

Company Registration No. 193500026Z

Directors' Report and Audited Financial Statements

UNITED OVERSEAS BANK LIMITED AND ITS SUBSIDIARIES

31 December 2004

United Overseas Bank Limited and Its Subsidiaries

General Information

Directors

Mr Wee Cho Yaw (Chairman)
Mr Wee Ee Cheong (Deputy Chairman)
Mr Ngiam Tong Dow
Prof Cham Tao Soon
Mr Wong Yuen Weng Ernest
Mr Wong Meng Meng
Mr Yeo Liat Kok Philip
Mr Tan Kok Quan
Prof Lim Pin
Mrs Lien Wen Hsien Margaret
Mr Ng Boon Yew

Secretary

Mrs Vivien Chan

Registered Office

80 Raffles Place
UOB Plaza
Singapore 048624

Auditors

Ernst & Young

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United Overseas Bank Limited and Its Subsidiaries

Directors' Report

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 2004.

Directors

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

Mr Wee Cho Yaw	(Chairman)
Mr Wee Ee Cheong	(Deputy Chairman)
Mr Ngiam Tong Dow	
Prof Cham Tao Soon	
Mr Wong Yuen Weng Ernest	
Mr Wong Meng Meng	
Mr Yeo Liat Kok Philip	
Mr Tan Kok Quan	
Prof Lim Pin	
Mrs Lien Wen Hsien Margaret	
Mr Ng Boon Yew	

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.

United Overseas Bank Limited and Its Subsidiaries

Directors' 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 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
The Bank				
- Ordinary shares of \$1 each				
Mr Wee Cho Yaw	16,390,248	16,390,248	211,708,142	210,608,142
Mr Wee Ee Cheong	2,794,899	2,794,899	146,085,251	144,985,251
Mr Koh Beng Seng (resigned on 16 February 2005)	50,000	—	—	—
Mr Ngiam Tong Dow	—	—	8,600	8,600
Prof Cham Tao Soon	—	—	6,520	6,520
Mr Wong Yuen Weng Ernest	50,000	50,000	—	—
Mr Tan Kok Quan	—	—	74,475	100,038
Mrs Lien Wen Hsien Margaret	99,783	99,783	84,605,287	84,605,287
Mr Ng Boon Yew	—	—	5,280	5,280
- Options to subscribe for ordinary shares				
Mr Koh Beng Seng (resigned on 16 February 2005)	—	50,000	—	—
United Overseas Insurance Limited				
- Ordinary shares of \$1 each				
Mr Wee Cho Yaw	25,400	25,400	—	—

- (b) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2005 (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.

United Overseas Bank Limited and Its Subsidiaries

Directors' Report

Directors' fees and other remuneration

- (a) 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 2004 are as follows :

	Directors' fees %	Base or fixed salary %	Variable/ performance bonus %	Benefits-in-kind and other %	Total %
\$7,500,000 to \$7,749,999	2.6	10.1	87.3	*	100.0
Mr Wee Cho Yaw					
\$2,250,000 to \$2,499,999	3.7	27.9	67.9	0.5	100.0
Mr Wee Ee Cheong					
\$1,000,000 to \$1,249,999	3.3	57.2	38.4	1.1	100.0
Mr Koh Beng Seng (resigned on 16 February 2005)					
Below \$250,000	100.0	-	-	-	100.0
Mr Ngiam Tong Dow					
Prof Cham Tao Soon					
Mr Wong Yuen Weng Ernest					
Mr Wong Meng Meng					
Mr Sim Wong Hoo (resigned on 17 October 2004)					
Mr Yeo Liat Kok Philip					
Mr Tan Kok Quan					
Prof Lim Pin					
Mrs Lien Wen Hsien Margaret					
Mr Ng Boon Yew					

* Percentage is less than 0.05.

- (b) No share options were granted to the above directors during the financial year.

United Overseas Bank Limited and Its Subsidiaries

Directors' Report

Share options

- (a) On 6 October 1999, the Bank's shareholders 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 an equivalent rank) and above and selected employees below the corporate grade of Vice President (or an equivalent rank) of the Bank and its subsidiaries, and to directors and controlling shareholders. Particulars of the share options granted under the Scheme in 1999, 2000 and 2003 (hereinafter called "Options 1999", "Options 2000" and "Options 2003" respectively) have been set out in the Directors' Reports for the financial years ended 31 December 1999, 2000 and 2003 respectively.
- (b) During the financial year, options were granted pursuant to the Scheme in respect of 2,083,000 unissued ordinary shares of \$1 each of the Bank (hereinafter called "Options 2004").
- (c) Statutory and other information regarding the options under the Scheme is as follows :

(i)	Options	Option period	Offer price \$
	1999	27 December 2000 to 26 December 2004	14.70
	2000	11 December 2001 to 10 December 2005	12.90
	2003	6 June 2004 to 5 June 2008	11.67
	2004	29 November 2005 to 28 November 2009	13.67

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

United Overseas Bank Limited and Its Subsidiaries

Directors' Report

Share options (cont'd)

(c) (cont'd)

- (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 shareholders (or their associates). No options were granted at a discount during the financial year. Since the commencement of the Scheme, no options were granted to the directors of the Bank except as follows :

	Options granted during the financial year	Aggregate number of shares under option since the commencement of the Scheme up to 31 December 2004			Number of shares under option outstanding as at	
		Granted	Exercised	Lapsed	31.12.2004	1.1.2004
Mr Koh Beng Seng (resigned on 16 February 2005)	–	50,000	50,000	–	–	50,000
Mr Wong Yuen Weng Ernest	–	75,000	–	75,000	–	–

Mr Wong Yuen Weng Ernest did not receive any options after 31 December 1999.

- (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.
- (d) 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

- (e) During the financial year, the Bank issued 1,008,000 ordinary shares of \$1 each to option holders who exercised their rights in connection with the Scheme :

Year in which options were granted	Subscription price per share, paid in cash \$	Number of ordinary shares of \$1 each in the Bank
2000	12.90	280,000
2003	11.67	728,000
		<hr/> <hr/> 1,008,000

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

United Overseas Bank Limited and Its Subsidiaries

Directors' Report

Share options (cont'd)

- (f) Unissued ordinary shares of \$1 each under option in connection with the Scheme as at 31 December 2004 comprise the following :

Year in which options were granted	Price per share payable in full upon application \$	Date of expiration of option	Number of shares
2000	12.90	11 December 2005	822,000
2003	11.67	6 June 2008	1,369,000
2004	13.67	29 November 2009	2,083,000
			<hr/> <hr/> <u>4,274,000</u>

Audit Committee

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

Mr Wong Yuen Weng Ernest (Chairman)
Mr Yeo Liat Kok Philip
Prof Cham Tao Soon
Mr Tan Kok Quan

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

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.

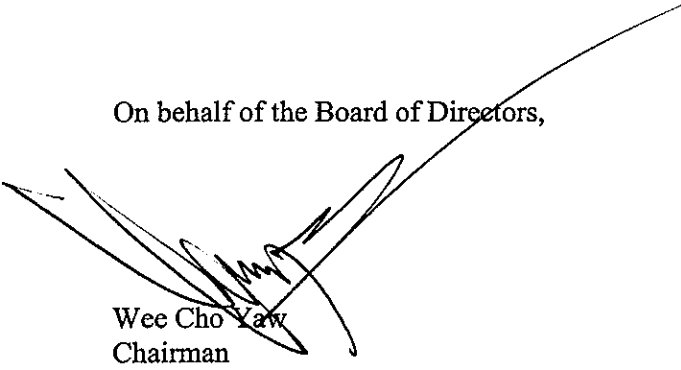
United Overseas Bank Limited and Its Subsidiaries

Directors' Report


Auditors

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

On behalf of the Board of Directors,



Wee Cho Yaw
Chairman



Wee Ee Cheong
Deputy Chairman

Singapore
24 February 2005

United Overseas Bank Limited and Its Subsidiaries

Statement by Directors

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 :

- (i) 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 2004, 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
- (ii) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,



Wee Cho Yaw
Chairman



Wee Ee Cheong
Deputy Chairman

Singapore
24 February 2005

Auditors' Report

TO THE MEMBERS OF UNITED OVERSEAS BANK LIMITED

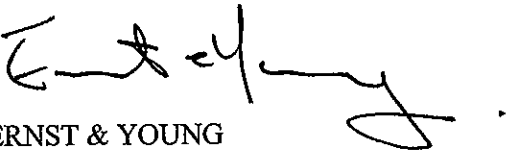
We have audited the accompanying financial statements of United Overseas Bank Limited (the "Bank") and its subsidiaries (the "Group") as set out on pages 10 to 110 for the financial year ended 31 December 2004. These financial statements are the responsibility of the Bank's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements for the financial year ended 31 December 2003 were audited by another firm of auditors whose report dated 20 February 2004 expressed an unqualified opinion on those statements.

