Management Discussion and Analysis

FINANCIAL SUMMARY

	2005 S$ million	2004 S$ million	+/(-) %
Selected profit and loss data:			
Net interest income	**1,597**	1,518	5
Fees and commissions	**507**	464	9
Dividends	**130**	87	50
Rental income	**72**	72	(1)
Income from insurance	**342**	225	52
Other income	**239**	260	(8)
Total income	**2,887**	2,625	10
Less : Operating expenses	**1,145**	988	16
Operating profit before allowances and amortisation	**1,742**	1,637	6
Less : Amortisation of goodwill	**–**	135	n.m.
Less : Amortisation of intangible assets	**40**	23	73
Less : Allowances for loans and other assets	**12**	77	(85)
Add : Share of results of associated companies	**15**	89	(83)
Profit before tax	**1,706**	1,491	14
Net profit attributable to shareholders	**1,298**	1,148	13
Cash basis net profit attributable to shareholders [(1)]	**1,338**	1,307	2
Selected balance sheet data:			
Total assets	**131,298**	119,882	10
Assets excluding life fund net assets	**98,012**	90,986	8
Loans to and bills receivable from customers (net of allowances for loan losses)	**55,134**	51,829	6
Deposits of non-bank customers	**64,088**	57,287	12
Ordinary shareholders' equity (excluding minority interests)	**11,442**	10,334	11
Total shareholders' equity (excluding minority interests)	**12,338**	11,230	10
Key indicators:			
Return on ordinary shareholders' equity (%) [(2)]	**11.4**	11.3	
Return on ordinary shareholders' equity (%) – Cash basis [(2)]	**11.7**	12.9	
Return on assets (%) [(3)]	**1.30**	1.28	
Return on assets (%) – Cash basis [(3)]	**1.34**	1.46	
Basic earnings per ordinary share (cents) [(4)]	**40.1**	35.4	13
Cash earnings per ordinary share (cents) [(4)]	**41.4**	40.4	2
Net asset value per ordinary share (S$)			
Before valuation surplus [(4)]	**3.67**	3.27	12
After valuation surplus [(4)]	**4.91**	4.64	6

(1) Excluding amortisation of goodwill and intangible assets.
(2) Calculated after deducting preference shares dividends paid and estimated to be due as at end of period from net profit attributable to shareholders; Equity excludes minority interests.
(3) Return on assets is calculated based on assets excluding life fund net assets attributable to policyholders.
(4) The number of ordinary shares has been adjusted for the issue of new shares pursuant to the Rights Issue effected on 18 July 2005 and for the Sub-division of one ordinary share of par value S$1 into two ordinary shares of par value S$0.50 effected on 5 August 2005. The comparative figures have been restated for the effects of FRS 102 adoption, the Rights Issue and Sub-division. The adjusted weighted average number of ordinary shares was 3,141 million for 2005 and 3,134 million for 2004.

Notes:
n.m. – Not meaningful.
Certain comparative figures have been restated with the adoption of FRS 102 and revised INT FRS 12, as well as to conform to current year's presentation.
Some of the figures may not add up to the relevent totals due to rounding.

Management Discussion and Analysis

Group net profit attributable to shareholders ("net profit") for the financial year ended 31 December 2005 rose 13% to S$1,298 million, from S$1,148 million in 2004. Excluding the one-time gains of S$97 million from the divestment of Raffles Investments Limited and Whitesands Shopping Mall in 2004, net profit grew a robust 24% in 2005. The improved performance was driven by growth in operating profit, lower loan allowances as well as the discontinuation of goodwill amortisation.

The 2005 results included nine months consolidated results of 72.3%-owned PT Bank NISP Tbk ("Bank NISP"), which became a subsidiary in April 2005. Previously, Bank NISP was equity accounted as a 22.5%-owned associate from May 2004 to March 2005. Bank NISP contributed S$31 million to the Group's net profit in 2005, up from S$6 million in 2004. Great Eastern Holdings ("GEH"), in which the Bank held 82.3% shareholding as at 31 December 2005, was consolidated as a subsidiary since June 2004, and prior to that, was equity accounted as a 48.9%-owned associate. GEH's contribution to net profit was S$251 million in 2005, compared to S$189 million in 2004.

