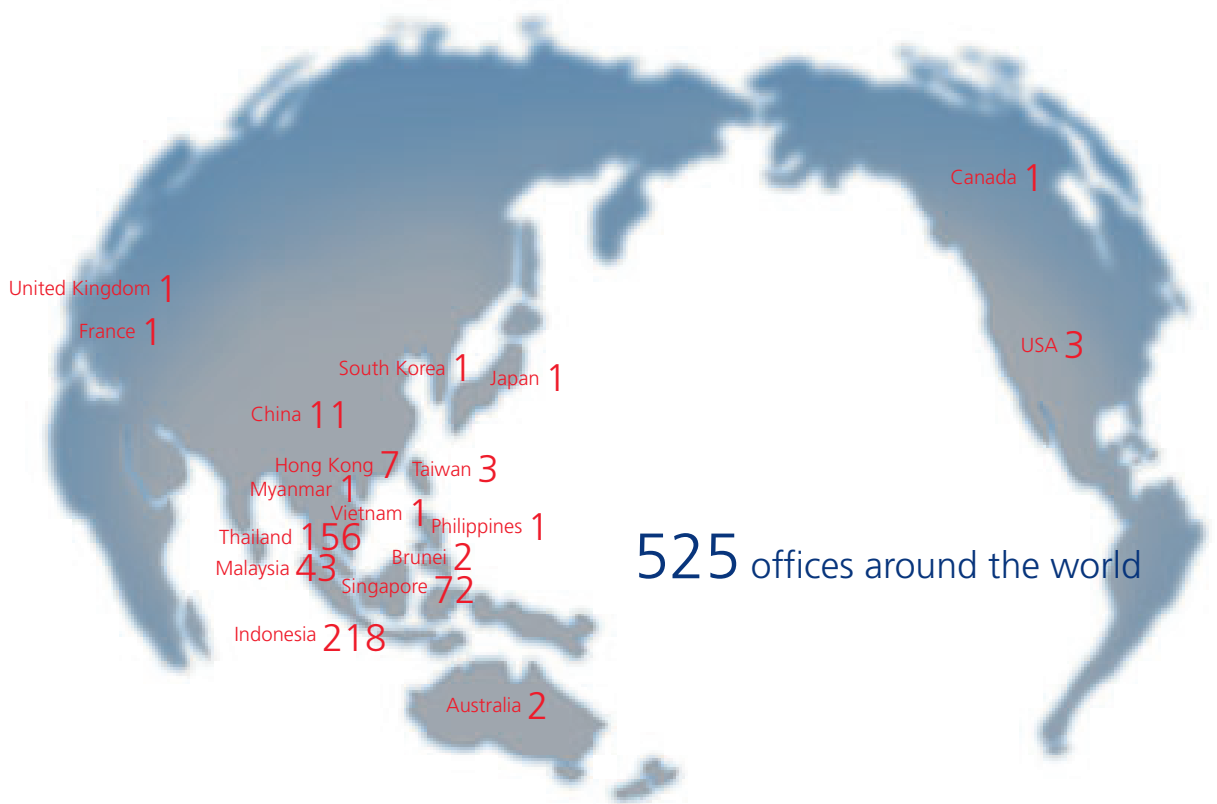


STRONG PRESENCE & POSITION

**Through Operational Excellence &
Quality Products and Services**



For the fourth consecutive year, UOB was voted the bank with the highest brand value among banks in Singapore with an estimated value of \$2.188 billion.



“As our regionalisation strategy takes flight, we will extend our strong Singapore brand to the rest of Asia. We want UOB to be synonymous with quality products and services throughout the region.”

MR WEE EE CHEONG
Deputy Chairman & President

Individual Financial Services

Individual Financial Services business covers Personal Financial Services as well as Private Banking.

Personal Financial Services (PFS)

2006 was a year of exciting achievements for PFS as it embarked on a clear three-pronged business strategy focusing on Unsecured Credits, Secured Loans and Wealth Management which include deposits, investments, treasury and insurance.

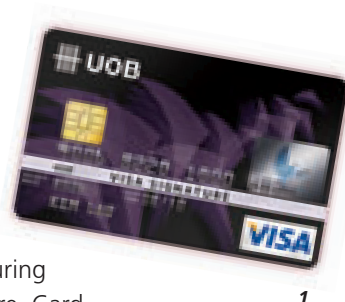
Unsecured Credits

UOB is Singapore’s largest credit card issuer with more than one million cards. The Bank has the strength of a wide product selection and the largest merchant base from which the best value is brought to our cardmembers.

Our market dominance in credit cards will continue through constant innovation. During the year, we introduced the UOB Visa Signature Card, which provides travel privileges and flexible travel

1. UOB Visa Signature Card has been well-received since its launch in August 2006.

2. The advertising campaign for the re-launch of UOB Lady’s Card was awarded the prestigious Hall Of Fame Award for Campaign of the Year 2006 by the Institute Of Advertising, Singapore.



1



2

2006 in Review

redemptions. The UOB Visa Signature Card offers prestige and better value as it provides our customers greater choice of airlines and faster redemption of travel privileges. Since its launch in August 2006 to the end of 2006, close to 50,000 UOB Visa Signature Cards have been issued.

The UOB Lady's Card, the first in the market to recognise the unique interests of women, was also re-launched in 2006. The advertising campaign for the UOB Lady's Card was awarded the prestigious Hall Of Fame Award for Campaign of the Year 2006 by the Institute Of Advertising, Singapore.

Another part of our strategy is to be the payment solutions provider to leading industry players, complementing the array of UOB benefits with those of selected partners for the benefit of a joint customer base. For instance, the SingTel-UOB Visa Platinum Card offers consumers a compelling proposition to consolidate all SingTel bills and other charges with the SingTel-UOB Visa Platinum Card to earn cash rebates.