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

In our opinion,

- (a) the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards 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 2004, the results of the Bank and of the Group and changes in equity of the Bank and of the Group and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Bank and by its subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



ERNST & YOUNG
Certified Public Accountants

Singapore
24 February 2005

United Overseas Bank Limited and Its Subsidiaries

Profit and Loss Accounts for the financial year ended 31 December 2004

	Note(s)	The Group		The Bank	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest income	3	3,661,340	3,294,101	2,866,298	2,590,650
Less: Interest expense	4	1,506,444	1,223,563	1,171,563	922,800
Net interest income		2,154,896	2,070,538	1,694,735	1,667,850
Dividend income	5	42,983	42,004	304,497	284,607
Fee and commission income	6	705,897	587,866	427,381	372,387
Rental income		64,578	72,618	37,427	42,485
Other operating income	7	290,389	386,586	172,457	342,162
Income before operating expenses		3,258,743	3,159,612	2,636,497	2,709,491
Less:					
Staff costs	8	587,453	531,780	363,748	343,644
Other operating expenses	9	639,355	563,621	464,200	444,323
Total operating expenses		1,226,808	1,095,401	827,948	787,967
Operating profit before goodwill amortisation and provisions		2,031,935	2,064,211	1,808,549	1,921,524
Less: Goodwill written-off and amortised	11	213,630	201,620	189,959	190,275
Less: Provisions	12	208,705	361,512	90,685	326,914
Operating profit after goodwill amortisation and provisions		1,609,600	1,501,079	1,527,905	1,404,335
Exceptional item	13	–	–	–	12,421
Share of profit of associates		307,265	107,249	–	–
Profit before tax		1,916,865	1,608,328	1,527,905	1,416,756
Less: Tax	14	450,432	392,751	337,671	346,195
Profit after tax		1,466,433	1,215,577	1,190,234	1,070,561
Less: Minority interests		14,664	13,491	–	–
Net profit for the financial year attributable to members		1,451,769	1,202,086	1,190,234	1,070,561
Earnings per share:	15				
Basic		93 cents	76 cents		
Diluted		93 cents	76 cents		

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

United Overseas Bank Limited and Its Subsidiaries

Balance Sheets as at 31 December 2004

	Note(s)	The Group		The Bank	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Share capital and reserves					
Share capital	16	1,536,255	1,571,664	1,536,255	1,571,664
Capital reserves	17	4,249,917	4,242,284	4,227,906	4,180,133
Statutory reserves	18	2,922,297	2,859,850	2,553,172	2,493,172
Revenue reserves	19	4,606,878	4,464,952	3,395,005	3,514,142
Share of reserves of associates	20	123,405	143,285	-	-
		<u>13,438,752</u>	<u>13,282,035</u>	<u>11,712,338</u>	<u>11,759,111</u>
Minority interests		148,306	155,103	-	-
Liabilities					
Current, fixed, savings accounts and other deposits of non-bank customers	21(c)	79,018,770	69,862,961	62,354,537	60,301,300
Deposits and balances of banks and agents		28,194,097	18,839,362	26,196,438	17,731,499
Deposits from subsidiaries		-	-	1,668,594	1,334,435
	21	<u>107,212,867</u>	<u>88,702,323</u>	<u>90,219,569</u>	<u>79,367,234</u>
Bills and drafts payable		256,188	163,780	66,091	88,060
Tax payables		522,827	490,872	476,868	441,958
Other liabilities	22	6,198,612	6,441,438	4,169,768	3,746,985
Deferred tax liabilities	14	11,717	14,579	273	3,607
Debts issued	23	7,089,297	4,196,269	6,079,974	3,343,862
		<u>121,291,508</u>	<u>100,009,261</u>	<u>101,012,543</u>	<u>86,991,706</u>
		<u>134,878,566</u>	<u>113,446,399</u>	<u>112,724,881</u>	<u>98,750,817</u>
Off-balance sheet items					
Contingent liabilities	37	10,001,219	8,728,749	8,160,152	7,390,726
Derivative financial instruments	38	278,085,916	183,839,995	269,758,270	180,696,126
Commitments	39	39,275,821	37,659,547	30,593,118	31,058,409
		<u>327,362,956</u>	<u>329,228,291</u>	<u>308,511,540</u>	<u>219,145,261</u>

United Overseas Bank Limited and Its Subsidiaries

Balance Sheets as at 31 December 2004

	Note(s)	The Group		The Bank	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Assets					
Cash, balances and placements with central banks		11,653,014	9,084,677	8,109,433	6,499,325
Singapore					
Government treasury bills and securities	24	7,772,462	6,310,846	7,678,206	6,232,660
Other government treasury bills and securities	25	1,975,344	1,351,624	1,615,464	706,589
Dealing securities	26	438,934	524,506	124,573	176,864
Placements and balances with banks and agents					
Trade bills	27	26,725,985	20,072,137	23,869,593	18,330,481
Advances to customers	28	1,579,629	1,312,603	214,429	159,863
Placements with and advances to subsidiaries	28	62,720,387	57,983,953	50,356,374	50,350,598
Other assets	29	—	—	1,828,628	1,989,874
		5,891,510	4,715,737	4,265,060	3,657,413
		<u>118,757,265</u>	<u>101,356,083</u>	<u>98,061,760</u>	<u>88,103,667</u>
Investment securities	30	8,608,545	5,422,510	6,802,650	4,061,903
Investments in associates	31	1,702,393	1,396,784	842,870	775,380
Investments in subsidiaries	32	—	—	2,697,667	1,285,403
Fixed assets	34	1,862,434	1,768,393	1,116,994	1,147,140
Deferred tax assets	14	72,200	36,470	21,121	5,546
Goodwill	11	3,875,729	3,466,159	3,181,819	3,371,778
		<u>134,878,566</u>	<u>113,446,399</u>	<u>112,724,881</u>	<u>98,750,817</u>

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

United Overseas Bank Limited and Its Subsidiaries

Statements of Changes in Equity for the financial year ended 31 December 2004

	Note(s)	The Group				Share of reserves of associates \$'000	Total \$'000
		Share capital	Capital reserves	Statutory reserves	Revenue reserves		
		\$'000	\$'000	\$'000	\$'000		
2004							
Balance at 1 January 2004		1,571,664	4,242,284	2,859,850	4,464,952	143,285	13,282,035
Net profit for the financial year attributable to members		-	-	-	1,451,769	-	1,451,769
Differences arising from currency translation of financial statements of foreign branches, subsidiaries and associates	17(a)	-	(36,731)	-	-	-	(36,731)
Group's share of reserves of associates	20	-	-	-	-	(18,730)	(18,730)
Transfer to revenue reserves upon disposal and liquidation of associates	19(a),20	-	-	-	1,150	(1,150)	-
Other adjustments	17(a)	-	2,681	-	-	-	2,681
Total recognised gains/(losses) for the financial year		-	(34,050)	-	1,452,919	(19,880)	1,398,989
Transfer from/(to) revenue reserves	17(a),18,19(a)	-	(5,834)	62,447	(56,613)	-	-
Dividends	19(a)	-	-	-	(754,570)	-	(754,570)
Share buy-back	16(a),17(a),19(a)	(36,417)	36,417	-	(499,810)	-	(499,810)
Issue of shares upon exercise of options	16(a),17(a)	1,008	11,100	-	-	-	12,108
Balance at 31 December 2004		1,536,255	4,249,917	2,922,297	4,606,878	123,405	13,438,752

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

United Overseas Bank Limited and Its Subsidiaries

Statements of Changes in Equity for the financial year ended 31 December 2004

	Note(s)	The Group				Share of	Total
		Share capital	Capital reserves	Statutory reserves	Revenue reserves	reserves of associates	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2003							
Balance at 1 January 2003							
As restated		1,571,603	4,256,919	2,757,518	3,892,971	133,594	12,612,605
Net profit for the financial year attributable to members		-	-	-	1,202,086	-	1,202,086
Differences arising from currency translation of financial statements of foreign branches, subsidiaries and associates	17(a)	-	10,481	-	-	-	10,481
Group's share of reserves of associates	20	-	-	-	-	9,691	9,691
Other adjustments	17(a),18,19(a)	-	(1,805)	529	(632)	-	(1,908)
Total recognised gains for the financial year		-	8,676	529	1,201,454	9,691	1,220,350
Transfer from/(to) revenue reserves	17(a),18,19(a)	-	(23,969)	101,803	(77,834)	-	-
Dividends	19(a)	-	-	-	(551,639)	-	(551,639)
Issue of shares upon exercise of options	16(a),17(a)	61	658	-	-	-	719
Balance at 31 December 2003		1,571,664	4,242,284	2,859,850	4,464,952	143,285	13,282,035

The movements of the respective reserve accounts are presented in Notes 16 to 20.

