain comparative figures have been restated to conform with the current year's presentation. Amounts less than \$500,000 in absolute term are shown as "0".

## Highlights and performance indicators

	2006	2005	Variance (%)	
Summarised Profit and Loss (\$ million)				
Net interest income (NII)	2,710	2,348	+	15.5
Non-interest income (Non NII)	1,514	1,414	+	7.1
Total income	4,224	3,761	+	12.3
Less: Total expenses	1,736	1,424	+	21.9
Operating profit before amortisation and impairment charges	2,488	2,337	+	6.4
Less: Intangible assets	13	60	–	79.2
Less: Other impairment charges	181	174	+	4.1
Add: Share of profit of associates	152	100	+	51.7
Less: Tax and minority interests	564	495	+	14.1
Net profit after tax excluding one-time gain	1,882	1,709	+	10.1
One-time gain <sup>(1)</sup>	689	–		NM
Net profit after tax <sup>(2)</sup>	2,570	1,709	+	50.4
Key Indicators				
Income mix (excluding one-time gain) (%)				
NII/Total income	64.2	62.4	+	1.8 % points
Non NII/Total income	35.8	37.6	–	1.8 % points
	100.0	100.0		–
Profit contribution (before tax and intangible assets, excluding one-time gain) (%)				
Singapore (including ACU)	67.5	77.6	–	10.1 % points
Overseas	32.5	22.4	+	10.1 % points
	100.0	100.0		–
Return on average ordinary shareholders' equity (ROE) <sup>(3) (4)</sup> (%)				
Including one-time gain	17.0	12.4	+	4.6 % points
Excluding one-time gain	12.3	12.4	–	0.1 % point
Basic earnings per ordinary share <sup>(3) (4)</sup> (cents)				
Including one-time gain	165.2	111.2	+	48.6
Excluding one-time gain	120.1	111.2	+	8.0
Return on average total assets (ROA) <sup>(4)</sup> (%)				
Including one-time gain	1.65	1.25	+	0.40 % point
Excluding one-time gain	1.21	1.25	–	0.04 % point
Net interest margin (%)	1.99	1.99		–
Expense/Income ratio (%)				
Including one-time gain	35.9	37.9	–	2.0 % points
Excluding one-time gain	41.1	37.9	+	3.2 % points
Dividend per ordinary share (cents)				
Interim	20.0	20.0		–
Special <sup>(5)</sup>	30.0	28.5	+	5.3
Final	50.0	40.0	+	25.0

<sup>(1)</sup> One-time gain refers to the special dividend received from Overseas Union Enterprise Limited ("OUE") and gain from divestment of OUE and Hotel Negara Limited ("HNL"), recorded by the Group and its associates in 2006.

<sup>(2)</sup> Net profit after tax refers to profit attributable to equity holders of the Bank.

<sup>(3)</sup> Calculated based on profit attributable to equity holders of the Bank net of subsidiary preference share dividend incurred for the financial year.

<sup>(4)</sup> Including the amortisation of intangible assets.

<sup>(5)</sup> Special dividend in 2005 refers to the dividend in specie of shares in United Overseas Land Limited.

"NM" denotes not meaningful.

## Group Financial Review

### Highlights and performance indicators (cont'd)

	2006	2005	Variance (%)
<b>Other indicators</b>			
Customer loans (net) <sup>(1)</sup> (\$ million)	<b>76,875</b>	67,142	+ 14.5
Customer deposits (\$ million)	<b>95,552</b>	85,503	+ 11.8
Loans/Deposits ratio <sup>(2)</sup> (%)	<b>80.5</b>	78.5	+ 2.0 % points
Non-performing loans (NPLs) (\$ million)	<b>3,165</b>	3,931	- 19.5
Cumulative impairment (\$ million)	<b>2,508</b>	2,714	- 7.6
NPL ratio <sup>(3)</sup> (%)	<b>4.0</b>	5.6	- 1.6 % points
Cumulative impairment/NPLs (%)	<b>79.2</b>	69.0	+ 10.2 % points
Total assets (\$ million)	<b>161,312</b>	145,073	+ 11.2
Shareholders' equity <sup>(4)</sup> (\$ million)	<b>16,791</b>	14,929	+ 12.5
Revaluation surplus <sup>(5)</sup> (\$ million)	<b>1,486</b>	1,564	- 5.0
Net asset value (NAV) per ordinary share <sup>(6)</sup> (\$)	<b>10.48</b>	9.17	+ 14.3
Revalued NAV per ordinary share <sup>(6)</sup> (\$)	<b>11.45</b>	10.19	+ 12.4
Net tangible asset per ordinary share <sup>(6)</sup> (\$)	<b>7.68</b>	6.39	+ 20.2
Capital adequacy ratios (%)			
Tier 1 capital	<b>11.0</b>	11.0	-
Total capital	<b>16.3</b>	16.1	+ 0.2 % point