Moving ahead, UOB will continue to seize new market trends, develop strategic partnerships and leverage our wide network to offer excellent value and benefits for our cardmembers.

Secured Loans

During the year, we increased our share in the home loan market, re-affirming our strength in the private residential home loan segment in Singapore. UOB is the market leader in this segment, financing one in three new homes in 2006.

In the region, UOB further strengthened its presence with the launch of UOB International Home Loan. This is a new financing scheme for foreigners who wish to purchase a property in Singapore, Malaysia, Thailand or Shanghai, China. In particular, UOB is the first Singapore bank to offer financing for properties in Thailand, providing integrated services for foreigners who are looking to own their dream homes there.

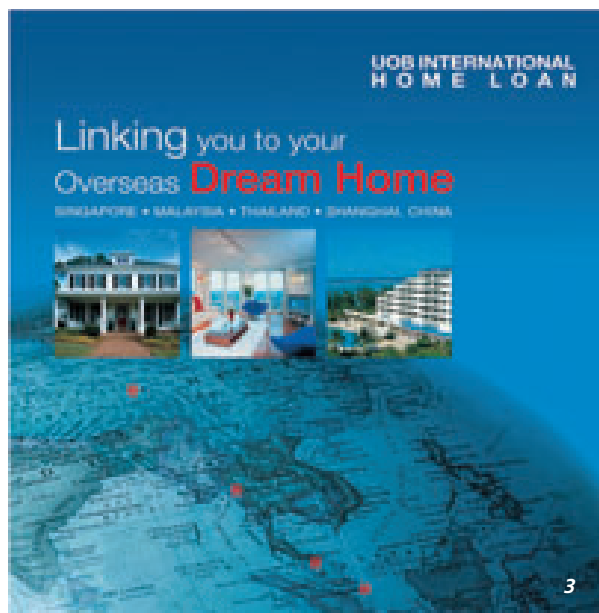
Home loans continue to be our key product focus across the region as we assist consumers in home ownership.

Wealth Management

In the area of Wealth Management, we have seen significant growth of deposits, investments, treasury and insurance sales. To strengthen our franchise, the product range was enlarged to include structured deposits and offshore product offerings. In addition, we have a clear investment strategy that focuses on portfolio diversification and bringing value to clients.

Privilege Banking

The Privilege Banking team adds value to this group of affluent customers by helping them fulfill their financial goals and needs. In 2006, two new Privilege Banking



3. UOB further strengthened its presence in the region with the launch of UOB International Home Loan.



4-5. The Privilege Banking team adds value to affluent customers by helping them fulfill their financial goals and needs.



“As intra-Asian business expands, our regional platform enables us to anticipate and meet the cross-country needs of our wide customer base.”

MR LEE CHIN YONG FRANCIS

*Senior Executive Vice President
Personal Financial Services & International*

Centres were opened to enable customers to enjoy greater privacy and the convenience of “one-stop banking”. This brings the total number of Privilege Banking Centres in Singapore to four.

To equip customers with the relevant knowledge to make informed decisions, UOB Privilege Banking conducted regular investment seminars alongside one-to-one consultation sessions that customers have with their Relationship Managers. In addition, there is a team of Treasury Specialists to specifically advise customers on their equity, foreign exchange and bonds portfolio management.

Exclusive lifestyle events were also organised for UOB Privilege Banking customers. These included the Ferrari and Maurice Lacroix previews, Queen Mary High Tea and The Dining Club’s Annual Charity Ball in the last quarter of 2006.

Deposits

2006 saw further growth for our consumer deposit balances despite intense competition.

Our CPF Fixed Deposit fuelled the growth in fixed deposits and further strengthened the Bank’s position as a leader for fixed deposit products.

Investments and Treasury Products

2006 was an eventful year in the areas of investments and treasury products which saw the rationalisation of investment product offerings, enhancements to product

selection and due diligence process, enhancements of sales and advisory processes in line with investment basics like portfolio diversification and annual re-balancing, marketing campaigns incorporating key investment education such as CPF investments, and more.

A differentiated approach to product offerings for the mass market and Privilege Banking segments saw positive client reception. For the core market, the combinations of capital-protected structured deposits with core open-ended unit trusts provide the foundation for every man in the street to start building his retirement nest egg. In the area of structured deposits, we leveraged the strength of the UOB Global Treasury Structured Products capabilities.

For the Privilege Banking segment, innovative products were introduced in the form of hedge funds, structured funds and notes; many of these were offered in various G7 currencies and the Singapore Dollar. Offerings were also extended to a broader suite of fixed income securities.

In addition to products, we launched the CPF investments education campaign as well as the Evergreen Series of funds which were selected based on research and critical due diligence on the qualified products.

Bancassurance

2006 was a year of significant progress for bancassurance in terms of product offerings and marketing efforts. Our efforts have paid off as we almost doubled our share of the bancassurance market.

2006 in Review

In 2006, UOB worked closely with its life insurance partners, UOB Life Assurance and Manulife Financial. This partnership allows the Bank to offer its customers the best-in-class products through a rigorous product due diligence process. It has resulted in a more extensive and competitive range of products that aims to meet the increasing and sophisticated needs of customers. The Bank's insurance product range now spans beyond basic savings and protection needs to include the newly launched regular premium investment-linked plan.

A bancassurance campaign was also launched in 2006 with the aim of creating public awareness of insurance products that are available via UOB. The tagline, "With UOB insurance solutions, we're united behind you for life", re-affirms the Bank's intent of reaching out to potentially under-insured customers and ascertaining suitable insurance plans that can meet their needs.