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

United Overseas Bank Limited and Its Subsidiaries

Statements of Changes in Equity for the financial year ended 31 December 2004

	Note(s)	The Bank				Total \$'000
		Share capital \$'000	Capital reserves \$'000	Statutory reserve \$'000	Revenue reserves \$'000	
2004						
Balance at 1 January 2004		1,571,664	4,180,133	2,493,172	3,514,142	11,759,111
Net profit for the financial year attributable to members		-	-	-	1,190,234	1,190,234
Differences arising from currency translation of financial statements of foreign branches	17(b)	-	5,265	-	-	5,265
Total recognised gains for the financial year		-	5,265	-	1,190,234	1,195,499
Transfer from/(to) revenue reserves	17(b),18,19(b)	-	(5,009)	60,000	(54,991)	-
Dividends	19(b)	-	-	-	(754,570)	(754,570)
Share buy-back	16(a),17(b),19(b)	(36,417)	36,417	-	(499,810)	(499,810)
Issue of shares upon exercise of options	16(a),17(b)	1,008	11,100	-	-	12,108
Balance at 31 December 2004		1,536,255	4,227,906	2,553,172	3,395,005	11,712,338

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

United Overseas Bank Limited and Its Subsidiaries

Statements of Changes in Equity for the financial year ended 31 December 2004

	Note(s)	The Bank				Total \$'000
		Share capital \$'000	Capital reserves \$'000	Statutory reserve \$'000	Revenue reserves \$'000	
2003						
Balance at 1 January 2003						
As restated		1,571,603	4,197,657	2,395,293	3,079,030	11,243,583
Net profit for the financial year attributable to members		–	–	–	1,070,561	1,070,561
Differences arising from currency translation of financial statements of foreign branches	17(b)	–	(4,113)	–	–	(4,113)
Total recognised gains/(losses) for the financial year		–	(4,113)	–	1,070,561	1,066,448
Transfer from/(to) revenue reserves	17(b),18,19(b)	–	(14,069)	97,879	(83,810)	–
Dividends	19(b)	–	–	–	(551,639)	(551,639)
Issue of shares upon exercise of options	16(a),17(b)	61	658	–	–	719
Balance at 31 December 2003		1,571,664	4,180,133	2,493,172	3,514,142	11,759,111

The movements of the respective reserve accounts are presented in Notes 16 to 20.

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

United Overseas Bank Limited and Its Subsidiaries

Consolidated Cash Flow Statement for the financial year ended 31 December 2004

	2004 \$'000	2003 \$'000
Cash flows from operating activities :		
Profit before tax	1,916,865	1,608,328
Adjustments for :		
Depreciation of fixed assets	124,701	107,755
Goodwill written-off and amortised	213,630	201,620
Share of profit of associates	(307,265)	(107,249)
Operating profit before working capital changes	1,947,931	1,810,454
Changes in working capital :		
Increase in deposits	12,664,532	1,481,684
Increase/(decrease) in bills and drafts payable	14,192	(85)
(Decrease)/increase in other liabilities	(354,233)	1,778,501
Decrease in dealing securities	85,572	98,905
Increase in placements and balances with banks and agents	(6,384,549)	(645,916)
Increase in trade bills and advances to non-bank customers	(802,609)	(412,549)
Decrease in other government treasury bills and securities not qualifying as cash and cash equivalents	385,380	337,955
Increase in other assets	(481,772)	(703,590)
Cash generated from operations	7,074,444	3,745,359
Income tax paid	(366,367)	(335,092)
Net cash provided by operating activities	6,708,077	3,410,267
Cash flows from investing activities :		
Increase in investment securities and investments in associates	(3,033,248)	(1,540,708)
Net dividends received from associates	167,829	31,559
Net increase in fixed assets	(79,265)	(81,799)
Change in/acquisition of minority interests of subsidiaries	(34,637)	(3,752)
Net cashflow on acquisition of subsidiaries [Note 32(b)]	(217,321)	-
Net cash used in investing activities	(3,196,642)	(1,594,700)
Cash flows from financing activities :		
Proceeds from issue of shares	12,108	719
Net increase in debts issued	2,809,850	2,049,459
Share buy-back	(499,810)	-
Dividends paid by the Bank	(754,570)	(551,639)
Dividends paid by subsidiaries to minority shareholders	(3,229)	(4,291)
Net cash provided by financing activities	1,564,349	1,494,248
Currency translation adjustment	(36,731)	10,481
Net increase in cash and cash equivalents for the financial year	5,039,053	3,320,296
Cash and cash equivalents at beginning of the financial year	16,361,767	13,041,471
Cash and cash equivalents at end of the financial year (Note 40)	21,400,820	16,361,767

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

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

1. Corporate information

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

The Bank is principally engaged in the business of banking in all its aspects, including the operation of an Asian Currency Unit under the terms and conditions specified by the Monetary Authority of Singapore. The principal activities of its subsidiaries are set out in Note 45 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 have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act, Cap. 50.

The accounting policies have been consistently applied by the Bank and the Group and are consistent with those used in the previous financial year.

(b) *Basis of accounting*

The financial statements are presented in Singapore dollars.

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of dealing securities, certain Singapore Government treasury bills and securities, other government treasury bills and securities and derivative financial instruments to fair value at the balance sheet date and the inclusion of certain freehold and leasehold land and buildings at valuation.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the financial year. Although these estimates are based on management's best knowledge and efforts, actual results may ultimately differ from these estimates.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

(c) *Basis of consolidation*

- (i) The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated profit and loss account from the respective dates of their acquisition or disposal. Inter-company balances and transactions and resulting unrealised profits and losses are eliminated in full on consolidation.
- (ii) Interpretation of Financial Reporting Standard ("INT FRS") 12 : Consolidation - Special Purpose Entities ("SPE") requires that SPE be consolidated when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. The adoption of INT FRS 12 has resulted in the consolidation of an SPE established in the ordinary course of the Group's business. Details of the SPE are set out in Note 35.

(d) *Subsidiaries*

A subsidiary is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

(e) *Associates*

The Group treats as associates those companies in which the Group has a long-term equity interest of 20 to 50 percent and over whose financial and operating policy decisions it has significant influence except when the investment is acquired and held exclusively with a view to its subsequent disposal in the near future, in which case it is accounted for either as dealing securities or investment securities, as appropriate.

Associates are accounted for under the equity method whereby the Group's share of profits less losses of associates is included in the consolidated profit and loss account. The Group's investments in associates include goodwill on acquisition (net of accumulated amortisation), treated in accordance with the accounting policy for goodwill in Note 2(n) and the Group's share of post-acquisition reserves, net of dividends received, are adjusted against the cost of investments in the associates to arrive at the carrying amount in the consolidated balance sheet.

(f) *Trade bills and advances to customers*

Trade bills and advances to customers are stated at cost less provision for possible losses. These provisions comprise specific provisions made for any debts considered to be doubtful of collection and a general provision maintained to cover losses which, although not specifically identified, are inherent in any portfolio of loans and advances. Known bad debts are written-off.

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

(g) Investments

- (i) Singapore Government and other government treasury bills and securities held for trading are initially recognised in the balance sheet at amounts paid and subsequently re-measured to fair value. The resultant profits and losses are taken up in the profit and loss account.

Singapore Government and other government treasury bills, other than those held for trading, are stated at the lower of cost and market value, determined on an aggregate basis.

Singapore Government and other government securities, other than those held for trading, are stated at cost (adjusted for amortisation of premium/discount) and provisions are made for diminution in value that is other than temporary, determined on an individual basis.

- (ii) Dealing securities are initially recognised in the balance sheet at amounts paid and are subsequently re-measured to fair value. The resultant profits and losses are taken up in the profit and loss account.
- (iii) Investment securities are stated at cost (adjusted for amortisation of premium/discount) and provisions are made for diminution in value that is other than temporary, determined on an individual basis.

Investment securities held by the consolidated SPE are initially recognised in the balance sheet at amounts paid and subsequently re-measured to fair value. Fair value for publicly quoted investments is based on quoted market prices at the balance sheet date. Fair value for unquoted investments is based on other valuation techniques, such as discounting estimated cash flows at an appropriate rate.

- (iv) Investments in associates and subsidiaries are stated at cost and provisions are made for impairment, determined on an individual basis.

(h) Cash and cash equivalents

Cash equivalents are highly liquid assets that are readily convertible into cash.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the balance sheet amounts of cash, balances and placements with central banks and Singapore Government treasury bills and securities, less non-cash equivalents included in those amounts.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

(i) *Revenue recognition*

- (i) Interest income is recognised on a time proportion basis.
- (ii) Dividend income from investments other than investments in subsidiaries is taken up gross in the profit and loss account of the financial year in which the dividend is received.
- (iii) Dividend income from subsidiaries is taken up gross in the profit and loss account of the financial year in which the dividend is declared.
- (iv) Gains and losses on disposal of investments are taken up in the profit and loss account.
- (v) Fee and commission income and rental income are recognised on a time proportion basis. Where a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised. Rental income represents income from the tenanted areas of the buildings owned by the Bank and/or the Group.

