

UNITED OVERSEAS BANK LIMITED

*Incorporated in the Republic of Singapore
Company Registration Number: 193500026Z*

To : All Shareholders

The Board of Directors of United Overseas Bank Limited wishes to make the following announcement:

Financial Results

The financial results of the Group for the financial year / fourth quarter ended 31 December 2006 are enclosed.

Ordinary Share Dividend

The Directors recommend the payment of a final dividend of 50 cents and a special final dividend of 10 cents per ordinary share less 18% Singapore income tax (2005: final dividend of 40 cents per ordinary share less 20% Singapore income tax) in respect of the financial year ended 31 December 2006.

Together with the interim dividend of 20 cents and special interim dividend of 20 cents per ordinary share less 20% Singapore income tax (2005: interim dividend of 20 cents, and special interim dividend of 28.5 cents in specie of shares in United Overseas Land Limited, per ordinary share less 20% Singapore income tax) paid in August 2006, the total dividend for the financial year ended 31 December 2006 will be \$1.00 per ordinary share amounting to a total net dividend of \$1,237 million (2005: \$1,088 million). The total net dividend payment could be more if options under the UOB 1999 Share Option Scheme are exercised for shares by the books closure date.

All existing holders of options under the UOB 1999 Share Option Scheme who exercise their options for shares by the books closure date will be entitled to the final dividend and special final dividend, in accordance with the terms of the scheme. Subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 27 April 2007, the final dividend and special final dividend for the financial year ended 31 December 2006 will be paid on 22 May 2007.

Subsidiary Preference Share Dividend

During the financial year, semi-annual dividends at an annual rate of 5.796% totalling \$35 million (2005: Nil) were paid on the 5,000 non-cumulative non-convertible guaranteed SPV-A preference shares issued by the Bank's wholly-owned subsidiary, UOB Cayman I Limited.

Closure of Books

Notice is hereby given that, subject to shareholders' approval of the payment of the aforementioned ordinary share dividend at the Annual General Meeting, the Share Transfer Books and Registers of Members of the Bank will be closed from 10 May 2007 to 11 May 2007, both dates inclusive. Duly completed transfers received by the Bank's Registrar, Lim Associates Pte Ltd, at 3 Church Street #08-01 Samsung Hub, Singapore 049483 up to 5.00 pm on 9 May 2007 will be registered to determine shareholders' entitlements to the proposed final dividend and special final dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Ltd ("CDP"), the final dividend and special final dividend will be paid by the Bank to CDP which will, in turn, distribute the dividend entitlements to shareholders.

Event Subsequent to the Balance Sheet Date

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

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

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

**BY ORDER OF THE BOARD
UNITED OVERSEAS BANK LIMITED**

Mrs Vivien Chan
Secretary

Dated this 28th day of February 2007

The results are also available at the Bank's website at www.uobgroup.com



United Overseas Bank Limited

Incorporated in the Republic of Singapore
Company Registration Number: 193500026Z

GROUP FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR 2006

28 FEBRUARY 2007

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Note:

- ◆ The financial statements are presented in Singapore dollars.
- ◆ Certain comparative figures have been restated to conform with the current period's presentation.
- ◆ Certain figures in this report may not add up to the respective totals due to rounding.
- ◆ Amounts less than \$500,000 in absolute term are shown as "0".

Highlights and Performance Indicators

	2006	2005	2006 / 2005 %	4th Quarter 2006	3rd Quarter 2006	4th Quarter 2005	4Q06 / 4Q05 %
Summarised Profit and Loss (\$'m)							
Net interest income (NII)	2,710	2,348	+ 15.5	702	684	614	+ 14.4
Non-interest income (Non NII)	1,514	1,414	+ 7.1	517	337	414	+ 24.8
Total income	4,224	3,761	+ 12.3	1,219	1,021	1,028	+ 18.6
Less: Total expenses	1,736	1,424	+ 21.9	497	424	404	+ 23.0
Operating profit before amortisation and impairment charges	2,488	2,337	+ 6.4	722	597	623	+ 15.8
Less: Intangible assets	13	60	- 79.2	3	3	2	+ 47.1
Less: Other impairment charges	181	174	+ 4.1	64	26	74	- 12.5
Add: Share of profit of associates	152	100	+ 51.7	50	31	23	+ 116.1
Less: Tax and minority interests	564	495	+ 14.1	167	136	139	+ 20.3
Net profit after tax excluding one-time gain	1,882	1,709	+ 10.1	537	463	432	+ 24.3
Add: One-time gain [@]	689	-	NM	-	-	-	-
Net profit after tax [^]	2,570	1,709	+ 50.4	537	463	432	+ 24.3
Key Indicators (excluding the one-time gain)							
❖ Income mix (%)							
- NII / Total income	64.2	62.4	+ 1.8 % pt	57.6	67.0	59.7	- 2.1 % pt
- Non NII / Total income	35.8	37.6	- 1.8 % pt	42.4	33.0	40.3	+ 2.1 % pt
	100.0	100.0	-	100.0	100.0	100.0	-
❖ Profit contribution (before tax and intangible assets) (%)							
- Singapore (including ACU)	67.5	77.6	- 10.1 % pt	65.1	64.1	80.5	- 15.4 % pt
- Overseas	32.5	22.4	+ 10.1 % pt	34.9	35.9	19.5	+ 15.4 % pt
	100.0	100.0	-	100.0	100.0	100.0	-
❖ Return on average ordinary shareholders' equity [#] * (%)							
- Including intangible assets	12.3	12.4	- 0.1 % pt	13.6	12.1	12.4	+ 1.2 % pt
- Excluding intangible assets	12.4	12.9	- 0.5 % pt	13.7	12.2	12.5	+ 1.2 % pt
❖ Basic earnings per ordinary share [#] * (¢)							
- Including intangible assets	120.1	111.2	+ 8.0	138.4	118.5	112.3	+ 23.2
- Excluding intangible assets	121.0	115.1	+ 5.1	139.2	119.3	112.9	+ 23.3
❖ Return on average total assets [*] (%)							
- Including intangible assets	1.21	1.25	- 0.04 % pt	1.34	1.18	1.21	+ 0.13 % pt
- Excluding intangible assets	1.22	1.29	- 0.07 % pt	1.35	1.19	1.21	+ 0.14 % pt
❖ Net interest margin [*] (%)							
	1.99	1.99	-	1.99	1.97	1.96	+ 0.03 % pt
❖ Expense / Income ratio (%)							
	41.1	37.9	+ 3.2 % pt	40.8	41.6	39.3	+ 1.5 % pt
❖ Dividend per ordinary share (¢)							
- Interim	20.0	20.0	-	-	-	-	-
- Special ⁺	30.0	28.5	+ 5.3	10.0	-	-	NM
- Final	50.0	40.0	+ 25.0	50.0	-	40.0	+ 25.0

[@] One-time gain refers to the special dividend received from Overseas Union Enterprise Limited ("OUE") and gain from divestment of OUE and Hotel Negara Limited ("HNL"), recorded by the Group and its associates in 2Q06.

[^] Net profit after tax refers to profit attributable to equity holders of the Bank.

[#] Calculated based on profit attributable to equity holders of the Bank net of subsidiary preference share dividend incurred for the financial period.

^{*} Computed on an annualised basis for quarters.

⁺ Special dividend in 2005 refers to the dividend in specie of shares in United Overseas Land Limited.

"NM" denotes not meaningful.

Highlights and Performance Indicators (cont'd)

	31-Dec-06	31-Dec-05	Dec-06 / Dec-05 (%)	30-Sep-06
<u>Other Indicators</u>				
❖ Customer loans (net) (\$'m)	76,875	67,142	+ 14.5	73,673
❖ Customer deposits (\$'m)	95,552	85,503	+ 11.8	88,960
❖ Loans / Deposits ratio [®] (%)	80.5	78.5	+ 2.0 % pt	82.8
❖ Non-performing loans (NPLs) (\$'m)	3,165	3,931	- 19.5	3,532
❖ Cumulative impairment (\$'m)	2,508	2,714	- 7.6	2,562
❖ NPL ratio [^] (%)	4.0	5.6	- 1.6 % pt	4.6
❖ Cumulative impairment / NPLs (%)	79.2	69.0	+ 10.2 % pt	72.5
❖ Total assets (\$'m)	161,312	145,073	+ 11.2	156,904
❖ Shareholders' equity * (\$'m)	16,791	14,929	+ 12.5	15,890
❖ Revaluation surplus [#] (\$'m)	1,486	1,564	- 5.0	1,269
❖ Net asset value (NAV) per ordinary share (\$) ⁺	10.48	9.17	+ 14.3	9.89
❖ Revalued NAV per ordinary share (\$) ⁺	11.45	10.19	+ 12.4	10.72
❖ Net tangible asset per ordinary share (\$) ⁺	7.68	6.39	+ 20.2	7.08
❖ Capital adequacy ratios (%)				
- Tier 1 capital	11.0	11.0	-	10.8
- Total capital	16.3	16.1	+ 0.2 % pt	16.1

[®] "Loans" refers to net customer loans while "Deposits" refers to customer deposits.

[^] NPL ratio represents NPLs (excluding debt securities) as a percentage of gross customer loans.

* Shareholders' equity refers to equity attributable to equity holders of the Bank.

[#] Refers to revaluation surplus on properties and securities not recognised in the financial statements.

⁺ Subsidiary preference shares were excluded from the computations.

Review of Group Performance

The financial statements are presented in Singapore dollars and have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") with modification to FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by Monetary Authority of Singapore ("MAS"). The accounting policies and computation methods adopted for the financial year ended 31 December 2006 are the same as those adopted for the financial year ended 31 December 2005.

Results

2006 versus 2005

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

Total operating income increased 28.6% to \$4,837 million for 2006, primarily due to the special dividend of \$284 million received from OUE and gain of \$329 million from divestment of OUE and HNL. Excluding this one-time income of \$613 million, total income would be \$4,224 million, representing an increase of 12.3% over 2005. The increase was largely driven by higher net interest income from improved loan yield and expanded loan volume, as well as higher fee and commission income mainly from fund management and loan-related activities.

Total operating expenses increased 21.9% to \$1,736 million in 2006. Staff costs increased 26.8% to \$867 million largely due to a higher headcount. Other operating expenses rose 17.4% to \$869 million mainly on professional fees, commission and brokerage, business promotions, and IT maintenance. Expense-to-income ratio of the Group increased to 41.1% (excluding the one-time income) in 2006 as compared to 37.9% in 2005.

Other impairment charges increased 4.1% over 2005 to \$181 million in 2006. The increase resulted largely from the write-back of collective impairment in 2005 and higher impairment charges on investment securities. These were partially offset by lower impairment charges on loans.

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

Review of Group Performance (*cont'd*)

4th Quarter 2006 versus 3rd Quarter 2006

NPAT in the fourth quarter of 2006 ("4Q06") increased 16.0% to \$537 million from \$463 million in the third quarter of 2006 ("3Q06"). The increase was largely due to higher non-interest income and higher contributions from associates, partially negated by higher operating expenses and higher impairment charges.

Total operating income rose 19.3% to \$1,219 million in 4Q06 from \$1,021 million in 3Q06. This was mainly contributed by net gain on trading securities, government securities and derivatives as against net loss in 3Q06, and higher fee and commission, partially offset by lower gain on investment securities.