<sup>(1)</sup> Including amount pledged under repurchase agreements.

<sup>(2)</sup> "Loans" refers to net customer loans while "Deposits" refers to customer deposits.

<sup>(3)</sup> NPL ratio represents NPLs (excluding debt securities) as a percentage of gross customer loans.

<sup>(4)</sup> Shareholders' equity refers to equity attributable to equity holders of the Bank.

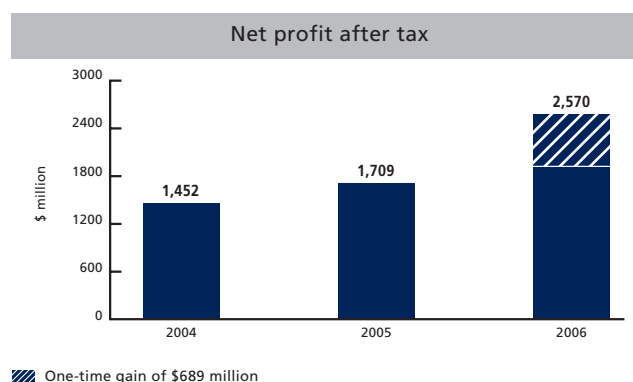
<sup>(5)</sup> Refers to revaluation surplus on properties and securities not recognised in the financial statements.

<sup>(6)</sup> Subsidiary preference shares were excluded from the computation.

### Review of Group performance

The Group's net profit after tax ("NPAT") of \$2,570 million in 2006 was an increase of 50.4% over that of \$1,709 million registered in 2005. The increase was largely due to a one-time gain of \$689 million, comprising special dividend received from Overseas Union Enterprise Limited ("OUE") and gain from divestment of OUE and Hotel Negara Limited ("HNL"), recorded by the Group and its associates in 2006. Excluding the one-time gain, the Group's NPAT would be \$1,882 million, representing an increase of 10.1% over 2005. The growth was mainly attributed to higher net interest income and higher fee and commission income, partly offset by higher operating expenses.

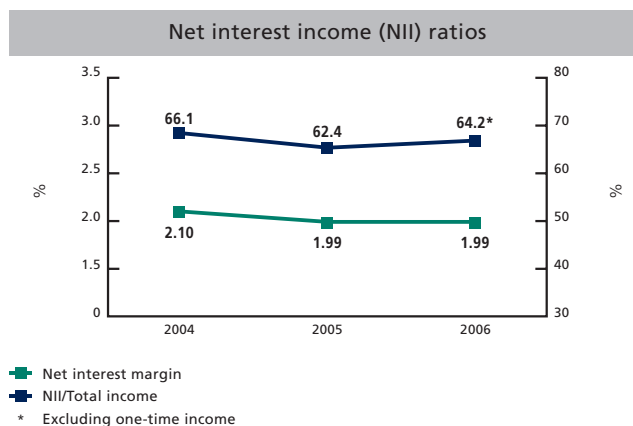
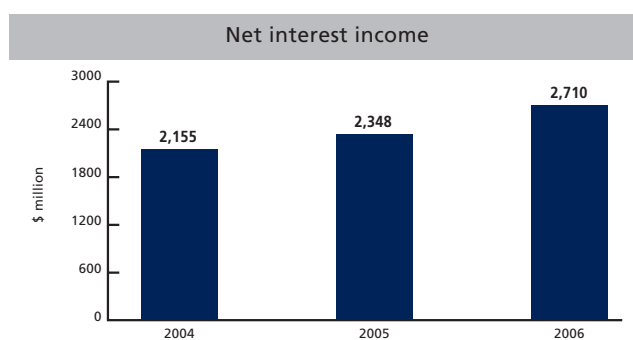
Share of pre-tax profit of associates grew 171.6% to \$271 million mainly due to the Group's share of an exceptional gain of \$120 million from the special dividend received from OUE and gain from divestment of OUE and HNL, as recorded by its associates. Excluding the exceptional gain, share of pre-tax profit of associates would be \$152 million, an increase of 51.7% from 2005.