The Group's operating profit before allowances for loans and other assets rose 6% to S$1,742 million in 2005, with broad based growth in the core revenue segments. Net interest income rose 5% to S$1,597 million, driven by higher loan volume and Bank NISP's contribution. Net interest margin however declined from 1.91% to 1.84% due to higher cost of funds and the lack of gapping opportunities. Non-interest income, excluding the divestment gains in 2004, grew by 32% to S$1,289 million. The growth came from higher insurance income, fees and commissions and dividend income, as well as higher contributions from dealing in securities and derivatives and disposal of investment securities. Operating expenses increased by 16% to S$1,145 million, but excluding the consolidation effects of GEH and Bank NISP, expenses growth was 4%.

Allowances for loans and other assets fell from S$77 million in 2004 to S$12 million in 2005, due to lower new specific loan allowances, and recoveries in loans and loan-related securities. Amortisation of goodwill was discontinued under the new Financial Reporting Standard ("FRS") 103.

Return on ordinary shareholders' funds ("ROE") was 11.4% in 2005, slightly above the 11.3% in 2004 (10.3% excluding the divestment gains). Cash ROE was 11.7%, lower than the 12.9% in 2004 (11.9% excluding divestment gains), attributable partly to the addition of fair value reserves to the 2005 equity base under FRS 39. Earnings per ordinary share increased by 13% to 40 cents in 2005.

The Board of Directors is recommending a final dividend of 12 cents per share (gross) for ordinary shareholders, bringing the total dividends for financial year 2005 to 23 cents per share, an increase of 45% over the 15.8 cents (adjusted [(1)]) paid for financial year 2004. The estimated total net dividends of S$574 million for 2005 represent 44% of the Group's core net profit of S$1,298 million, which exceeds the target minimum payout ratio of 35% of core earnings under the Group's dividend policy.

(1) "Adjusted" shares and per share data in this chapter refers to the equivalent shares/per share numbers after adjustment for the 1-for-5 Rights Issue effected on 18 July 2005, and the 2-for-1 Sub-division (or stock split) effected on 5 August 2005.

NET INTEREST INCOME

Net interest income increased by 5% to S$1,597 million in 2005. This was driven by a 9% growth in average interest-earning assets which was partly due to the consolidation of Bank NISP. Net interest margin declined by 7 basis points from 1.91% to 1.84%, as the rise in domestic interest rates led to narrowing of loan spreads, while gapping opportunities were limited by the flat yield curve. Although average yield on total interest earning assets increased by 77 basis points to 3.99%, average borrowing costs rose by a higher 87 basis points as costs of interbank-pegged deposits, bank borrowings and debt securities increased in tandem with the rise in interest rates.

	2005			2004		
	Average Balance [1] **S$ million**	**Interest S$ million**	**Average Rate %**	Average Balance [1] S$ million	Interest S$ million	Average Rate %
Interest earning assets						
Loans and advances to non-bank customers	**53,438**	**2,401**	**4.49**	50,663	1,891	3.73
Placements with and loans to banks	**15,866**	**468**	**2.95**	13,305	296	2.22
Other interest earning assets [2]	**17,650**	**601**	**3.41**	15,497	373	2.41
Total	**86,954**	**3,470**	**3.99**	79,464	2,560	3.22
Interest bearing liabilities						
Deposits of non-bank customers	**62,072**	**1,252**	**2.02**	56,625	717	1.27
Deposits and balances of banks	**14,318**	**403**	**2.82**	13,698	211	1.54
Other borrowings [3]	**6,309**	**218**	**3.46**	4,758	114	2.40
Total	**82,698**	**1,873**	**2.26**	75,081	1,043	1.39
Net interest income / margin		**1,597**	**1.84**		1,518	1.91

(1) Average balances are calculated based on monthly averages.
(2) Comprise debt securities, government securities and treasury bills.
(3) Comprise debts issued, including Upper Tier 2 Subordinated Debt, Floating Rate Notes and Euro Commercial Papers.

Volume & Rate Analysis

The table below analyses the changes in interest income and interest expense arising from changes in volume and changes in rate for 2005 compared to 2004.