(j) *Fixed assets and depreciation*

Fixed assets are stated at cost or valuation for certain land and buildings, less accumulated depreciation and impairment. Fixed assets, other than land and buildings, are depreciated on a straight-line basis over 5 or 10 years. Computer software is included in fixed assets and similarly amortised. 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 over the period of the respective leases, whichever is shorter.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

(k) Tax

Deferred income tax is provided, using the liability method, in full on all significant temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the financial years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all significant temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all significant deductible temporary differences, carry-forward of unutilised tax losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unutilised tax losses and unabsorbed capital allowances can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred income tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(l) Foreign currencies

Transactions in foreign currencies are measured in Singapore dollar and recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are measured using the exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates or, in the case of items carried at fair value, the exchange rates that existed when the values were determined. All resultant exchange differences are recognised in the profit and loss account.

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

(l) *Foreign currencies (cont'd)*

Assets and liabilities of foreign entities are translated into Singapore dollar equivalents at exchange rates ruling at the balance sheet date. Revenues and expenses are translated at average exchange rates for the financial year, which approximate the exchange rates at the dates of the transactions. All resultant exchange differences are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences included in equity are recognised in the profit and loss account as a component of the gain or loss on disposal.

Goodwill arising on acquisition of a foreign entity are treated as assets at the Group level and are recorded at the exchange rate at the date of the transaction. Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are recorded at exchange rates ruling at the balance sheet date. All resultant exchange differences are taken directly to equity.

(m) *Derivative financial instruments*

Derivative financial instruments are initially recognised in the balance sheet at amounts paid or received, as appropriate.

Derivative financial instruments undertaken for trading purposes are subsequently re-measured to fair value and the resultant profits and losses are taken up in the profit and loss account.

Derivative financial instruments entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged items.

(n) *Goodwill*

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiaries, associates or businesses acquired.

Goodwill arising on acquisition of subsidiaries occurring on or after 1 January 2001 is reported in the balance sheet as an intangible asset. Goodwill on acquisition of associates occurring on or after 1 January 2001 is included in investments in associates.

Goodwill is amortised on a straight-line basis, through the profit and loss account, over its useful economic life up to a maximum of 20 years.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

(n) *Goodwill (cont'd)*

Negative goodwill represents the excess of the fair value of the identifiable net assets of subsidiaries, associates or businesses acquired over the fair value of the consideration given.

Negative goodwill is amortised on a straight-line basis, through the profit and loss account over the remaining weighted average useful life of the identifiable depreciable/amortisable assets acquired, with the exception of the amount of negative goodwill exceeding the fair values of acquired identifiable non-monetary assets, which is recognised as income immediately.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

(o) *Impairment*

Investments in associates, investments in subsidiaries, fixed assets and goodwill are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or the cash generating unit to which the asset is allocated exceeds its recoverable amount which is the higher of the asset's or cash generating unit's net selling price and value in use.

(p) *Provisions*

Provisions are recognised when the Bank or 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.

Provisions for possible loan losses, diminution in value, and impairment of other classes of assets, despite the use of the term "provisions", are not provisions as defined above. Instead, they represent adjustments to the carrying values of assets.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

(q) *Employee benefits*

Equity compensation benefits

Employees of the Bank and the Group with the corporate grade of Vice President (or an equivalent rank) and above as well as selected employees below Vice President (or an equivalent rank) qualify for the UOB 1999 Share Option Scheme (hereinafter called the "Scheme"), subject to certain conditions.

Pursuant to the Scheme, options have been granted to enable the holders to acquire shares in the Bank at the respective exercise prices.

The Bank and the Group do not recognise share options issued under the Scheme as a charge to the profit and loss account.

Post employment benefits

The Bank and the Group contribute to legally required social security schemes (including the Central Provident Fund) which are defined contribution schemes.

These expenses are charged to the profit and loss account as and when they arise and are included as part of staff costs.

(r) *Dividends*

Dividends on ordinary shares are recorded in the financial statements in the period in which they are declared.

(s) *Repurchase and reverse repurchase agreements*

Repurchase agreements are treated as collateralised borrowings and the amounts borrowed are shown as liabilities, included in deposits of and amounts owing to non-bank customers, banks and agents (Note 21). The securities sold under repurchase agreements are treated as pledged assets and remain in the respective assets on the balance sheet.

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

The difference between the amount received and the amount paid, under repurchase agreements and reverse repurchase agreements, is amortised as interest expense and interest income respectively.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

3. Interest income

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Government treasury bills and securities	183,280	166,504	157,063	134,306
Trade bills and advances to customers	2,570,283	2,532,943	1,982,214	2,004,787
Placements and balances with banks and agents	630,547	409,735	521,739	324,825
Dealing and investment securities	277,230	184,919	205,282	126,732
	<u>3,661,340</u>	<u>3,294,101</u>	<u>2,866,298</u>	<u>2,590,650</u>
Received/receivable from :				
Subsidiaries	-	-	29,207	20,224
Associates	6,296	13,898	6,282	13,830
Third parties	3,655,044	3,280,203	2,830,809	2,556,596
	<u>3,661,340</u>	<u>3,294,101</u>	<u>2,866,298</u>	<u>2,590,650</u>

4. Interest expense

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Non-bank deposits	907,383	796,069	614,696	548,012
Deposits and balances of banks and agents	366,646	292,681	341,018	255,158
Debts issued	232,415	134,813	215,849	119,630
	<u>1,506,444</u>	<u>1,223,563</u>	<u>1,171,563</u>	<u>922,800</u>
Paid/payable to :				
Subsidiaries	-	-	28,521	21,871
Associates	3,339	2,420	2,364	1,936
Third parties	1,503,105	1,221,143	1,140,678	898,993
	<u>1,506,444</u>	<u>1,223,563</u>	<u>1,171,563</u>	<u>922,800</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

5. Dividend income

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Dividend income from :				
Investments in subsidiaries				
Quoted	–	–	4,947	5,195
Unquoted	–	–	93,226	222,452
Investments in associates				
Quoted	–	–	172,797	31,442
Unquoted	–	–	3,518	4,100
Other investments				
Quoted	31,013	25,813	19,406	16,152
Unquoted	11,970	16,191	10,603	5,266
	<u>42,983</u>	<u>42,004</u>	<u>304,497</u>	<u>284,607</u>

6. Fee and commission income

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Credit card	108,662	93,734	78,832	71,142
Fund management	111,247	77,885	10,076	4,954
Futures broking	32,492	35,367	–	–
Investment-related	130,814	97,519	90,046	67,936
Loan-related	114,027	96,567	95,213	82,178
Service charges	52,389	49,490	44,445	43,111
Trade-related	138,394	111,322	98,081	83,209
Other	17,872	25,982	10,688	19,857
	<u>705,897</u>	<u>587,866</u>	<u>427,381</u>	<u>372,387</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

7. Other operating income

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Net (loss)/profit on dealing securities, government treasury bills and securities, and derivatives	(34,220)	142,478	(34,995)	144,042
Net profit on foreign exchange dealings	126,011	111,205	90,656	79,455
Net profit on disposal of investment securities and associates	88,391	53,923	36,336	36,748
Net profit on disposal of fixed assets	12,767	18,564	11,901	11,872
Net (loss)/profit on disposal and liquidation of subsidiaries	(5,366)	408	9,182	14,225
Other income	102,806	60,008	59,377	55,820
	290,389	386,586	172,457	342,162

8. Staff costs

(a)

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	498,898	449,822	302,314	283,551
Employer's contribution to defined contribution plans, including Central Provident Fund	45,790	49,422	28,153	30,994
Other staff-related costs	42,765	32,536	33,281	29,099
	587,453	531,780	363,748	343,644

(b)

	The Group		The Bank	
	2004	2003	2004	2003
Number of employees at the balance sheet date	13,574	10,547	5,360	5,233

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

8. Staff costs (cont'd)

(c) Equity compensation benefits

Options to subscribe for ordinary shares of \$1 each in the Bank are granted pursuant to the UOB 1999 Share Option Scheme (hereinafter called the "Scheme") to employees of the UOB Group with the corporate grade of Vice President (or an equivalent rank) and above as well as selected employees below the corporate grade of Vice President (or an equivalent rank), subject to certain conditions.

