

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) (cont'd)

	The Bank			Total \$'000
	Specific provisions \$'000	Interest-in- suspense \$'000	General provisions \$'000	
2004				
Balance at 1 January	1,221,267	576,576	1,276,364	3,074,207
Currency translation differences	(7,942)	(843)	(312)	(9,097)
Write-off against provisions	(214,226)	(47,126)	-	(261,352)
Net charge/(write-back) to profit and loss account	137,004	-	(107,305)	29,699
Interest suspended	-	56,727	-	56,727
Balance at 31 December	1,136,103	585,334	1,168,747	2,890,184
2003				
Balance at 1 January	1,326,679	507,569	1,231,305	3,065,553
Currency translation differences	(1,355)	(2,667)	(51)	(4,073)
Write-off against provisions	(379,184)	(22,437)	-	(401,621)
Net charge to profit and loss account	216,524	-	2,442	218,966
Interest suspended	-	40,156	-	40,156
Transfer from subsidiaries upon merger	58,603	53,955	42,668	155,226
Balance at 31 December	1,221,267	576,576	1,276,364	3,074,207

The above interest-in-suspense includes amounts relating to interest receivable as shown in Note 29.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

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

(g) The Bank and the Group have granted credit facilities to related parties in the ordinary course of business at arm's length commercial terms. The outstanding credit facilities to related parties as at the balance sheet date are as follows :

	Trade bills and advances \$'000	2004 Off- balance sheet credit facilities \$'000	Estimated values of collateral \$'000	Trade bills and advances \$'000	2003 Off- balance sheet credit facilities \$'000	Estimated values of collateral \$'000
The Group						
Associates of the Group						
Financial activities	60,942	6,774	128,726	61,937	13,725	132,391
Non-financial activities	597,386	84,549	1,337,448	582,861	64,982	1,138,560
Directors of the Bank and director-related parties [^]	580,324	20,651	1,516,105	722,345	51,417	1,741,068
Corporations where directors of the Bank are also directors *	456,804	14,563	230,544	640,788	20,371	479,609
The Bank						
Associates of the Group						
Financial activities	58,843	3,438	128,726	60,930	13,655	130,244
Non-financial activities	597,386	84,208	1,333,698	580,793	64,442	1,134,810
Directors of the Bank and director-related parties [^]	580,324	20,651	1,516,105	722,345	51,417	1,741,068
Corporations where directors of the Bank are also directors *	456,804	14,563	230,544	640,788	19,586	478,266

[^] Excluding credit facilities granted to subsidiaries and those already included in the first category.

* Excluding credit facilities granted to subsidiaries and those already included in the first two categories.

Off-balance sheet credit facilities comprise direct credit substitutes, transaction-related contingencies and trade-related contingencies.

Director-related parties include the family members of the directors of the Bank, entities in which the directors of the Bank or their family members have substantial shareholdings, and individuals, companies or firms whose credit facilities are guaranteed by the directors of the Bank.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

29. Other assets

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Interest receivable	1,258,899	935,811	1,049,050	790,068
Interest-in-suspense	(436,628)	(426,765)	(417,549)	(405,705)
	822,271	509,046	631,501	384,363
Trading derivative financial instruments at fair value (Note 38)	2,884,689	2,580,988	2,854,211	2,572,878
Foreclosed properties	568,914	11,369	–	–
Other	1,674,626	1,638,024	811,017	711,851
Provision for diminution in value of other assets (Note 33)	(58,990)	(23,690)	(31,669)	(11,679)
	5,891,510	4,715,737	4,265,060	3,657,413

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

30. Investment securities

(a)

	The Group		The Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Quoted securities				
Equity securities, at cost	880,501	844,999	640,025	582,704
Debt securities, at cost adjusted for premium and discount	3,429,082	1,822,353	3,376,687	1,776,621
	<u>4,309,583</u>	<u>2,667,352</u>	<u>4,016,712</u>	<u>2,359,325</u>
Provision for diminution in value (Note 33)	(33,569)	(40,691)	(12,112)	(18,069)
	<u>4,276,014</u>	<u>2,626,661</u>	<u>4,004,600</u>	<u>2,341,256</u>
Quoted securities, at fair value *				
Equity securities	23,357	22,927	–	–
Debt securities	914,994	855,388	–	–
	<u>938,351</u>	<u>878,315</u>	<u>–</u>	<u>–</u>
Unquoted securities				
Equity securities, at cost	561,033	604,646	385,715	467,812
Debt securities, at cost adjusted for premium and discount	2,988,626	1,372,386	2,518,958	1,325,077
	<u>3,549,659</u>	<u>1,977,032</u>	<u>2,904,673</u>	<u>1,792,889</u>
Provision for diminution in value (Note 33)	(224,445)	(90,283)	(106,623)	(72,242)
	<u>3,325,214</u>	<u>1,886,749</u>	<u>2,798,050</u>	<u>1,720,647</u>
Unquoted debt securities, at fair value *	68,966	30,785	–	–
Total investment securities	<u>8,608,545</u>	<u>5,422,510</u>	<u>6,802,650</u>	<u>4,061,903</u>
Market value at 31 December :				
Quoted equity securities	1,102,553	964,318	793,803	666,701
Quoted debt securities	4,430,980	2,760,393	3,466,858	1,860,469
	<u>5,533,533</u>	<u>3,724,711</u>	<u>4,260,661</u>	<u>2,527,170</u>

* Quoted securities at fair value amounting to \$938,351,000 (2003: \$878,315,000) and unquoted debt securities at fair value amounting to \$68,966,000 (2003: \$30,785,000) held by the SPE, Archer 1 Limited, are subject to a first floating charge as security for the liabilities under the ABCP programme [Note 23(b)].

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

30. Investment securities (cont'd)

(b) Included in investment securities are :

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Debt securities sold under repurchase agreements	1,263,103	—	—	—
Equity interests in companies in which the Group has significant influence *	674,218	708,352	484,906	513,420

* These equity interests relate to companies in which the Group, through its acquisition of the OUB Group, presently has equity interests of 20 to 50 percent and over whose financial and operating decisions it has significant influence. These investments have not been accounted for as associates of the Group as they were acquired and held exclusively with a view to their subsequent disposal in the near future.

(c) Gross investment securities analysed by industry group :

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	394,965	400,904	239,362	286,803
Building and construction	434,000	235,811	266,466	69,889
Manufacturing	587,996	560,861	560,177	436,829
Financial institutions	5,132,667	2,613,212	4,245,462	1,825,040
General commerce	800,285	689,251	573,398	507,164
Other	1,516,646	1,053,445	1,036,520	1,026,489
	8,866,559	5,553,484	6,921,385	4,152,214

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

31. Investments in associates

(a)

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Quoted securities, at cost				
Equity shares	915,723	650,905	684,690	614,440
Debt securities	–	2,068	–	–
Warrants	–	4,847	–	4,847
Unquoted securities, at cost				
Equity shares	289,548	306,230	162,085	166,309
	1,205,271	964,050	846,775	785,596
Provision for impairment [Note 33(b)]	–	–	(3,905)	(10,216)
Group's share of post-acquisition reserves of associates, net of dividends received	497,122	432,734	–	–
	1,702,393	1,396,784	842,870	775,380
Market value at 31 December :				
Quoted equity shares	1,283,050	993,344	1,079,400	720,727
Quoted debt securities	–	2,495	–	–
Quoted warrants	–	9,926	–	9,926
	1,283,050	1,005,765	1,079,400	730,653

(b) The major associates of the Group as at the balance sheet date are set out in Note 46 to the financial statements. The carrying amount of the Group's investments in associates includes unamortised goodwill amounting to \$132,664,000 (2003: \$16,721,000). The amount of goodwill amortised during the financial year was \$4,790,000 (2003: \$1,858,000).

(c) On 31 May 2004, the Group acquired 23.0% of the issued share capital of PT Bank Buana Indonesia Tbk ("Bank Buana") making it an associate of the Group on that date. The consideration for the acquisition of Bank Buana of \$196 million was paid in cash.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

31. Investments in associates (cont'd)

- (d) On 12 August 2004, pursuant to the merger of the associate, United International Securities (“UIS”), with Overseas Union Securities Limited (“OUS”), a subsidiary of the Group, the Group’s 51.9% equity interest or 20,269,500 shares in OUS were exchanged for 35,115,000 UIS shares. Consequently, the Group’s effective equity interest in UIS increased from 42.0% to 45.2%.

32. Investments in subsidiaries

- (a)

	The Bank	
	2004	2003
	\$’000	\$’000
Quoted equity shares, at cost	1,139,422	25,961
Unquoted equity shares, at cost	1,909,972	1,626,105
Provision for impairment [Note 33(b)]	(351,727)	(366,663)
	1,558,245	1,259,442
	2,697,667	1,285,403
Market value of quoted equity shares at 31 December	1,192,739	89,604

The subsidiaries of the Group as at the balance sheet date are set out in Note 45 to the financial statements.

- (b) On 27 July 2004, the Bank acquired 80.8% of the issued share capital of Bank of Asia Public Company Limited (“BOA”), making it a subsidiary of the Group on that date. The consideration for the acquisition of BOA of \$1,116 million was paid in cash. The Bank subsequently increased its interest in BOA to 96.9% as at 31 December 2004. As a result of the acquisition, the wholly-owned subsidiaries of BOA, namely BoA Asset Management Company Limited, an asset management company, and B.O.A. Leasing Co., Ltd, a leasing company, became subsidiaries of the Group.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

32. Investments in subsidiaries (cont'd)

(b) (cont'd)

The fair values of the identifiable net assets of the subsidiaries at the date of acquisition are as follows :

	\$'000
Investment and dealing securities	397,963
Trade bills and advances to customers	4,200,851
Government treasury bills and securities	300,308
Placements and balances with banks and agents	269,299
Cash, balances and placements with central banks	598,646
Other assets	877,822
Current, fixed, savings accounts and other deposits of non-bank customers	(5,726,474)
Deposits and balances of banks and agents	(119,538)
Other liabilities	(269,404)
Minority interests	(16,405)
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Fair value of identifiable net assets acquired	513,068
Goodwill on acquisition	611,086
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Cost of investment (inclusive of acquisition expenses capitalised of \$7,879,000)	1,124,154
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Cash and cash equivalents of the subsidiaries acquired	898,954
Cash consideration paid	(1,116,275)
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Net outflow of cash and cash equivalents on acquisition	(217,321)
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(c) On 12 August 2004, OUS and its wholly-owned subsidiary, Overseas Union Securities Trading Pte Ltd, ceased to be subsidiaries of the Group as a result of the merger of OUS with UIS, an associate of the Group [Note 31(d)].