Total operating expenses increased 17.1% to \$497 million in 4Q06. Staff costs rose 15.5% to \$245 million while other operating expenses increased 18.7% to \$251 million mainly on business promotions, commission and brokerage, and professional fees. Expense-to-income ratio improved to 40.8% in 4Q06 from 41.6% in 3Q06.

Other impairment charges increased 150.6% to \$64 million in 4Q06 from \$26 million in 3Q06, largely due to higher impairment charges on loans and investment securities.

Share of pre-tax profit of associates at \$50 million in 4Q06 was an increase of 63.2% over the \$31 million in 3Q06.

4th Quarter 2006 versus 4th Quarter 2005

NPAT of \$537 million in 4Q06 was 24.3% higher than the \$432 million recorded in the fourth quarter of 2005 ("4Q05"). The increase was mainly due to higher non-interest income, higher net interest income and higher share of profit of associates, partially offset by higher operating expenses.

Total operating income grew 18.6% from \$1,028 million in 4Q05. The increase was contributed by higher net interest income on higher loan yield and increased loan volume, higher net gain on trading securities, government securities and derivatives, higher fee and commission income, and gain on investment securities as opposed to loss in 4Q05.

Total operating expenses increased 23.0% from \$404 million in 4Q05. Staff costs rose 23.1% largely on increased headcount. Other operating expenses increased 22.9% mainly on commission and brokerage, professional fees and business promotions.

Other impairment charges declined 12.5% from 4Q05 due to lower impairment charges on loans, partially offset by higher impairment charges on investment securities.

Share of pre-tax profit of associates registered a growth of 116.1% from \$23 million in 4Q05, attributed mainly to higher contributions from major associates.

Review of Group Performance *(cont'd)*

Balance Sheet

The Group's net customer loans grew 14.5% to \$76,875 million as at 31 December 2006 (31 December 2005: \$67,142 million). Group non-performing loans ("NPLs") decreased 19.5% to \$3,165 million as at 31 December 2006 (31 December 2005: \$3,931 million). Correspondingly, Group NPL ratio improved to 4.0% as at 31 December 2006 (31 December 2005: 5.6%). As at 31 December 2006, Group NPLs were 54.1% (31 December 2005: 56.7%) secured by collateral and unsecured NPLs were 172.6% (31 December 2005: 159.4%) covered by total cumulative impairment.

Group total assets increased 11.2% to \$161,312 million as at 31 December 2006 (31 December 2005: \$145,073 million). Group shareholders' equity rose 12.5% to \$16,791 million as at 31 December 2006 from \$14,929 million as at 31 December 2005. Correspondingly, the Group's net asset value per share increased to \$10.48 as at 31 December 2006 (31 December 2005: \$9.17).

The Group's total capital adequacy ratio ("CAR") of 16.3% as at 31 December 2006 (31 December 2005: 16.1%) was 6.3% points above the minimum 10% set by MAS.

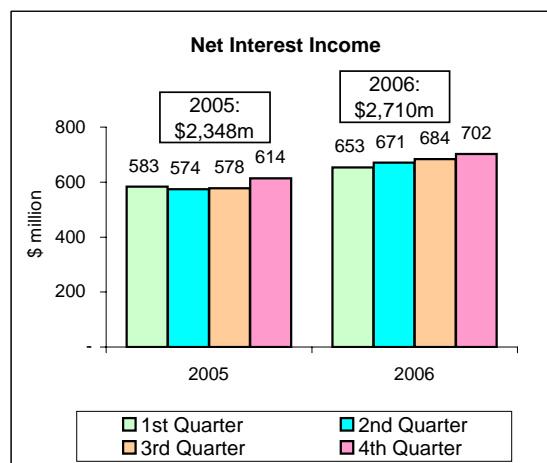
**CONSOLIDATED PROFIT AND LOSS ACCOUNT (AUDITED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	2006 \$ million	2005 \$ million	2006 / 2005 %
Interest income	6,962	4,882	42.6
Less: Interest expense	4,252	2,534	67.8
Net interest income	2,710	2,348	15.5
Dividend income	328	60	449.9
Fee and commission income	1,003	900	11.4
Rental income	64	64	0.4
Other operating income	732	391	87.4
Total non-interest income	2,127	1,414	50.4
Total operating income	4,837	3,761	28.6
Less:			
Staff costs	867	684	26.8
Other operating expenses	869	740	17.4
Total operating expenses	1,736	1,424	21.9
Operating profit before amortisation and impairment charges	3,101	2,337	32.7
Less: Intangible assets amortised / impaired	13	60	(79.2)
Less: Other impairment charges	181	174	4.1
Operating profit after amortisation and impairment charges	2,908	2,104	38.2
Share of profit of associates	271	100	171.6
Profit before tax	3,179	2,204	44.2
Less: Tax	553	472	17.2
Profit for the financial year	2,625	1,731	51.6
Attributable to:			
Equity holders of the Bank	2,570	1,709	50.4
Minority interests	55	22	147.2
	2,625	1,731	51.6
Earnings per ordinary share (¢)			
Basic	165.2	111.2	48.6
Diluted	165.2	111.2	48.6
Return on average ordinary shareholders' equity (%)			
Including intangible assets	17.0	12.4	4.6 % pt
Excluding intangible assets	17.1	12.9	4.2 % pt

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006**

	4th Quarter 2006	3rd Quarter 2006	4Q06 / 3Q06	4th Quarter 2005	4Q06 / 4Q05
	\$ million	\$ million	%	\$ million	%
Interest income	1,852	1,830	1.2	1,387	33.5
Less: Interest expense	1,150	1,146	0.4	774	48.6
Net interest income	702	684	2.6	614	14.4
Dividend income	10	7	49.9	4	171.6
Fee and commission income	332	221	50.1	293	13.0
Rental income	16	17	(5.9)	16	(0.7)
Other operating income	160	93	71.9	101	57.9
Total non-interest income	517	337	53.4	414	24.8
Total operating income	1,219	1,021	19.3	1,028	18.6
Less:					
Staff costs	245	213	15.5	199	23.1
Other operating expenses	251	212	18.7	205	22.9
Total operating expenses	497	424	17.1	404	23.0
Operating profit before amortisation and impairment charges	722	597	20.9	623	15.8
Less: Intangible assets amortised	3	3	(4.2)	2	47.1
Less: Other impairment charges	64	26	150.6	74	(12.5)
Operating profit after amortisation and impairment charges	654	568	15.2	548	19.4
Share of profit of associates	50	31	63.2	23	116.1
Profit before tax	704	598	17.7	571	23.3
Less: Tax	150	123	21.8	134	11.7
Profit for the financial period	554	475	16.6	437	26.9
Attributable to:					
Equity holders of the Bank	537	463	16.0	432	24.3
Minority interests	18	13	36.9	5	259.0
	554	475	16.6	437	26.9
Annualised earnings per ordinary share (¢)					
Basic	138.4	118.5	16.8	112.3	23.2
Diluted	138.4	118.5	16.8	112.3	23.2
Annualised return on average ordinary shareholders' equity (%)					
Including intangible assets	13.6	12.1	1.5 % pt	12.4	1.2 % pt
Excluding intangible assets	13.7	12.2	1.5 % pt	12.5	1.2 % pt

Net Interest Income



Net interest income grew 15.5% over 2005 to \$2,710 million in 2006 and 14.4% over 4Q05 to \$702 million in 4Q06. The increase for both periods was largely contributed by higher loan yield and volume.

Net interest margin of 1.99% for 2006 was the same as that for 2005. Against 3Q06 and 4Q05, net interest margin of 1.99% for 4Q06 improved 2 and 3 basis points respectively.

Average Interest Rates and Margin

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

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

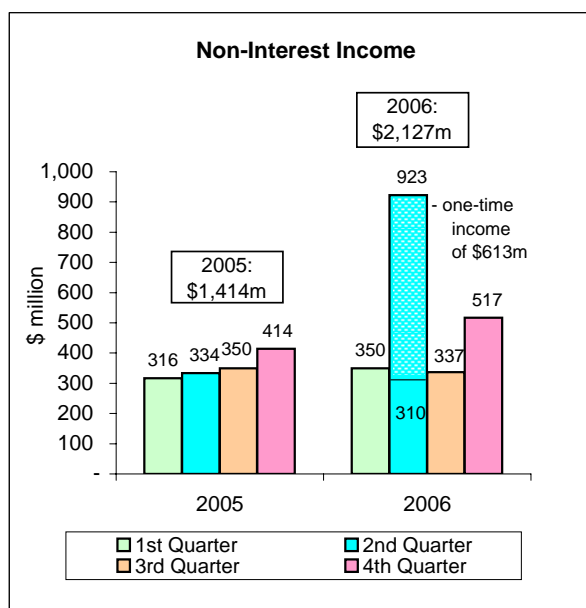
Net Interest Income (cont'd)

Average Interest Rates and Margin (cont'd)

	4th Quarter 2006			3rd Quarter 2006			4th Quarter 2005		
	Average Balance \$ million	Annualised Interest \$ million	Average Rate %	Average Balance \$ million	Annualised Interest \$ million	Average Rate %	Average Balance \$ million	Annualised Interest \$ million	Average Rate %
Customer loans	74,895	4,423	5.91	70,774	4,248	6.00	65,799	3,418	5.19
Inter-bank balances / balances with central banks	38,887	1,777	4.57	43,022	1,934	4.50	39,338	1,404	3.57
Securities	25,982	1,147	4.42	23,696	1,077	4.54	18,998	682	3.59
Total interest bearing assets	139,764	7,347	5.26	137,492	7,259	5.28	124,135	5,504	4.43
Customer deposits	93,712	2,490	2.66	91,027	2,493	2.74	87,036	1,694	1.95
Inter-bank balances / other	42,018	2,072	4.93	42,250	2,052	4.86	35,538	1,376	3.87
Total interest bearing liabilities	135,730	4,562	3.36	133,277	4,545	3.41	122,574	3,070	2.50
Net interest income		2,784			2,714			2,434	
Net interest margin ^			1.99			1.97			1.96

^ Net interest margin represents annualised net interest income as a percentage of total interest bearing assets.

Non-Interest Income



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

Against 3Q06, non-interest income increased 53.4% to \$517 million in 4Q06, mainly due to net gain on trading securities, government securities and derivatives as opposed to loss in 3Q06, and higher fee and commission income, partially offset by lower gain on investment securities.

Compared to 4Q05, non-interest income improved 24.8% in 4Q06, mainly due to higher net gain on trading securities, government securities and derivatives, higher fee and commission income, and gain on investment securities as opposed to loss in 4Q05.

Composition of Non-Interest Income

	2006	2005	4th Quarter	3rd Quarter	4th Quarter
	\$ million	\$ million	2006	2006	2005
			\$ million	\$ million	\$ million
Fee and commission income					
Credit card	138	121	40	35	35
Fund management	210	151	79	39	35
Futures broking	30	21	7	6	6
Investment-related	205	251	78	41	127
Loan-related	163	126	56	37	31
Service charges	68	62	19	16	19
Trade-related	164	145	45	39	40
Other	24	22	7	6	1
	1,003	900	332	221	293
Dividend and rental income	392	123	25	23	19
Other operating income					
Net gain / (loss) from:					
- Foreign exchange	153	130	40	33	49
- Trading securities, government securities and derivatives	75	45	65	(127)	6
- Investment securities	54	54	28	171	(9)
	281	228	133	76	46
- Disposal of assets held for sale	332	23	-	-	8
- Disposal of fixed and other assets	26	19	3	10	7
Other income	92	121	24	7	40
	732	391	160	93	101
Total non-interest income	2,127	1,414	517	337	414
Fee and commission income / Total income (%)	23.7 *	23.9	27.2	21.6	28.6
Non-interest income / Total income (%)	35.8 *	37.6	42.4	33.0	40.3

* Excluding the one-time income.