Movements in the number of shares under option held by employees of the Group are as follows :

	The Group and The Bank	
	2004	2003
	'000	'000
Outstanding at 1 January	4,467	2,400
Issued	2,083	2,200
Exercised	(1,008)	(61)
Lapsed	(1,268)	(72)
	<hr/>	<hr/>
Outstanding at 31 December	4,274	4,467
	<hr/> <hr/>	<hr/> <hr/>

Details of the unissued ordinary shares of \$1 each of the Bank under option at the end of the financial year are set out below :

Year in which options were granted under the Scheme	Price per share payable in full upon application	Date of expiration of option	Number of shares	
			2004	2003
			'000	'000
1999	14.70	27 December 2004	-	1,185
2000	12.90	11 December 2005	822	1,121
2003	11.67	6 June 2008	1,369	2,161
2004	13.67	29 November 2009	2,083	-
			<hr/>	<hr/>
			4,274	4,467
			<hr/> <hr/>	<hr/> <hr/>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

8. Staff costs (cont'd)

(c) Equity compensation benefits (cont'd)

Details of share options exercised during the financial year to subscribe for ordinary shares of \$1 each in the Bank are as follows :

Year in which options were granted under the Scheme	Exercise price \$	Number of shares issued		Consideration received in cash	
		2004	2003	2004	2003
		'000	'000	\$'000	\$'000
1998	3.14	—	7	—	22
2000	12.90	280	54	3,612	697
2003	11.67	728	—	8,496	—
		<u>1,008</u>	<u>61</u>	<u>12,108</u>	<u>719</u>

9. Other operating expenses

Included in other operating expenses are :

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Depreciation of fixed assets	124,701	107,755	84,709	78,077
Rental of premises and equipment	36,636	39,388	39,321	46,893
Maintenance of premises and other assets	55,847	51,142	38,489	38,094
Other expenses of premises	36,211	31,613	21,107	19,075
Auditors' remuneration :				
Payable to the auditors of the Bank in Singapore				
Current year	1,505	1,649	1,084	1,060
Prior year underprovision	—	166	—	241
	1,505	1,815	1,084	1,301
Payable to auditors of the Bank outside Singapore	798	1,121	387	669
Payable to other auditors	508	117	237	—
Other fees*				
Payable to the auditors of the Bank in Singapore	107	912	107	727
Payable to auditors of the Bank outside Singapore	14	210	14	99
Payable to other auditors	10	—	10	—

* Included fees in respect of audit-related work required by laws and regulations.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

10. Directors' fees and other remuneration

- (a) Fees and other remuneration paid/payable to the directors of the Bank and its subsidiaries included in total expenses are as follows :

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Directors of the Bank :				
Fees	809	871	600	619
Remuneration	10,909	11,156	10,909	11,156
Professional fees paid/payable to firms of which certain directors of the Bank are members	2,536	200	2,221	38
Less :				
Amount capitalised in :				
Subordinated debts issued	443	-	443	-
Cost of acquisition of subsidiaries and an associate	955	-	695	-
Amount charged to the profit and loss accounts during the financial year	1,138	200	1,083	38
	<u>12,856</u>	<u>12,227</u>	<u>12,592</u>	<u>11,813</u>
Directors of its subsidiaries :				
Fees	673	689	10	10
Remuneration	6,258	8,982	-	-
	<u>6,931</u>	<u>9,671</u>	<u>10</u>	<u>10</u>

- (b) The number of directors of the Bank whose total directors' fees and other remuneration from the Group that fall into the following bands is as below :

	The Group	
	2004	2003
\$7,500,000 to \$7,749,999	1	-
\$6,750,000 to \$6,999,999	-	1
\$2,250,000 to \$2,499,999	1	-
\$2,000,000 to \$2,249,999	-	1
\$1,250,000 to \$1,499,999	-	1
\$1,000,000 to \$1,249,999	1	-
\$750,000 to \$999,999	-	1
Below \$250,000	10	10
	<u>13</u>	<u>14</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

11. Goodwill

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at 1 January	3,466,159	3,666,046	3,371,778	3,585,428
Transfer from Overseas Union Trust Limited ("OUT") upon merger with the Bank				
At cost	-	-	-	(25,533)
Accumulated amortisation	-	-	-	425
	-	-	-	(25,108)
Net deferred tax liability on fair values of assets and liabilities of OUT acquired in 2002 and adjusted in 2003	-	1,733	-	1,733
Goodwill on acquisition of Bank of Asia Public Company Limited [Note 32(b)]	611,086	-	-	-
Goodwill on acquisition of additional shares in subsidiaries	12,114	-	-	-
Goodwill written-off to profit and loss account upon liquidation of a subsidiary				
At cost	-	(1,288)	-	-
Accumulated amortisation	-	96	-	-
	-	(1,192)	-	-
Amortisation during the financial year	(213,630)	(200,428)	(189,959)	(190,275)
Balance at 31 December	3,875,729	3,466,159	3,181,819	3,371,778
Goodwill, at cost	4,533,051	3,909,851	3,800,657	3,800,657
Accumulated amortisation	(657,322)	(443,692)	(618,838)	(428,879)
	3,875,729	3,466,159	3,181,819	3,371,778

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

12. Provisions

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

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Specific provisions for and net write-offs of trade bills and advances to customers	234,782	345,402	189,657	270,839
General provisions (written back)/charged	(102,000)	—	(107,305)	2,442
Provision for diminution in value/impairment of investments, fixed assets and other assets (Note 33)	68,581	16,110	26,534	53,633
Provision/(write-back of provision) for contingent liabilities	7,342	—	(18,201)	—
	<u>208,705</u>	<u>361,512</u>	<u>90,685</u>	<u>326,914</u>

13. Exceptional item

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Surplus arising from the merger of OUT	—	—	—	12,421
	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,421</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

14. Tax

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

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
On the profit of the financial year :				
Current tax	405,602	386,686	359,641	358,996
Deferred tax	(19,230)	(6,585)	(18,893)	(3,913)
	<u>386,372</u>	<u>380,101</u>	<u>340,748</u>	<u>355,083</u>
Share of tax of associates	65,887	26,423	-	-
	<u>452,259</u>	<u>406,524</u>	<u>340,748</u>	<u>355,083</u>
(Over)/underprovision of tax in respect of prior financial years :				
Current tax	(3,027)	(8,879)	(3,076)	(5,230)
Deferred tax	1,200	(4,894)	(1)	(3,658)
	<u>450,432</u>	<u>392,751</u>	<u>337,671</u>	<u>346,195</u>

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

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit before tax	<u>1,916,865</u>	<u>1,608,328</u>	<u>1,527,905</u>	<u>1,416,756</u>
Tax calculated at a tax rate of 20% (2003: 22%)	383,373	353,832	305,581	311,686
Effects on :				
Singapore statutory stepped income exemption	(210)	(278)	(11)	(12)
Offshore income from the Asian Currency Unit and other income taxed at concessionary rates	(30,699)	(40,199)	(24,729)	(36,552)
Other tax rebates	(267)	(2,509)	-	-
Different tax rates in other countries	38,647	23,819	24,547	64,155
Losses of overseas branches, subsidiaries and associates not offset against taxable income of other entities	7,716	9,872	219	302
Income not subject to tax	(29,884)	(1,906)	(16,153)	(39,372)
Expenses not deductible for tax purposes	84,613	65,393	51,490	55,472
Realisation of deferred tax benefit in respect of tax losses not previously recognised	(1,030)	(1,500)	(196)	(596)
Tax expense on profit of the financial year	<u>452,259</u>	<u>406,524</u>	<u>340,748</u>	<u>355,083</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

14. Tax

- (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 \$581,277,000 (2003: \$222,752,000) 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 \$527,026,000 (2003: \$188,124,000) which will expire between the years 2005 and 2024 (2003: 2004 and 2023).

The movements in the deferred tax assets and liabilities of the Bank and the Group (prior to the offsetting of balances within the same tax jurisdiction) during the financial year are as follows :

Deferred tax liabilities

	2004				2003			
	Accelerated tax depreciation \$'000	Fair value of depreciable properties acquired in business combination \$'000	Other \$'000	Total \$'000	Accelerated tax depreciation \$'000	Fair value of depreciable properties acquired in business combination \$'000	Other \$'000	Total \$'000
The Group								
Balance at 1 January	58,997	52,181	6,972	118,150	51,310	49,526	9,073	109,909
Currency translation differences	(186)	(84)	375	105	(124)	-	(40)	(164)
Adjustment to goodwill (Note 11)	-	-	-	-	-	7,922	-	7,922
Liquidation of a subsidiary	-	-	-	-	(8)	-	-	(8)
(Credited)/charged to profit and loss account	(5,278)	(6,170)	9,953	(1,495)	7,819	(5,267)	(2,061)	491
Balance at 31 December	53,533	45,927	17,300	116,760	58,997	52,181	6,972	118,150
The Bank								
Balance at 1 January	48,526	52,181	3,432	104,139	39,658	49,526	2,209	91,393
Currency translation differences	(35)	-	375	340	(17)	-	(57)	(74)
Adjustment to goodwill (Note 11)	-	-	-	-	-	7,922	-	7,922
Transfer from subsidiaries upon merger	-	-	-	-	319	-	-	319
(Credited)/charged to profit and loss account	(4,799)	(7,802)	9,134	(3,467)	8,566	(5,267)	1,280	4,579
Balance at 31 December	43,692	44,379	12,941	101,012	48,526	52,181	3,432	104,139

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

14. Tax (cont'd)

(b) (cont'd)