(d) During the financial year, certain subsidiaries of the Group were liquidated or placed into members' voluntary liquidation. The liquidations had no material effect on the balance sheets and results of the Bank and the Group for the financial year.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

33. Movements in the provision for diminution in value/impairment of investments and other assets

(a) The Group

	Singapore Government treasury bills and securities \$'000	Other government treasury bills and securities \$'000	Other assets \$'000	Investment securities \$'000	Fixed assets \$'000	Total \$'000
2004						
Balance at 1 January	147	3	23,690	130,974	60,388	215,202
Currency translation differences	-	-	(409)	(1,926)	(938)	(3,273)
Write-off against provisions	-	-	(469)	(6,635)	-	(7,104)
Charge/(write-back) to profit and loss account (Note 12)	2,048	(3)	21,871	48,170	(3,505)	68,581
Transfer from specific provisions and interest-in-suspense for trade bills and advances to customers (Note 28(f))	-	-	-	18,565	-	18,565
Transfer from Overseas Union Insurance, Limited	-	-	1,192	-	-	1,192
Acquisition of BOA	-	-	13,115	68,866	-	81,981
Balance at 31 December	2,195	-	58,990	258,014	55,945	375,144
2003						
Balance at 1 January	-	4	76,656	111,304	54,511	242,475
As restated	-	4	76,656	111,304	54,511	242,475
Currency translation differences	-	1	470	300	1,952	2,723
Write-off against provisions	-	-	(49,030)	(4,952)	-	(53,982)
Charge/(write-back) to profit and loss account (Note 12)	147	(2)	(4,406)	16,446	3,925	16,110
Transfer from specific provisions and interest-in-suspense for trade bills and advances to customers (Note 28(f))	-	-	-	7,876	-	7,876
Balance at 31 December	147	3	23,690	130,974	60,388	215,202

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

33. Movements in the provision for diminution in value/impairment of investments and other assets (cont'd)

(b) The Bank

	Singapore Government treasury bills and securities \$'000	Other government treasury bills and securities \$'000	Other assets \$'000	Investment securities \$'000	Investments in associates \$'000	Investments in subsidiaries \$'000	Fixed assets \$'000	Total \$'000
2004								
Balance at 1 January	143	3	11,679	90,311	10,216	366,663	19,348	498,363
Currency translation differences	-	-	(225)	(1,019)	-	(3)	(133)	(1,380)
Charge/(write-back) to profit and loss account (Note 12)	2,052	(3)	20,215	29,443	(6,311)	(14,933)	(3,929)	26,534
Balance at 31 December	2,195	-	31,669	118,735	3,905	351,727	15,286	523,517
2003								
Balance at 1 January	-	4	64,670	68,374	3,364	342,318	16,897	495,627
As restated	-	-	-	-	-	-	-	-
Currency translation differences	-	1	124	629	-	(39)	15	730
Write-off against provisions	-	-	(51,627)	-	-	-	-	(51,627)
Charge/(write-back) to profit and loss account (Note 12)	143	(2)	(1,488)	21,308	6,852	24,384	2,436	53,633
Balance at 31 December	143	3	11,679	90,311	10,216	366,663	19,348	498,363

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

34. Fixed assets

(a) The Group

	Land and buildings \$'000	2004 Office equipment, computers, fixtures and other assets \$'000	Total \$'000	Land and buildings \$'000	2003 Office equipment, computers, fixtures and other assets \$'000	Total \$'000
Balance at 1 January						
Cost/valuation	1,753,898	924,383	2,678,281	1,795,322	841,312	2,636,634
Accumulated depreciation	(219,408)	(630,092)	(849,500)	(196,281)	(591,493)	(787,774)
Provision for impairment	(60,388)	-	(60,388)	(54,511)	-	(54,511)
Net book value	1,474,102	294,291	1,768,393	1,544,530	249,819	1,794,349
Movements during the financial year						
Currency translation differences	(5,636)	(2,595)	(8,231)	5,742	752	6,494
Acquisition of BOA	75,320	65,658	140,978	-	-	-
Additions	2,574	95,309	97,883	2,501	134,308	136,809
Disposals	(10,067)	(5,326)	(15,393)	(48,069)	(9,510)	(57,579)
Depreciation charge	(26,638)	(98,063)	(124,701)	(26,677)	(81,078)	(107,755)
Write-back of/ (provision for) impairment	3,505	-	3,505	(3,925)	-	(3,925)
Net book value at 31 December	1,513,160	349,274	1,862,434	1,474,102	294,291	1,768,393
Balance at 31 December						
Cost/valuation	1,833,504	1,133,335	2,966,839	1,753,898	924,383	2,678,281
Accumulated depreciation	(264,399)	(784,061)	(1,048,460)	(219,408)	(630,092)	(849,500)
Provision for impairment [Note 33(a)]	(55,945)	-	(55,945)	(60,388)	-	(60,388)
Net book value	1,513,160	349,274	1,862,434	1,474,102	294,291	1,768,393

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

34. Fixed assets (cont'd)

(b) The Bank

	Land and buildings \$'000	2004 Office equipment, computers, fixtures and other assets \$'000	Total \$'000	Land and buildings \$'000	2003 Office equipment, computers, fixtures and other assets \$'000	Total \$'000
Balance at 1 January						
Cost/valuation	1,055,953	677,363	1,733,316	1,052,901	592,261	1,645,162
Accumulated depreciation	(115,665)	(451,163)	(566,828)	(100,080)	(409,263)	(509,343)
Provision for impairment	(19,348)	-	(19,348)	(16,897)	-	(16,897)
Net book value	920,940	226,200	1,147,140	935,924	182,998	1,118,922
Movements during the financial year						
Currency translation differences	(197)	(245)	(442)	6,397	403	6,800
Additions	-	64,622	64,622	3,431	112,565	115,996
Transfer from subsidiaries upon merger	-	-	-	36,010	1,320	37,330
Disposals	(9,852)	(3,694)	(13,546)	(42,634)	(8,761)	(51,395)
Depreciation charge	(15,576)	(69,133)	(84,709)	(15,752)	(62,325)	(78,077)
Write-back of/ (provision for) impairment	3,929	-	3,929	(2,436)	-	(2,436)
Net book value at 31 December	899,244	217,750	1,116,994	920,940	226,200	1,147,140
Balance at 31 December						
Cost/valuation	1,044,314	720,590	1,764,904	1,055,953	677,363	1,733,316
Accumulated depreciation	(129,784)	(502,840)	(632,624)	(115,665)	(451,163)	(566,828)
Provision for impairment [Note 33(b)]	(15,286)	-	(15,286)	(19,348)	-	(19,348)
Net book value	899,244	217,750	1,116,994	920,940	226,200	1,147,140

(c) Based on directors' valuation, the estimated market values of the land and buildings of the Bank and the Group as at 31 December 2004 were \$1,548 million and \$2,611 million (2003: \$1,608 million and \$2,656 million) respectively. The excess of the estimated market values over the net book values of the land and buildings is not recognised in the financial statements.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

34. Fixed assets (cont'd)

(d) Included in the land and buildings of the Bank and the Group are leasehold properties with net book values as at 31 December 2004 amounting to \$770 million and \$1,090 million (2003: \$785 million and \$1,112 million) respectively. The rest of the properties are freehold.

(e) Certain freehold and leasehold land and buildings of the Bank and the Group are included on the basis of valuations made by independent valuers with subsequent additions at cost. The dates of these valuations are as follows :

- | | | |
|-------|--|---------------|
| (i) | The leasehold land at Bonham Street on which UOB Plaza 2 is sited | April 1970 |
| (ii) | Certain freehold and leasehold land and buildings of Chung Khiaw Realty, Limited | December 1969 |
| (iii) | Certain freehold land and buildings of United Overseas Bank (Malaysia) Bhd | November 1965 |

(f) Provision for impairment as at 31 December 2004 and 31 December 2003 were in respect of certain properties in Singapore, Malaysia, Hong Kong S.A.R., China, Thailand, the Philippines and United Kingdom which were written down to their estimated market values as determined by the Bank's internal professionally qualified valuers.

35. Consolidation of Special Purpose Entity

A Special Purpose Entity ("SPE"), Archer 1 Limited ("Archer"), which is incorporated in Singapore, has been consolidated in the Group's financial statements in accordance with Interpretation of Financial Reporting Standard 12 : Consolidation - Special Purpose Entities, as the Bank has the majority residual benefits in Archer.

The principal activity of Archer is to carry on the business of investment holding, and for that purpose to issue notes and bonds and apply the proceeds from the notes and bonds towards the purchase of debt securities.

36. Dividends

The directors have proposed a final dividend of 40 cents per share net of tax at 20% in respect of the financial year ended 31 December 2004, amounting to a total of \$491,602,000. These financial statements do not reflect the proposed dividend, which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005. The proposed final dividend in respect of the financial year ended 31 December 2003 was 40 cents per share net of tax at 20% amounting to a total of \$502,932,000 based on the number of shares in issue on 31 December 2003.