Operating Expenses

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

Against 3Q06 and 4Q05, total operating expenses increased 17.1% and 23.0% respectively to \$497 million in 4Q06. Expense-to-income ratio was 40.8% in 4Q06 compared to 41.6% in 3Q06 and 39.3% in 4Q05.

	2006	2005	4th Quarter	3rd Quarter	4th Quarter
	\$ million	\$ million	2006	2006	2005
			\$ million	\$ million	\$ million
Staff costs	867	684	245	213	199
Other operating expenses	869	740	251	212	205
Total operating expenses [^]	1,736	1,424	497	424	404
Expense / Income ratio (%)	41.1 *	37.9	40.8	41.6	39.3

Total operating expenses included:

IT-related expenses	244	222	70	59	60
IT-related expenses / Total operating expenses (%)	14.1	15.6	14.0	14.0	14.8

[^] Total operating expenses included auditors' remuneration of \$3 million (2005: \$3 million).

* Excluding the one-time income.

Staff Costs

Staff costs increased 26.8% to \$867 million for 2006 compared to \$684 million for 2005, largely on wages and salaries due to a higher headcount.

	2006	2005
	\$ million	\$ million
Wages and salaries	738	580
Employer's contribution to defined contribution plans	55	48
Share option expense	-	2
Other staff-related costs	74	53
Total staff costs	867	684
Manpower (number)	20,102	18,816

Operating Expenses (cont'd)

Other Operating Expenses

Other operating expenses increased 17.4% to \$869 million in 2006 mainly on professional fees, commission and brokerage, business promotions and IT maintenance.

Other operating expenses increased 18.7% and 22.9% over 3Q06 and 4Q05 respectively to \$251 million in 4Q06, mainly on commission and brokerage, professional fees and business promotion.

	2006	2005	4th Quarter	3rd Quarter	4th Quarter
	\$ million	\$ million	2006	2006	2005
	\$ million	\$ million	\$ million	\$ million	\$ million
Depreciation of fixed assets	142	140	36	35	35
Rental of premises and equipment	47	46	13	12	11
Maintenance of premises and other assets	80	65	26	19	19
Other expenses	600	489	177	146	139
Total other operating expenses	869	740	251	212	205

Other Impairment Charges

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

Against 3Q06, other impairment charges increased 150.6% to \$64 million in 4Q06, largely due to higher impairment charges on loans and investment securities. Compared to 4Q05, other impairment charges in 4Q06 declined 12.5% as a result of lower impairment charges on loans, partly offset by higher impairment charges on investment securities.

	2006	2005	4th Quarter	3rd Quarter	4th Quarter
	\$ million	\$ million	2006	2006	2005
	\$ million	\$ million	\$ million	\$ million	\$ million
Individual impairment on loans					
Singapore	78	99	(16)	13	48
Regional countries [^]	54	119	58	5	23
Greater China ^{^^}	5	(5)	(2)	(2)	(0)
Other	5	2	0	(0)	(1)
	142	215	41	16	70
Other individual impairment / provisions	38	15	24	10	4
Collective impairment	-	(56)	-	-	-
Total other impairment charges	181	174	64	26	74

[^] Regional countries comprise Malaysia, Indonesia, the Philippines and Thailand.

^{^^} Greater China comprises China, Hong Kong S.A.R. and Taiwan.

Total Assets

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

<u>Assets Mix</u>	<u>31-Dec-06</u>		<u>31-Dec-05</u>	
	\$ million	%	\$ million	%
Cash, balances and placements with central banks	16,301	10.1	11,925	8.2
Securities *	28,081	17.4	20,332	14.0
Placements and balances with banks and agents	24,531	15.2	31,346	21.6
Customer loans	76,875	47.6	67,142	46.3
Intangible assets	4,293	2.7	4,270	3.0
Other	11,230	7.0	10,058	6.9
Total assets	161,312	100.0	145,073	100.0

Securities *

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

	<u>31-Dec-06</u>	<u>31-Dec-05</u>
	\$ million	\$ million
Total Securities		
Trading	1,499	1,592
Non-trading	26,848	18,956
Provision for impairment	(267)	(216)
	26,581	18,740
Total securities (net)	28,081	20,332

<u>Non-trading Securities Analysed by Issuer Type</u>	<u>31-Dec-06</u>		<u>31-Dec-05</u>	
	\$ million	%	\$ million	%
Government	8,975	33.4	8,618	45.5
Public sector	267	1.0	49	0.2
Bank	10,078	37.6	5,327	28.1
Corporate	6,717	25.0	4,620	24.4
Other	812	3.0	343	1.8
Non-trading securities (gross)	26,848	100.0	18,956	100.0

<u>Non-trading Securities Analysed by Industry</u>	<u>31-Dec-06</u>		<u>31-Dec-05</u>	
	\$ million	%	\$ million	%
Transport, storage and communication	1,029	3.8	561	3.0
Building and construction	986	3.7	760	4.0
Manufacturing	1,019	3.8	431	2.3
Financial institutions	12,430	46.3	6,795	35.8
General commerce	182	0.7	173	0.9
Government	8,975	33.4	8,618	45.5
Other	2,229	8.3	1,619	8.5
Non-trading securities (gross)	26,848	100.0	18,956	100.0

* Comprising government, trading and investment securities.

Customer Loans

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

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

<u>Customer Loans Analysed by Product Group</u>	31-Dec-06		31-Dec-05	
	\$ million	%	\$ million	%
Housing loans	18,898	23.8	16,632	23.8
Term loans	46,073	58.1	39,658	56.8
Trade financing	5,658	7.1	4,808	6.9
Overdrafts	8,752	11.0	8,747	12.5
Total gross customer loans	79,380	100.0	69,846	100.0
Individual impairment	(1,235)		(1,433)	
Collective impairment	(1,271)		(1,270)	
Total net customer loans	76,875		67,142	

<u>Gross Customer Loans Analysed by Industry</u>	31-Dec-06		31-Dec-05	
	\$ million	%	\$ million	%
Transport, storage and communication	4,024	5.1	2,447	3.5
Building and construction	7,894	9.9	7,645	10.9
Manufacturing	8,860	11.1	7,870	11.3
Non-bank financial institutions	12,912	16.3	10,445	15.0
General commerce	11,735	14.8	11,483	16.4
Professionals and private individuals	10,296	13.0	10,209	14.6
Housing loans	18,898	23.8	16,632	23.8
Other	4,761	6.0	3,114	4.5
Total gross customer loans	79,380	100.0	69,846	100.0

<u>Gross Customer Loans Analysed by Currency and Fixed / Variable Rates</u>	31-Dec-06		31-Dec-05	
	\$ million	%	\$ million	%
<u>Fixed Rate</u>				
Singapore dollar	7,814	9.8	6,236	8.9
US dollar	1,733	2.2	1,849	2.6
Malaysian ringgit	379	0.5	255	0.4
Thai baht	2,932	3.7	2,541	3.6
Indonesian rupiah	54	0.1	118	0.2
Other	1,236	1.5	664	1.0
Total fixed rate gross customer loans	14,147	17.8	11,664	16.7
<u>Variable Rate</u>				
Singapore dollar	33,755	42.5	33,442	47.9
US dollar	10,965	13.8	7,955	11.4
Malaysian ringgit	8,276	10.4	6,789	9.7
Thai baht	3,794	4.8	3,685	5.3
Indonesian rupiah	2,134	2.7	1,737	2.5
Other	6,309	8.0	4,574	6.5
Total variable rate gross customer loans	65,233	82.2	58,182	83.3
Total gross customer loans	79,380	100.0	69,846	100.0

Customer Loans (cont'd)

<u>Gross Customer Loans Analysed by Remaining Maturity</u>	31-Dec-06		31-Dec-05	
	\$ million	%	\$ million	%
Within 1 year	35,096	44.2	34,235	49.0
Over 1 year but within 3 years	10,215	12.9	8,572	12.3
Over 3 years but within 5 years	9,490	11.9	6,788	9.7
Over 5 years	24,579	31.0	20,250	29.0
Total gross customer loans	79,380	100.0	69,846	100.0

Deposits

Total deposits grew 12.2% to \$129,000 million as at 31 December 2006 over the year. The growth was mainly from customer deposits which accounted for 74.1% of total deposits. Loans-to-deposits ratio increased 2.0% points to 80.5% as at 31 December 2006.

<u>Deposits Analysed by Product Group</u>	31-Dec-06		31-Dec-05	
	\$ million	%	\$ million	%
Banker deposits	33,449	25.9	29,456	25.6
Customer deposits				
Fixed deposits	63,053	48.9	54,947	47.8
Current, savings and other deposits	32,499	25.2	30,556	26.6
	95,552	74.1	85,503	74.4
Total deposits	129,000	100.0	114,958	100.0
 Loans / Deposits ratio * (%)		80.5		78.5

<u>Deposits Analysed by Remaining Maturity</u>	31-Dec-06		31-Dec-05	
	\$ million	%	\$ million	%
Within 1 year	125,030	96.9	111,985	97.4
Over 1 year but within 3 years	1,734	1.4	1,117	1.0
Over 3 years but within 5 years	1,566	1.2	816	0.7
Over 5 years	670	0.5	1,041	0.9
Total deposits	129,000	100.0	114,958	100.0

* "Loans" refers to net customer loans while "Deposits" refers to customer deposits.

Debts Issued

	31-Dec-06	31-Dec-05
	\$ million	\$ million
Subordinated Notes		
S\$1.3 billion 4.95% subordinated notes due 2016 callable with step-up in 2011	1,300	1,300
S\$1 billion 4.100% subordinated notes due 2019 callable with step-up in 2014	998	998
US\$1 billion 4.50% subordinated notes due 2013	1,532	1,663
US\$1 billion 5.375% subordinated notes due 2019 callable with step-up in 2014	1,532	1,662
THB2 billion subordinated debentures due 2008	-	81
IDR300 billion 13.25% subordinated bonds due 2014	51	50
Unamortised expenses relating to issue of subordinated notes	(11)	(13)
Total, at amortised cost	5,402	5,741
Fair value hedge adjustments	(141)	(124)
	5,261	5,617
S\$276,250,000 zero coupon exchangeable notes due 2006	-	61
Asset Backed Commercial Paper ("ABCP")		
S\$ ABCP, at amortised cost	508	554
US\$ ABCP, at amortised cost	295	285
	803	839
Other	532	592
Total debts issued	6,596	7,108
Subordinated debts (unsecured)		
Due after one year	5,261	5,617
Other debts issued		
Due within one year (secured) ^	803	839
Due within one year (unsecured)	136	177
Due after one year (unsecured)	396	476
	1,335	1,492
Total debts issued	6,596	7,108

^ The debts were secured by a floating charge on the assets of Archer 1 Limited, a special purpose entity of the Group.