Deferred tax assets

	2004			2003		
	Non-tax deductible general provisions \$'000	Other \$'000	Total \$'000	Non-tax deductible general provisions \$'000	Other \$'000	Total \$'000
The Group						
Balance at 1 January	123,852	16,189	140,041	110,548	11,980	122,528
Currency translation differences	(1,244)	292	(952)	(651)	5	(646)
Adjustment to goodwill (Note 11)	-	-	-	6,189	-	6,189
Acquisition of subsidiaries	-	21,619	21,619	-	-	-
(Charged)/credited to profit and loss account	(8,585)	25,120	16,535	7,766	4,204	11,970
Balance at 31 December	114,023	63,220	177,243	123,852	16,189	140,041
The Bank						
Balance at 1 January	92,581	13,497	106,078	78,626	9,135	87,761
Currency translation differences	-	355	355	-	(22)	(22)
Adjustment to goodwill (Note 11)	-	-	-	6,189	-	6,189
(Charged)/credited to profit and loss account	(8,416)	23,843	15,427	7,766	4,384	12,150
Balance at 31 December	84,165	37,695	121,860	92,581	13,497	106,078

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

14. Tax (cont'd)

(b) (cont'd)

Deferred tax assets (cont'd)

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

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities				
Before netting	116,760	118,150	101,012	104,139
Amount netted against deferred tax assets	(105,043)	(103,571)	(100,739)	(100,532)
After netting	11,717	14,579	273	3,607
Deferred tax assets				
Before netting	177,243	140,041	121,860	106,078
Amount netted against deferred tax liabilities	(105,043)	(103,571)	(100,739)	(100,532)
After netting	72,200	36,470	21,121	5,546

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

15. Earnings per share

The calculation of basic and diluted earnings per share ("EPS") is determined based on the profit attributable to members divided by the weighted average number of ordinary shares in issue :

	The Group	
	2004	2003
	\$'000	\$'000
Net profit for the financial year attributable to members	<u>1,451,769</u>	<u>1,202,086</u>
	'000	'000
Weighted average number of ordinary shares in issue for computation of basic EPS	<u>1,567,228</u>	<u>1,571,627</u>
Adjustment for assumed exercise of share options	<u>215</u>	<u>-</u>
Weighted average number of ordinary shares for computation of diluted EPS	<u>1,567,443</u>	<u>1,571,627</u>

16. Share capital

(a)

	The Group and The Bank			
	2004		2003	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Ordinary shares of \$1 each				
Authorised	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid :				
Balance at 1 January	1,571,664	1,571,664	1,571,603	1,571,603
Share buy-back	(36,417)	(36,417)	-	-
Shares issued upon exercise of options	<u>1,008</u>	<u>1,008</u>	<u>61</u>	<u>61</u>
Balance at 31 December	<u>1,536,255</u>	<u>1,536,255</u>	<u>1,571,664</u>	<u>1,571,664</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

16. Share capital (cont'd)

- (b) During the financial year, the Bank issued 1,008,000 (2003: 61,000) ordinary shares of \$1 each to option holders who exercised their rights. All newly issued shares rank *pari passu* in all respects with the previously issued shares.
- (c) On 29 October 2004, the Board announced a proposed share buy-back programme of up to \$500 million by way of open market purchase, pursuant to a share purchase mandate approved by shareholders at the UOB's extraordinary general meeting held on 29 April 2004. During the financial year, the Bank purchased 36,417,000 UOB shares in the open market at an average price of \$13.72 per share. The total consideration paid for the share buy-back of \$499,810,000 (excluding related expenses) was financed by internally generated funds.

Under current law, a share purchased or acquired by UOB is deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to the share will expire on cancellation. On cancellation, the par value of the shares cancelled is transferred to a capital redemption reserve account.

- (d) Details of the unissued ordinary shares of \$1 each of the Bank under option at the end of the financial year are set out in Note 8(c).

17. Capital reserves

(a) The Group

	Share premium \$'000	Merger reserve \$'000	Foreign currency translation reserves \$'000	Other \$'000	Total \$'000
2004					
Balance at 1 January	791,891	3,417,501	(84,908)	117,800	4,242,284
Currency translation differences	–	–	(36,731)	–	(36,731)
Share premium arising from the issue of shares upon exercise of options	11,100	–	–	–	11,100
Share buy-back	–	–	–	36,417	36,417
Transfer to retained profits [Note 19(a)]	–	(5,009)	–	(825)	(5,834)
Other adjustments	–	–	–	2,681	2,681
Balance at 31 December	802,991	3,412,492	(121,639)	156,073	4,249,917
2003					
Balance at 1 January	791,233	3,431,570	(95,389)	129,505	4,256,919
Currency translation differences	–	–	10,481	–	10,481
Share premium arising from the issue of shares upon exercise of options	658	–	–	–	658
Transfer to retained profits [Note 19(a)]	–	(14,069)	–	(9,900)	(23,969)
Other adjustments	–	–	–	(1,805)	(1,805)
Balance at 31 December	791,891	3,417,501	(84,908)	117,800	4,242,284

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

17. Capital reserves (cont'd)

(b) The Bank

	Share premium \$'000	Merger reserve \$'000	Foreign currency translation reserves \$'000	Other \$'000	Total \$'000
2004					
Balance at 1 January	791,891	3,417,501	(29,259)	–	4,180,133
Currency translation differences	–	–	5,265	–	5,265
Share premium arising from the issue of shares upon exercise of options	11,100	–	–	–	11,100
Share buy-back	–	–	–	36,417	36,417
Transfer to retained profits [Note 19(b)]	–	(5,009)	–	–	(5,009)
Balance at 31 December	802,991	3,412,492	(23,994)	36,417	4,227,906
2003					
Balance at 1 January	791,233	3,431,570	(25,146)	–	4,197,657
Currency translation differences	–	–	(4,113)	–	(4,113)
Share premium arising from the issue of shares upon exercise of options	658	–	–	–	658
Transfer to retained profits [Note 19(b)]	–	(14,069)	–	–	(14,069)
Balance at 31 December	791,891	3,417,501	(29,259)	–	4,180,133

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

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

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

The other reserves of the Bank and the Group include capital redemption reserve of \$36,417,000 (2003: \$Nil), arising from share buy-back. The Group's other reserves also include an amount of \$57,796,000 (2003: \$57,796,000) relating to bonus shares which were issued by a subsidiary as fully paid shares through capitalisation of the subsidiary's revenue reserve.

United Overseas Bank Limited and Its Subsidiaries**Notes to the Financial Statements - 31 December 2004**

18. Statutory reserves

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	2,859,850	2,757,518	2,493,172	2,395,293
Transfer from revenue reserves (Note 19)	62,447	101,803	60,000	97,879
Other adjustments	—	529	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	<u>2,922,297</u>	<u>2,859,850</u>	<u>2,553,172</u>	<u>2,493,172</u>

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.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

19. Revenue reserves

(a) The Group

	General reserves \$'000	Retained profits \$'000	Total \$'000
2004			
Balance at 1 January	1,263,212	3,201,740	4,464,952
Net profit for the financial year attributable to members	–	1,451,769	1,451,769
Transfer to general reserves	242,798	(242,798)	–
Transfer to statutory reserves (Note 18)	–	(62,447)	(62,447)
Transfer from other reserves [Note 17(a)]	–	825	825
Transfer from merger reserve [Note 17(a)]	–	5,009	5,009
Transfer from share of reserves of associates (Note 20)	–	1,150	1,150
Share buy-back [Note 16(c)]	–	(499,810)	(499,810)
Dividends :			
Final dividend in respect of financial year ended 31 December 2003 of 40 cents per share paid, net of tax at 20%	–	(502,976)	(502,976)
Interim dividend in respect of financial year ended 31 December 2004 of 20 cents per share paid, net of tax at 20%	–	(251,594)	(251,594)
	–	(754,570)	(754,570)
Balance at 31 December	1,506,010	3,100,868	4,606,878
2003			
Balance at 1 January			
As restated	957,973	2,934,998	3,892,971
Net profit for the financial year attributable to members	–	1,202,086	1,202,086
Transfer to general reserves	349,746	(349,746)	–
Transfer to statutory reserves (Note 18)	(43,879)	(57,924)	(101,803)
Transfer from other reserves [Note 17(a)]	–	9,900	9,900
Transfer from merger reserve [Note 17(a)]	–	14,069	14,069
Other adjustments	(628)	(4)	(632)
Dividends :			
Final dividend in respect of financial year ended 31 December 2002 of 25 cents per share paid, net of tax at 22%	–	(306,463)	(306,463)
Interim dividend in respect of financial year ended 31 December 2003 of 20 cents per share paid, net of tax at 22%	–	(245,176)	(245,176)
	–	(551,639)	(551,639)
Balance at 31 December	1,263,212	3,201,740	4,464,952