United Overseas Bank Limited and Its Subsidiaries**Notes to the Financial Statements - 31 December 2004****37. Contingent liabilities**

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Direct credit substitutes	5,634,628	5,190,203	5,305,009	4,788,862
Transaction-related contingencies	2,156,052	1,554,039	1,184,478	978,821
Trade-related contingencies	2,027,212	1,800,080	1,515,394	1,460,115
Other contingent liabilities	183,327	184,427	155,271	162,928
	10,001,219	8,728,749	8,160,152	7,390,726

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

The Group is a party to certain legal proceedings which arose from its normal course of business. Included in other contingent liabilities are estimated amounts relating to major legal cases of \$150 million (2003: \$158 million). The Bank is of the view that these claims have no merit and the ultimate resolution of which is not expected to have significant effect on the financial positions or results of the Bank and the Group. Accordingly, the Bank and the Group have not provided for any such liability in the financial statements.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

38. Derivative financial instruments

(a) The Group

	2004					
	Contract or notional amount \$'000	Trading derivatives		Contract or notional amount \$'000	Non-trading derivatives	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Foreign exchange contracts						
Forwards	9,113,262	296,639	145,466	580,820	5,790	5,815
Swaps	110,997,513	1,831,624	1,769,295	6,503,232	94,064	224,953
Options purchased	5,066,663	88,992	—	40,397	141	—
Options written	5,173,131	—	88,430	—	—	—
Interest rate contracts						
Forwards	19,931,300	8,728	8,961	—	—	—
Swaps	86,507,120	643,232	664,742	22,279,988	60,429	194,804
Futures	9,010,893	8,028	11,559	—	—	—
Options purchased	80,000	1,375	—	409,141	5,943	—
Options written	—	—	—	409,141	—	5,888
Equity-related contracts						
Swaps	5,391	—	766	227,786	10,512	10,512
Futures	15,201	—	808	—	—	—
Options purchased	19,381	84	—	543,879	53,076	—
Options written	3,620	—	2	536,882	—	53,049
Credit-related contracts						
Swaps	—	—	—	384,453	3,479	281
Precious metal contracts						
Forwards	211,152	4,870	12,916	—	—	—
Swaps	35,570	1,117	176	—	—	—
	246,170,197	2,884,689	2,703,121	31,915,719	233,434	495,302
		(Note 29)	(Note 22)			

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

38. Derivative financial instruments (cont'd)

(a) The Group (cont'd)

	2003					
	Contract or notional amount \$'000	Trading derivatives		Contract or notional amount \$'000	Non-trading derivatives	
		Fair values			Fair values	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Foreign exchange contracts						
Forwards	9,967,975	253,519	118,029	57,886	191	126
Swaps	80,471,027	1,783,700	1,817,974	3,764,205	36,074	82,828
Options purchased	5,965,359	73,207	-	245,871	2,291	-
Options written	5,021,386	-	73,020	10,613	-	80
Interest rate contracts						
Forwards	11,582,832	3,906	5,565	-	-	-
Swaps	57,901,585	453,164	538,916	3,703,398	69,105	200,884
Futures	2,103,314	1,355	2,343	-	-	-
Options purchased	121,882	730	-	205,290	3,969	-
Options written	41,670	-	17	205,290	-	3,969
Equity-related contracts						
Swaps	-	-	-	46,401	1,988	1,988
Futures	79,644	-	3,921	-	-	-
Options purchased	611,290	11,407	-	315,519	33,250	-
Options written	739,021	-	39,873	314,626	-	33,248
Credit-related contracts						
Swaps	-	-	-	363,911	4,020	3,172
	<u>174,606,985</u>	<u>2,580,988</u>	<u>2,599,658</u>	<u>9,233,010</u>	<u>150,888</u>	<u>326,295</u>
		(Note 29)	(Note 22)			

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

38. Derivative financial instruments (cont'd)

(b) The Bank

	2004					
	Contract or notional amount \$'000	Trading derivatives		Contract or notional amount \$'000	Non-trading derivatives	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Foreign exchange contracts						
Forwards	7,833,519	284,547	140,043	543,178	5,544	5,574
Swaps	111,362,707	1,819,173	1,762,668	6,463,437	94,043	224,718
Options purchased	5,045,755	88,995	—	40,397	141	—
Options written	5,166,817	—	88,354	—	—	—
Interest rate contracts						
Forwards	19,931,300	8,728	8,961	—	—	—
Swaps	86,052,088	647,199	630,814	22,140,871	65,605	192,113
Futures	2,471,394	4,110	4,798	—	—	—
Options purchased	80,000	1,375	—	409,141	5,943	—
Options written	—	—	—	409,141	—	5,888
Equity-related contracts						
Swaps	5,391	—	766	227,786	10,512	10,512
Futures	15,201	—	808	—	—	—
Options purchased	19,381	84	—	542,986	53,076	—
Options written	5,797	—	244	534,705	—	52,807
Credit-related contracts						
Swaps	—	—	—	417,129	3,479	1,013
Precious metal contracts						
Forwards	40,149	—	107	—	—	—
	238,029,499	2,854,211	2,637,563	31,728,771	238,343	492,625
		(Note 29)	(Note 22)			

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

38. Derivative financial instruments (cont'd)

(b) The Bank (cont'd)

	2003					
	Trading derivatives			Non-trading derivatives		
	Contract or notional amount \$'000	Fair values		Contract or notional amount \$'000	Fair values	
	Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000	
Foreign exchange contracts						
Forwards	9,508,285	251,073	116,571	28,755	58	48
Swaps	80,948,933	1,784,724	1,815,464	3,753,165	35,950	82,828
Options purchased	5,965,359	73,207	-	235,258	2,211	-
Options written	5,021,386	-	73,020	-	-	-
Interest rate contracts						
Forwards	11,582,832	3,906	5,565	-	-	-
Swaps	56,429,768	447,029	506,820	3,661,416	84,993	196,542
Futures	483,302	802	1,826	-	-	-
Options purchased	121,882	730	-	205,290	3,969	-
Options written	41,670	-	17	205,290	-	3,969
Equity-related contracts						
Swaps	-	-	-	46,401	1,988	1,988
Futures	79,644	-	3,921	-	-	-
Options purchased	611,290	11,407	-	314,626	33,248	-
Options written	739,021	-	39,873	314,626	-	33,248
Credit-related contracts						
Swaps	-	-	-	397,927	4,020	3,898
	<u>171,533,372</u>	<u>2,572,878</u>	<u>2,563,077</u>	<u>9,162,754</u>	<u>166,437</u>	<u>322,521</u>
		(Note 29)	(Note 22)			

(c) Derivative financial instruments are instruments whose values change in response to the change in prices/rates, such as foreign exchange rate, interest rate, security price and credit spread, of the "underlying". They include forwards, swaps, futures and options.

In its normal course of business, the Bank and the Group transact in customised derivatives to meet the specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes as well as to manage the assets/liabilities and structural positions. The risks associated with the use of derivatives, as well as management's policies for controlling these risks are set out in Note 43.

The table above analyses the contract or notional amounts and the fair values of the Group's and the Bank's derivative financial instruments at the balance sheet date. A positive valuation represents a financial asset and a negative valuation represents a financial liability. The contract or notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date. They do not necessarily indicate the amounts of future cash flows or fair value of the derivatives and, therefore, do not represent the total amounts at risk.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

39. Commitments

(a)

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Capital commitments contracted but not provided for on purchase of fixed assets	28,175	26,265	24,576	22,908
Undrawn credit facilities	38,559,562	36,217,586	29,906,824	30,017,072
Operating lease commitments	53,662	62,200	33,543	46,061
Spot contracts and other	634,422	1,353,496	628,175	972,368
	<u>39,275,821</u>	<u>37,659,547</u>	<u>30,593,118</u>	<u>31,058,409</u>

(b) Operating lease commitments

(i) The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows :

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	22,218	27,104	15,007	21,779
Later than 1 year but not later than 5 years	25,455	28,940	16,002	21,078
Later than 5 years	5,989	6,156	2,534	3,204
	<u>53,662</u>	<u>62,200</u>	<u>33,543</u>	<u>46,061</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

39. Commitments (cont'd)

(b) Operating lease commitments (cont'd)

(ii) The future aggregate minimum lease payments receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows :

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	66,173	49,005	29,395	26,994
Later than 1 year but not later than 5 years	99,724	58,748	31,180	28,708
Later than 5 years	4,242	6,511	—	—
	170,139	114,264	60,575	55,702

40. Cash and cash equivalents

	The Group	
	2004	2003
	\$'000	\$'000
Cash, balances and placements with central banks	11,653,014	9,084,677
Singapore Government treasury bills and securities	7,772,462	6,310,846
Other government treasury bills and securities, less non-cash equivalents of \$Nil (2003: \$385,380,000)	1,975,344	966,244
	21,400,820	16,361,767

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

41. Related party transactions

All related party transactions entered into by the Bank and the Group are made in the ordinary course of its business and are at arm's length commercial terms. Except as disclosed elsewhere in the financial statements, there are no other significant transactions with related parties during the financial year.

In addition to the related party information shown elsewhere in the financial statements, other related party information, which may be of interest, are as follows :

(a) Rental income/expense

The Group has lease contracts with associates of the Group and director-related parties. The rental income and expenses of these contracts for the financial year constitute 1.0% and 0.8% (2003: 1.0% and 1.2%) of the total non-interest income and total other operating expenses of the Group respectively.

(b) Performance fee

During the financial year, the Bank received performance fees amounting to \$25 million (2003: \$Nil) from a subsidiary.

(c) Deposits of non-bank customers

The Group has accepted deposits from the associates of the Group, directors and director-related parties in its ordinary course of banking business. The deposits from related parties constitute 2.0% and 0.9% of the current, fixed, savings accounts and other deposits of non-bank customers as at 31 December 2004 and 31 December 2003 respectively.

Director-related parties refer to :

- immediate family members of the Bank's directors
- companies that are majority-owned by the Bank's directors or their family members
- companies or firms in which the Bank's directors or their family members control or exercise significant influence over the Board of Directors
- individuals, companies or firms whose credit facilities are guaranteed by the Bank's directors

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

42. Segment information

(a) Primary reporting format - business segments

	The Group					Total \$'million
	Individual Financial Services \$'million	Institutional Financial Services \$'million	Global Treasury \$'million	Asset Management \$'million	Other \$'million	
2004						
Income before operating expenses	1,090	1,328	395	194	252	3,259
Less: Segment operating expenses	496	365	162	70	70	1,163
Less: Provisions	90	169	4	(17)	(37)	209
Segment profit before tax ¹	504	794	229	141	219	1,887
Unallocated corporate expenses						(63)
						1,824
Goodwill written-off and amortised						(214)
Operating profit after goodwill amortisation and provisions						1,610
Share of profit of associates						307
Profit before tax						1,917
Tax and minority interests						(465)
Net profit for the financial year attributable to members						1,452
Other information						
Segment assets ²	25,908	41,942	55,245	872	5,251	129,218
Investments in associates						1,702
Goodwill						3,876
Unallocated assets						83
Total assets						134,879
Gross trade bills and advances to customers	26,031	41,946	-	-	-	67,977
Non-performing loans ("NPLs") [#]	1,402	4,003	-	-	-	5,405
Specific provisions and interest-in- suspense for NPLs [#]	479	1,827	-	-	-	2,306
Investments not held for trading (gross) [^]						
- Government and debt securities	-	1,285	11,061	143	2,633	15,122
- Equity securities	-	29	112	486	838	1,465
Segment liabilities ²	46,061	34,842	33,861	66	5,870	120,700
Unallocated liabilities						592
Total liabilities						121,292
Shareholders' funds	-	-	-	-	13,439	13,439
Minority interests						148
Total liabilities, shareholders' funds and minority interests						134,879
Capital expenditure	41	32	10	2	13	98
Depreciation of fixed assets	38	34	14	2	37	125

Excluding debt securities.