Shareholders' Equity

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

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

	31-Dec-06	31-Dec-05
	\$ million	\$ million
Shareholders' equity	16,791	14,929
Add: Revaluation surplus	1,486	1,564
Shareholders' equity including revaluation surplus	18,277	16,493

Changes in Ordinary Shares of the Bank

	No. of Shares
	'000
<u>Ordinary Shares</u>	
Balance at 1 January 2006	1,537,843
Exercise of share options granted under the UOB 1999 Share Option Scheme	1,384
Shares purchased under share buy-back program	(16,068)
Balance at 30 September 2006	1,523,159
Exercise of share options granted under the UOB 1999 Share Option Scheme	117
Balance at 31 December 2006	1,523,276

	31-Dec-06	31-Dec-05
	'000	'000
Number of new shares that would have been issued upon exercise of all outstanding options	952	2,470

Contingent Liabilities

Contingent liabilities of the Group as at 31 December 2006 amounted to \$10,254 million. The bulk of these liabilities were backed by corresponding obligations from the customers.

Decrease in the contingent liabilities by 10.6% over 31 December 2005 was primarily due to lower direct credit substitutes, partially offset by higher trade-related contingencies.

	31-Dec-06	31-Dec-05
	\$ million	\$ million
Direct credit substitutes	4,087	6,136
Transaction-related contingencies	2,584	2,506
Trade-related contingencies	3,392	2,649
Other contingent liabilities	191	185
Total contingent liabilities	10,254	11,475

Financial Derivatives

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

The table below shows the Group's financial derivatives at the balance sheet date. The contract / notional amount reflects the volume of the outstanding transactions while the positive / negative fair value indicates the fair value of the financial derivatives at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

The total contract / notional amount of financial derivatives as at 31 December 2006 was \$489,872 million, representing a decrease of 17.1% over 31 December 2005. The decrease was primarily due to lower interest rate swaps and foreign exchange swaps.

	31-Dec-06			31-Dec-05		
	Contract / Notional Amount	Positive Fair Value	Negative Fair Value	Contract / Notional Amount	Positive Fair Value	Negative Fair Value
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Foreign exchange contracts						
Forwards	8,180	246	58	8,251	224	51
Swaps	205,649	1,178	1,115	226,503	1,605	1,587
Options purchased	2,640	26	-	3,633	31	-
Options written	2,286	-	32	2,492	-	27
Interest rate contracts						
Forwards	14,800	4	4	6,078	2	4
Swaps	240,198	1,298	1,502	326,345	1,620	1,933
Futures	7,966	15	4	10,085	7	7
Options purchased	957	4	-	1,287	8	-
Options written	1,188	-	5	1,082	-	8
Equity-related contracts						
Swaps	2,285	389	369	1,503	65	63
Futures	22	0	0	-	-	-
Options purchased	1,522	741	-	932	52	-
Options written	1,418	-	758	964	-	59
Credit-related contracts						
Swaps	477	1	2	1,361	7	1
Precious metal contracts						
Forwards	173	5	62	216	7	36
Swaps	111	3	-	71	12	1
Total financial derivatives	489,872	3,911	3,912	590,802	3,641	3,776

Commitments

As at 31 December 2006, the Group's total commitments of \$44,595 million were 4.8% higher than the \$42,545 million as at 31 December 2005. The increase was primarily from undrawn credit facilities.

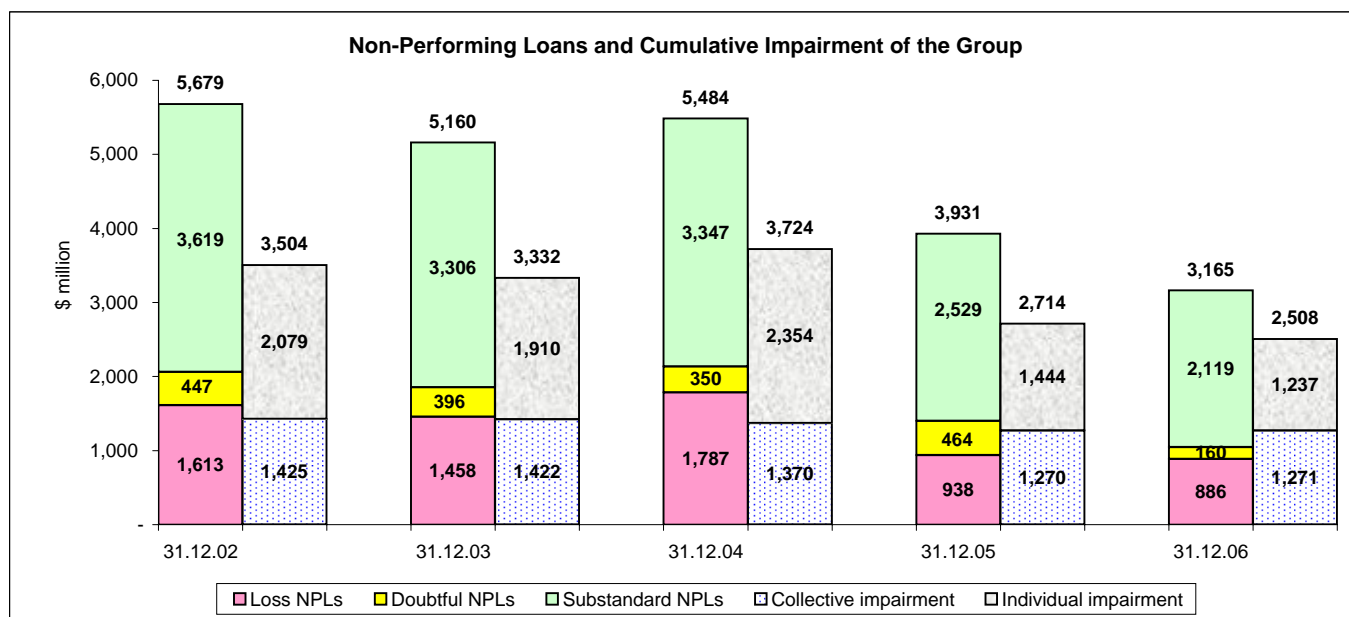
	<u>31-Dec-06</u>	<u>31-Dec-05</u>
	\$ million	\$ million
Undrawn credit facilities	42,921	40,768
Spot / forward contracts	1,438	1,539
Capital commitments	70	36
Operating lease commitments	62	59
Other	104	142
Total commitments	<u>44,595</u>	<u>42,545</u>

Non-Performing Loans and Cumulative Impairment

NPLs and Cumulative Impairment of the Group

The Group's NPLs continued to trend downwards. Against 31 December 2005, Group NPLs decreased 19.5% to \$3,165 million as at 31 December 2006. Correspondingly, NPL ratio improved to 4.0% as at 31 December 2006 from 5.6% as at 31 December 2005. Of the total NPLs as at 31 December 2006, \$2,119 million or 67.0% were in the Substandard category and \$1,712 million or 54.1% were secured by collateral.

In line with the lower NPLs, total cumulative impairment decreased 7.6% over 31 December 2005 to \$2,508 million as at 31 December 2006. As at 31 December 2006, total cumulative impairment provided coverage of 79.2% against total NPLs and 172.6% against unsecured NPLs.



	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02
NPLs					
	\$ million				
Standard	2,119	2,529	3,347	3,306	3,619
Doubtful	160	464	350	396	447
Loss	886	938	1,787	1,458	1,613
	3,165	3,931	5,484	5,160	5,679
Cumulative Impairment					
	\$ million				
Individual impairment	1,237	1,444	2,354	1,910	2,079
Collective impairment	1,271	1,270	1,370	1,422	1,425
	2,508	2,714	3,724	3,332	3,504
Ratios					
	%				
NPL ratio*	4.0	5.6	8.0	8.1	9.0
NPLs / Total assets	2.0	2.7	4.1	4.5	5.3
Cumulative impairment / NPLs	79.2	69.0	67.9	64.6	61.7
Cumulative impairment / Doubtful & Loss NPLs	239.8	193.6	174.3	179.7	170.1
Cumulative impairment / Unsecured NPLs	172.6	159.4	138.6	141.4	138.3
Cumulative impairment ^ / Gross customer loans	3.2	3.9	5.4	5.2	5.5
Collective impairment / Gross customer loans (net of individual impairment ^)	1.6	1.9	2.1	2.3	2.4

* NPL ratio represents NPLs (excluding debt securities) as a percentage of gross customer loans.

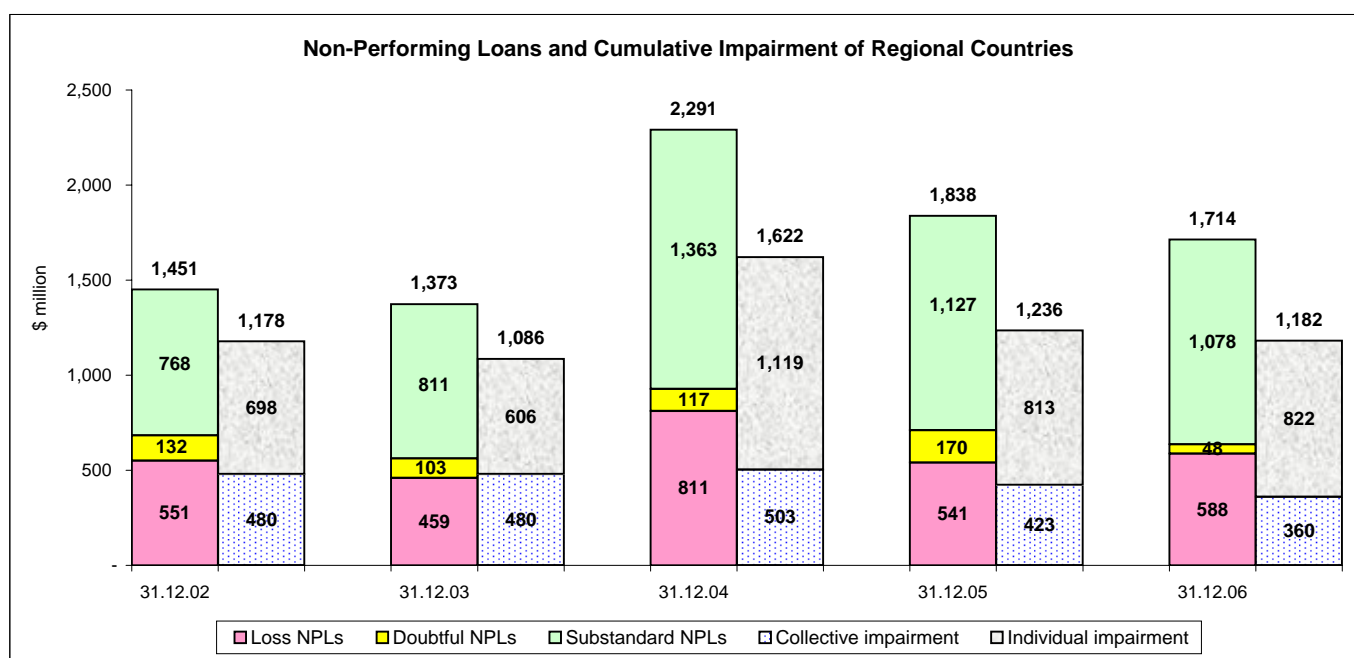
^ Excluding debt securities.