Increase/(Decrease) for 2005 over 2004 (S$ million)	**Volume**	**Rate**	**Total**
Interest income			
Loans and advances to non-bank customers	**104**	**406**	**510**
Placements with and loans to banks	**57**	**115**	**172**
Other interest earning assets	**52**	**176**	**228**
Total	**212**	**698**	**910**
Interest expense			
Deposits of non-bank customers	**69**	**466**	**535**
Deposits and balances of banks	**10**	**182**	**192**
Other borrowings	**37**	**67**	**104**
Total	**116**	**714**	**830**
Net interest income	**97**	**(17)**	**80**

NON-INTEREST INCOME

	2005 S$ million	2004 S$ million	+ / (-) %
Fees and commissions			
Brokerage	**48**	50	(4)
Wealth management [1]	**137**	132	4
Fund management	**64**	42	53
Credit card	**42**	35	17
Loan-related	**73**	66	11
Trade and remittances	**75**	57	31
Guarantees	**20**	18	9
Investment banking	**8**	19	(57)
Service charges	**31**	36	(15)
Others	**9**	7	22
	507	464	9
Dividends	**130**	87	50
Rental income	**72**	72	(1)
Income from insurance [2]	**342**	225	52
Other income			
Dealing in foreign exchange	**80**	87	(9)
Dealing in securities and derivatives	**17**	(51)	n.m.
Disposal of investment securities	**83**	23	268
Gain on disposal of associated / subsidiary companies	**1**	54	(99)
Disposal of properties	**3**	79	(97)
Others	**57**	68	(17)
	239	260	(8)
Total non-interest income	**1,289**	1,108	16
Fees and commissions / Total income	**17.6%**	17.7%	
Non-interest income / Total income	**44.7%**	42.2%	

(1) From sale of unit trusts, bancassurance products and structured deposits and notes.
(2) Comprise profit from life assurance and net earned premium from general insurance. Profit transferred from Singapore insurance funds are presented net of tax in 2005, and comparative figures for 2004 have been restated accordingly.

Total non-interest income rose by 16% to S$1,289 million in 2005. Excluding the divestment gains of S$132 million (before minority interests) from Raffles Investments Limited and Whitesands Shopping Mall in 2004, non-interest income increased by a robust 32% in 2005.

Fees and commissions rose 9% to S$507 million, led by higher fund management, trade-related, and loan-related income. Insurance income increased by 52% to S$342 million due mainly to the full year's consolidation of GEH's results as compared to seven months consolidation in 2004.

Dividend income jumped 50% to S$130 million as a special dividend of S$63 million (S$57 million net of tax) was received from Raffles Holdings Limited in 2005, compared to the S$29 million (S$23 million net of tax) special dividend from Robinson and Company Limited in 2004.

Dealing in securities and derivatives registered gains of S$17 million compared to net losses of S$51 million in 2004. Gains from disposal of investment securities increased from S$23 million in 2004 to S$83 million in 2005, contributed mainly by GEH and Bank NISP.

OPERATING EXPENSES

	2005 S$ million	2004 S$ million	+ / (-) %
Staff costs [1]	**634**	546	16
Premises and equipment			
Depreciation of fixed assets	**68**	62	11
Amortisation of computer software costs	**19**	24	(19)
Maintenance and hire of fixed assets	**40**	33	22
Rental expenses	**23**	18	25
Others	**82**	79	4
	233	216	8
Other operating expenses	**278**	226	23
Total operating expenses	**1,145**	988	16
Group staff strength – period end	**14,662**	10,582	39
Group staff strength – average	**13,434**	9,089	48
Cost-to-income ratio	**39.6%**	37.6%	

[1] Staff costs in 2004 were restated to include share-based expenses, in accordance with FRS 102.

The Group's operating expenses increased by 16% to S$1,145 million in 2005, the result largely of the consolidation of GEH and Bank NISP, which were accounted for as subsidiaries from June 2004 and April 2005 respectively. Excluding the consolidation effects of GEH and Bank NISP, expenses growth was 4%, attributable mainly to higher staff costs due to increased salaries and headcount. The Group's headcount, excluding GEH and Bank NISP, rose 4% to 8,557 as at the end of 2005.

The cost-to-income ratio was 39.6% in 2005, compared with 37.6% in 2004 (39.6% excluding the S$132 million divestment gains).