### Net interest income

Net interest income grew 15.5% over 2005 to \$2,710 million in 2006. The increase was largely contributed by higher loan yield and volume.

Net interest margin of 1.99% for 2006 was the same as that for 2005.



### Average interest rates and margin

	2006			2005		
	Average balance \$ million	Interest \$ million	Average interest rate %	Average balance \$ million	Interest \$ million	Average interest rate %
<b>Assets</b>						
Customer loans	70,191	4,078	5.81	64,039	3,123	4.88
Inter-bank balances/balances with central banks	42,947	1,894	4.41	35,601	1,140	3.20
Securities	22,758	990	4.35	18,436	619	3.36
Total interest bearing assets	135,896	6,962	5.12	118,076	4,882	4.13
<b>Liabilities</b>						
Customer deposits	90,884	2,331	2.56	82,542	1,407	1.70
Inter-bank balances/other	41,138	1,921	4.67	33,632	1,128	3.35
Total interest bearing liabilities	132,022	4,252	3.22	116,174	2,534	2.18
Net interest income		2,710			2,348	
Net interest margin*			1.99			1.99

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

## Group Financial Review

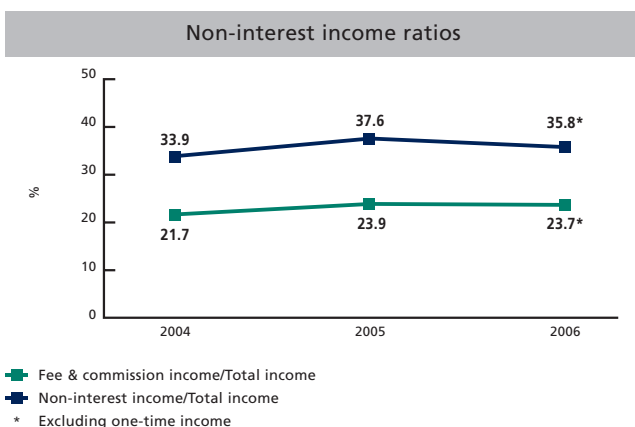
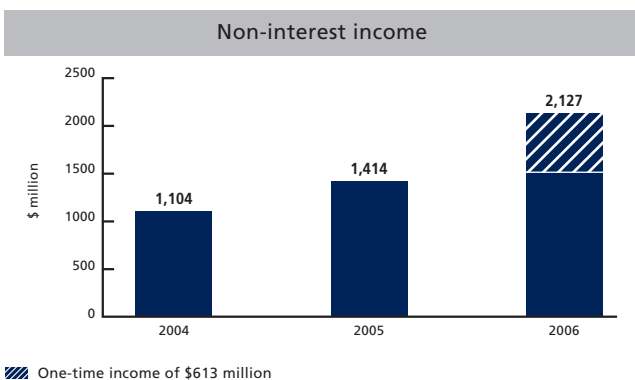
### Net interest income (cont'd)

#### Analysis of changes in net interest income

	2006			2005		
	Volume change \$ million	Rate change \$ million	Net change \$ million	Volume change \$ million	Rate change \$ million	Net change \$ million
<b>Interest income</b>						
Customer loans	300	655	955	132	420	552
Inter-bank balances/balances with central banks	235	520	755	209	300	509
Securities	145	225	370	107	52	159
<b>Total interest income</b>	<b>680</b>	<b>1,400</b>	<b>2,080</b>	<b>448</b>	<b>772</b>	<b>1,220</b>
<b>Interest expense</b>						
Customer deposits	142	782	924	94	405	499
Inter-bank balances/other	252	542	794	141	388	529
<b>Total interest expense</b>	<b>394</b>	<b>1,324</b>	<b>1,718</b>	<b>235</b>	<b>793</b>	<b>1,028</b>

#### Non-interest income

Non-interest income rose 50.4% over 2005 to \$2,127 million in 2006, mainly contributed by the one-time income of \$613 million (comprising special dividend received from OUE of \$284 million and gain on divestment of OUE and HNL of \$329 million). Excluding the one-time income, non-interest income grew by 7.1% over 2005. The increase was largely contributed by higher fee and commission income mainly from fund management and loan-related activities.