^ Excluding investments in associates.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

42. Segment information (cont'd)

(a) Primary reporting format - business segments (cont'd)

	The Group					Total \$'million
	Individual Financial Services \$'million	Institutional Financial Services \$'million	Global Treasury \$'million	Asset Management \$'million	Other \$'million	
2003						
Income before operating expenses	1,013	1,230	400	203	314	3,160
Less: Segment operating expenses	437	347	140	56	51	1,031
Less: Provisions	155	201	0 *	(2)	8	362
Segment profit before tax ¹	421	682	260	149	255	1,767
Unallocated corporate expenses						(64)
						1,703
Goodwill written-off and amortised						(202)
Operating profit after goodwill amortisation and provisions						1,501
Share of profit of associates						107
Profit before tax						1,608
Tax and minority interests						(406)
Net profit for the financial year attributable to members						1,202
Other information						
Segment assets ²	23,633	38,075	41,771	1,337	3,666	108,482
Investments in associates						1,397
Goodwill						3,466
Unallocated assets						101
Total assets						113,446
Gross trade bills and advances to customers	24,443	38,138	-	-	-	62,581
Non-performing loans ("NPLs") [#]	1,557	3,524	-	-	-	5,081
Specific provisions and interest-in- suspense for NPLs [#]	458	1,404	-	-	-	1,862
Investments not held for trading (gross) [^]						
- Government and debt securities	-	1,319	8,194	502	1,225	11,240
- Equity securities	-	25	24	592	832	1,473
Segment liabilities ²	44,343	28,255	23,618	44	3,135	99,395
Unallocated liabilities						614
Total liabilities						100,009
Shareholders' funds	-	-	-	-	13,282	13,282
Minority interests						155
Total liabilities, shareholders' funds and minority interests						113,446
Capital expenditure	52	44	20	3	18	137
Depreciation of fixed assets	29	25	11	2	41	108

* Amount is less than \$500,000.

Excluding debt securities.

^ Excluding investments in associates.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

42. Segment information (cont'd)

(a) Primary reporting format - business segments (cont'd)

Note :

¹ Segment profit before tax represents income less operating expenses that are directly attributable, and those that can be allocated on a reasonable basis, to a segment. Inter-segment transactions are charged at internal transfer prices, estimated based on the costs in providing the products and services, and after taking into account competitive market prices that are charged to unaffiliated customers.

² Segment assets and liabilities comprise operating assets and liabilities that are directly attributable, and those that can be allocated on a reasonable basis, to a segment.

Business segment information is stated after elimination of inter-segment transactions.

Prior year comparatives have been restated to reflect changes in organisation structure and refinement in cost allocation methodologies.

The Group's businesses are organised into five segments, based on the types of products and services that it provides worldwide. These segments are Individual Financial Services, Institutional Financial Services, Global Treasury, Asset Management and Other.

Individual Financial Services

Individual Financial Services segment covers Personal Financial Services and High Networth Banking. Personal Financial Services serves individual customers, including the mass affluent. The principal products and services for personal customers include deposits, loans, investments, and credit and debit cards. Personal Financial Services also sells and distributes a range of life assurance products. High Networth Banking provides an extensive range of financial services, including wealth management and trust services, to the wealthy and more affluent customers.

Institutional Financial Services

Institutional Financial Services segment encompasses Commercial Credit, Corporate Banking, Corporate Finance and Capital Markets. Commercial Credit serves the small and medium-sized enterprises. Corporate Banking serves the middle market and large local corporate groups, including non-bank financial institutions. Both Commercial Credit and Corporate Banking provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, trade finance, structured finance, cash management and cross-border payments. Corporate Finance serves corporations with services that include initial public offerings, rights issues, and corporate advisory services. Capital Markets specialises in providing solution-based structures to meet clients' financing requirements, as well as in the issue of debt and quasi-debt securities and loan syndications.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

42. Segment information (cont'd)

(a) Primary reporting format - business segments (cont'd)

Global Treasury

Global Treasury segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, a full range of gold products, as well as an array of structured products. It is a dominant player in Singapore dollar treasury instruments as well as a provider of banknote services in the region.

Asset Management

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

Other

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

(b) Secondary reporting format - geographical segments

The Group's activities can be analysed into the following geographical areas :

	The Group					
	Income before operating expenses		Profit before tax		Total assets	
	2004 \$'million	2003 \$'million	2004 \$'million	2003 \$'million	2004 \$'million	2003 \$'million
Singapore (including Asian Currency Unit)	2,332	2,353	1,680	1,367	84,688	75,087
Malaysia	356	358	237	253	12,783	11,521
Other ASEAN countries	268	149	41	10	10,604	3,691
	624	507	278	263	23,387	15,212
Other Asia-Pacific countries	178	194	95	104	15,740	13,466
Rest of the world	125	106	78	76	7,188	6,215
	3,259	3,160	2,131	1,810	131,003	109,980
Goodwill	-	-	(214)	(202)	3,876	3,466
	<u>3,259</u>	<u>3,160</u>	<u>1,917</u>	<u>1,608</u>	<u>134,879</u>	<u>113,446</u>

42. Segment information (cont'd)

(b) Secondary reporting format - geographical segments (cont'd)

With the exception of Singapore and Malaysia, no individual country contributed 10% or more of the Group's total income before operating expenses, total profit before tax or total assets.

The geographical segment information is based on the location where the transactions and assets are booked. It provides an approximation to geographical segment information that is based on the location of customers and assets.

Geographical segment information is stated after elimination of inter-segment transactions.

43. Financial risk management

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Managing financial risks is an integral part of the Group's business. It is carried out centrally by the various specialist committees of the Group under delegated authority from the Board. These various specialist committees formulate, review and approve policies and limits on monitoring and managing risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to review by the Executive Committee.

The Risk Management & Compliance sector, which is independent of the business units, performs the role of implementing the risk management policies and procedures. Compliance officers in the business units ensure that each business unit puts in place the proper control procedures to ensure regulatory and operational compliance while the Middle Office (under Finance Division) enforces compliance of trading policies and limits by the trading desks at Global Treasury. This is further enhanced by the periodic risk assessment audit carried out by the Group Audit.

43. Financial risk management (cont'd)

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

(a) Credit risk

Credit risk is the potential loss arising from any failure by the Group's customers to fulfill their obligations as and when these obligations fall due. These obligations may arise from lending, trade finance, investments, receivables under derivative contracts and other credit-related activities undertaken by the Group.

The Credit Committee is responsible for the management of credit risk of the Group. Apart from direct credit management, such as approval of significant loans, it is also responsible for providing directions and timely guidance on lending to different geographical sectors and industries.

In general, the Group monitors the levels of credit risk it undertakes through regular reviews by management, with independent oversight of its credit concentration and portfolio quality by the Credit Committee.

In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, geographical and industry segments, types of acceptable security, level of non-performing loans and adequacy of provisioning requirements.

In respect of other credit risk activities such as money market transactions and derivative financial instruments, the Group has counterparty risk policies that set out approved counterparties with whom the Group may transact and their respective transaction limits.

Exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral when certain exposure thresholds are exceeded, the right to terminate transactions upon the occurrence of unfavourable events, the right to reset the terms of transactions after specified time periods or upon the occurrence of unfavourable events, and entering into netting agreements with counterparties that permit the Group to offset receivables and payables with such counterparties.

Given the amounts, types and nature of its existing products and businesses, the Group assesses that industry concentration risk arises primarily from the Group's advances to customers and trade bills. Note 28(d) analyses the Group's total gross trade bills and advances to customers by industry classification as at the balance sheet date.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(a) Credit risk (cont'd)

- (i) The following table analyses the Group's financial assets and credit-related contingent assets (that is, contingent liabilities of customers and other counterparties to the Group) by geographical concentration as at the balance sheet date :

	The Group				
	Trade bills and advances to customers (gross) \$'million	Placements and balances with banks and agents \$'million	Other financial assets \$'million	Credit- related contingent assets \$'million	Total \$'million
2004					
Five Regional Countries *	14,955	4,905	8,276	2,449	30,585
Greater China	2,017	3,193	1,870	571	7,651
Singapore	44,855	3,043	23,064	5,812	76,774
Other **	6,150	15,585	4,197	986	26,918
	<u>67,977</u>	<u>26,726</u>	<u>37,407</u>	<u>9,818</u>	<u>141,928</u>
2003					
Five Regional Countries *	9,608	3,263	5,778	1,577	20,226
Greater China	1,968	2,690	1,395	481	6,534
Singapore	45,338	1,881	17,450	5,541	70,210
Other **	5,667	12,238	4,184	945	23,034
	<u>62,581</u>	<u>20,072</u>	<u>28,807</u>	<u>8,544</u>	<u>120,004</u>

* Refer to Malaysia, Indonesia, the Philippines, Thailand and South Korea.
 ** Comprise mainly other OECD countries.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(a) Credit risk (cont'd)

- (ii) Total gross trade bills and advances to customers as at the balance sheet date analysed by currency and interest rate sensitivity :