Management Discussion and Analysis

ALLOWANCES FOR LOANS AND OTHER ASSETS

	2005 S$ million	2004 S$ million	+ / (-) %
Specific allowances / (writeback) for loan losses			
– Singapore	**24**	114	(79)
– Malaysia	**11**	40	(72)
– Others	**16**	(11)	n.m.
	51	143	(64)
Portfolio allowances / (writeback) for loan losses [1]			
– Singapore	**–**	(2)	n.m.
– Malaysia	**–**	(33)	n.m.
– Others	**–**	2	n.m.
	–	(32)	n.m.
Writeback of impairment charges for investment securities and other assets	**(39)**	(34)	n.m.
Total allowances for loans and other assets	**12**	77	(85)

(1) For 2004, refers to general provision.

Total allowances in 2005 declined sharply by 85% from S$77 million in 2004 to S$12 million in 2005.

Specific loan allowances fell from S$143 million to S$51 million, underpinned by improvement in the Group's asset quality and successful recovery efforts for non-performing loans. Investment securities and other assets registered a net recovery of S$39 milion in 2005, mainly from loan-related securities. No additional portfolio allowances for loans were made in 2005, whereas in 2004 there was a net reversal of S$32 million in such allowances.

LOANS AND ADVANCES

Gross loans to customers increased by 6% or S$3.1 billion in 2005, to S$57.2 billion as at 31 December 2005. The growth was contributed partly by the consolidation of Bank NISP's loans which amounted to S$2.05 billion as at end-2005. By industry, the strongest growth came from loans to the manufacturing, general commerce and housing sectors, which increased by 28%, 14% and 5% respectively.

	31 Dec 2005		31 Dec 2004 [1]	
	S$ million	**%**	S$ million	%
Loans by Industry				
Agriculture, mining & quarrying	**791**	**1**	718	1
Transport, storage and communication	**1,853**	**3**	1,568	3
Building and construction	**7,278**	**13**	7,123	13
Manufacturing	**4,455**	**8**	3,484	6
Financial institutions, investment and holding companies [1]	**7,621**	**13**	7,345	14
General commerce	**5,315**	**9**	4,652	9
Professionals and individuals	**8,316**	**15**	8,575	16
Housing loans	**18,087**	**32**	17,287	32
Others	**3,477**	**6**	3,339	6
	57,193	**100**	54,090	100

(1) Balances as at 31 Dec 2004 were restated to exclude Collaterised Debt Obligations ("CDOs") to conform to current year's presentation.

NON-PERFORMING LOANS

By grading, security coverage and countries

	Total NPLs [1] S$ million	Substandard NPLs S$ million	Doubtful NPLs S$ million	Loss NPLs S$ million	Secured NPLs as % of total NPLs %	Non-bank NPLs as % of non-bank loans [2] %
Singapore						
31 Dec 2005	**1,416**	**759**	**353**	**304**	**66.1**	**3.7**
31 Dec 2004	1,735	1,082	436	217	60.7	4.4
Malaysia						
31 Dec 2005	**707**	**487**	**136**	**84**	**64.8**	**6.8**
31 Dec 2004	902	580	230	93	64.8	9.0
Others						
31 Dec 2005	**269**	**68**	**140**	**61**	**38.8**	**2.9**
31 Dec 2004	229	57	152	21	31.4	3.6
Group Total						
31 Dec 2005	**2,392**	**1,314**	**629**	**449**	**62.7**	**4.1**
31 Dec 2004	2,866	1,718	818	331	59.6	5.0

(1) Comprise non-bank loans, debt securities and contingent facilities.
(2) Exclude debt securities.

The Group's asset quality continued to improve in 2005. Total non-performing loans ("NPLs") declined by 17% from S$2.87 billion at 31 December 2004 to S$2.39 billion at 31 December 2005. Singapore NPLs amounted to S$1.42 billion and accounted for 59% of the Group's total NPLs, while Malaysia NPLs of S$707 million accounted for 30% of total NPLs. Of the total NPLs, 55% were in the substandard category while 63% were secured by collateral.

The Group's NPL ratio improved from 5.0% in December 2004 to 4.1% in December 2005. Singapore NPL ratio improved from 4.4% to 3.7%, while Malaysia NPL ratio improved from 9.0% to 6.8% over the same period.