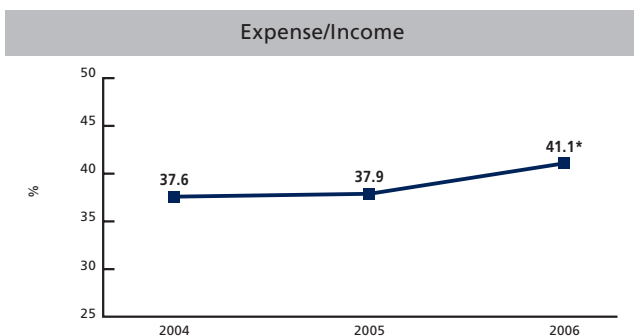
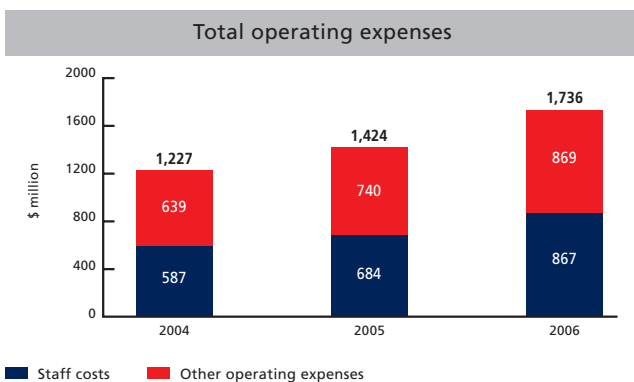
#### Composition of non-interest income

	2006 \$ million	2005 \$ million	Variance %
<b>Fee and commission income</b>			
Credit card	138	121	14.2
Fund management	210	151	38.8
Futures broking	30	21	42.9
Investment-related	205	251	(18.3)
Loan-related	163	126	29.3
Service charges	68	62	10.0
Trade-related	164	145	13.0
Other	24	22	9.3
	<b>1,003</b>	<b>900</b>	<b>11.4</b>
Dividend and rental income	392	123	217.3
Other operating income			
Net gain/(loss) from:			
Foreign exchange	153	130	17.5
Trading securities, government securities and derivatives	75	45	68.4
Investment securities	54	54	(0.4)
	<b>281</b>	<b>228</b>	<b>23.2</b>
Disposal of assets held for sale	332	23	NM
Disposal of fixed and other assets	26	19	43.1
Other income	92	121	(24.1)
	<b>732</b>	<b>391</b>	<b>87.4</b>
<b>Total non-interest income</b>	<b>2,127</b>	<b>1,414</b>	<b>50.4</b>

## Operating expenses

Total operating expenses increased 21.9% to \$1,736 million in 2006. Expense-to-income ratio of the Group increased to 41.1% (excluding the one-time income) in 2006 as compared to 37.9% in 2005.

Staff costs increased 26.8% to \$867 million for 2006 compared to \$684 million for 2005, largely on wages and salaries due to a higher headcount. Other operating expenses increased 17.4% to \$869 million in 2006 mainly on professional fees, commission and brokerage, business promotions and IT maintenance.



\* Excluding one-time income

	2006 \$ million	2005 \$ million	Variance %
Staff costs	867	684	26.8
Other operating expenses	869	740	17.4
Total operating expenses <sup>^</sup>	1,736	1,424	21.9
<sup>^</sup> Total operating expenses included:			
IT-related expenses	244	222	9.8
IT-related expenses/ Total operating expenses (%)	14.1	15.6	(1.5)%points

## Other impairment charges

Other impairment charges increased 4.1% over 2005 to \$181 million in 2006. The increase was mainly attributed to the write-back of collective impairment a year ago and higher impairment charges on investment securities, partially offset by lower impairment charges on loans.