Non-Performing Loans and Cumulative Impairment (cont'd)

NPLs and Cumulative Impairment of Regional Countries

NPLs of Regional Countries declined to \$1,714 million as at 31 December 2006 from \$1,838 million as at 31 December 2005, leading to a lower NPL ratio of 9.0% as at 31 December 2006 from 10.6% as at 31 December 2005.

As at 31 December 2006, total cumulative impairment for Regional Countries was \$1,182 million, providing coverage of 69.0% for the total NPLs and 142.2% for the unsecured NPLs.



	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02
\$ million					
NPLs					
Substandard	1,078	1,127	1,363	811	768
Doubtful	48	170	117	103	132
Loss	588	541	811	459	551
	1,714	1,838	2,291	1,373	1,451
\$ million					
Cumulative Impairment					
Individual impairment	822	813	1,119	606	698
Collective impairment	360	423	503	480	480
	1,182	1,236	1,622	1,086	1,178
%					
Ratios					
NPL ratio*	9.0	10.6	15.2	14.1	17.0
Cumulative impairment / NPLs	69.0	67.2	70.8	79.1	81.2
Cumulative impairment / Doubtful & Loss NPLs	185.8	173.8	174.8	193.2	172.5
Cumulative impairment / Unsecured NPLs	142.2	138.3	142.0	160.2	160.3
Cumulative impairment ^ / Gross customer loans	6.2	7.1	10.7	11.1	13.8
Collective impairment / Gross customer loans (net of individual impairment ^)	2.0	2.6	3.6	5.4	6.2
NPLs / Exposure to the Regional Countries	6.7	6.8	9.7	8.4	11.3

* NPL ratio represents NPLs (excluding debt securities) as a percentage of gross customer loans.

^ Excluding debt securities.

Non-Performing Loans and Cumulative Impairment (cont'd)
NPLs by Region

NPLs of Singapore and the Regional Countries accounted for 42.5% and 54.2% of the total NPLs as at 31 December 2006 respectively.

As at 31 December 2006, Singapore NPLs decreased by 31.2% to \$1,346 million and Regional NPLs by 6.7% to \$1,714 million over 31 December 2005.

	31-Dec-06		31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%	\$ million	%
Singapore	1,346	42.5	1,955	49.7	2,949	53.8
Regional Countries						
Malaysia	594	18.8	651	16.6	873	15.9
Indonesia	115	3.6	101	2.6	88	1.6
Philippines	182	5.8	180	4.6	160	2.9
Thailand	823	26.0	906	23.0	1,170	21.4
	1,714	54.2	1,838	46.8	2,291	41.8
Greater China	19	0.6	64	1.6	161	2.9
Other	86	2.7	74	1.9	83	1.5
Total NPLs	3,165	100.0	3,931	100.0	5,484	100.0

NPLs by Industry

NPL ratios trended downwards across all industries over the last 2 years.

	31-Dec-06		31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%	\$ million	%
Transport, storage and communication	70	1.7	79	3.2	119	5.7
Building and construction	428	5.4	566	7.4	844	11.3
Manufacturing	786	8.9	834	10.6	1,130	14.5
Non-bank financial institutions	398	3.1	528	5.1	660	6.5
General commerce	651	5.5	769	6.7	1,006	9.2
Professionals and private individuals	408	4.0	578	5.7	897	8.8
Housing loans	304	1.6	390	2.3	505	3.2
Other	117	2.5	150	4.8	244	7.1
Sub-total	3,162	4.0	3,894	5.6	5,405	8.0
Debt securities	3		37		79	
Total NPLs	3,165		3,931		5,484	

Non-Performing Loans and Cumulative Impairment (cont'd)

Individual Impairment by Loan Classification

Total individual impairment as at 31 December 2006 was \$1,237 million, of which 71.6% was for the Loss accounts.

	31-Dec-06		31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%	\$ million	%
Substandard	235	19.0	165	11.4	341	14.5
Doubtful	116	9.4	341	23.6	226	9.6
Loss	886	71.6	938	65.0	1,787	75.9
Total individual impairment	1,237	100.0	1,444	100.0	2,354	100.0

Individual Impairment by Region

As at 31 December 2006, individual impairment for Singapore and Regional Countries accounted for 32.6% and 66.5% of the Group's total individual impairment respectively.

	31-Dec-06		31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%	\$ million	%
Singapore	403	32.6	609	42.2	1,157	49.2
Regional Countries						
Malaysia	159	12.9	207	14.3	331	14.0
Indonesia	46	3.7	55	3.8	68	2.9
Philippines	97	7.9	70	4.9	80	3.4
Thailand	520	42.0	481	33.3	640	27.2
	822	66.5	813	56.3	1,119	47.5
Greater China	3	0.2	10	0.7	52	2.2
Other	9	0.7	12	0.8	26	1.1
Total individual impairment	1,237	100.0	1,444	100.0	2,354	100.0

Individual Impairment by Industry

Individual impairment as at 31 December 2006 was mainly for manufacturing and general commerce sectors which accounted for 31.7% and 23.5% of the total individual impairment for loans respectively.

	31-Dec-06		31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%	\$ million	%
Transport, storage and communication	41	3.3	31	2.2	56	2.4
Building and construction	141	11.4	182	12.7	337	14.6
Manufacturing	392	31.7	410	28.6	602	26.1
Non-bank financial institutions	117	9.5	151	10.5	190	8.3
General commerce	290	23.5	332	23.2	503	21.8
Professionals and private individuals	165	13.4	214	14.9	386	16.8
Housing loans	29	2.3	49	3.4	93	4.0
Other	60	4.9	64	4.5	139	6.0
Sub-total	1,235	100.0	1,433	100.0	2,306	100.0
Debt securities	2		11		48	
Total individual impairment	1,237		1,444		2,354	

Non-Performing Loans and Cumulative Impairment (cont'd)

Restructured Loans

NPLs restructured during the financial year were as follows:

	2006		2005		2004	
	NPLs \$ million	Individual Impairment \$ million	NPLs \$ million	Individual Impairment \$ million	NPLs \$ million	Individual Impairment \$ million
Substandard	45	6	141	31	223	22
Doubtful	1	1	1	1	49	37
Loss	3	3	10	10	30	30
Total restructured loans	49	10	152	42	302	89

Ageing of NPLs

The following table analyses NPLs by period in arrears. When payment of interest or principal of an account is overdue, all outstanding balances of that account are deemed non-current and aged accordingly.

Ageing (Days)	31-Dec-06		31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%	\$ million	%
Current	270	8.5	286	7.3	548	10.0
≤ 90	281	8.9	380	9.6	357	6.5
91 to 180	333	10.5	459	11.7	596	10.9
≥ 181	2,281	72.1	2,806	71.4	3,983	72.6
Total NPLs	3,165	100.0	3,931	100.0	5,484	100.0

Secured / Unsecured NPLs

As at 31 December 2006, the Group's total NPLs were 54.1% secured by collateral as compared to 56.7% as at 31 December 2005. Of the secured NPLs, 93.0% were secured by properties and the remaining by marketable securities, fixed deposits and other collateral.

	31-Dec-06		31-Dec-05		31-Dec-04	
	\$ million	%	\$ million	%	\$ million	%
Secured	1,712	54.1	2,228	56.7	2,797	51.0
Unsecured	1,453	45.9	1,703	43.3	2,687	49.0
Total NPLs	3,165	100.0	3,931	100.0	5,484	100.0

Secured NPLs by Region

As at 31 December 2006, secured NPLs for Singapore and Regional Countries accounted for 57.3% and 51.5% of the corresponding NPLs respectively.

	31-Dec-06		31-Dec-05		31-Dec-04	
	Secured NPLs \$ million	Secured NPLs/ NPLs %	Secured NPLs \$ million	Secured NPLs/ NPLs %	Secured NPLs \$ million	Secured NPLs/ NPLs %
Singapore	771	57.3	1,180	60.4	1,518	51.5
Regional Countries	883	51.5	944	51.4	1,149	50.2
Greater China	14	73.7	42	65.6	84	52.2
Other	44	51.2	62	83.8	46	55.4
Total secured NPLs	1,712	54.1	2,228	56.7	2,797	51.0

Business Segments

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

Personal Financial Services

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

The increase in segment profit of 15.0% to \$630 million was mainly due to higher fees from credit cards and unit trusts, apart from stronger net interest income.

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.

Segment profit showed a growth of 7.4% to \$1,110 million in 2006. The increase was largely due to higher income registered for the Singapore and Indonesia operations, partly offset by an one-off capital market income recorded in 2005; and lower loan impairment charges.

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.

Global Treasury's profit grew 5.8% to \$326 million in 2006. The better performance was attributed to gains from interest rate and foreign exchange management, corporate treasury advisory and overseas treasuries.

Asset Management

Asset Management segment comprises asset management, venture capital management and proprietary investment activities. Segment profit of \$151 million in 2006 was 20.8% higher than that in 2005 due largely to higher fee income resulting from an increase in assets under management, higher performance fees and investment income, partly offset by higher impairment charges.

Other

Other segment includes property-related activities, insurance businesses and the management of capital funds. The segment profit of \$768 million in 2006 was 291.8% higher than that for 2005, primarily due to the one-time income, partly negated by 2005's writeback of collective impairment charges.

Note: "Profit" in the above analysis refers to "Segment profit before amortisation / impairment of intangible assets".

Business Segments (cont'd)

						\$ million
31-Dec-06	Personal Financial Services	Institutional Financial Services	Global Treasury	Asset Management	Other	Total
Total operating income	1,390	1,699	543	306	899	4,837
Less: Segment operating expenses	686	523	217	118	127	1,671
Less: Other impairment charges	74	66	-	37	4	181
Segment profit before amortisation of intangible assets	630	1,110	326	151	768	2,985
Less: Amortisation of other intangible assets	4	9	-	-	-	13
Segment profit before tax	626	1,101	326	151	768	2,972
Unallocated corporate expenses						(64)
Operating profit after amortisation and impairment charges						2,908
Share of profit of associates						271
Profit before tax						3,179
Tax and minority interests						(609)
Profit attributable to Bank's equity holders						2,570
Segment assets	29,487	50,877	63,362	1,962	9,997	155,685
Intangible assets						
Goodwill	1,174	2,296	403	268	80	4,221
Other	23	50	-	-	-	73
Investment in associates						1,184
Unallocated assets						149
Total assets						161,312
Segment liabilities	53,578	43,761	39,576	56	6,277	143,248
Unallocated liabilities						888
Total liabilities						144,136
Other information:						
Gross customer loans	29,194	50,186	-	-	-	79,380
NPLs [@]	712	2,450	-	-	-	3,162
Individual impairment [@]	194	1,041	-	-	-	1,235
Non-trading securities (gross)						
Government and debt securities	-	1,111	17,381	169	6,021	24,682
Equity securities	-	88	59	1,518	501	2,166
Intangible assets acquired	4	12	3	-	-	19
Capital expenditure	59	71	7	1	10	148
Depreciation of fixed assets	49	55	9	1	28	142

[@] Excluding debt securities.