	31 Dec 2005		31 Dec 2004	
	S$ million	**% of Gross Loans**	S$ million	% of Gross Loans
NPLs by Industry				
Agriculture, mining & quarrying	**28**	**3.6**	42	5.9
Transport, storage and communication	**19**	**1.0**	25	1.6
Building and construction	**491**	**6.7**	579	8.1
Manufacturing	**390**	**8.8**	416	11.9
Financial institutions, investment and holding companies	**198**	**2.6**	360	4.9
General commerce	**377**	**7.1**	440	9.5
Professionals and individuals	**322**	**3.9**	466	5.4
Housing loans	**399**	**2.2**	256	1.5
Others	**109**	**3.1**	131	3.9
Sub-total	**2,334**	**4.1**	2,715	5.0
Debt securities	**58**		151	
Total	**2,392**		2,866	

NON-PERFORMING LOANS (continued)

	31 Dec 2005		31 Dec 2004	
	S$ million	**%**	S$ million	%
NPLs by Period Overdue				
Over 180 days	**1,463**	**61**	1,668	58
Over 90 to 180 days	**215**	**9**	216	7
Over 30 to 90 days	**188**	**8**	187	7
Less than 30 days	**105**	**4**	106	4
No overdue	**420**	**18**	689	24
	2,392	**100**	2,866	100

CUMULATIVE ALLOWANCES FOR LOANS LOSSES

	Total cumulative allowances [1] S$ million	Specific allowances S$ million	Portfolio allowances [2] S$ million	Specific allowances as % of total NPLs %	Cumulative allowances as % of total NPLs %
Singapore					
31 Dec 2005	**1,251**	**578**	**673**	**40.8**	**88.4**
31 Dec 2004	1,152	680	472	39.2	66.4
Malaysia					
31 Dec 2005	**493**	**350**	**143**	**49.5**	**69.6**
31 Dec 2004	721	362	359	40.2	79.9
Others					
31 Dec 2005	**369**	**223**	**146**	**82.9**	**137.3**
31 Dec 2004	502	188	314	82.1	219.5
Group Total					
31 Dec 2005	**2,113**	**1,151**	**962**	**48.1**	**88.3**
31 Dec 2004	2,375	1,230	1,145	42.9	82.9

(1) Include allowances for classified debt securities.
(2) 2004 comparatives refer to general provisions for loan losses.

As at 31 December 2005, the Group's total cumulative allowances for loan losses amounted to S$2.11 billion, comprising S$1.15 billion in cumulative specific allowances and S$0.96 billion in cumulative portfolio allowances. The cumulative allowances represent 88.3% of total NPLs, up from the coverage of 82.9% in December 2004.

DEPOSITS

S$ million	31 Dec 2005	31 Dec 2004
Deposits of non-bank customers	**64,088**	57,287
Deposits and balances of banks	**10,307**	12,455
	74,395	69,742
Loans-to-deposits ratio (net non-bank loans / non-bank deposits)	**86.0%**	90.5%

S$ million	31 Dec 2005	31 Dec 2004
Non-Bank Deposits by Product		
Fixed deposits	**40,549**	36,270
Savings deposits	**11,043**	11,178
Current account	**9,070**	7,159
Others	**3,426**	2,680
	64,088	57,287

Compared to 31 December 2004, total deposits increased by 7% to S$74.4 billion as at 31 December 2005. Non-bank customer deposits, which accounted for 86% of total deposits, rose by 12% or S$6.8 billion to S$64.1 billion, mainly due to the consolidation of Bank NISP's non-bank deposits of S$2.79 billion, growth in Singapore fixed deposits and current account deposits, and growth in structured deposits.

In 2004, the Bank issued three-year US Dollar floating rate notes and short term Euro Commercial Papers to tap into the offshore capital markets for alternative cost-effective funding. As at 31 December 2005, the outstanding senior debt and commercial papers totalled S$1.26 billion, compared to S$1.77 billion as at 31 December 2004.

With non-bank deposits growth of 12% outstripping loans growth of 6% in 2005, the Group's loans-to-deposits ratio fell from 90.5% in December 2004 to 86.0% in December 2005.