	2006 \$ million	2005 \$ million	Variance %
Individual impairment on loans			
Singapore	78	99	(21.5)
Regional Countries <sup>(1)</sup>	54	119	(54.9)
Greater China <sup>(2)</sup>	5	(5)	NM
Other	5	2	142.1
	142	215	(33.8)
Other individual impairment/ provisions	38	15	162.3
Collective impairment	–	(56)	NM
Total other impairment charges	181	174	4.1

<sup>(1)</sup> Regional Countries comprise Malaysia, Indonesia, the Philippines and Thailand.

<sup>(2)</sup> Greater China comprises China, Hong Kong S.A.R. and Taiwan.

## Group Financial Review

### Total assets

Total assets as at 31 December 2006 were \$161,312 million, representing a growth of 11.2% over the \$145,073 million as at 31 December 2005. The increase was attributed mainly to higher customer loans and securities, partially offset by decrease in placements with banks and agents.

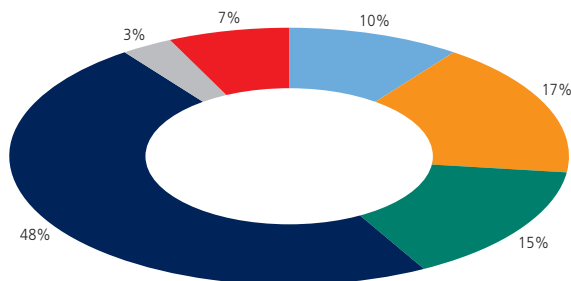
### Assets mix

	2006		2005	
	\$ million	%	\$ million	%
Cash, balances and placements with central banks	16,301	10.1	11,925	8.2
Securities <sup>(1) (2)</sup>	28,081	17.4	20,332	14.0
Placements and balances with banks and agents <sup>(2)</sup>	24,531	15.2	31,346	21.6
Customer loans <sup>(2)</sup>	76,875	47.6	67,142	46.3
Intangible assets	4,293	2.7	4,270	3.0
Other	11,230	7.0	10,058	6.9
<b>Total assets</b>	<b>161,312</b>	<b>100.0</b>	<b>145,073</b>	<b>100.0</b>

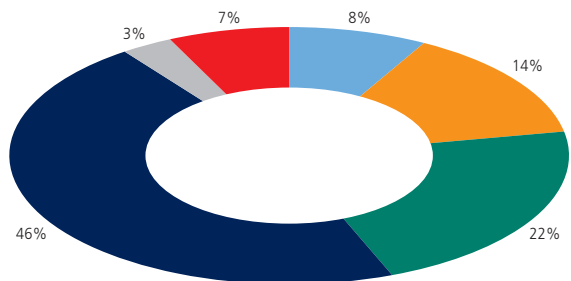
<sup>(1)</sup> Comprising Singapore and other government treasury bills and securities, trading and investment securities.

<sup>(2)</sup> Including amount pledged under repurchase agreements.

Assets mix – 2006



Assets mix – 2005



- Cash, balances and placements with central banks
- Securities
- Placements and balances with banks and agents
- Customer loans
- Intangible assets
- Other

### Securities

Total securities as at 31 December 2006 amounted to \$28,081 million, representing an increase of 38.1% over the \$20,332 million as at 31 December 2005. The growth was mainly due to increased holdings in non-trading securities from financial institutions.

### Total securities

	2006 \$ million	2005 \$ million	Variance %
Trading securities	1,499	1,592	(5.8)
Non-trading securities	26,848	18,956	41.6
Provision for impairment	(267)	(216)	23.1
	26,581	18,740	41.8
<b>Total securities (net)</b>	<b>28,081</b>	<b>20,332</b>	<b>38.1</b>

### Non-trading securities analysed by issuer type

	2006		2005	
	\$ million	%	\$ million	%
Government	8,975	33.4	8,618	45.5
Public sector	267	1.0	49	0.2
Bank	10,078	37.6	5,327	28.1
Corporate	6,717	25.0	4,620	24.4
Other	812	3.0	343	1.8
<b>Non-trading securities (gross)</b>	<b>26,848</b>	<b>100.0</b>	<b>18,956</b>	<b>100.0</b>

### Non-trading securities analysed by industry

	2006		2005	
	\$ million	%	\$ million	%
Transport, storage and communication	1,029	3.8	561	3.0
Building and construction	986	3.7	760	4.0
Manufacturing	1,019	3.8	431	2.3
Financial institutions	12,430	46.3	6,795	35.8
General commerce	182	0.7	173	0.9
Government	8,975	33.4	8,618	45.5
Other	2,229	8.3	1,619	8.5
<b>Non-trading securities (gross)</b>	<b>26,848</b>	<b>100.0</b>	<b>18,956</b>	<b>100.0</b>

### Customer loans

Net customer loans grew 14.5% over 31 December 2005 to \$76,875 million as at 31 December 2006, contributed largely by higher term loans and housing loans.