Private Banking

2006 was a defining year for our regional Private Banking business. We enjoyed healthy growth amidst the blossoming private banking market in the region and intensified competition.

We capitalised on the Bank's significant regional footprint and network of cross-selling opportunities. In addition, we focused on our traditional strength in offering integrated and customised solutions to entrepreneurs and owners of SME businesses.

We enhanced our open architecture and collaborated with in-house and external structurers to offer best-of-breed and innovative products to our clients.

We will continue to consolidate our strengths and upgrade our systems platform as we position regional Private Banking to serve our increasingly sophisticated and wealthy clients in the region and beyond.

Institutional Financial Services

Institutional Financial Services covers:

- Commercial Banking, which serves small and medium-sized enterprises (SMEs);
- Corporate Banking, which serves the large local corporate groups and multinational corporations;
- Transaction Banking, which provides cash management, trade and custody services to all institutional clients including financial institutions; and
- Structured Trade & Commodity Finance, which works closely with Commercial Banking and Corporate Banking to create special financing packages for large local and international commodity traders.

Commercial Banking

Singapore's strong economic performance and positive business sentiments in 2006 contributed to the growth in our SME portfolio with robust performances in loans, trade finance, remittance, foreign exchange and other services. UOB maintained its dominant position in the SME segment,

"We will continue to focus on strengthening our relationships with customers by providing them with innovative products and reliable services to meet their business requirements both locally and overseas."

MR CHONG KIE CHEONG

*Senior Executive Vice President
Institutional Financial Services & Private Banking*



and the SME portfolio made strong contributions to the Bank's revenue and profit for 2006.

Various initiatives were undertaken to broaden and deepen our SME customer base. The Global Business Development Division continued to tap the regional SME customers through our overseas subsidiaries and branches. Customers' structured trade finance activities also increased significantly in the light of better economic conditions in Singapore and overseas markets. In addition, a platform was put in place to facilitate the cross-selling of the Group's products and services.

The Sector has made significant progress in embracing the Basel II standards that will further enhance our management of the SME portfolio.

Commercial Banking will continue to embark on new initiatives to improve efficiency and customer experience.

Corporate Banking

In 2006, Corporate Banking in Singapore operated in a very competitive and challenging environment. We have, and will continue to rise to the challenges of the marketplace.

Corporate Banking's strategic direction is to deepen relationships with our core customer groups through responsive and reliable services and innovative financial packages and new product offerings.

Utilising our proven global relationship management business model and capitalising on our international business capabilities, we have been successful in providing customers with products and services that meet their cross-border financing requirements when investing overseas.

Transaction Banking

Recognising the growing needs of our customers in the area of transaction services, the Transaction Banking unit was set up in May 2006 to cover cash management, trade and custody services. The existing cash management unit's scope was expanded to cover the full range of cash management services including in-sourcing and partner bank arrangement. The team of dedicated product specialists provides customised solutions to our customers, thereby increasing their efficiency and productivity.

Significant business momentum has since built up with new mandates for transactional banking services. The team also supported the Singapore government's Progress Package and won the mandate to manage the workfare bonus programme.

Structured Trade & Commodity Finance (STCF)

In 2006, STCF continued to focus on the bulk trade/commodity business. It expanded its range of structured trade products from the plain vanilla shipment sales financing and stock and receivables financing to include prepayment, pre-export and tolling finance. These contributed substantially to the overall gross revenue of trade finance.

Overseas, STCF (HK) consolidated its position as one of the key players in structured trade finance in North Asia (principally Greater China and South Korea), working closely with our China offices. STCF (Sydney) succeeded in clinching several sizeable structured trade deals with major commodity players in Australia.

Global Treasury

Global Treasury offers a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading and futures broking, as well as an array of structured products. We are the foremost provider of banknote services in the region and the only bank in Singapore to offer the full gamut of gold products.

Global Treasury showed resilience despite tough market conditions in the first half of 2006. Business recovered in the second half as Global Treasury's full-year pre-tax profit grew 5.8% over 2005 to \$326 million. This was contributed by growth in corporate treasury services, effective foreign exchange and interest rate management, as well as sterling results from overseas treasury centres.

Ranked among the top ten Asian banks for its performance in equity derivatives, sales of structured products set new heights, achieving sales of more than \$1.6 billion in 2006. In-roads into overseas markets via our overseas branches and third-party distribution channels have yielded rewards with notable success in sales of structured products in the region. We are committed to creating an even wider range of products to meet the increasing demand of investors.



"In line with growing sophistication among our investing customers, we will continually develop new financial instruments and structured products to provide returns appropriate to the varying risk appetites."

MR ONG SEA ENG TERENCE

*Senior Executive Vice President
Global Markets & Investment Management*

UOB succeeded in the joint bid for EURO ECI with Bank of Ireland, and became one of only two banks in the world with both US Dollar and EURO ECI licences. This further strengthens our position as a top player in the regional wholesale banknote business.

Asset Management

Our Asset Management business covers third-party and proprietary asset management activities. We also provide asset management services through our subsidiaries in Singapore, Malaysia, Thailand, Taiwan, France and USA, serving institutional clients as well as retail customers with a broad array of investment products. At the global level, the Asset Management business achieved growth in profit before tax of \$151 million for 2006.

UOB Asset Management (UOBAM)

UOBAM continues to build on its franchise as a premier Asian manager of CDOs with the launch of Raffles Place Funding II, a US\$1 billion asset-backed securities (ABS) CDO, leveraging the success of UOB's first ABS CDO, Raffles Place Funding I. Several bespoke single-tranche CDO funds based on investment-grade corporate debt were also raised from Asian investors, bringing total assets under management for CDOs to \$11.7 billion. With these new CDO transactions, UOBAM has considerably expanded its CDO investor base throughout Asia, Europe and North America.

