

a vision

To be a premier bank in the Asia-Pacific region, committed to providing quality products and excellent customer service.



277 OFFICES IN

- | | | |
|------------------------------------|--|-------------------------------|
| SINGAPORE
<i>(65 offices)</i> | HONG KONG S.A.R.
<i>(5 offices)</i> | TOKYO |
| PHILIPPINES
<i>(86 offices)</i> | GUANGZHOU | SYDNEY |
| THAILAND
<i>(64 offices)</i> | SHANGHAI | LONDON |
| MALAYSIA
<i>(27 offices)</i> | XIAMEN | PARIS |
| INDONESIA
<i>(10 offices)</i> | BEIJING | NEW YORK |
| | YANGON | LOS ANGELES |
| | HO CHI MINH CITY | SUNNYVALE
(SILICON VALLEY) |
| | TAIPEI | VANCOUVER |
| | SEOUL | |

a universal bank

United Overseas Bank (UOB) is a leading bank in Singapore with an international network that comprises 277 offices in 17 countries in the Asia-Pacific region, Europe and North America. Its banking subsidiaries in Singapore comprise Far Eastern Bank and Industrial & Commercial Bank, while its banking subsidiaries in the region are United Overseas Bank (Malaysia), PT Bank UOB Indonesia, UOB Radanasin Bank in Thailand and United Overseas Bank Philippines.

UOB provides a wide range of financial services through its global network of branches, offices and subsidiaries: commercial and corporate banking, personal financial services, private banking, trust services, treasury services, asset management, corporate finance, capital market activities, venture capital management, proprietary investments, general insurance and life assurance. It also offers stockbroking services through its associate, UOB-Kay Hian Holdings.

Through its other subsidiaries, and other associates (principally the United Overseas Land Group and Haw Par Group), UOB also has diversified interests in travel, leasing, property development, hotel management, healthcare, manufacturing and general trading.

UOB is rated among the world's top banks by Moody's Investors Service, receiving B+ for Bank Financial Strength, and Aa2 and Prime-1 for long-term and short-term deposits respectively.

a good year

		The Group	
	2000	1999	Increase/ Decrease
Profit For The Year (\$'000)			
Profit before taxation	1,185,876	1,026,217	15.6%
Net profit after tax	912,895	760,214	20.1%
Selected Balance Sheet Items As At Year-End (\$'000)			
Customer loans (net of provisions)	30,045,283	27,259,114	10.2%
Customer deposits	43,405,504	40,728,491	6.6%
Total assets	66,324,052	56,773,946	16.8%
Shareholders' funds	6,769,523	6,191,047	9.3%
Financial Ratios			
Basic earnings per share (cents)	86.8	72.4	19.9%
Return on average shareholders' funds (%)	14.1	12.6	1.5% points
Return on average total assets (%)	1.5	1.4	0.1% point
Expense to income ratio (%)	39.4	32.5	6.9% points
Dividend rates (%)			
– Interim and final	40.0	20.0	20.0% points
– Special bonus (tax exempt)	–	25.0	–25.0% points
Net tangible asset backing per share (\$)	6.43	5.89	9.2%
Capital Adequacy Ratio – BIS (%)			
– Tier 1 capital	17.1	18.6	–1.5% points
– Total capital	19.8	21.7	–1.9% points

steady growth



Wee Cho Yaw
Chairman &
Chief Executive Officer

PERFORMANCE IN 2000

Singapore's GDP in 2000 grew by an impressive 9.9% against a projected growth of 4.5% to 6.5%, powered by strong electronic exports. Riding on the back of stronger than expected growth in the Singapore economy, the Group and the Bank achieved creditable performance in 2000.

The UOB Group posted an After-Tax Profit of \$912.9 million, representing a rise of 20.1% over the \$760.2 million achieved in 1999. After-Tax Profit for UOB (excluding extraordinary items of \$110.6 million) improved by 16.4% to \$630.2 million, compared with the previous year's of \$541.5 million (excluding extraordinary items of \$772.8 million). Group return on average shareholders' funds (ROE) improved from 12.6% to 14.1% during the year.

Profit growth was largely contributed by consumer and commercial banking, asset management and venture capital; offset by losses incurred by our two newly acquired subsidiaries, UOB Radanasin Bank and United Overseas Bank Philippines. It was also helped by lower provisions for Non-Performing Loans. Specific and general provisions declined from \$253.5 million in 1999 to \$93.4 million in 2000.

The Board of Directors proposes that \$400 million be transferred to reserves, and recommends a final dividend of 25% less 24.5% income tax. Together with the interim dividend of 15%, the total dividend for 2000 is 40%.

The Group's Singapore subsidiaries also achieved satisfactory growth because of the improved economy. Far Eastern Bank's

After-Tax Profit improved from \$8.7 million to \$11.0 million, while Industrial & Commercial Bank's After-Tax Profit rose from \$14.9 million (excluding extraordinary items of \$111.6 million) to \$61.7 million (excluding extraordinary items of \$12.0 million). United Overseas Insurance posted an After-Tax Profit of \$10.3 million, compared with \$7.4 million in 1999.

As for our regional banking subsidiaries, United Overseas Bank (Malaysia) netted an After-Tax Profit of \$93.4 million (1999: \$97.7 million), PT Bank UOB Indonesia achieved an After-Tax Profit of \$10.4 million (1999: \$9.3 million), while the Group's share of losses of UOB Radanasin Bank and United Overseas Bank Philippines were \$38.5 million and \$19.3 million respectively.

CORPORATE DEVELOPMENTS IN 2000

The Group's investments in IT infrastructure to enhance our Internet banking services continued to bear fruit. More than a quarter of our customers has logged on to www.uobgroup.com to conduct their financial transactions online. An increasing number of customers are also using our Call Centre facility. Our e-Treasury service, allowing foreign exchange transactions to be executed around the clock, has also proven to be popular with our corporate customers.