CAPITAL ADEQUACY RATIOS

S$ million	31 Dec 2005	31 Dec 2004
Tier 1 capital		
Paid-up ordinary and preference shares	**1,561**	1,321
Disclosed reserves / others	**11,124**	10,409
Deduction of goodwill / other items	**(3,383)**	(3,088)
	9,302	8,642
Tier 2 capital		
Cumulative portfolio allowances [1]	**714**	859
Subordinated term notes	**3,872**	3,861
Revaluation surplus on equity securities	**157**	–
	4,743	4,720
Less: Capital investments in insurance subsidiary companies	**(1,466)**	(1,042)
Less: Others	**(359)**	(179)
Total capital	**12,219**	12,141
Risk weighted assets including market risk	**70,708**	68,737
Tier 1 ratio	**13.2%**	12.6%
Total capital adequacy ratio	**17.3%**	17.7%

Note:
Capital adequacy ratio is calculated in accordance with the MAS Notice 637 to Banks.
[1] For 2004, refers to cumulative general provisions.

The total capital adequacy ratio of the Group remained strong at 17.3% as at 31 December 2005, while Tier 1 capital ratio was 13.2%.

In July 2005, the Group completed the first S$500 million share buyback programme that was announced in August 2004, and commenced its second S$500 million share buyback programme. During the year, a total of approximately 74.3 million ordinary shares (adjusted basis) were purchased from the stock market for a total consideration of S$453 million.

In addition, the following capital management and share capital restructuring initiatives were undertaken in 2005:

- In February, the Group issued S$400 million hybrid non-convertible non-cumulative preference shares which qualify as Tier 1 capital.
- In May, the Group announced a bonus cash dividend of S$1 net (unadjusted basis) together with a 1-for-5 Rights Issue at S$5 per rights share (unadjusted basis), with an election option to use all or part of the dividend to subscribe for the rights shares. The Rights Issue was completed in July.
- A sub-division (or stock split) of each ordinary share of par value S$1 into two ordinary shares of par value S$0.50 was effected on 5 August 2005.

VALUATION SURPLUS

	31 Dec 2005			31 Dec 2004		
S$ million	Carrying amount	Market value	Surplus	Carrying amount	Market value	Surplus
Properties	1,209	2,730	1,522	1,169	2,552	1,382
Equity securities [1]	1,721	4,053	2,332	1,109	3,809	2,700
Debt securities [2]	15,457	15,457	–	16,746	16,982	236
Total	18,387	22,241	3,854	19,025	23,343	4,318

[1] Includes investment in quoted subsidiary GEH.
[2] Includes government treasury bills and securities.

The Group's unrealised valuation surplus amounted to S$3.85 billion as at 31 December 2005, a decrease of 11% compared to 31 December 2004. The valuation surplus for properties was S$1.52 billion. With the adoption of FRS 39 in 2005, most of the Group's equity and debt securities are stated at fair value on the balance sheet. A large part of the valuation surplus of S$2.33 billion for equity securities as at 31 December 2005 relates to the Group's holding of GEH shares.

DERIVATIVE FINANCIAL INSTRUMENTS

	31 Dec 2005					
	Trading			Non-trading		
In S$ million	Notional principal amount	Derivative receivables	Derivative payables	Notional principal amount	Derivative receivables	Derivative payables
Foreign exchange derivatives						
Forwards	789	13	11	2,778	23	7
Swaps	46,021	587	406	4,244	283	227
OTC options - bought	715	1	3	4,985	31	5
OTC options - sold	2,122	7	10	3,059	3	10
	49,647	**608**	**430**	**15,066**	**340**	**249**
Interest rate derivatives						
Forwards	11,234	12	14	–	–	–
Swaps	167,157	933	1,120	14,255	453	81
OTC options - bought	941	8	–	154	2	#
OTC options - sold	1,528	–	6	629	2	5
Exchange traded futures - bought	812	#	#	–	–	–
Exchange traded futures - sold	863	1	#	–	–	–
	182,535	**954**	**1,140**	**15,038**	**457**	**86**
Equity derivatives						
OTC options - bought	6	–	1	69	1	#
OTC options - sold	11	#	#	28	1	1
	17	**–**	**1**	**97**	**2**	**1**
Credit derivatives						
Credit default swap - buyer	–	–	–	8	–	#
Credit default swap - seller	–	–	–	374	3	–
	–	**–**	**–**	**382**	**3**	**–**
Other derivatives						
Gold forwards - bought	–	–	–	1	#	#
Gold forwards - sold	–	–	–	23	#	#
Others	245	–	14	245	14	–
	245	**–**	**14**	**269**	**14**	**–**
Total	**232,444**	**1,562**	**1,585**	**30,852**	**816**	**336**

Amounts less than S$500,000.