On the retail front, two conventional equity funds were launched in Singapore. This brought to 57 the number of

funds and sub-funds under management in Singapore at year-end, with assets of \$2.6 billion.

Overseas business continued to exhibit strong growth with funds under management at UOB-OSK Asset Management in Malaysia and UOB Asset Management (Thai), recording growth of 18.2% and 52.8% to reach \$1 billion and \$3.4 billion respectively. UOB Investment Advisor (Taiwan) also recorded an impressive increase in fund size from \$14.7 million to \$354.9 million.

At the end of 2006, assets under management totalled \$24.2 billion. This represented an increase of \$1.1 billion or 5% from end-2005.

UOB Global Capital (UOBGC)

2006 saw UOBGC's assets grow to more than US\$7.5 billion (\$11.5 billion), representing an increase of US\$4.2 billion (\$6.4 billion) or 119% from end-2005. UOBGC's hedge fund activities saw significant growth as did its Dublin-based offshore family of funds. The Dublin-based funds grew by 183% to approximately US\$3.7 billion (\$5.7 billion) by end-2006 and promise to see further growth in the coming year. UOBGC's hedge fund activities were in excess of US\$2.8 billion (\$4.3 billion) as at end-2006, representing an increase of 62% from end-2005.

During 2006, UOBGC's range of products was expanded to include new hedge fund products and an India absolute-return fund domiciled in Mauritius.



6. UOB Asia (Corporate Finance) successfully launched four Initial Public Offerings in 2006, including the flotation of the first property player from China, Sunshine Holdings Limited.



7. Among the milestone deals completed by the Capital Markets (Singapore and North Asia) team was their first offshore HK\$250 million syndicated loan for a Chinese company, Huafeng Textile International Group Limited.

UOBGC's private equity practice continued to make progress. The UOB Portfolio Advisors Asia Select Fund had a first close at the end of November 2006 at US\$75 million (\$115 million) with UOB and Portfolio Advisors as the investment advisers. The UOB Hermes Asia Technology Fund and the ASEAN China Investment Fund had a number of successful exits from investments over the year.

Investment Banking

Corporate Finance

In Singapore, UOB Asia (Corporate Finance) successfully launched four Initial Public Offerings (IPOs) in 2006, raising a total of approximately \$415 million. In addition, we also acted as the public offer co-ordinators for two international offerings, Chemoil Energy Limited and China Energy Limited.

Some of our notable IPO transactions during the year included the flotation of the first property player from China – Sunshine Holdings Limited, an award-winning property developer in Henan – on the Singapore Exchange which raised a total of \$68.6 million. Another first by UOB Asia was the listing of Omega Navigation Enterprises, Inc., the first Greek shipping company to list in Singapore, and the first dual listing on the Singapore Exchange and Nasdaq since 2000.

UOB Asia was also involved as manager of two successful rights issues for Freight Links Express Holdings Limited and Mediaring Ltd respectively, and acted as financial adviser to ASTI Holdings Limited (for its successful takeover of Flextech Holdings Limited), Mediaring Ltd (for its takeover bid for Nasdaq-listed Pacific Internet Limited) and UOL Group Limited (for its successful takeover of Hotel Negara Limited).

Capital Markets

The Capital Markets (South East Asia) team of UOB Asia continued to deliver outstanding results.

In Malaysia, it arranged a total of seven Private Debt Securities (PDS) transactions valued at RM2.6 billion (\$1.1 billion). As part of the value-added services, the team also helped to put in place RM423 million (\$184 million) worth of bridging facilities for issuers of the PDS it arranged.

For the second year in a row, the oil and gas sector continued to dominate the transactions arranged by the team with a total transaction value of RM1.4 billion (\$609 million), which accounted for approximately 54% of the total transactions. The team also lead-arranged transactions in other sectors including water and property-related sectors.

Among the more notable transactions was the completion of a RM435 million (\$189 million) Redeemable Unsecured Bond issue for Puncak Niaga Sdn Bhd in December 2006.

During the year, the Securities Commission of Malaysia revised its Guidelines on Real Estate Investment Trust (REIT) to allow REITs to issue debentures (i.e. PDS) through a wholly-owned special purpose vehicle (SPV) for the purpose of financing acquisitions of real-estate assets and single-purpose companies. Subsequent to that, the team pioneered the establishment of a RM118 million (\$51 million) PDS issuance for Quill Capita Trust (QCT), a REIT which was listed on the Main Board of Bursa Malaysia on 8 January 2007. The PDS was issued by a wholly-owned SPV of QCT, Gandalf Capital Sdn Bhd, to partly finance the acquisition of assets for QCT.

2006 in Review

In Thailand, the team successfully completed five transactions, arranging a total debt funding of approximately US\$432 million (\$662 million). The key transactions included a US\$120 million (\$184 million) syndicated bridging loan for a wholly-owned subsidiary of G Steel Public Company Limited, one of the key flat steel producers in Thailand, to finance its acquisition of some convertible debts in another flat steel player in Thailand. Other transactions included structured acquisition financing involving companies in the telecommunication, waste management and property sectors.

In Indonesia, the team lead-arranged structured debt transactions amounting to approximately US\$915 million (\$1.4 billion) for various Indonesian companies. Building upon its established market reputation, UOB Asia effectively structured transactions that included project finance, acquisition finance and securitisation deals covering multiple industry sectors. One such transaction was an IDR1.45 trillion (\$247 million) transferable loan and Standby Letter of Credit facility for PT Bukaka SingTel International, in relation to the acquisition of a minority stake in the company by the majority shareholder. This was followed by another successful arrangement of a dual-currency US\$20 million (\$31 million) bridging loan facility for a consortium of private equity funds for the acquisition of PT Yupi Indo Jelly Gum, a well-known sugar confectionery manufacturer. In project finance, UOB Asia successfully lead-arranged a syndicated loan facility of US\$205 million (\$314 million) for PT Darma Henwa, the exclusive coal mining contractor for the PT Kaltim Prima Coal's Bengalon Coal Mine in East Kalimantan.