The increase in gross loans was seen across all industries, particularly from non-bank financial institutions and housing loans, which grew 23.6% and 13.6% respectively over 2005.

### Customer loans analysed by product group

	2006		2005	
	\$ million	%	\$ million	%
Housing loans	<b>18,898</b>	<b>23.8</b>	16,632	23.8
Term loans	<b>46,073</b>	<b>58.1</b>	39,658	56.8
Trade financing	<b>5,658</b>	<b>7.1</b>	4,808	6.9
Overdrafts	<b>8,752</b>	<b>11.0</b>	8,747	12.5
Total gross customer loans	<b>79,380</b>	<b>100.0</b>	69,846	100.0
Individual impairment	<b>(1,235)</b>		(1,433)	
Collective impairment	<b>(1,271)</b>		(1,270)	
Total net customer loans	<b>76,875</b>		67,142	

### Gross customer loans analysed by industry

	2006		2005	
	\$ million	%	\$ million	%
Transport, storage and communication	<b>4,024</b>	<b>5.1</b>	2,447	3.5
Building and construction	<b>7,894</b>	<b>9.9</b>	7,645	10.9
Manufacturing	<b>8,860</b>	<b>11.1</b>	7,870	11.3
Non-bank financial institutions	<b>12,912</b>	<b>16.3</b>	10,445	15.0
General commerce	<b>11,735</b>	<b>14.8</b>	11,483	16.4
Professionals and private individuals	<b>10,296</b>	<b>13.0</b>	10,209	14.6
Housing loans	<b>18,898</b>	<b>23.8</b>	16,632	23.8
Other	<b>4,761</b>	<b>6.0</b>	3,114	4.5
Total gross customer loans	<b>79,380</b>	<b>100.0</b>	69,846	100.0

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

	2006		2005	
	\$ million	%	\$ million	%
<b>Fixed rate</b>				
Singapore dollar	<b>7,814</b>	<b>9.8</b>	6,236	8.9
US dollar	<b>1,733</b>	<b>2.2</b>	1,849	2.6
Malaysian ringgit	<b>379</b>	<b>0.5</b>	255	0.4
Thai baht	<b>2,932</b>	<b>3.7</b>	2,541	3.6
Indonesian rupiah	<b>54</b>	<b>0.1</b>	118	0.2
Other	<b>1,236</b>	<b>1.5</b>	664	1.0
Total fixed rate gross customer loans	<b>14,147</b>	<b>17.8</b>	11,664	16.7
<b>Variable rate</b>				
Singapore dollar	<b>33,755</b>	<b>42.5</b>	33,442	47.9
US dollar	<b>10,965</b>	<b>13.8</b>	7,955	11.4
Malaysian ringgit	<b>8,276</b>	<b>10.4</b>	6,789	9.7
Thai baht	<b>3,794</b>	<b>4.8</b>	3,685	5.3
Indonesian rupiah	<b>2,134</b>	<b>2.7</b>	1,737	2.5
Other	<b>6,309</b>	<b>8.0</b>	4,574	6.5
Total variable rate gross customer loans	<b>65,233</b>	<b>82.2</b>	58,182	83.3
Total gross customer loans	<b>79,380</b>	<b>100.0</b>	69,846	100.0

### Gross customer loans analysed by remaining maturity

	2006		2005	
	\$ million	%	\$ million	%
Within 1 year	<b>35,096</b>	<b>44.2</b>	34,235	49.0
Over 1 year but within 3 years	<b>10,215</b>	<b>12.9</b>	8,572	12.3
Over 3 years but within 5 years	<b>9,490</b>	<b>11.9</b>	6,788	9.7
Over 5 years	<b>24,579</b>	<b>31.0</b>	20,250	29.0
Total gross customer loans	<b>79,380</b>	<b>100.0</b>	69,846	100.0



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### Deposits

Total deposits grew 12.2% to \$129,000 million as at 31 December 2006 over the year. The growth was mainly from customer deposits which accounted for 74.1% of total deposits.