	The Group					
	Fixed rate \$'million	2004 Variable rate \$'million	Total \$'million	Fixed rate \$'million	2003 Variable rate \$'million	Total \$'million
Singapore dollar	8,146	32,103	40,249	8,987	31,777	40,764
US dollar	1,529	7,241	8,770	960	6,948	7,908
Malaysian ringgit	255	6,318	6,573	204	6,110	6,314
Hong Kong dollar	47	848	895	35	966	1,001
Thai baht	2,652	3,822	6,474	948	599	1,547
Other	524	4,492	5,016	469	4,578	5,047
	<u>13,153</u>	<u>54,824</u>	<u>67,977</u>	<u>11,603</u>	<u>50,978</u>	<u>62,581</u>

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

- (iii) Total non-performing loans, debt securities and their related specific provisions analysed by geographical sector :

	The Group			
	2004 Non- performing loans and debt securities \$'million	Specific provisions \$'million	2003 Non- performing loans and debt securities \$'million	Specific provisions \$'million
Singapore	2,949	1,157	3,530	1,200
Five Regional Countries				
Malaysia	873	331	930	383
Indonesia	88	68	119	78
Philippines	160	80	184	76
Thailand	1,170	640	140	69
South Korea	1	-	5	2
	<u>2,292</u>	<u>1,119</u>	<u>1,378</u>	<u>608</u>
Greater China	161	52	161	61
Other	82	26	91	41
	<u>5,484</u>	<u>2,354</u>	<u>5,160</u>	<u>1,910</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iv) Total non-performing loans, debt securities and their related specific provisions analysed by industry group :

	The Group			
	2004		2003	
	Non-performing loans and debt securities \$'million	Specific provisions \$'million	Non-performing loans and debt securities \$'million	Specific provisions \$'million
Transport, storage and communication	119	56	105	44
Building and construction	844	337	756	275
Manufacturing	1,165	622	765	372
Non-bank financial institutions	701	216	1,040	345
General commerce	1,007	503	703	300
Professionals and private individuals (excluding housing loans)	897	386	926	360
Housing loans	505	93	632	98
Other	246	141	233	116
	5,484	2,354	5,160	1,910

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(a) Credit risk (cont'd)

- (v) Total collateralised non-performing loans and debt securities analysed by collateral type :

	The Group				
	Properties \$'million	Marketable securities \$'million	Cash and deposits \$'million	Other \$'million	Total \$'million
2004					
Singapore	1,442	21	19	36	1,518
Five Regional Countries	1,008	85	15	42	1,150
Greater China	84	-	-	-	84
Other	45	-	-	-	45
	<u>2,579</u>	<u>106</u>	<u>34</u>	<u>78</u>	<u>2,797</u>
2003					
Singapore	1,883	51	16	78	2,028
Five Regional Countries	579	69	9	41	698
Greater China	44	1	2	-	47
Other	30	-	-	1	31
	<u>2,536</u>	<u>121</u>	<u>27</u>	<u>120</u>	<u>2,804</u>

- (vi) Loans that were classified and restructured during the financial year are as follows :

	The Group	
	2004 \$'million	2003 \$'million
Substandard	223	196
Doubtful	49	-
Loss	30	35
	<u>302</u>	<u>231</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(vii) The ageing of total non-performing loans and debt securities are as follows :

	The Group	
	2004	2003
	\$'million	\$'million
Current	548	670
≤ 90 days	357	378
Between 91 and 180 days	596	464
≥ 181 days	3,983	3,648
	<hr/> 5,484 <hr/>	<hr/> 5,160 <hr/>

(b) Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The Group's foreign exchange exposures arise from its proprietary business and customer facilitation businesses. It also has a certain amount of structural foreign currency exposures as represented by the net asset values of its overseas branches, share of the net asset values of its overseas subsidiaries and associates, and long-term investments in overseas properties. The Group utilises mainly foreign currency forwards and swaps to hedge its foreign exchange exposures.

Foreign exchange risk is managed through risk limits and policies as approved by the Asset Liability Committee. These limits and policies, such as on the level of exposure by currency and in total for both overnight and intra-day positions, are independently monitored on a daily basis by Middle Office.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(b) Foreign exchange risk (cont'd)

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

	The Group							Total \$'million
	Singapore dollar \$'million	US dollar \$'million	Malaysian ringgit \$'million	Hong Kong dollar \$'million	Australian dollar \$'million	Thai baht \$'million	Other \$'million	
2004								
Assets								
Cash, balances and placements with central banks	5,171	55	2,542	14	25	690	3,156	11,653
Government treasury bills and securities	7,773	297	50	25	39	217	1,347	9,748
Placements and balances with banks and agents	3,124	14,471	1,994	692	3,401	14	3,030	26,726
Trade bills and advances to customers	38,020	8,604	6,155	823	1,365	5,816	3,517	64,300
Dealing and investment securities	1,831	4,137	268	114	191	438	1,121	8,100
Investments in associates	1,428	4	63	-	-	6	201	1,702
Goodwill	3,182	-	-	-	-	618	76	3,876
Other	4,354	1,725	391	52	74	885	333	7,814
	64,883	29,293	11,463	1,720	5,095	8,684	12,781	133,919
Assets attributable to SPE								960
Total assets								134,879
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	45,075	11,777	7,663	395	2,848	7,173	4,121	79,052
Deposits and balances of banks and agents, and bills and drafts payable	3,093	15,957	1,305	994	1,934	650	4,517	28,450
Debts issued	2,300	3,780	-	-	-	84	-	6,164
Other	3,861	753	918	424	48	144	535	6,683
	54,329	32,267	9,886	1,813	4,830	8,051	9,173	120,349
Liabilities attributable to SPE								943
Total liabilities								121,292
On-balance sheet open position	10,554	(2,974)	1,577	(93)	265	633	3,608	
Off-balance sheet open position	(30)	3,978	(961)	(304)	(144)	858	(3,397)	
Net open position	10,524	1,004	616	(397)	121	1,491	211	
Net structural position included in above	-	(1)	885	8	34	1,505	505	

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(b) Foreign exchange risk (cont'd)

	The Group							Total \$'million
	Singapore dollar \$'million	US dollar \$'million	Malaysian ringgit \$'million	Hong Kong dollar \$'million	Australian dollar \$'million	Thai baht \$'million	Other \$'million	
2003								
Assets								
Cash, balances and placements with central banks	2,653	34	2,309	25	7	43	4,014	9,085
Government treasury bills and securities	6,311	55	80	46	29	442	699	7,662
Placements and balances with banks and agents	3,326	10,279	1,581	488	1,030	2	3,366	20,072
Trade bills and advances to customers	38,366	7,723	5,857	922	1,831	1,514	3,084	59,297
Dealing and investment securities	1,761	2,228	280	78	27	93	631	5,098
Investments in associates	1,316	—	78	—	—	—	3	1,397
Goodwill	3,372	—	—	—	—	8	86	3,466
Other	4,250	1,373	354	173	(267)	294	334	6,511
	<u>61,355</u>	<u>21,692</u>	<u>10,539</u>	<u>1,732</u>	<u>2,657</u>	<u>2,396</u>	<u>12,217</u>	<u>112,588</u>
Assets attributable to SPE								858
Total assets								<u>113,446</u>
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	41,350	13,198	6,031	509	2,041	1,975	4,808	69,912
Deposits and balances of banks and agents, and bills and drafts payable	1,910	10,224	750	905	380	190	4,644	19,003
Debts issued	1,303	2,041	—	—	—	—	—	3,344
Other	3,765	337	1,885	248	51	52	558	6,896
	<u>48,328</u>	<u>25,800</u>	<u>8,666</u>	<u>1,662</u>	<u>2,472</u>	<u>2,217</u>	<u>10,010</u>	<u>99,155</u>
Liabilities attributable to SPE								854
Total liabilities								<u>100,009</u>
On-balance sheet open position	13,027	(4,108)	1,873	70	185	179	2,207	
Off-balance sheet open position	(1,365)	4,251	(1,189)	(297)	(77)	(436)	(887)	
Net open position	<u>11,662</u>	<u>143</u>	<u>684</u>	<u>(227)</u>	<u>108</u>	<u>(257)</u>	<u>1,320</u>	
Net structural position included in above	—	(13)	790	3	34	138	403	

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Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(b) Foreign exchange risk (cont'd)

Other foreign exchange exposures of the Group are structural foreign currency exposures. These comprise the net assets of the Group's overseas branches, share of the net assets of its overseas subsidiaries and associates, and long-term investments in overseas properties.

Where possible, the Group mitigates the effect of structural currency exposures by funding all the Group's investments in overseas branches with borrowings in the same currencies as the functional currencies of the respective overseas branches. On a selective basis, the Group's investments in overseas subsidiaries and associates, and long-term investments in overseas properties are also funded in the same functional currencies. The Group also hedges some of the structural foreign currency exposures using foreign exchange derivatives.

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

	The Group			
	Structural currency exposures in overseas operations \$'million	Hedges by funding in respective currencies \$'million	Other currency hedges \$'million	Net structural currency exposures \$'million
2004				
Australian dollar	211	-	177	34
Hong Kong dollar	64	16	40	8
Indonesian rupiah	285	-	-	285
Malaysian ringgit	885	-	-	885
Philippine peso	81	-	-	81
Thai baht	1,488	-	(17)	1,505
US dollar	423	188	236	(1)
Other	293	46	108	139
	<u>3,730</u>	<u>250</u>	<u>544</u>	<u>2,936</u>
2003				
Australian dollar	178	-	144	34
Hong Kong dollar	147	16	128	3
Indonesian rupiah	99	-	-	99
Malaysian ringgit	790	-	-	790
Philippine peso	120	-	-	120
Thai baht	262	-	124	138
US dollar	419	207	225	(13)
Other	305	44	77	184
	<u>2,320</u>	<u>267</u>	<u>698</u>	<u>1,355</u>

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(c) Interest rate risk

Interest rate risk is the risk to earnings and value of financial instruments caused by fluctuations in interest rates.

Sensitivity to interest rates arises from the differences in maturities and re-pricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the Asset Liability Committee.