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

19. Revenue reserves (cont'd)

(b) The Bank

	General reserve \$'000	Retained profits \$'000	Total \$'000
2004			
Balance at 1 January	790,249	2,723,893	3,514,142
Net profit for the financial year attributable to members	-	1,190,234	1,190,234
Transfer to general reserve	240,000	(240,000)	-
Transfer to statutory reserve (Note 18)	-	(60,000)	(60,000)
Transfer from merger reserve [Note 17(b)]	-	5,009	5,009
Share buy-back [Note 16(c)]	-	(499,810)	(499,810)
Dividends :			
Final dividend in respect of financial year ended 31 December 2003 of 40 cents per share paid, net of tax at 20%	-	(502,976)	(502,976)
Interim dividend in respect of financial year ended 31 December 2004 of 20 cents per share paid, net of tax at 20%	-	(251,594)	(251,594)
	-	(754,570)	(754,570)
Balance at 31 December	1,030,249	2,364,756	3,395,005
2003			
Balance at 1 January As restated	488,128	2,590,902	3,079,030
Net profit for the financial year attributable to members	-	1,070,561	1,070,561
Transfer to general reserve	346,000	(346,000)	-
Transfer to statutory reserve (Note 18)	(43,879)	(54,000)	(97,879)
Transfer from merger reserve [Note 17(b)]	-	14,069	14,069
Dividends :			
Final dividend in respect of financial year ended 31 December 2002 of 25 cents per share paid, net of tax at 22%	-	(306,463)	(306,463)
Interim dividend in respect of financial year ended 31 December 2003 of 20 cents per share paid, net of tax at 22%	-	(245,176)	(245,176)
	-	(551,639)	(551,639)
Balance at 31 December	790,249	2,723,893	3,514,142

(c) In each financial year, a certain amount of retained profits is transferred to general reserves of the Bank and the Group. These general reserves have not been earmarked for any particular purpose.

(d) The revenue reserves of the Bank and the Group are distributable except for the amount of \$367,092,000 (2003: \$287,591,000) being the Group's share of revenue reserves of associates which is distributable only upon realisation by way of dividend from or disposal of investments in the associates.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

20. Share of reserves of associates

	The Group	
	2004	2003
	\$'000	\$'000
Balance at 1 January	143,285	133,594
Movements in other reserves of associates	(18,730)	9,691
Transfer to retained profits on disposal and liquidation of associates [Note 19(a)]	(1,150)	-
	<u>123,405</u>	<u>143,285</u>
Balance at 31 December	<u>123,405</u>	<u>143,285</u>

The balance comprises the Group's share of associates' post-acquisition revenue reserves at the beginning of 1 January 1998, and other reserves, adjusted for goodwill arising from acquisition of associates prior to 1 January 2001. These reserves are non-distributable until they are realised by way of dividend from or disposal of investments 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 from 1 January 1998 is included in revenue reserves of the Group.

21. Deposits of and amounts owing to non-bank customers, banks and agents and subsidiaries

(a)

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Analysed by remaining maturity :				
Within 1 year	104,728,583	87,450,283	88,287,529	78,303,812
Over 1 year but within 3 years	1,411,887	702,924	1,000,076	590,401
Over 3 years but within 5 years	903,065	433,679	852,069	393,074
Over 5 years	169,332	115,437	79,895	79,947
	<u>107,212,867</u>	<u>88,702,323</u>	<u>90,219,569</u>	<u>79,367,234</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

21. Deposits of and amounts owing to non-bank customers, banks and agents and subsidiaries (cont'd)

(b) Included in deposits of and amounts owing to non-bank customers, banks and agents are :

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Obligations on securities sold under repurchase agreements ("REPOs")	<u>4,236,716</u>	<u>151,180</u>	<u>2,881,180</u>	<u>151,180</u>

The related securities sold under REPOs are shown in Notes 24, 25, 27, 28 and 30 to the financial statements.

(c) Included in deposits of non-bank customers are :

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Fixed rate deposits	<u>50,933,202</u>	<u>45,801,200</u>	<u>41,194,858</u>	<u>38,664,804</u>
Current, savings and other deposits	<u>28,085,568</u>	<u>24,061,761</u>	<u>21,159,679</u>	<u>21,636,496</u>
	<u><u>79,018,770</u></u>	<u><u>69,862,961</u></u>	<u><u>62,354,537</u></u>	<u><u>60,301,300</u></u>

22. Other liabilities

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Accrued interest payable	<u>541,261</u>	<u>349,785</u>	<u>448,195</u>	<u>285,777</u>
Trading derivative financial instruments at fair value (Note 38)	<u>2,703,121</u>	<u>2,599,658</u>	<u>2,637,563</u>	<u>2,563,077</u>
Other	<u>2,954,230</u>	<u>3,491,995</u>	<u>1,084,010</u>	<u>898,131</u>
	<u><u>6,198,612</u></u>	<u><u>6,441,438</u></u>	<u><u>4,169,768</u></u>	<u><u>3,746,985</u></u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

23. Debts issued

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
(a) Subordinated notes				
S\$1.3 billion 4.95% subordinated notes due 2016 callable with step-up in 2011, at cost	1,300,000	1,300,000	1,300,000	1,300,000
US\$1 billion 4.50% subordinated notes due 2013, at cost adjusted for discount	1,633,245	1,700,154	1,633,245	1,700,154
S\$1 billion 4.100% subordinated notes due 2019 callable with step-up in 2014, at cost adjusted for discount	997,637	-	997,637	-
US\$1 billion 5.375% subordinated notes due 2019 callable with step-up in 2014, at cost adjusted for discount	1,632,681	-	1,632,681	-
THB2 billion subordinated debentures due 2008, at cost	83,957	-	-	-
	<u>5,647,520</u>	<u>3,000,154</u>	<u>5,563,563</u>	<u>3,000,154</u>
Unamortised expenses incurred in connection with the issue of the subordinated notes	(13,986)	(9,345)	(13,986)	(9,345)
	<u>5,633,534</u>	<u>2,990,809</u>	<u>5,549,577</u>	<u>2,990,809</u>
(b) Asset Backed Commercial Paper ("ABCP")				
At cost adjusted for discount :				
S\$ ABCP	724,000	678,500	-	-
US\$ ABCP	201,366	173,907	-	-
	<u>925,366</u>	<u>852,407</u>	<u>-</u>	<u>-</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

23. Debts issued (cont'd)

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
(c) Other				
Credit linked notes, at cost	32,676	34,016	32,676	34,016
Interest rate linked notes, at cost	95,470	65,830	95,470	65,830
Equity linked notes, at cost	402,251	253,207	402,251	253,207
	<u>530,397</u>	<u>353,053</u>	<u>530,397</u>	<u>353,053</u>
Total debts issued	<u><u>7,089,297</u></u>	<u><u>4,196,269</u></u>	<u><u>6,079,974</u></u>	<u><u>3,343,862</u></u>

(a) The S\$1.3 billion 4.95% subordinated notes were issued by the Bank at par on 30 August 2001 and mature on 30 September 2016. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 30 September 2011 or at any interest payment date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 4.95% per annum up to and including 29 September 2011. From and including 30 September 2011, interest is payable semi-annually at a fixed rate equal to the five-year Singapore Dollar Interest Rate Swap (Offer Rate) as at 30 September 2011 plus 2.25% per annum.

The US\$1 billion 4.50% subordinated notes were issued by the Bank at 99.96% on 30 June 2003 and mature on 2 July 2013. The notes may be redeemed at par at the option of the Bank, in whole, on notice, in the event of certain changes in the tax laws of Singapore, subject to the approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 4.50% per annum beginning 2 January 2004.

The S\$1 billion 4.100% subordinated notes were issued by the Bank at 99.755% on 24 August 2004 and mature on 3 September 2019. The notes may be redeemed at par at the option of the Bank, in whole but not in part, on 3 September 2014 or at any interest payment date in the event of certain changes in the tax laws of Singapore, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 4.100% per annum beginning 3 March 2005. From and including 3 September 2014, interest is payable semi-annually at a fixed rate per annum equal to the five-year Singapore Dollar Interest Rate Swap (Offer Rate) plus 1.680%.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

23. Debts issued (cont'd)

(a) (cont'd)

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

The capitalised expenses incurred in connection with the issue of the subordinated notes are amortised over 10 years from the date of issue of the subordinated notes.

All the S\$ and US\$ notes are unsecured subordinated obligations of the Bank and have been approved by the Monetary Authority of Singapore as qualifying for Upper Tier 2 capital. They rank equally with all present and future Upper Tier 2 unsecured subordinated indebtedness of the Bank and rank senior to all ordinary and preference shares of the Bank. At the balance sheet date, all outstanding liabilities of the Bank rank senior to these notes.

The Bank has entered into interest rate swaps to manage the interest rate risk arising from the S\$ and US\$ notes.

The THB2 billion subordinated debentures were issued by Bank of Asia Public Company Limited ("BOA") at par on 15 August 2001 and mature on 15 August 2008. The debentures carry a floating rate calculated based on the average of the deposit rate of one year of four major banks in Thailand and BOA, plus 2.50% per annum with a minimum guaranteed rate of 6.50% per annum. Interest rate of the debentures for the financial year was 6.50% (2003: 6.50%).