#### Deposits analysed by product group

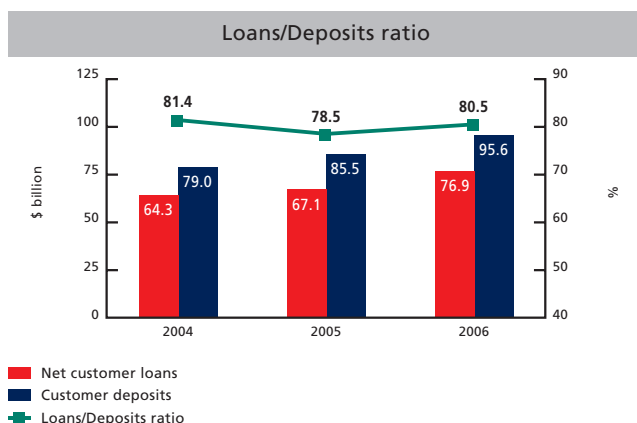
	2006		2005	
	\$ million	%	\$ million	%
Banker deposits	33,449	25.9	29,456	25.6
Customer deposits				
Fixed deposits	63,053	48.9	54,947	47.8
Current, savings and other deposits	32,499	25.2	30,556	26.6
	95,552	74.1	85,503	74.4
<b>Total deposits</b>	<b>129,000</b>	<b>100.0</b>	<b>114,958</b>	<b>100.0</b>

#### Deposits analysed by remaining maturity

	2006		2005	
	\$ million	%	\$ million	%
Within 1 year	125,030	96.9	111,985	97.4
Over 1 year but within 3 years	1,734	1.4	1,117	1.0
Over 3 years but within 5 years	1,566	1.2	816	0.7
Over 5 years	670	0.5	1,041	0.9
<b>Total deposits</b>	<b>129,000</b>	<b>100.0</b>	<b>114,958</b>	<b>100.0</b>

### Loans/Deposits ratio

With the 14.5% increase in net customer loans outpacing the 11.8% increase in customer deposits, the loans-to-deposits ratio increased 2.0% points to 80.5% as at 31 December 2006.



### Shareholders' equity

Shareholders' equity rose 12.5% over the year to \$16,791 million as at 31 December 2006, contributed mainly by profit for the financial year.

As at 31 December 2006, revaluation surplus of \$1,486 million on properties of the Group was not recognised in the financial statements.

	2006 \$ million	2005 \$ million	Variance %
Shareholders' equity	16,791	14,929	12.5
Add: Revaluation surplus	1,486	1,564	(5.0)
Shareholders' equity including revaluation surplus	18,277	16,493	10.8

### Capital adequacy ratios

As at 31 December 2006, the Group's tier 1 capital adequacy ratio ("CAR") of 11.0% and total CAR of 16.3% were 4.0% points and 6.3% points above the minimum 7%\* and 10% set by Monetary Authority of Singapore respectively.

Tier 1 CAR remained unchanged while total CAR increased 0.2% point over 31 December 2005. The increase in total CAR was mainly contributed by higher retained profits and divestment of non-core assets. These were largely offset by higher risk-weighted assets from the enlarged loan and investment portfolios, dividend payment and share buy-back.

	2006 \$ million	2005 \$ million
<b>Tier 1 Capital</b>		
Share capital	2,247	1,538
Subsidiary preference shares	832	832
Disclosed reserves/other	13,116	12,393
Deduction of intangible assets	(4,307)	(4,284)
	11,888	10,479
<b>Upper Tier 2 Capital</b>		
Cumulative collective impairment/other	1,457	1,171
Subordinated notes	5,211	5,486
	6,668	6,657
<b>Deductions from Tier 1 and Upper Tier 2 Capital</b>	<b>(911)</b>	<b>(1,816)</b>
<b>Total capital</b>	<b>17,645</b>	<b>15,320</b>
<b>Risk-weighted assets (including market risk)</b>	<b>108,405</b>	<b>95,285</b>
<b>Capital adequacy ratios</b>		
Tier 1 capital	11.0%	11.0%
Total capital	16.3%	16.1%

\* This will be revised to 6% with effect from 1 March 2007.