The Capital Markets (Singapore and North Asia) team, established in the fourth quarter of 2005, completed several milestone transactions in 2006. These included the US\$100 million (\$153 million) bonds for PT Fajar Surya Wisesa, the first high-yield US Dollar bonds lead-arranged by UOB, and a RMB189 million (\$37 million) syndicated loan facility for Tonsun Foods Group, the first Renminbi syndicated facility solely led by UOB Group in China, and our first offshore HK\$250 million (\$49 million) syndicated loan for a Chinese company, Huafeng Textile International Group Limited. The team also completed the financing for a number of leveraged buy-out transactions in a diverse range of industries, such as Interbank Capital Partners' acquisition of Omni Industries (2005) Pte Ltd from

Celestica, and Affinity Equity Partners' acquisition of a majority stake in Jaya Holdings Ltd. Working hand in hand with the Corporate Banking and Commercial Banking teams in Singapore and the regional branches, the team complements UOB's product offering to its valued clientele with more diversified capabilities in structured financing and debt syndications.

Venture Management

UOB Venture Management (UOBVM), our venture capital and private equity fund management subsidiary, manages and advises six funds that amounted to \$350 million in committed capital as at the end of 2006. UOBVM validated its ability to source for good private equity opportunities in Asia with the successful listing of three of its portfolio companies on the Singapore Exchange in 2006 – China Energy Limited, China Precision Technology Limited and Oriental Century Limited.

International

In line with our mission to be a premier bank in the Asia-Pacific, we continued to grow our regional platform in 2006. Four new branches were opened in Malaysia, and UOB Chengdu Representative Office in China was upgraded to a branch in 2006. We will seek further growth through organic expansion, mergers and acquisitions, or forming strategic alliances with compatible partners.

Pre-tax profit from our overseas operations, excluding ACU, grew by 57.5% from 2005, and contributed 32.5% to the Group's total pre-tax profit in 2006, compared to 22.4% in 2005. We are on track to achieve our goal of 40% by 2010.

Malaysia

United Overseas Bank (Malaysia) [UOB (Malaysia)] group continued to achieve good performance in 2006. Net profit after tax for the group was RM418 million (\$182 million), up from RM357 million (\$157 million) in 2005. This was mainly contributed by higher net interest income and non-interest income, and partially offset by higher operating expenses as the group continued to invest in its human capital and infrastructure.

During the year, UOB (Malaysia) strengthened its suite of products and services. These included:

- E-advice of Inward Letter of Credit: Provides a more secured and expeditious way of transmitting Letters



8. The opening of four new branches brings the number of UOB (Malaysia)'s branches to 41. It remains the foreign bank with the largest branch network in Malaysia.



9. UOB (Thai) introduced new products and innovative packages to better suit customers' needs and lifestyles.

of Credit to export trade customers via the online electronic delivery system;

- UOB Visa Money Transfer: A first-of-its-kind remittance channel in the local banking fraternity which enables funds to be transferred both domestically and globally via the Visa card payment network;
- HOUSE: A shared ATM network service launched by UOB (Malaysia) and three other locally-incorporated foreign banks, giving customers access to over 300 ATMs nationwide; and
- UOB INTELLIGENT Home Loan: Enhanced to offer two additional repayment methods. Graduated payment method allows borrowers to service low monthly instalments that gradually increase at regular intervals to match their income growth. Interest-servicing method allows borrowers to service interest only for 24 months before commencing principal repayment.

The Investment Banking unit gained significant momentum in 2006. UOB (Malaysia) arranged a total of seven Private Debt Securities transactions valued at RM2.6 billion (\$1.1 billion).

For its effort in contributing to the development of Malaysia's debt capital market, UOB (Malaysia) was accorded fourth position in the Bloomberg Underwriter League Table for Malaysian Ringgit Bonds, up from fifth place in 2005. UOB (Malaysia) also ranked number one in the Malaysian Rating Corporation Berhad's (MARC) League Table in 2006 by garnering 15.66% of the total rated issues by MARC. In both League Tables, UOB (Malaysia) is the only foreign bank among the top five listed.

Complementing the Malaysian government's effort to develop the Islamic capital market, the bank continues to promote the issuance of Islamic bonds. In 2006, UOB (Malaysia) was ranked ninth with a total issuance of US\$283.6 million (\$435 million) in the Bloomberg League Table for Global Islamic Bonds.

To serve its customers better, UOB (Malaysia) opened four new branches in Kota Damansara, Kepong, Muar and Sibu. With 41 strategically-located branches nationwide, UOB (Malaysia) remains the foreign bank with the largest branch network in Malaysia.

Thailand

The United Overseas Bank (Thai) [UOB (Thai)] group's net profit was THB2,139 million (\$93 million) in 2006, an improvement of 73% over 2005's THB1,238 million (\$50 million), on a pro-forma basis. However, in the run-up to the adoption of International Accounting Standards No. 39, the Bank of Thailand introduced new regulations on loan provisioning to strengthen the overall loan provision for the banking industry. Arising from this new regulation, UOB (Thai) set aside loan provisions amounting to THB1,538 million (\$67 million). Consequently, net profit after tax was THB601 million (\$26 million), a decrease of 51% from the year before.

2006 was a year of business growth and infrastructure enhancements for UOB (Thai).