Business Segments (cont'd)

\$ million

31-Dec-05	Personal Financial Services	Institutional Financial Services	Global Treasury	Asset Management	Other	Total
Total operating income	1,202	1,589	480	222	268	3,761
Less: Segment operating expenses	557	421	171	88	139	1,376
Less: Other impairment charges	97	134	1	9	(67)	174
Segment profit before amortisation / impairment of intangible assets	548	1,034	308	125	196	2,211
Less: Impairment of goodwill	-	-	-	-	58	58
Less: Amortisation of other intangible assets	1	1	-	-	-	2
Segment profit before tax	547	1,033	308	125	138	2,151
Unallocated corporate expenses						(47)
Operating profit after amortisation and impairment charges						2,104
Share of profit of associates						100
Profit before tax						2,204
Tax and minority interests						(495)
Profit attributable to Bank's equity holders						1,709
Segment assets	26,926	43,263	61,053	1,072	6,802	139,116
Assets held for sale	-	-	-	-	606	606
Intangible assets						
Goodwill	1,168	2,272	398	267	80	4,185
Other	27	58	-	-	-	85
Investment in associates						1,000
Unallocated assets						81
Total assets						145,073
Segment liabilities	49,625	37,452	35,431	80	6,599	129,187
Unallocated liabilities						666
Total liabilities						129,853
Other information:						
Gross customer loans	26,841	43,005	-	-	-	69,846
NPLs [@]	968	2,926	-	-	-	3,894
Individual impairment [@]	263	1,170	-	-	-	1,433
Non-trading securities (gross)						
Government and debt securities	-	760	12,750	124	4,180	17,814
Equity securities	-	14	90	663	375	1,142
Intangible assets acquired	66	347	55	2	1	471
Capital expenditure	47	50	7	1	4	109
Depreciation of fixed assets	46	53	10	1	30	140

[@] Excluding debt securities.

Geographical Segments

The following geographical segment information is based on the location where the transactions and assets are booked which approximates that based on the location of the customers and assets. The information is stated after elimination of inter-segment transactions.

Total Operating Income

	2006	2005	4th Quarter 2006	3rd Quarter 2006	4th Quarter 2005
	\$ million	\$ million	\$ million	\$ million	\$ million
Singapore (including Asian Currency Unit)	3,198	2,540	745	604	712
Other ASEAN countries	1,184	872	327	306	229
Other Asia-Pacific countries	187	166	51	54	44
Rest of the world	268	183	96	57	43
Total	4,837	3,761	1,219	1,021	1,028

Profit before Tax

	2006	2005	4th Quarter 2006	3rd Quarter 2006	4th Quarter 2005
	\$ million	\$ million	\$ million	\$ million	\$ million
Singapore (including Asian Currency Unit)	2,392	1,756	460	385	461
Other ASEAN countries	496	266	126	139	65
Other Asia-Pacific countries	115	108	50	38	21
Rest of the world	189	134	71	39	26
	3,192	2,264	707	601	573
Intangible assets amortised / impaired	(13)	(60)	(3)	(3)	(2)
Total	3,179	2,204	704	598	571

Total Assets

	31-Dec-06		31-Dec-05	
	\$ million	%	\$ million	%
Singapore (including Asian Currency Unit)	105,397	67.1	90,710	64.4
Other ASEAN countries	25,670	16.4	25,869	18.4
Other Asia-Pacific countries	15,236	9.7	16,255	11.5
Rest of the world	10,716	6.8	7,969	5.7
	157,019	100.0	140,803	100.0
Intangible assets	4,293		4,270	
Total	161,312		145,073	

Capital Adequacy Ratios

As at 31 December 2006, the Group's tier 1 CAR of 11.0% and total CAR of 16.3% were 4.0% points and 6.3% points above the minimum 7% * and 10% set by MAS respectively.

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

	<u>31-Dec-06</u> \$ million	<u>31-Dec-05</u> \$ million
Tier 1 Capital		
Share capital	2,247	1,538
Subsidiary preference shares	832	832
Disclosed reserves / other	13,116	12,393
Deduction of intangible assets	<u>(4,307)</u>	<u>(4,284)</u>
	<u>11,888</u>	<u>10,479</u>
Upper Tier 2 Capital		
Cumulative collective impairment / other	1,457	1,171
Subordinated notes	<u>5,211</u>	<u>5,486</u>
	<u>6,668</u>	<u>6,657</u>
Deductions from Tier 1 and Upper Tier 2 Capital	(911)	(1,816)
Total capital	<u><u>17,645</u></u>	<u><u>15,320</u></u>
Risk-weighted assets (including market risk)	<u><u>108,405</u></u>	<u><u>95,285</u></u>
Capital adequacy ratios		
Tier 1 capital	11.0%	11.0%
Total capital	16.3%	16.1%

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT (AUDITED)

	4th Quarter 2006 ^	3rd Quarter 2006 ^	2nd Quarter 2006 ^	1st Quarter 2006 ^	Full Year 2006	Full Year 2005
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Interest income	1,852	1,830	1,718	1,563	6,962	4,882
Less: Interest expense	1,150	1,146	1,047	910	4,252	2,534
Net interest income	702	684	671	653	2,710	2,348
Dividend income	10	7	309	3	328	60
Fee and commission income	332	221	228	222	1,003	900
Rental income	16	17	16	16	64	64
Other operating income	160	93	371	109	732	391
Total non-interest income	517	337	923	350	2,127	1,414
Total operating income	1,219	1,021	1,594	1,003	4,837	3,761
Less:						
Staff costs	245	213	211	198	867	684
Other operating expenses	251	212	207	199	869	740
Total operating expenses	497	424	419	396	1,736	1,424
Operating profit before amortisation and impairment charges	722	597	1,175	607	3,101	2,337
Less: Intangible assets amortised / impaired	3	3	3	3	13	60
Less: Other impairment charges	64	26	35	55	181	174
Operating profit after amortisation and impairment charges	654	568	1,137	549	2,908	2,104
Share of profit of associates	50	31	160	30	271	100
Profit before tax	704	598	1,297	579	3,179	2,204
Less: Tax	150	123	156	125	553	472
Profit for the financial period	554	475	1,141	454	2,625	1,731
Attributable to:						
Equity holders of the Bank	537	463	1,132	439	2,570	1,709
Minority interests	18	13	10	15	55	22
	554	475	1,141	454	2,625	1,731

^ Unaudited.

CONSOLIDATED BALANCE SHEET (AUDITED)

	31-Dec-06	30-Sep-06 [^]	30-Jun-06 [^]	31-Mar-06 [^]	31-Dec-05
	\$ million	\$ million	\$ million	\$ million	\$ million
Equity					
Share capital	2,247	2,246	2,254	2,400	1,538
Subsidiary preference shares	832	832	832	832	832
Capital reserves	3,969	3,553	3,630	3,577	4,360
Statutory reserve	3,130	3,020	3,020	3,020	3,020
Revenue reserves	6,356	6,023	5,771	5,320	4,963
Share of reserves of associates	257	217	201	304	217
Equity attributable to equity holders of the Bank	16,791	15,890	15,707	15,453	14,929
Minority interests	385	370	356	315	291
Total equity	17,176	16,260	16,063	15,768	15,220
Liabilities					
Deposits and balances of banks and agents	33,449	37,010	34,891	35,524	29,456
Deposits and balances of non-bank customers	95,552	88,960	89,753	88,138	85,503
Total deposits and balances	129,000	125,969	124,644	123,662	114,958
Bills and drafts payable	388	385	401	330	303
Other liabilities	8,151	7,650	8,310	8,063	7,483
Debts issued	6,596	6,640	6,515	6,788	7,108
Total liabilities	144,136	140,645	139,870	138,844	129,853
Total equity and liabilities	161,312	156,904	155,933	154,612	145,073
Assets					
Cash, balances and placements with central banks	16,301	14,712	14,642	13,548	11,925
Singapore Government treasury bills and securities *	7,437	6,919	6,751	6,161	7,456
Other government treasury bills and securities *	2,553	2,532	2,244	2,033	2,129
Trading securities	484	422	440	580	625
Placements and balances with banks and agents *	24,531	27,317	31,922	36,513	31,346
Loans to non-bank customers *	76,875	73,673	70,177	67,445	67,142
Other assets	8,189	7,560	7,999	7,475	6,579
Assets held for sale	-	-	11	550	606
Investment securities	17,607	16,528	14,491	13,011	10,122
Investment in associates	1,184	1,099	1,119	1,112	1,000
Fixed assets	1,857	1,845	1,853	1,887	1,872
Intangible assets	4,293	4,297	4,283	4,296	4,270
Total assets	161,312	156,904	155,933	154,612	145,073
Off-Balance Sheet Items					
Contingent liabilities	10,254	9,802	10,078	9,336	11,475
Financial derivatives	489,872	661,485	683,761	678,632	590,802
Commitments	44,595	43,892	44,213	44,389	42,545

[^] Unaudited.

* Including amount pledged under repurchase agreements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)

	Equity Attributable to Equity Holders of the Bank								
	Share Capital	Subsidiary Preference Shares	Capital Reserves	Statutory Reserve	Revenue Reserves	Share of Reserves of Associates	Total	Minority Interests	Total Equity
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Balance at 1 January 2006	1,538	832	4,360	3,020	4,963	217	14,929	291	15,220
Currency translation adjustments	-	-	(11)	-	-	-	(11)	2	(9)
Change in available-for-sale reserve	-	-	507	-	-	-	507	3	510
Change in share of associates' reserves	-	-	-	-	-	40	40	-	40
Other adjustments	-	-	-	-	-	-	-	6	6
Total gains recognised directly in equity	-	-	496	-	-	40	536	12	548
Profit for the financial year	-	-	-	-	2,570	-	2,570	55	2,625
Total gains recognised for the financial year	-	-	496	-	2,570	40	3,107	67	3,174
Effect of Companies (Amendment) Act 2005	864	-	(864)	-	-	-	-	-	-
Transfer from / (to) revenue reserves	-	-	(30)	110	(80)	-	-	-	-
Change in minority interests	-	-	-	-	-	-	-	47	47
Dividends	-	-	-	-	(1,025)	-	(1,025)	(19)	(1,044)
Share buy-back	(173)	-	5	-	(72)	-	(240)	-	(240)
Issue of shares under share option scheme	18	-	1	-	-	-	20	-	20
Balance at 31 December 2006	2,247	832	3,969	3,130	6,356	257	16,791	385	17,176
Balance at 1 January 2005 As restated	1,536	-	4,419	2,922	4,401	123	13,402	156	13,558
Currency translation adjustments	-	-	(16)	-	-	-	(16)	(3)	(19)
Change in available-for-sale reserve	-	-	(75)	-	-	-	(75)	(0)	(75)
Change in share of associates' reserves	-	-	18	-	-	135	152	-	152
Transfer to revenue reserves upon disposal / liquidation of associates	-	-	-	-	42	(42)	-	-	-
Other adjustments	-	-	(3)	-	(5)	-	(8)	(0)	(8)
Total gains / (losses) recognised directly in equity	-	-	(76)	-	36	93	53	(3)	50
Profit for the financial year	-	-	-	-	1,709	-	1,709	22	1,731
Total gains / (losses) recognised for the financial year	-	-	(76)	-	1,745	93	1,762	19	1,782
Transfer from / (to) revenue reserves	-	-	(3)	98	(95)	-	-	-	-
Change in minority interests	-	-	-	-	-	-	-	119	119
Dividends	-	-	-	-	(1,089)	-	(1,089)	(4)	(1,093)
Grant of share options under share option scheme	-	-	2	-	-	-	2	-	2
Issue of shares under share option scheme	2	-	18	-	-	-	20	-	20
Issue of subsidiary preference shares	-	832	-	-	-	-	832	-	832
Balance at 31 December 2005	1,538	832	4,360	3,020	4,963	217	14,929	291	15,220