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

	The Group		
	Singapore dollar %	US dollar %	Malaysian ringgit %
2004			
Assets			
Placements with central banks	1.30	0.11	2.78
Placements and balances with banks and agents	1.66	2.27	2.75
Trade bills and advances to customers	3.57	3.79	6.87
Securities	1.79	3.71	4.80
Liabilities			
Deposits and balances of banks and agents	1.53	2.24	2.34
Deposits and other accounts of non-bank customers	0.88	1.86	3.04
Debts issued	2.39	2.39	-
2003			
Assets			
Placements with central banks	0.29	0.19	2.86
Placements and balances with banks and agents	0.74	1.26	2.90
Trade bills and advances to customers	3.71	2.84	6.78
Securities	2.77	4.38	4.06
Liabilities			
Deposits and balances of banks and agents	0.65	1.08	2.72
Deposits and other accounts of non-bank customers	0.57	0.82	3.24
Debts issued	2.64	2.27	-

United Overseas Bank Limited and Its Subsidiaries

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43. Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

The table below shows the interest rate sensitivity gap, by time band, in which interest rates of instruments are next re-priced on a contractual basis or, if earlier, the dates on which the instruments mature :

	The Group						Non- interest bearing \$'million	Banking book total \$'million	Trading book total \$'million	Total \$'million
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million				
2004										
Assets										
Cash, balances and placements with central banks	744	444	57	6	-	-	3,883	5,134	6,519	11,653
Government treasury bills and securities	-	448	1,637	2,709	1,620	1,314	-	7,728	2,020	9,748
Placements and balances with banks and agents	2,963	6,193	5,902	7,099	-	-	99	22,256	4,470	26,726
Trade bills and advances to customers	23,054	13,825	10,763	10,851	4,181	1,578	-	64,252	48	64,300
Dealing and investment securities	129	507	1,487	979	1,017	2,333	1,209	7,661	439	8,100
Investments in associates	-	-	-	-	-	-	1,702	1,702	-	1,702
Goodwill	-	-	-	-	-	-	3,876	3,876	-	3,876
Other	-	-	-	-	-	-	4,326	4,326	3,488	7,814
	<u>26,890</u>	<u>21,417</u>	<u>19,846</u>	<u>21,644</u>	<u>6,818</u>	<u>5,225</u>	<u>15,095</u>	<u>116,935</u>	<u>16,984</u>	<u>133,919</u>
Assets attributable to SPE										960
Total assets										<u>134,879</u>
Liabilities										
Current, fixed, savings accounts and other deposits of non- bank customers	25,929	22,118	10,140	11,848	1,306	1,036	6,208	78,585	467	79,052
Deposits and balances of banks and agents, and bills and drafts payable	3,889	6,677	4,320	1,613	-	-	1,107	17,606	10,844	28,450
Debts issued	25	103	177	225	84	5,550	-	6,164	-	6,164
Other	-	-	-	-	-	-	3,083	3,083	3,600	6,683
Internal funding of trading book	(2,073)	-	-	-	-	-	-	(2,073)	2,073	-
	<u>27,770</u>	<u>28,898</u>	<u>14,637</u>	<u>13,686</u>	<u>1,390</u>	<u>6,586</u>	<u>10,398</u>	<u>103,365</u>	<u>16,984</u>	<u>120,349</u>
Liabilities attributable to SPE										943
Total liabilities										<u>121,292</u>
Shareholders' funds and minority interests	-	-	-	-	-	-	13,570	13,570	-	13,570
Shareholders' funds attributable to SPE										17
Total shareholders' funds and minority interests										<u>13,587</u>
										<u>134,879</u>
Net on-balance sheet position	(880)	(7,481)	5,209	7,958	5,428	(1,361)	(8,873)	-	-	
Net off-balance sheet position	(479)	(1,761)	(2,685)	2,491	(1,720)	4,154	-	-	-	
Net interest rate sensitivity gap	<u>(1,359)</u>	<u>(9,242)</u>	<u>2,524</u>	<u>10,449</u>	<u>3,708</u>	<u>2,793</u>	<u>(8,873)</u>	<u>-</u>	<u>-</u>	

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43. Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

	The Group						Non-interest bearing \$'million	Banking book total \$'million	Trading book total \$'million	Total \$'million
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million				
2003										
Assets										
Cash, balances and placements with central banks	21	1,332	-	6	-	-	4,766	6,125	2,960	9,085
Government treasury bills and securities	-	346	1,909	2,449	1,798	785	-	7,287	375	7,662
Placements and balances with banks and agents	2,412	3,296	3,680	3,915	-	-	57	13,360	6,712	20,072
Trade bills and advances to customers	17,220	11,742	9,032	11,945	7,712	1,630	-	59,281	16	59,297
Dealing and investment securities	34	201	776	378	304	1,549	1,331	4,573	525	5,098
Investments in associates	-	-	-	-	-	-	1,397	1,397	-	1,397
Goodwill	-	-	-	-	-	-	3,466	3,466	-	3,466
Other	-	-	-	-	-	-	3,564	3,564	2,947	6,511
	<u>19,687</u>	<u>16,917</u>	<u>15,397</u>	<u>18,693</u>	<u>9,814</u>	<u>3,964</u>	<u>14,581</u>	<u>99,053</u>	<u>13,535</u>	<u>112,588</u>
Assets attributable to SPE										858
Total assets										<u>113,446</u>
Liabilities										
Current, fixed, savings accounts and other deposits of non-bank customers	25,088	15,869	8,592	11,818	1,034	366	5,962	68,729	1,183	69,912
Deposits and balances of banks and agents, and bills and drafts payable	2,345	5,330	2,460	1,105	34	-	870	12,144	6,859	19,003
Debts issued	400	1,314	114	221	-	1,295	-	3,344	-	3,344
Other	-	-	-	-	-	-	3,648	3,648	3,248	6,896
Internal funding of trading book	(2,245)	-	-	-	-	-	-	(2,245)	2,245	-
	<u>25,588</u>	<u>22,513</u>	<u>11,166</u>	<u>13,144</u>	<u>1,068</u>	<u>1,661</u>	<u>10,480</u>	<u>85,620</u>	<u>13,535</u>	<u>99,155</u>
Liabilities attributable to SPE										854
Total liabilities										<u>100,009</u>
Shareholders' funds and minority interests	-	-	-	-	-	-	13,433	13,433	-	13,433
Shareholders' funds attributable to SPE										4
Total shareholders' funds and minority interests										<u>13,437</u>
										<u>113,446</u>
Net on-balance sheet position	(5,901)	(5,596)	4,231	5,549	8,746	2,303	(9,332)	-	-	
Net off-balance sheet position	(395)	1,449	695	1,304	(4,260)	1,207	-	-	-	
Net interest rate sensitivity gap	(6,296)	(4,147)	4,926	6,853	4,486	3,510	(9,332)	-	-	

43. Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

Actual re-pricing dates may differ from contractual dates because contractual terms may not reflect the actual behavioural patterns of assets and liabilities which are subject to prepayments.

(d) Liquidity risk

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

It is not unusual for a bank to have mismatches in the contractual maturity profile of its assets and liabilities. The Group manages liquidity risk in accordance with a framework of liquidity policies, controls and limits that is approved by the Asset Liability Committee, with the main objectives of honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

These controls and policies include the setting of limits on cashflow mismatches, monitoring of liquidity crisis early warning indicators, stress test analysis of cashflows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan.

Additionally, the Group is required by law in the various locations that it operates from, including Singapore, to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements.

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Notes to the Financial Statements - 31 December 2004

43. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

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

	The Group							Total \$'million
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million	Non- specific maturity \$'million	
2004								
Assets								
Cash, balances and placements with central banks	5,410	2,290	2,442	1,511	-	-	-	11,653
Government treasury bills and securities	19	456	1,709	2,875	2,019	2,670	-	9,748
Placements and balances with banks and agents	5,108	6,414	6,464	8,151	589	-	-	26,726
Trade bills and advances to customers	14,982	3,980	5,337	7,451	8,791	23,759	-	64,300
Dealing and investment securities	152	-	141	1,048	1,574	3,703	1,482	8,100
Investments in associates	-	-	-	-	-	-	1,702	1,702
Goodwill	-	-	-	-	-	-	3,876	3,876
Other	254	54	42	116	121	235	6,992	7,814
	<u>25,925</u>	<u>13,194</u>	<u>16,135</u>	<u>21,152</u>	<u>13,094</u>	<u>30,367</u>	<u>14,052</u>	<u>133,919</u>
Assets attributable to SPE								960
Total assets								<u>134,879</u>
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	33,144	21,545	10,013	11,866	1,412	1,072	-	79,052
Deposits and balances of banks and agents, and bills and drafts payable	7,104	12,740	6,344	2,215	23	24	-	28,450
Debts issued	-	1	-	16	91	6,056	-	6,164
Other	242	82	32	37	108	40	6,142	6,683
	<u>40,490</u>	<u>34,368</u>	<u>16,389</u>	<u>14,134</u>	<u>1,634</u>	<u>7,192</u>	<u>6,142</u>	<u>120,349</u>
Liabilities attributable to SPE								943
Total liabilities								<u>121,292</u>
Shareholders' funds and minority interests	-	-	-	-	-	-	13,570	13,570
Shareholders' funds attributable to SPE								17
Total shareholders' funds and minority interests								<u>13,587</u>
								<u>134,879</u>
Net maturity mismatch	<u>(14,565)</u>	<u>(21,174)</u>	<u>(254)</u>	<u>7,018</u>	<u>11,460</u>	<u>23,175</u>	<u>(5,660)</u>	

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43. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

	The Group							Total \$'million
	Up to 7 days \$'million	Over 7 days to 1 month \$'million	Over 1 to 3 months \$'million	Over 3 to 12 months \$'million	Over 1 to 3 years \$'million	Over 3 years \$'million	Non- specific maturity \$'million	
2003								
Assets								
Cash, balances and placements with central banks	4,956	2,458	759	912	-	-	-	9,085
Government treasury bills and securities	30	402	1,944	2,662	1,800	824	-	7,662
Placements and balances with banks and agents	3,698	4,586	5,842	5,374	572	-	-	20,072
Trade bills and advances to customers	14,336	4,440	5,010	4,882	9,161	21,468	-	59,297
Dealing and investment securities	-	35	21	145	845	2,475	1,577	5,098
Investments in associates	-	-	-	7	-	-	1,390	1,397
Goodwill	-	-	-	-	-	-	3,466	3,466
Other	73	100	159	63	55	59	6,002	6,511
	<u>23,093</u>	<u>12,021</u>	<u>13,735</u>	<u>14,045</u>	<u>12,433</u>	<u>24,826</u>	<u>12,435</u>	<u>112,588</u>
Assets attributable to SPE								858
Total assets								<u>113,446</u>
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	31,873	16,458	8,401	11,928	703	549	-	69,912
Deposits and balances of banks and agents, and bills and drafts payable	4,317	8,142	4,167	2,377	-	-	-	19,003
Debts issued	-	-	-	-	17	3,327	-	3,344
Other	103	135	49	56	3	2	6,548	6,896
	<u>36,293</u>	<u>24,735</u>	<u>12,617</u>	<u>14,361</u>	<u>723</u>	<u>3,878</u>	<u>6,548</u>	<u>99,155</u>
Liabilities attributable to SPE								854
Total liabilities								<u>100,009</u>
Shareholders' funds and minority interests	-	-	-	-	-	-	13,433	13,433
Shareholders' funds attributable to SPE								4
Total shareholders' funds and minority interests								<u>13,437</u>
								<u>113,446</u>
Net maturity mismatch	<u>(13,200)</u>	<u>(12,714)</u>	<u>1,118</u>	<u>(316)</u>	<u>11,710</u>	<u>20,948</u>	<u>(7,546)</u>	

United Overseas Bank Limited and Its Subsidiaries

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43. Financial risk management (cont'd)

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

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

In addition to the above, the Group is also subjected to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37 and 39. The total outstanding contractual amounts do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the commitments to pay third parties (such as letters of credit) are reimbursed immediately by customers.