The above table classifies the prinicipal notional amount of derivative transactions with third parties as at 31 December 2005 into trading and non-trading, and the corresponding derivative receivables and payables by instrument types. On 1 January 2005, the Group adopted FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement, and in accordance with FRS 39 (revised 2004), all derivative financial instruments are valued at market prices at the balance sheet date and the resultant gains and losses taken to the income statement.

BUSINESS SEGMENTS

OCBC Group's businesses are presented under the following main segments representing the key customer and product groups: Consumer Banking, Business Banking, Treasury and Insurance.

Net Profit by Business Segment	**2005 S$ million**	2004 S$ million	+/(-) %
Consumer Banking	**365**	308	19
Business Banking	**540**	493	10
Treasury	**136**	210	(35)
Insurance	**327**	166	97
Others	**14**	90 [1]	(84)
Net profit before equity accounting	**1,382**	1,267	9
Share of results of associated companies	**15**	89	(83)
Amortisation of goodwill	**–**	(135)	n.m.
Minority interests	**(99)**	(73)	36
Group	**1,298**	1,148	13

(1) Includes S$97 million gain from divestment of Raffles Investments Limited and Whitesands Shopping Mall.

Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards and wealth management products (unit trusts, bancassurance products and structured deposits).

Net profit of the segment increased by 19% to S$365 million in 2005, contributed by revenue growth from higher loan volume and non-interest income, and lower loan allowances.

Business Banking

Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management, trustee and custodian services.

Business Banking's net profit increased by 10% to S$540 million due to higher revenue from loans and fee-based activities, and recoveries in loan-related securities.

Treasury

Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also offers structured treasury products and financial solutions to meet customers' investment and hedging needs.

Treasury recorded a decline of 35% in net profit to S$136 million, mainly due to lower net interest income as the flat yield curve limited gapping opportunities.

Insurance

Insurance business, including its fund management activities, is carried out by the Bank's 82.3%-owned subsidiary GEH which provides both life and general insurance products to its customers in Singapore and Malaysia.

The profit contribution before minority interests of S$327 million from GEH represents the full year's consolidation in 2005, compared to seven months' contribution in 2004.

Others

The "Others" segment include Bank NISP, corporate finance, capital markets, broking units, property development and investment holding, support units, other investments and unallocated items including one-time divestment gains.

Management Discussion and Analysis

GEOGRAPHICAL SEGMENTS

	2005		2004	
	S$ million	**%**	S$ million	%
Total income				
Singapore	**1,949**	**68**	1,913	73
Malaysia	**662**	**23**	504	19
Other ASEAN	**148**	**5**	16	1
Asia Pacific	**90**	**3**	156	6
Rest of the world	**38**	**1**	36	1
	2,887	**100**	2,625	100
Profit before tax				
Singapore	**1,092**	**64**	1,020	68
Malaysia	**507**	**30**	322	22
Other ASEAN	**61**	**4**	18	1
Asia Pacific	**20**	**1**	108	7
Rest of the world	**24**	**1**	24	2
	1,706	**100**	1,491	100

	31 Dec 2005		31 Dec 2004	
	S$ million	**%**	S$ million	%
Total assets				
Singapore	**94,553**	**72**	89,664	75
Malaysia	**25,618**	**20**	21,426	18
Other ASEAN	**4,369**	**3**	631	1
Asia Pacific	**4,669**	**4**	5,720	4
Rest of the world	**2,089**	**2**	2,441	2
	131,298	**100**	119,882	100

The geographical segment analysis is based on the location where the assets or transactions are booked. For 2005, Singapore accounted for 68% of total income and 64% of profit before tax, while Malaysia accounted for 23% of total income and 30% of profit before tax. Bank NISP's assets, revenue and pre-tax profit contribution was included under "Other ASEAN" with effect from April 2005.