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)

	2006 \$ million	2005 \$ million
Cash flows from operating activities		
Operating profit before amortisation and impairment charges	3,101	2,337
Adjustments for		
Depreciation of fixed assets	142	140
Net gain on disposal of assets	(439)	(140)
Operating profit before working capital changes	<u>2,804</u>	<u>2,336</u>
Changes in working capital		
Increase in deposits	14,042	5,538
Increase in bills and drafts payable	85	41
Increase in other liabilities	481	692
Decrease / (increase) in trading securities	141	(143)
Decrease / (increase) in placements and balances with banks and agents	6,814	(4,377)
Increase in loans to non-bank customers	(9,875)	(1,397)
Decrease in government treasury bills and securities not qualifying as cash and cash equivalents	51	759
Increase in other assets	(1,626)	(877)
Cash generated from operations	<u>12,917</u>	<u>2,573</u>
Income tax paid	(350)	(415)
Net cash provided by operating activities	<u>12,567</u>	<u>2,157</u>
Cash flows from investing activities		
Net cash flow on disposal / (acquisition) of		
Assets held for sale	864	-
Investment securities and associates	(6,914)	(1,310)
Fixed assets	(97)	(66)
Net cash inflow on acquisition of subsidiaries	-	42
Change in minority interests	59	(49)
Dividends received from associates	72	52
Net cash used in investing activities	<u>(6,017)</u>	<u>(1,330)</u>
Cash flows from financing activities		
Proceeds from issue of shares	20	851
Net decrease in debts issued	(454)	(81)
Share buy-back	(240)	-
Dividends paid on ordinary shares	(978)	(738)
Dividends paid on subsidiary preference shares	(35)	-
Dividends paid to minority interests	(19)	(4)
Net cash (used in) / provided by financing activities	<u>(1,706)</u>	<u>28</u>
Currency translation adjustments	(11)	(16)
Net increase in cash and cash equivalents for the financial year	<u>4,833</u>	<u>839</u>
Cash and cash equivalents at beginning of the financial year	<u>20,897</u>	<u>20,058</u>
Cash and cash equivalents at end of the financial year	<u>25,730</u>	<u>20,897</u>
Represented by:		
Cash, balances and placements with central banks	16,301	11,925
Singapore Government treasury bills and securities [^]	7,072	6,884
Other government treasury bills and securities [^]	2,357	2,089
Cash and cash equivalents at end of the financial year	<u>25,730</u>	<u>20,897</u>

[^] Excluding assets pledged under repurchase agreements.

BALANCE SHEET OF THE BANK (AUDITED)

	31-Dec-06	30-Sep-06 ^	30-Jun-06 ^	31-Mar-06 ^	31-Dec-05
	\$ million	\$ million	\$ million	\$ million	\$ million
Equity					
Share capital	2,247	2,246	2,254	2,400	1,538
Capital reserves	3,818	3,552	3,503	3,561	4,391
Statutory reserve	2,753	2,646	2,646	2,646	2,646
Revenue reserves	4,989	4,788	4,607	4,164	3,907
Total equity	13,807	13,231	13,009	12,771	12,482
Liabilities					
Deposits and balances of banks and agents	30,975	34,207	32,027	33,687	27,960
Deposits and balances of non-bank customers	75,304	69,731	70,855	68,564	66,481
Deposits and balances of subsidiaries	3,931	3,240	2,984	2,444	2,448
Total deposits and balances	110,211	107,178	105,865	104,695	96,890
Bills and drafts payable	150	145	156	111	93
Other liabilities	5,525	5,211	5,952	5,646	5,149
Debts issued	6,399	6,514	6,344	6,512	6,834
Total liabilities	122,285	119,048	118,318	116,964	108,966
Total equity and liabilities	136,092	132,279	131,327	129,735	121,448
Assets					
Cash, balances and placements with central banks	13,324	11,167	10,855	10,070	8,641
Singapore Government treasury bills and securities *	7,348	6,813	6,639	6,075	7,372
Other government treasury bills and securities *	1,878	1,908	1,807	1,461	1,473
Trading securities	106	114	130	259	228
Placements and balances with banks and agents *	22,979	24,876	28,994	32,969	28,054
Loans to non-bank customers	59,086	56,663	53,636	51,230	51,275
Placements with and advances to subsidiaries	660	1,400	1,617	1,531	2,056
Other assets	6,272	5,786	6,178	5,825	4,967
Assets held for sale	-	-	8	381	424
Investment securities	15,881	15,138	13,154	11,651	8,665
Investment in associates	372	357	346	346	346
Investment in subsidiaries	3,852	3,734	3,716	3,667	3,665
Fixed assets	1,153	1,140	1,066	1,087	1,100
Intangible assets	3,182	3,182	3,182	3,182	3,182
Total assets	136,092	132,279	131,327	129,735	121,448
Off-Balance Sheet Items					
Contingent liabilities	8,211	7,753	8,135	7,254	9,537
Financial derivatives	485,649	653,434	674,480	672,585	590,824
Commitments	36,064	36,277	34,071	34,237	33,049
Net asset value per ordinary share (\$)	9.06	8.69	8.54	8.33	8.12

^ Unaudited.

* Including amount pledged under repurchase agreements.

STATEMENT OF CHANGES IN EQUITY OF THE BANK (AUDITED)

	Share Capital \$ million	Capital Reserves \$ million	Statutory Reserve \$ million	Revenue Reserves \$ million	Total Equity \$ million
Balance at 1 January 2006	1,538	4,391	2,646	3,907	12,482
Currency translation adjustments	-	(5)	-	-	(5)
Change in available-for-sale reserve	-	387	-	-	387
Total gains recognised directly in equity	-	382	-	-	382
Profit for the financial year	-	-	-	2,142	2,142
Total gains recognised for the financial year	-	382	-	2,142	2,524
Effect of Companies (Amendment) Act 2005	864	(864)	-	-	-
Transfer from / (to) revenue reserves	-	(98)	107	(10)	-
Dividends	-	-	-	(978)	(978)
Share buy-back	(173)	5	-	(72)	(240)
Issue of shares under share option scheme	18	1	-	-	20
Balance at 31 December 2006	2,247	3,818	2,753	4,989	13,807
Balance at 1 January 2005 As restated	1,536	4,350	2,553	3,238	11,677
Currency translation adjustments	-	1	-	-	1
Change in available-for-sale reserve	-	19	-	-	19
Total gains recognised directly in equity	-	21	-	-	21
Profit for the financial year	-	-	-	1,851	1,851
Total gains recognised for the financial year	-	21	-	1,851	1,871
Transfer from revenue reserves	-	-	93	(93)	-
Dividends	-	-	-	(1,089)	(1,089)
Grant of share options under share option scheme	-	2	-	-	2
Issue of shares under share option scheme	2	18	-	-	20
Balance at 31 December 2005	1,538	4,391	2,646	3,907	12,482

Financial Risk Management

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

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

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

Credit Risk

Credit risk is defined as the potential loss arising from any failure by a borrower or a counterparty to fulfil its financial obligations as and when they fall due. Credit risk is inherent in lending, trade finance, investments, treasury activities and other credit-related activities undertaken by the Group.

The Credit Committee, under delegated authority from the Board of Directors, deals with all credit as well as country / transfer risk matters, including approval of credit applications, and the periodic review of existing credit facilities.

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

To address the risks arising from credit concentration, the Group has in place various policies and procedures to identify, measure, monitor and control these exposures. A rigorous process is established to regularly review and report asset concentrations and portfolio quality so that risks are adequately assessed, properly approved and monitored.

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

Financial Risk Management (cont'd)

Foreign Exchange Risk

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

The Group's foreign exchange exposures comprise trading, non-trading and structural foreign exchange exposures. Foreign exchange non-trading exposures are principally derived from customer businesses. Structural foreign currency exposures are represented by the net asset values of its overseas branches, share of the net asset values of its overseas subsidiaries and associates, and long-term investment in overseas properties. The Group utilises mainly foreign currency forwards and swaps to hedge its foreign exchange exposures. Where possible, foreign investments are funded in the functional currencies of the respective locations to mitigate structural foreign currency exposures.

Foreign exchange risk is managed through risk limits and policies approved by the Asset Liability Committee. These limits and policies, such as exposure by currency and total overnight and intra-day positions, are independently monitored by Middle Office.

Interest Rate Risk

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

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

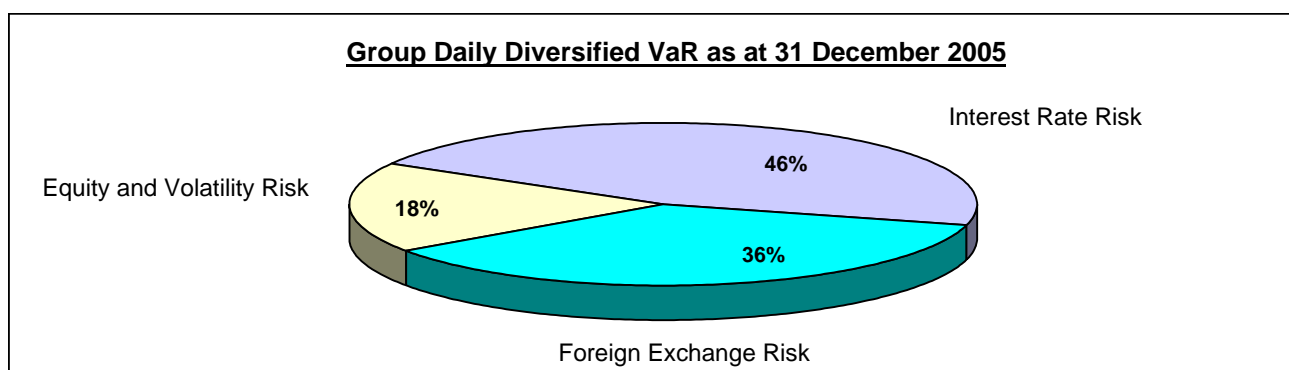
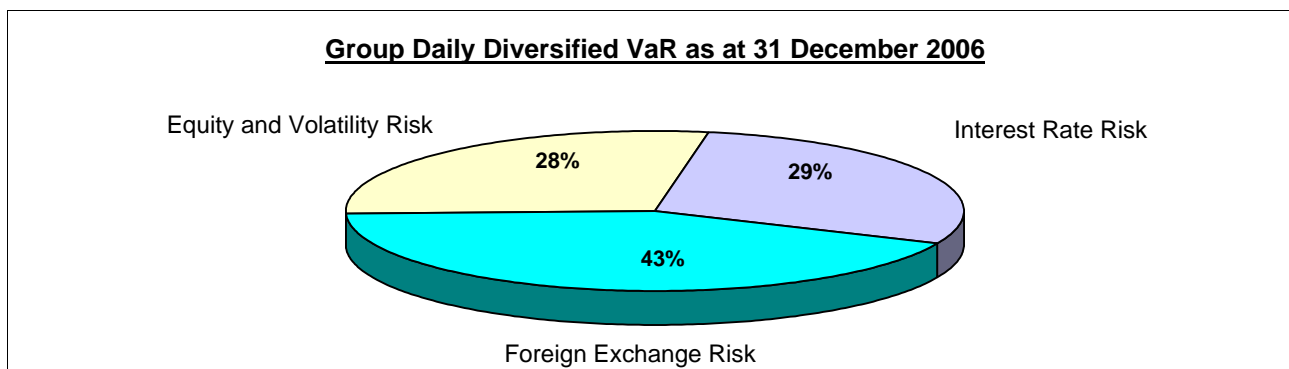
Liquidity Risk

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

The Group manages liquidity risk in accordance with the liquidity framework, comprising liquidity policies, controls and limits approved by the Asset Liability Committee. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements.