44. Fair values of financial instruments

Financial instruments comprise financial assets, financial liabilities and also derivative financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

The on-balance sheet financial assets and financial liabilities of the Bank and the Group whose fair values are required to be disclosed in accordance with Singapore Financial Reporting Standard 32 ("FRS 32") comprise all its assets and liabilities with the exception of investments in associates, investments in subsidiaries, fixed assets, goodwill, deferred tax assets, tax payables and deferred tax liabilities.

Where available, quoted and observable market prices are used as the measurement of fair values, such as for government treasury bills and securities, quoted securities, debts issued and most of the off-balance sheet derivative financial instruments.

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44. Fair values of financial instruments (cont'd)

The estimated fair values of those on-balance sheet financial assets and financial liabilities based on quoted and observable market prices as at the balance sheet date are as follows :

	The Group		The Bank	
	Carrying amount \$'000	Estimated fair value \$'000	Carrying amount \$'000	Estimated fair value \$'000
2004				
Singapore				
Government treasury bills and securities	7,772,462	7,792,680	7,678,206	7,697,404
Other government treasury bills and securities	1,975,344	1,984,216	1,615,464	1,621,759
Investment securities*	8,608,545	9,073,445	6,802,650	7,114,170
Debts issued*	7,089,297	7,255,389	6,079,974	6,240,508
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2003				
Singapore				
Government treasury bills and securities	6,310,846	6,336,259	6,232,660	6,245,848
Other government treasury bills and securities	1,351,624	1,354,748	706,589	713,002
Investment securities*	5,422,510	5,704,569	4,061,903	4,308,147
Debts issued*	4,196,269	4,214,182	3,343,862	3,361,775
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Where quoted and observable market prices are not available, fair values are arrived at using internal pricing models.

The fair values of derivative financial instruments are shown in Note 38.

44. Fair values of financial instruments (cont'd)

Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions. The principal ones are as follows :

- The fair values of cash, balances and placements with central banks, and placements and balances with banks, agents and related companies are considered to approximate their carrying values because most of these are of negligible credit risk and are either short-term in nature or re-priced frequently.
- The Bank and the Group consider the carrying amount of advances to customers as a reasonable approximation of their fair values. Presently, market and observable prices do not exist as there is currently no ready market wherein exchanges between willing parties occur. In estimating the fair value, loans are categorised into homogeneous groups by product type, risk characteristic, maturity and pricing profile, and non-performing accounts. In evaluating the reasonableness of fair value, the Bank and the Group perform analysis on each of the homogeneous groups, taking into account various hypothetical credit spread and market interest rate scenarios, future expected loss experience and estimated forced sale values of collateral. General provisions are also deducted in arriving at the fair value as a discount for credit risk inherent in the large portfolio of advances to customers.
- The Bank and the Group consider the carrying amounts of all its deposits, such as non-bank customers' deposits and deposits and balances of banks, agents and related companies, as reasonable approximation of their respective fair values given that these are mostly repayable on demand or in the shorter term, and the interest rates are re-priced at short intervals.
- For derivative financial instruments and investment securities where quoted and observable market prices are not available, fair values are arrived at using internal pricing models.

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs of obligations or services to be rendered. The Bank and the Group assess that their respective fair values are unlikely to be significant.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, the fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 32 which requires fair value information to be disclosed. These include investments in associates, investments in subsidiaries, fixed assets, long-term relationships with customers, franchise and other intangibles, which are integral to the full assessment of the Bank's and the Group's financial positions and the values of their net assets.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries

The subsidiaries of the Group as at the balance sheet date categorised by principal activities are as follows :

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2004	2003
		2004	2003	2004	2003	\$'000	\$'000
		%	%	%	%		
Commercial Banking							
Bank of Asia Public Company Limited ⁽⁶⁾	Thailand	97	–	–	–	1,124,154	–
Far Eastern Bank Limited	Singapore	78	77	–	–	38,921	38,050
PT Bank UOB Indonesia ⁽¹⁾	Indonesia	99	99	–	–	48,462	48,462
United Overseas Bank (Malaysia) Bhd ⁽¹⁾	Malaysia	45	45	55	55	123,731	123,731
United Overseas Bank Philippines ⁽¹⁾	Philippines	100	100	–	–	#	#
UOB Radanasin Bank Public Company Limited ⁽¹⁾	Thailand	84	79	–	–	268,149	136,182
ICB (2002) Limited <i>(formerly known as Industrial & Commercial Bank Limited)</i> ^{(2) **}	Singapore	100	100	–	–	–	–
Overseas Union Bank (Malaysia) Berhad ^{(1) **}	Malaysia	–	–	100	100	–	–
Overseas Union Bank Limited ^{(2) **}	Singapore	100	100	–	–	–	–
Merchant Banking							
UOB Asia (Hong Kong) Limited ⁽¹⁾	Hong Kong S.A.R.	50	50	50	50	11,687	11,687
UOB Asia Limited	Singapore	100	100	–	–	9,747	9,747
UOB Australia Limited ⁽¹⁾	Australia	100	100	–	–	10,865	10,865
Leasing							
B.O.A. Leasing Co., Ltd ⁽⁶⁾	Thailand	–	–	100	–	–	–
OUB Credit Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
OUL Sdn Bhd <i>(liquidated during the year)</i>	Malaysia	–	100	–	–	–	–

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2004	2003
		2004	2003	2004	2003	\$'000	\$'000
		%	%	%	%		
Insurance							
PT UOB Life-Sun Assurance ⁽¹⁾	Indonesia	–	–	80	80	–	–
United Overseas Insurance Limited	Singapore	58	58	–	–	15,268	15,268
UOB Insurance (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	–	–	100	100	–	–
UOB Life Assurance Limited	Singapore	88	88	12	12	32,078	31,885
Investment							
Chung Khiaw Bank (Malaysia) Bhd ⁽¹⁾	Malaysia	100	100	–	–	152,403	152,403
OUB.com Pte Ltd	Singapore	100	100	–	–	18,454	18,774
Overseas Union Holdings (Aust) Pty Limited ⁽¹⁾	Australia	–	–	100	100	–	–
Overseas Union Holdings Private Limited	Singapore	100	100	–	–	196,323	196,323
Overseas Union Securities Limited ⁽⁷⁾	Singapore	–	16	–	36	–	10,693
Overseas Union Securities Trading Pte Ltd ⁽⁷⁾	Singapore	–	–	–	100	–	–
United Investments Limited (under voluntary liquidation) ⁽⁴⁾	Singapore	100	100	–	–	–	26,100
UOB Capital Investments Pte Ltd	Singapore	100	100	–	–	88,136	80,987
UOB Capital Management Pte Ltd	Singapore	100	100	–	–	29,899	30,550
UOB Equity Holdings (Pte) Ltd	Singapore	100	100	–	–	9,600	9,600
UOB Finance (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	100	100	–	–	21,015	21,908

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2004	2003
		2004	2003	2004	2003	\$'000	\$'000
		%	%	%	%		
Investment (cont'd)							
UOB Holdings (USA) Inc. ⁽²⁾	United States of America	100	100	--	--	11,503	21,183
UOB Realty (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	--	--	100	100	--	--
UOB Venture Bio Investments Ltd ⁽⁵⁾	Singapore	--	--	--	100	--	--
UOB Venture Management (Shanghai) Co., Ltd ⁽¹⁾	People's Republic of China	--	--	100	100	--	--
UOB Venture (Shenzhen) Limited ⁽³⁾	Mauritius	--	--	100	100	--	--
CKB (2000) Limited ⁽²⁾ **	Singapore	100	100	--	--	--	--
OUB Investments Pte Ltd <i>(liquidated during the year)</i>	Singapore	--	100	--	--	--	--
Overseas Union Trust Limited ⁽²⁾ **	Singapore	100	100	--	--	10	10
Securities Investments Pte Ltd <i>(under voluntary liquidation)</i> ⁽⁴⁾	Singapore	100	100	--	--	--	--
United Overseas Finance (Malaysia) Bhd. ⁽¹⁾ **	Malaysia	--	--	100	100	--	--
UOB International Investment Private Limited	Singapore	100	100	--	--	201,967	*
UOF (2000) Limited ⁽²⁾ **	Singapore	100	100	--	--	10	10
Trustee/Investment Management							
BoA Asset Management Company Limited ⁽⁶⁾	Thailand	--	--	100	--	--	--
United Overseas Bank Trustee Limited	Singapore	20	20	80	80	1,436	1,437
UOBT (2003) Limited **	Singapore	20	20	80	80	100	100