The bank launched its Platinum credit card programme that offers a stronger value proposition to customers. Credit cards customers on the whole enjoyed a better rewards programme with the introduction of regional benefits.



10. UOB Buana continues to focus on its SME business through forging strong relationships with customers.



11. UOB Chengdu Branch, upgraded from a representative office, was officially opened in December 2006.

In addition, UOB (Thai) introduced several innovative mortgage loan packages, allowing customers more flexibility to choose a package that is better suited to their needs and lifestyle. Working with its insurance associate and partners, a Mortgage Reducing Term Assurance (MRTA) programme was also bundled to supplement the mortgage loans. Together with UOB Asset Management (Thai), the bank launched several mutual funds as alternative investments for its more sophisticated customers.

On the SME front, 12 regional hubs were set up throughout Thailand, enabling UOB (Thai) to better serve its customers.

UOB (Thai) made enhancements to its computer systems to strengthen control functions, improve delivery services as well as prepare the bank for the adoption of Basel II capital requirements from January 2008 onwards.

Indonesia

PT Bank UOB Indonesia (UOB Indonesia) has been profitable since its establishment in 1990. In 2006, UOB Indonesia continued to deliver a strong operating performance, marked by a substantial growth in loan assets and profitability. Looking ahead, UOB Indonesia will work to strengthen and further expand its business foundation in Indonesia by leveraging the Group's expertise, resources and network.

Another banking subsidiary, PT Bank UOB Buana (UOB Buana), expanded its consumer banking business in 2006. The bank will continue to focus on its SME business, and aims to make treasury activities one of its core businesses.

Leveraging UOB's technical know-how and extensive experiences, UOB Buana began investing in its human resources and information technology, broadening its core businesses and rationalising its operations to enhance efficiency with the aim of becoming one of the best National Banks by 2010.

Greater China

Since opening its first office in China in 1984, UOB has strengthened its presence and expanded the scope of its business to more effectively meet the needs of its customers who are investing in China. UOB has seven banking offices in Beijing, Shanghai (one branch in Pudong and one sub-branch in Puxi), Guangzhou, Shenzhen, Xiamen and Chengdu.

UOB Shanghai Branch obtained approval to conduct Renminbi Foreign Exchange Forward business in June 2006, while UOB Chengdu Branch, upgraded from a representative office, was officially opened in December 2006. We plan to hold the official opening of our new branch in Shenyang in 2007.

Towards end-2006, UOB started the necessary works in preparation for submission of its application for local incorporation.

We also have five branches in Hong Kong, and one branch in Taipei.

Other Overseas Operations

UOB broke new ground in Vietnam by becoming the first foreign bank to be a member of the Vietnam Bank

Card (VNBC) network. The domestic card network was developed and launched by Eastern Asia Commercial Bank in 2005, and is one of the main domestic shared networks in Vietnam with 1,000 POS terminals and 400 ATMs. UOB also signed a subscription agreement with The Southern Commercial Joint Stock Bank in Vietnam to buy a 10% stake in it.

Information Technology (IT)

IT is an integral part of UOB's business strategy and is a key component of the Bank's operating infrastructure to enable business growth. We invested to create Regional Centres of Excellence to roll out best-in-class technological deployments in both Singapore and our regional offices in support of business strategies. For its outstanding business application of IT and communication technologies, UOB was listed among ZDNet Asia's top 50 Smart Users for IT in 2006.



12. *With increasing use of the internet, the Bank implemented two-factor authentication for Internet Banking to safeguard customers' sensitive information against "phishing". Customers have the option of receiving their One-Time-Password via Short Messaging System or a hardware token.*

Customer Service Quality

With increased competition, the Bank needs innovative products supported by technology to continually deliver better customer service and cement relationships. One such initiative was relationship pricing, to price our products and services based on customers' total relationships with the Bank and to reward them accordingly. The Bank's statements were re-vamped to prepare for the launch in 2007.

The Bank's Call Centre infrastructure was also enhanced. We implemented a call quality monitoring system to measure, monitor, continuously improve call quality and improve management efficiency with increasing call volume.

Operational Efficiencies

IT continues to be leveraged to reduce operating costs

and improve operational efficiencies. One of these strategic initiatives is the implementation of an Enterprise Performance Management System. It is an extension of our existing value-based performance management system to enable the Bank to effectively plan, analyse and allocate its resources by linking performance with rewards.

We also leveraged the success of our collections systems for consumer business by replicating the infrastructure to both corporate and commercial banking businesses. This improves the operational efficiency of our collections and recovery processes, and more importantly provides timely analysis for appropriate management decisions.

Processing for treasury securities was automated within the same year. With straight-through processing from front-office, middle-office through back-office for valuation, positioning, settlement, confirmation, profit and loss reporting, operational efficiency and risk management are improved.

Storage, retrieval, sharing and disaster recovery of archived documents have always been a challenge. Our current imaging and workflow system has been extended to support electronic document archival and to meet the Bank's business continuity requirements. In addition, we have obtained certification for these electronic document images to be admissible in court.

Centres of Excellence

The strategic focus of IT in the Bank is to create scale for IT infrastructure to be shared such that best practices in risk management, controls, efficiencies and products can be shared in the region as the Bank grows. To this end, most systems that are developed in Singapore are designed to cater for regional roll-outs. This approach has increased the efficiency and effectiveness in the deployment of application systems in the regional subsidiaries and international branches.

An example is the roll-out of UOB Buana's treasury and credit card processes and systems. The use of the shared services model allows UOB Buana to enjoy a more robust and improved process together with a richer set of products in a cost efficient manner.