Value-at-Risk (VaR)

The Group's Daily Diversified VaR as at 31 December 2006 was \$2.10 million, comprising 29% interest rate risk (including credit spread risk), 43% foreign exchange risk and 28% equity and volatility risk.

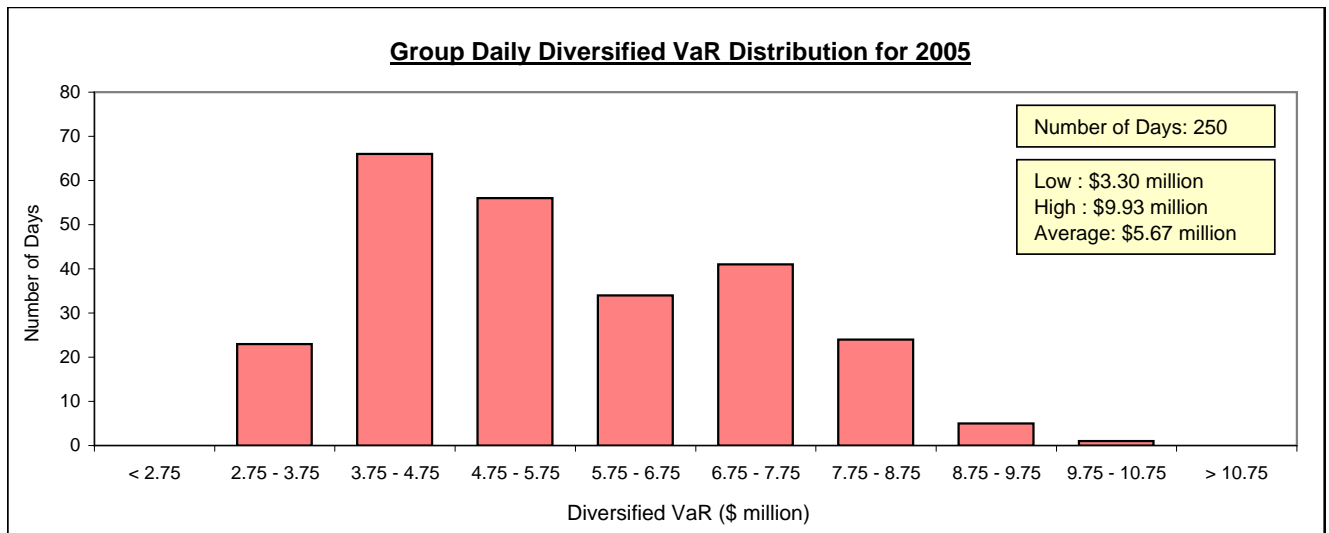
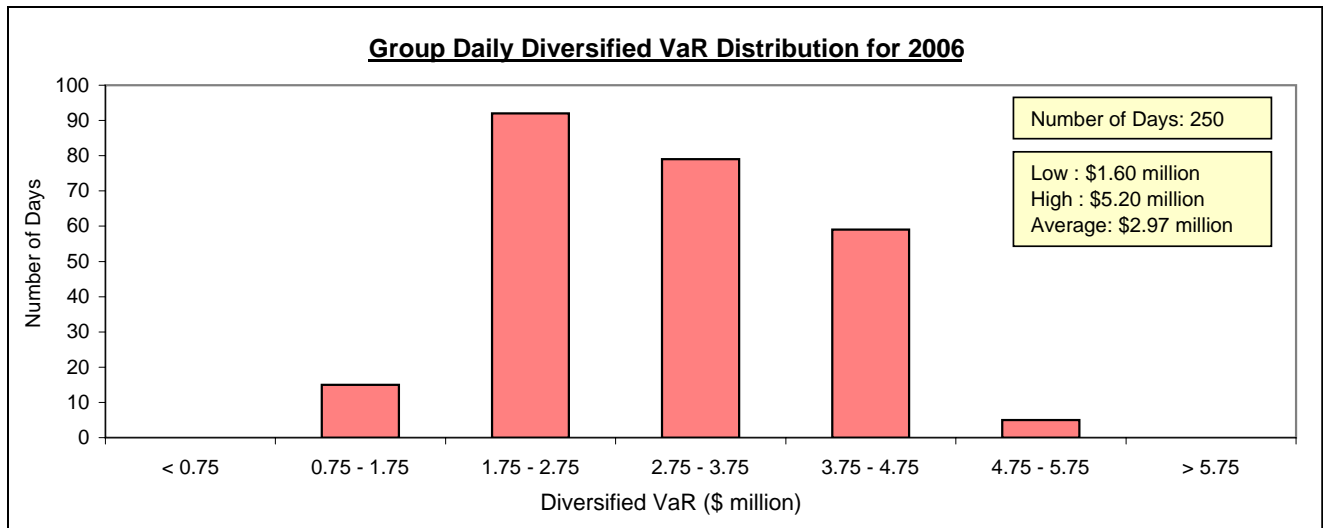


The Group's Daily Diversified VaR for 2006, averaging \$2.97 million, ranged between a low of \$1.60 million and a high of \$5.20 million:

Group Daily Diversified VaR (\$ million)	31-Dec-06	High	Low	Average
Interest rate	1.15	4.43	0.02	2.50
Foreign exchange	1.70	2.37	0.25	0.99
Equity and volatility	1.12	3.78	0.02	1.63
Diversification effect	(1.87)	NM	NM	(2.15)
Total VaR	2.10	5.20	1.60	2.97

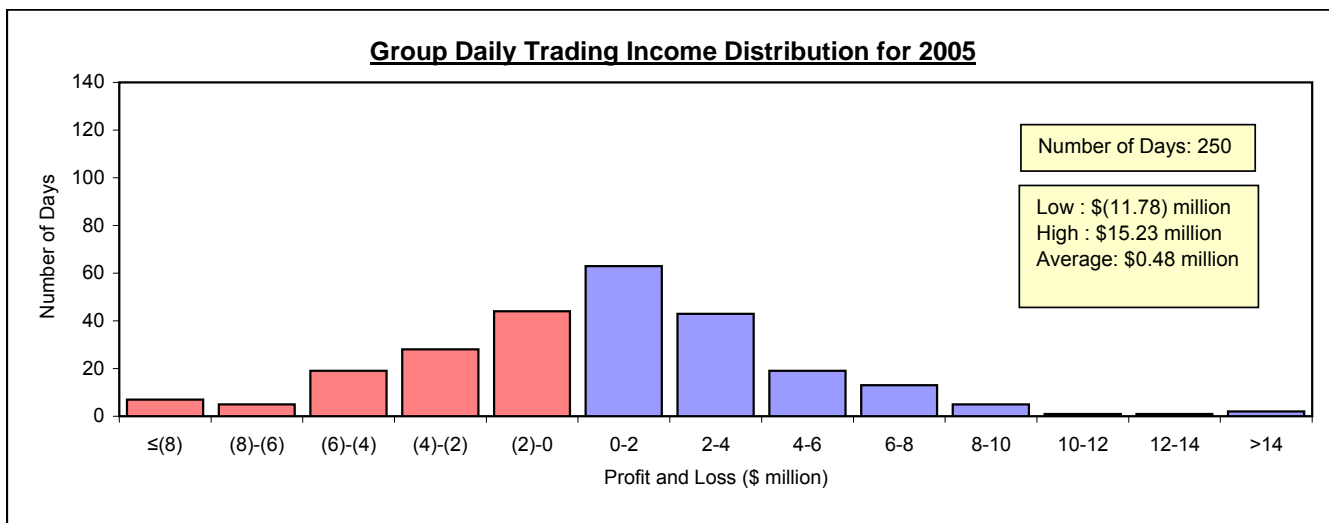
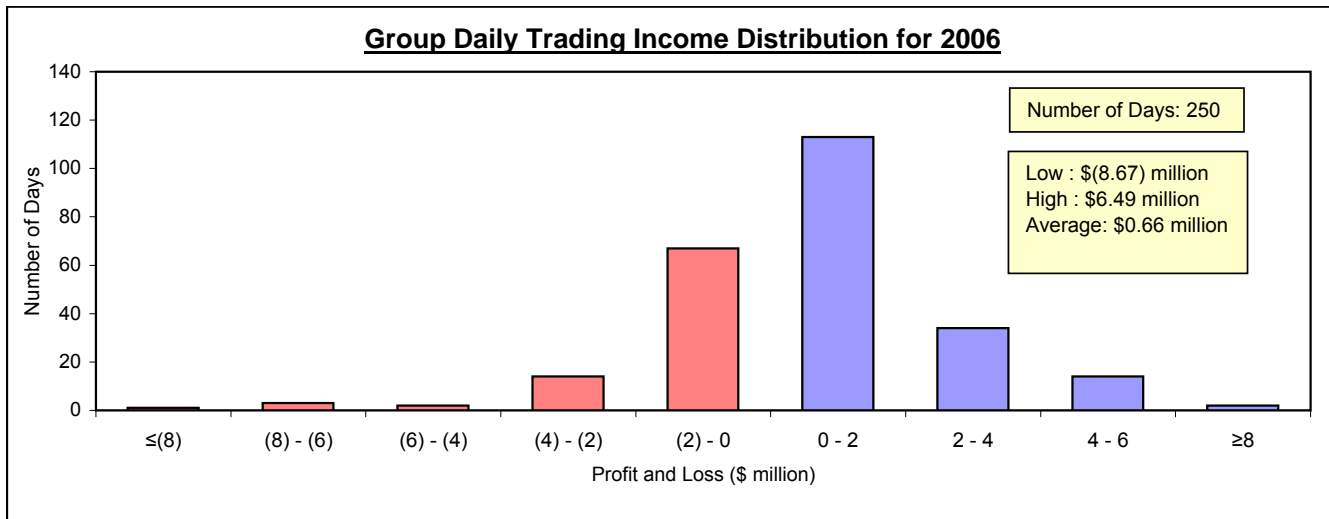
Group Daily Diversified VaR (\$ million)	31-Dec-05	High	Low	Average
Interest rate	3.30	9.79	2.42	4.97
Foreign exchange	2.61	4.62	0.74	2.04
Equity and volatility	1.30	3.44	0.98	1.87
Diversification effect	(2.77)	NM	NM	(3.21)
Total VaR	4.44	9.93	3.30	5.67

NM denotes not meaningful to compute diversification effect because the high and low may occur on different days for different risk types.

Value-at-Risk (VaR) (cont'd)


Value-at-Risk (VaR) (cont'd)

The Group's daily trading income for 2006, averaging \$0.66 million, ranged between a low of \$(8.67) million and a high of \$6.49 million :



Auditors' Report

TO THE MEMBERS OF UNITED OVERSEAS BANK LIMITED

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

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion,

- (i) the financial statements of the Bank and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and FRS, including the modification of the requirements of FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 'Credit files, Grading and Provisioning' issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Bank and the Group as at 31 December 2006, the results of the Bank and of the Group, the changes in equity of the Bank and the changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
28 February 2007