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2004	2003
		2004 %	2003 %	2004 %	2003 %	\$'000	\$'000
Trustee/Investment Management (cont'd)							
UOB Asset Management Ltd	Singapore	100	100	–	–	2,000	2,000
UOB Bioventures Management Pte Ltd	Singapore	–	–	100	100	–	–
UOB Capital Partners LLC ⁽²⁾	United States of America	–	–	70	70	–	–
UOBGC General Partners Limited ⁽²⁾	United Kingdom	–	–	100	100	–	–
UOB Global Capital (Dublin) Ltd ⁽²⁾	Ireland	–	–	100	100	–	–
UOB Global Capital LLC ⁽²⁾	United States of America	–	–	70	70	–	–
UOB Global Capital Private Limited	Singapore	70	70	–	–	159	107
UOB Global Equity Sales LLC ⁽²⁾	United States of America	–	–	100	100	–	–
UOB Global Capital SARL ⁽²⁾	France	–	–	100	100	–	–
UOB Hermes Asia Management Pte Limited	Singapore	–	–	60	60	–	–
UOB Investment Advisor (Taiwan) Ltd ⁽¹⁾	Taiwan	–	–	100	100	–	–
UOB Venture Management Private Limited	Singapore	100	100	–	–	250	250
UOB-OSK Asset Management Sdn. Bhd. ⁽¹⁾	Malaysia	–	–	70	70	–	–
UOB Trustee (Malaysia) Bhd. ⁽¹⁾	Malaysia	–	–	100	–	–	–
OUB Asset Management Ltd (under voluntary liquidation) ⁽⁴⁾	Singapore	100	100	–	–	–	–
OUB Optimix Funds Management Limited (liquidated during the year)	Singapore	–	–	–	100	–	–

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2004	2003
		2004	2003	2004	2003	\$'000	\$'000
		%	%	%	%		
Trustee/Investment Management (cont'd)							
OUB-TA Asset Management Sdn Bhd (liquidated during the year)	Malaysia	–	–	–	51	–	–
Nominee Services							
Chung Khiaw Nominees (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	100	100	–	–	2	2
Far Eastern Bank Nominees (Private) Limited ⁽²⁾	Singapore	–	–	100	100	–	–
Mandarin Nominees Pte Ltd ⁽²⁾	Singapore	–	–	100	100	–	–
OUB Nominees (Asing) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
OUB Nominees (Tempatan) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
Overseas Union Bank Nominees (Private) Limited ⁽²⁾	Singapore	100	100	–	–	192	192
Overseas Union Nominees (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	100	100	–	–	4	4
Overseas Union Trust (Nominees) Pte Ltd ⁽²⁾	Singapore	100	100	–	–	10	10
Tye Hua Nominees Private Limited ⁽²⁾	Singapore	100	100	–	–	10	10
United Merchant Bank Nominees (Pte) Ltd ⁽²⁾	Singapore	–	–	100	100	–	–
United Overseas Bank Nominees (H.K.) Limited ⁽¹⁾	Hong Kong S.A.R.	100	100	–	–	4	4
United Overseas Bank Nominees (Private) Limited ⁽²⁾	Singapore	100	100	–	–	10	10
United Overseas Nominees (Asing) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
United Overseas Nominees (Tempatan) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
UOB Nominees (Australia) Limited ⁽¹⁾	Australia	–	–	100	100	–	–

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank 2004	2003	Subsidiaries 2004	2003	2004	2003
		%	%	%	%	\$'000	\$'000
Nominee Services (cont'd)							
UOB Nominees (UK) Limited ⁽¹⁾	United Kingdom	100	100	–	–	3	2
UOBM Nominees (Asing) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
UOBM Nominees (Tempatan) Sdn Bhd ⁽¹⁾	Malaysia	–	–	100	100	–	–
Chung Khiaw Nominees (Private) Limited ^{(2) **}	Singapore	100	100	–	–	10	10
Grand Orient Nominees Pte Ltd (<i>liquidated during the year</i>)	Singapore	–	–	–	100	–	–
ICB Nominees (Private) Limited ^{(2) **}	Singapore	100	100	–	–	10	10
Lee Wah Nominees (S) Pte Ltd ^{(2) **}	Singapore	100	100	–	–	*	*
Singapore UMB (Hong Kong) Limited ^{(1) **}	Hong Kong S.A.R.	–	–	100	100	–	–
UOF Nominees (Private) Limited ^{(2) **}	Singapore	100	100	–	–	*	*
Stockbroking							
Grand Orient Securities Pte Ltd **	Singapore	–	–	100	100	–	–
OUB Securities Pte Ltd **	Singapore	100	100	–	–	29,320	29,456
OUB Securities (H.K.) Limited (<i>under voluntary liquidation</i>) ⁽⁴⁾	Hong Kong S.A.R.	100	100	–	–	–	–
Gold/Futures Dealing							
UOB Bullion and Futures Limited	Singapore	100	100	–	–	9,000	9,000
OUB Bullion & Futures Ltd (<i>under voluntary liquidation</i>) ⁽⁴⁾	Singapore	100	100	–	–	–	–

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2004	2003
		2004	2003	2004	2003	\$'000	\$'000
		%	%	%	%		
Computer Services							
Uicom Databank Private Limited	Singapore	100	100	-	-	*	*
UOB Info Tech Sdn Bhd ^{(1)**}	Malaysia	-	-	100	100	-	-
Management Services							
Overseas Union Management Services Pte Ltd <i>(liquidated during the year)</i>	Singapore	-	100	-	-	-	-
A.I.M. Services Pte Ltd <i>(liquidated during the year)</i>	Singapore	-	100	-	-	-	-
ICB Management Pte. Ltd. <i>(liquidated during the year)</i>	Singapore	-	100	-	-	-	-
Overseas Union Management Services Sdn Bhd <i>(liquidated during the year)</i>	Malaysia	-	100	-	-	-	-
General Services							
United General Services (Pte) Ltd	Singapore	100	100	-	-	*	*
Consultancy and Research Services							
UOB Investment Consultancy (Beijing) Limited ⁽³⁾	People's Republic of China	-	-	60	60	-	-
UOB Venture Management (USA) Inc. ⁽²⁾	United States of America	-	-	100	100	-	-
OUB Research Sdn Bhd <i>(liquidated during the year)</i>	Malaysia	-	-	-	100	-	-

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2004	2003
		2004	2003	2004	2003	\$'000	\$'000
Property							
Chung Khiaw Realty, Limited	Singapore	99	99	-	-	60,448	60,448
Industrial & Commercial Property (S) Pte Ltd	Singapore	100	100	-	-	32,000	32,000
UOB Realty (USA) Inc. ⁽²⁾	United States of America	100	100	-	-	255	274
UOB Realty (USA) Ltd Partnership ⁽²⁾	United States of America	99	99	1	1	15,199	16,322
UOB Warehouse Private Limited	Singapore	100	100	-	-	88,000	88,000
FEB Realty Company Pte. Ltd. **	Singapore	-	-	100	100	-	-
Overseas Union Holding Sdn Bhd <i>(liquidated during the year)</i>	Malaysia	-	-	-	100	-	-
Property Management							
OUB Towers Pte Ltd	Singapore	100	100	-	-	29,885	33,071
Overseas Union Developments (Private) Limited	Singapore	100	100	-	-	12,991	14,279
Overseas Union Developments Sdn Bhd <i>(liquidated during the year)</i>	Malaysia	-	-	-	100	-	-
Overseas Union Realty Services Pte Ltd <i>(liquidated during the year)</i>	Singapore	-	-	-	100	-	-

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

45. Subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation and place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
		The Bank		Subsidiaries		2004	2003
		2004	2003	2004	2003	\$'000	\$'000
		%	%	%	%		
Travel							
UOB Travel Planners Pte Ltd	Singapore	100	100	--	--	3,987	3,987
UOB Travel (General Sales Agent) Pte Ltd (liquidated during the year)	Singapore	--	55	--	--	--	--
						2,697,667	1,285,403

Investment cost is fully provided for.

* Investment cost is less than \$1,000.

** Inactive.

Note :

- (1) Audited by member firms of Ernst & Young Global in the respective countries.
- (2) Not required to be audited.
- (3) Not audited by Ernst & Young, Singapore or member firms of Ernst & Young Global.
- (4) Not required to be audited as subsidiary has been put into liquidation.
- (5) Renamed as UOB JAIC Venture Bio Investments Ltd and has become an associated company.
- (6) Audited by KPMG Phoomchai Audit Ltd., Bangkok.
- (7) Ceased to be a subsidiary during the financial year.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

46. Major associates

Name of major associates	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2004 %	2003 %
Quoted associates				
United International Securities Limited	Investment	Singapore	45	42
United Overseas Land Limited ⁽¹⁾	Property/hotel	Singapore	45	49
UOB-Kay Hian Holdings Limited ⁽¹⁾	Stockbroking	Singapore	40	40
PT Bank Buana Indonesia Tbk ⁽²⁾	General banking	Indonesia	23	–
Unquoted associates				
Asfinco Singapore Limited	Investment holding	Singapore	40	40
Asia Fund Services Pte Ltd	Registrar services	Singapore	50	50
Clearing and Payment Services Pte Ltd	Continuous linked settlement	Singapore	33	33
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	33	33
Novena Square Development Ltd	Property	Singapore	20	20
Novena Square Investment Ltd	Investment	Singapore	20	20
Orix Leasing Singapore Limited	Leasing/rental	Singapore	20	20
OSK-UOB Unit Trust Management Berhad	Investment management	Malaysia	30	30
Overseas Union Insurance, Limited	General insurance	Singapore	50	50
Singapore Consortium Investment Management Ltd	Unit trust fund management	Singapore	33	33
SZVC-UOB Venture Management Co., Ltd	Investment	People's Republic of China	50	50
Uni.Asia Capital Sdn Bhd	General and life insurance	Malaysia	49	49
UOB JAIC Venture Bio Investments Ltd	Investment	Singapore	41	–

United Overseas Bank Limited and Its Subsidiaries

Notes to the Financial Statements - 31 December 2004

46. Major associates (cont'd)

Name of major associates	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2004 %	2003 %
Associates (unquoted) (cont'd)				
Vertex Asia Limited	Venture capital investment	Singapore	21	21
Walden Asia II Limited	Venture capital investment	Cayman Islands/ People's Republic of China	25	25

Note :

- (1) Audited by PricewaterhouseCoopers, Singapore.
(2) Audited by Ernst and Young Global, Jakarta.

47. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 24 February 2005.