To achieve enterprise agility and scalability, the Bank has adopted a flexible, modular and cost-effective Service Oriented Architecture for the integration of various systems,

2006 in Review

channels and services with a robust messaging layer. This allows the Bank to keep pace with business expansion and changing demands. For its achievement in enterprise integration, the Bank received an inaugural BEA award in 2006 for Excellence in Enterprise Integration (Tuxedo EAI Implementation) in the Asia-Pacific.

Regulatory Compliance and Risk Management

With increasing use of the internet, the Bank has implemented two-factor authentication for Internet Banking to safeguard customers' sensitive information against "phishing".

The foundation for Basel II core modules such as risk-weighted assets and credit-related systems has been laid for the Singapore operations and UOB (Malaysia). The focal point in 2006 was to bring the other regional offices' systems and processes on par for Basel II compliance by January 2008, in particular UOB (Thai)'s. Additionally, for better risk management and economic efficiencies, UOB (Thai) will leverage the Bank's Basel II implementation experience by modelling its credit-related processes with that of the Singapore operations and tap the shared service infrastructure.

Delivery Channels and Operations

The Delivery Channels and Operations Sector is committed to sustaining the Bank's competitiveness through operational synergies, cost efficiencies and the seamless delivery of customer service both locally and overseas.

The Region

The focus is on the integration and centralisation of processes and system platforms. Together with our IT team, we are working with UOB (Malaysia) and UOB (Thai) to re-design, automate and streamline systems and processes for Basel II compliance.

Singapore

A key initiative was re-locating critical operating functions outside the Central Business District, most with dual processing sites, to ensure continuity of service and operations in times of crisis. To complement this, the Bank will implement an imaging system to archive credit and customer-related documents to ensure business continuity and resilience in the face of the loss of physical documents.

During the year, we worked closely with Personal Financial Services Sector and Property Division, as well as a renowned design company, to establish a new corporate branding for our auto-lobbies and ATMs. We hope to achieve stronger corporate identity with the new iconic design. The greater branding visibility will enhance our marketing presence in the competitive environment.

We also rolled out new ATM acrylic plates with information of the three nearest ATM locations. This is to aid customers in locating the nearest available ATM should a machine be temporarily out of service. In addition, traditional over-the-counter transactions such as bill payments and credit card payments were made available on Cash Deposit Machines to provide another payment channel and convenience for customers.

To enhance the security on ATMs, we installed Fraud Detection Inhibitors at all our ATMs to prevent fraud attempts using skimming devices and cloned cards. Our machines are also Triple Des compliant: All ATMs encrypt information thrice before transmitting it to the host server for verification.

Two-factor authentication was introduced as an additional level of online banking security for Internet Banking services. Customers can choose between receiving their One-Time-Password via Short Messaging System or a hardware token.

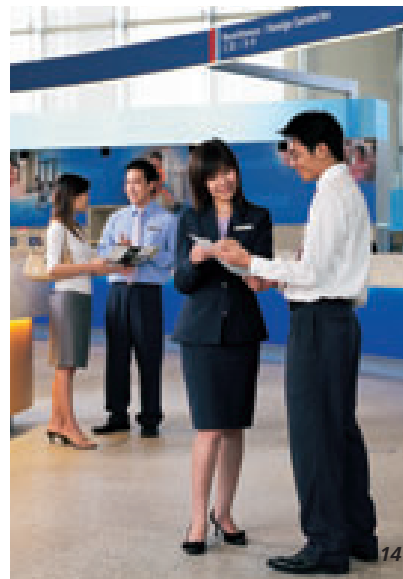
To improve operational efficiency and risk control, the Bank has embarked on in-sourcing the outward cheque-clearing from service provider, BCSIS, back to the Bank. Several major system enhancements included the migration of MAS RTGS to the SWIFT platform, MEPS+ Migration, automated Indemnity Handling and the 5-Day Clearing Week for cheques.

Service Delivery

The i-Branch system was successfully rolled out to all branches in March 2006, marking a major milestone in the delivery of over-the-counter services via an integrated service and sales platform. With the full implementation, branch staff have the benefit of using a more interactive and advanced technology platform to process transactions. The ease of navigation and the re-vamped transaction flow have helped to reduce turnaround time in responding to customers' queries.



13. To enhance our marketing presence in the competitive environment, a new corporate branding was established for UOB auto-lobbies and ATMs.



14. A new uniform design was launched for all frontline staff.

The Bank unveiled a new branch concept at Bukit Timah, Serangoon Gardens and Raffles City; with Bukit Timah and Serangoon Gardens adopting an enhanced service model consisting of both a branch and a Privilege Banking Centre. The new concept boasts a reception counter with a Service Manager to provide the first point-of-contact to customers and handle walk-in customers professionally by finding out their needs and directing them to appropriate service/sales channels.

Enhancing Customer Experience

In our continued efforts to create a new customer experience, we embarked on a programme to identify the critical factors that “wow” customers and to develop a service framework that would differentiate UOB from the rest of the industry. We are constantly gathering the views of customers through surveys and focus-group discussions.

Recognising that our staff are the ambassadors of the organisation, the Bank launched the “I Serve with a Passion” programme to encourage and motivate staff to take charge in providing customers with a memorable and pleasant service experience, manage exceptional customer situations and turn complaints into compliments.

The Bright Ideas@Work initiative was implemented to recognise and reward staff who have great ideas on how to improve services and process efficiency. A new uniform design was also officially launched for all frontline staff. Our counterparts in Thailand and Malaysia are donning a similar uniform design as well to achieve a consistent corporate image.

Service and Operational Excellence

Committed to our vision to be recognised as world-class in customer service and operational excellence, our Call Centre, Branches Head Office, Internet Services and Service Quality divisions successfully attained certification to the ISO 9001:2000 standards. These achievements mark our relentless efforts to deliver quality services and processing to our customers.