- (b) The ABCP were issued in relation to a \$1 billion ABCP programme carried out by Archer 1 Limited, a SPE (Note 35). 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 2004 range from 1.25% to 1.60% (2003: 1.10% to 1.25%) per annum and 2.00% to 2.48% (2003: 1.20% to 1.25%) 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.

The SPE intends to issue new ABCP upon the maturity of outstanding ABCP for as long as the SPE intends to carry on its principal activity of investment holding.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

23. Debts issued (cont'd)

- (c) The credit linked notes, with embedded credit default swaps, were issued at par between 5 February 2003 and 18 February 2003 and mature between 8 June 2005 and 15 February 2008. The notes will be redeemed at face value on their respective maturity dates 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.

The interest rate linked notes, with embedded interest rate derivatives, were issued at par between 19 September 2003 and 26 November 2004 and mature between 21 September 2007 and 6 November 2015. The periodic payouts and redemptions of the notes are linked to the interest rate indices.

The equity linked notes, with embedded equity derivatives, were issued at par between 14 March 2003 and 10 December 2004 and mature between 12 November 2008 and 15 October 2014. 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.

24. Singapore Government treasury bills and securities

- (a)

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Held for trading, at fair value	<u>1,547,306</u>	<u>388,543</u>	<u>1,535,348</u>	<u>375,069</u>
Not held for trading, at cost adjusted for premium and discount	6,227,351	5,922,450	6,145,053	5,857,734
Provision for diminution in value (Note 33)	<u>(2,195)</u>	<u>(147)</u>	<u>(2,195)</u>	<u>(143)</u>
	<u>6,225,156</u>	<u>5,922,303</u>	<u>6,142,858</u>	<u>5,857,591</u>
	<u>7,772,462</u>	<u>6,310,846</u>	<u>7,678,206</u>	<u>6,232,660</u>
Market value at 31 December :				
Not held for trading	<u>6,245,398</u>	<u>5,947,716</u>	<u>6,162,056</u>	<u>5,870,779</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

24. Singapore Government treasury bills and securities (cont'd)

(b) Included in Singapore Government treasury bills and securities are :

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Securities sold under repurchase agreements	<u>1,119,700</u>	<u>151,180</u>	<u>1,119,700</u>	<u>151,180</u>

25. Other government treasury bills and securities

(a)

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Held for trading, at fair value	<u>482,660</u>	<u>114,597</u>	<u>370,113</u>	<u>-</u>
Not held for trading, at cost adjusted for premium and discount	<u>1,492,684</u>	<u>1,237,030</u>	<u>1,245,351</u>	<u>706,592</u>
Provision for diminution in value (Note 33)	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>
	<u>1,492,684</u>	<u>1,237,027</u>	<u>1,245,351</u>	<u>706,589</u>
	<u>1,975,344</u>	<u>1,351,624</u>	<u>1,615,464</u>	<u>706,589</u>
Market value at 31 December :				
Not held for trading	<u>1,501,556</u>	<u>1,240,151</u>	<u>1,251,646</u>	<u>713,002</u>

(b) Included in other government treasury bills and securities are :

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Securities sold under repurchase agreements	<u>252,158</u>	<u>-</u>	<u>241,586</u>	<u>-</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

25. Other government treasury bills and securities (cont'd)

- (c) Included in the Group's other government treasury bills and securities as at 31 December 2003 were promissory notes of \$385,380,000 guaranteed by a foreign government authority. The Group was not permitted to sell, transfer, pledge, or create any lien or encumbrance over any of these promissory notes without the prior consent of that authority. These promissory notes were fully redeemed during the financial year 2004.

26. Dealing securities

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
At fair value :				
Quoted equity shares	117,789	158,878	76,854	101,935
Quoted debt securities	76,110	61,845	41,278	32,325
Unquoted marketable unit trusts	37,697	19,046	-	-
Unquoted debt securities	207,338	284,737	6,441	42,604
	438,934	524,506	124,573	176,864

27. Placements and balances with banks and agents

- (a)

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Analysed by maturity period :				
Within 1 year	26,136,524	19,500,410	23,280,332	17,760,364
Over 1 year but within 3 years	589,461	571,727	589,261	570,117
	26,725,985	20,072,137	23,869,593	18,330,481

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

27. Placements and balances with banks and agents (cont'd)

(b) Included in placements and balances with banks and agents are :

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Negotiable certificates of deposit, floating rate certificates of deposit and other similar instruments	5,141,225	2,425,003	3,605,253	1,157,840
Negotiable certificates of deposit sold under repurchase agreements	1,519,894	—	1,519,894	—

28. Trade bills and advances to customers

(a)

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Gross trade bills	1,590,414	1,323,477	214,429	159,863
Specific provisions	(10,785)	(10,874)	—	—
	<u>1,579,629</u>	<u>1,312,603</u>	<u>214,429</u>	<u>159,863</u>
Gross advances to customers	66,386,405	61,257,548	52,829,009	53,019,100
Specific provisions	(2,011,685)	(1,566,053)	(1,136,103)	(1,221,267)
Interest-in-suspense	(283,879)	(285,123)	(167,785)	(170,871)
General provisions	(1,370,454)	(1,422,419)	(1,168,747)	(1,276,364)
	<u>62,720,387</u>	<u>57,983,953</u>	<u>50,356,374</u>	<u>50,350,598</u>
Total gross trade bills and advances to customers	<u>67,976,819</u>	<u>62,581,025</u>	<u>53,043,438</u>	<u>53,178,963</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

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

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Within 1 year	33,566,011	30,255,728	25,295,939	25,508,168
Over 1 year but within 3 years	9,293,144	9,668,217	7,904,899	8,853,289
Over 3 years but within 5 years	6,428,281	5,385,747	5,043,653	4,841,847
Over 5 years	18,689,383	17,271,333	14,798,947	13,975,659
	<u>67,976,819</u>	<u>62,581,025</u>	<u>53,043,438</u>	<u>53,178,963</u>

(c) Included in trade bills are :

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Banker's acceptance sold under repurchase agreements	81,861	-	-	-
	<u>81,861</u>	<u>-</u>	<u>-</u>	<u>-</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

(d) Total gross trade bills and advances to customers analysed by industry group :

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Transport, storage and communication	2,103,986	2,103,559	1,652,042	1,928,170
Building and construction	7,477,144	7,319,732	6,261,125	6,361,641
Manufacturing	7,795,580	5,846,022	4,489,302	3,920,081
Non-bank financial institutions	10,205,132	10,408,312	9,540,561	9,999,362
General commerce	10,907,800	9,272,684	8,494,560	7,920,061
Professionals and private individuals (excluding housing loans)	10,155,198	9,653,344	8,030,515	8,335,653
Housing loans	15,875,340	14,789,494	12,299,584	12,319,357
Other	3,456,639	3,187,878	2,275,749	2,394,638
	<u>67,976,819</u>	<u>62,581,025</u>	<u>53,043,438</u>	<u>53,178,963</u>

(e) At the balance sheet date, the gross amount of trade bills and advances and credit facilities granted to customers that were regarded as non-performing loans are as follows :

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Substandard	3,330,674	3,290,275	2,048,184	2,570,668
Doubtful	309,425	354,861	238,569	321,611
Loss	1,764,909	1,435,980	1,027,929	1,065,349
	<u>5,405,008</u>	<u>5,081,116</u>	<u>3,314,682</u>	<u>3,957,628</u>

Non-performing loans are those classified as Substandard, Doubtful and Loss in accordance with Notice to Banks, MAS 612. Specific provisions are made for any debts considered to be doubtful of collection.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

(f) The movements in provisions are as follows :

	Specific provisions \$'000	The Group Interest-in- suspense \$'000	General provisions \$'000	Total \$'000
2004				
Balance at 1 January	1,576,927	711,888	1,422,419	3,711,234
Currency translation differences	(20,958)	(6,039)	(5,295)	(32,292)
Write-off against provisions	(260,682)	(64,366)	-	(325,048)
Net charge/(write-back) to profit and loss account	178,827	-	(102,000)	76,827
Interest suspended	-	82,937	-	82,937
Transfer to provision for diminution in value of investment securities [Note 33(a)]	(14,652)	(3,913)	-	(18,565)
Acquisition of BOA	563,008	-	55,330	618,338
Balance at 31 December	2,022,470	720,507	1,370,454	4,113,431
2003				
Balance at 1 January	1,736,583	670,500	1,425,013	3,832,096
Currency translation differences	(6,832)	(5,032)	(2,594)	(14,458)
Write-off against provisions	(431,181)	(34,541)	-	(465,722)
Net charge to profit and loss account	284,437	-	-	284,437
Interest suspended	-	82,757	-	82,757
Transfer to provision for diminution in value of investment securities [Note 33(a)]	(6,080)	(1,796)	-	(7,876)
Balance at 31 December	1,576,927	711,888	1,422,419	3,711,234