Despite intense competition from both foreign and local banks, we were accorded the Best Sub-Custodian Bank in Singapore by Global Finance for the second year running. This annual award is for custodian banks that reliably provided the best services in local and regional markets, and have excelled in the areas of customer relations, service quality, post-settlement operations, business continuity plans and knowledge of local regulations and practices.

Our Call Centre continued to make headlines in 2006 with its top five ranking in the Corporate Category at the Annual Call Centre Awards organised by the Contact Centre Association of Singapore.

Our remittance operations received the Straight-Through Processing Awards by our partner banks. We have consistently achieved this for the past seven years.

Human Resources

Efforts were not spared to ensure that the Bank’s human resource practices remained attractive and relevant to the organisation and employees across geographies.



15–17. Efforts were not spared to ensure that the Bank's human resource practices remain attractive and relevant to the organisation and employees.

In Singapore, a comprehensive review of the human resource policies and practices was made. This is to ensure that our policies are best suited for the changing needs of our employees. We are constantly looking at providing our employees with a harmonious and conducive working environment to help them grow with the UOB Group. Various rewards and recognition programmes were developed to meet specific business demands and retain staff.

Our success with the first batch of Management Associates led us to recruit another such 42 aspiring leaders in 2006. The Future Leaders Programme was launched in 2006, targeted at young, aspiring managers who had demonstrated their abilities to deliver in their earlier careers. This programme hopes to add to our leadership bench-strength and provide yet another channel for organisational renewal and succession.

Recognising the global phenomenon of an ageing workforce, we actively collaborated with the Workforce Development Agency to leverage their national programmes and successfully obtained funding for our various job re-design programmes. These programmes were developed and targeted at our mature workers, with a hope to continue to re-skill them to work beyond the retirement age.

On a Group-wide basis, broad-banding of the job hierarchy was introduced in early 2006. This was later extended to UOB (Malaysia). We hope to align broad-bands across the Group over the next one to two years. This is to facilitate the mobility of employees across entities and overseas locations as part of talent management and succession

planning within the Group. Organisation People Review and Managing Career Development programmes were also initiated in Singapore, Malaysia and Thailand.

We introduced Leadership Plenary (LeaP), a communication platform for our senior management team to reach out to and engage the executive population within the Group. The first LeaP session was held in May 2006. More sessions were held during the year and in Malaysia. Plans are already underway to bring this engagement platform to more locations outside Singapore in the coming year.

Apart from LeaP, we also developed the employer brand with the introduction of our new employee value proposition tagline, "Make Your Mark With Us As We Make Our Mark In Asia".

We will continue in our efforts in talent management so that we can compete for and retain the best talent for UOB.

Corporate Social Responsibility (CSR)

UOB believes in corporate social responsibility. We want to make a difference in the communities in which we work and live.

Education

UOB aims to reach out and better equip children from disadvantaged families through its support for education. The Bank donated towards the Education Trust Fund which provides education subsidies to pre-school and lower primary children from low-income Muslim families. Through



18. The UOB Art Gallery was the Bank's latest initiative to bring the artworks in its collection to more people.



19. As part of its "12 Weeks of Christmas" campaign where the Bank donated funds to the Children's Aid Society, UOB staff took 35 children from the home for an early Christmas shopping spree.

subsidiaries in Malaysia and Thailand, UOB also provided scholarships to two regional students to study in St Joseph's Institution International.

The Arts

UOB has been supporting the development of the arts in Singapore since 1973. We began by acquiring works of art by local and regional artists through an on-going purchase-support programme.

Opened in September 2006, the UOB Art Gallery was the Bank's latest initiative to bring the artworks in its collection to more people. We believe that art should be shared and part of its value is in the joy it can bring to many. Hence, the Gallery was established in the lobby area of UOB Plaza 1 which is accessible to staff, visitors and members of the public.

In the highly-regarded 25th UOB Painting Of The Year (POY) Competition, a record-breaking 1,380 entries from 954 artists were received. The overwhelming response affirmed UOB's commitment to providing creative opportunities for Singapore artists to exercise the mind and explore various mediums. The UOB POY Exhibition was also one of the fringe events at the inaugural Singapore Biennale 2006, a cultural event that showcased international contemporary art.

In recognition of our contributions towards the promotion of the arts in Singapore, we received the Distinguished Patron of the Arts Award from the National Arts Council in 2006.

Community Development

In 2006, UOB contributed to a number of charities as well as programmes to enhance the quality of life in the community.

In conjunction with UOB's "12 Weeks of Christmas" campaign, the Bank gave UNI\$300,000 towards a Christmas Fund called Santa's Pot. It also pledged an additional UNI\$100,000 for every \$100 million card spend by UOB credit cardmembers by 31 December 2006. All proceeds were donated to the Children's Aid Society. Our staff also took 35 children from the Children's Aid Society for an early Christmas shopping spree and dinner at VivoCity on 27 October 2006.

As a champion of work-life balance, UOB continued to be the venue sponsor of Fitness@Work in the Financial Business District. This initiative encourages busy working adults to participate in weekly workouts. UOB also contributed \$85,000 and fielded a 200-strong team of runners for the third annual Bull Run. The Bull Run was organised by the Singapore Exchange. Funds raised went to 13 charities.

Global Outreach Event

Singapore played host to the 2006 Annual Meetings of the Boards of Governors of the International Monetary Fund and World Bank Group (IMF/World Bank Meetings) in September. Called Singapore 2006 (S2006), UOB supported the event as a Lead Partner. S2006 was a showcase of Singapore's collective capabilities and an expression of the nation's aspirations to be a global city with abundant opportunities. The event attracted more than 23,000 registered participants from 184 countries, making it the largest turnout ever at the IMF/World Bank Meetings.