Leveraging on the experience and expertise of UOB Singapore, our Thai subsidiary, UOB Radanasin Bank made successful forays into the consumer banking arena. It launched an attractive housing loan package in April and the UOB VISA Card in September. Our Indonesian subsidiary changed its name from P T United Overseas Bank Bali to PT Bank UOB Indonesia and opened a branch in Bali, its seventh in the country. United Overseas Bank (Malaysia) also enhanced its personal financial services through phonebanking and Internet payment services and facilities. We were also active in corporate banking, and were involved with several successful capital restructuring exercises.

The merger of UOB Securities and Kay Hian Holdings became effective in October 2000. We are now finalising the sale of UOB's regional stockbroking subsidiaries to the new company, UOB Kay-Hian Holdings.

The recent misconduct of five staff members in handling two Initial Public Offerings of shares, in which UOB Asia (the Group's merchant banking subsidiary) acted as manager, resulted in UOB Asia being fined under the Securities Industries Act. The Bank does not condone such improper conduct. All five staff members involved have resigned. Management has taken steps to prevent future similar occurrences.



We are confident that we will continue to meet shareholders' expectations with our business strategies.

Arising from this incident, we appointed PricewaterhouseCoopers (PwC) to conduct a review of the operations of UOB Asia. The review has been completed and management has accepted and implemented PwC's recommendations. We would like to reiterate that good corporate governance has always been a guiding principle of the UOB Group. We expect our staff to observe high standards of professionalism and integrity in their work.

2011 PROSPECTS AND STRATEGIES

Against the backdrop of an economic slowdown in the United States, the official estimate for Singapore's GDP growth this year is between 5% and 7%. Unless there is a significant improvement in the American economy, we believe that growth will be at the lower end of the range. A prolonged slowdown in the United States will adversely affect the regional economies, some of which have not fully recovered from the financial crisis of 1997.

The regional outlook is further marred by the economic inertia in Japan and socio-political uncertainties in South-East Asia. Both factors will have a negative influence on potential foreign investments, with investors already casting their eyes

on the huge market offered by China, following its entry into the World Trade Organisation this year.

This year will be challenging for Singapore and the UOB Group. But we believe that where there is economic adversity, there will also be business opportunities. Hence, we are confident that we will continue to meet shareholders' expectations with our business strategies.

Firstly, we will seek to further increase our market share in Singapore by continuing to provide innovative products and quality services to our customers, accessible anywhere and anytime. This customer-focused approach forms the backbone of our corporate structure and directs all our business activities. The Group's human and IT resources will be channelled to meeting the financial needs and aspirations of our large customer base.

Secondly, we will continue to transfer our expertise and experience to our regional banking subsidiaries. More importantly, we intend to maximise our strong regional network to finance trade and investments in the Asia-Pacific area. In particular, we plan to grow our commercial banking, trade financing, corporate finance, treasury and investment banking activities especially in ASEAN and Greater China.

uncertain
times ahead

We are confident that this will further help us meet our target of deriving 50% of our profit from our overseas operations by 2010.

Thirdly, high standards of corporate governance and sound risk management practices will continue to rank high on our list of priorities. With globalisation and the rapid advancement of technology, the financial market is facing rapid changes. Under these circumstances, prudent management of risk is crucial to ensure the continued financial soundness of the Group, and to safeguard and protect the interest of our shareholders.

Finally, recognising the importance of human resources, we have stepped up our drive to expand our talent pool to meet the ever-changing needs of a diverse customer base and to achieve our goal to become a strong regional bank. An effective and equitable human resource management system is in place to attract and retain the best and brightest within the Group.

BOARD DIRECTORS

In May 2000, the Board was further strengthened with the appointment of two new Directors, namely, Mr Koh Beng Seng and Mr Philip Yeo Liat Kok. Mr Koh, who was previously Deputy Managing Director of the Monetary Authority of Singapore, also joined the Group as Deputy President. Mr Yeo is currently the Chairman of the National Science & Technology Board and Co-Chairman of the Economic Development Board. He has played a pioneering role in the development of Singapore's manufacturing sector. In January 2001, we welcomed another new

Director, Dr Cham Tao Soon, Professor & President of the Nanyang Technological University. I am confident that the Bank will benefit greatly from the wide experiences of these distinguished gentlemen.

In October 2000, the Group lost the services of its President, Mr Ernest Wong Yuen Weng, who decided to opt for early retirement. Mr Wong, who had been with the Bank for 29 years, agreed to continue to be on the Board of UOB. In December 2000, the Board accepted, with regret, the resignation of Director, Prof Lim Chong Yah. I take this opportunity to thank Prof Lim for his contributions to the Bank and the Group.

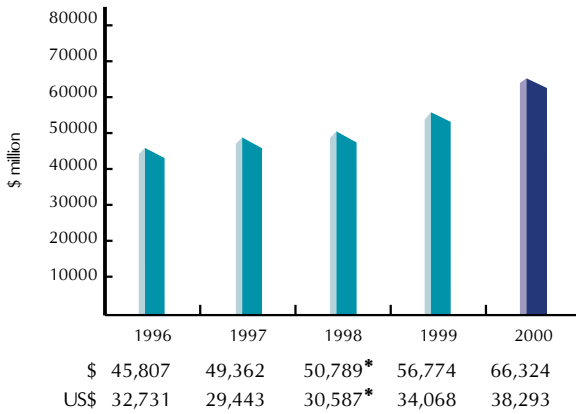
My deep appreciation also goes to the other Directors who have been unstinting in giving their time and wise counsel to the Bank, as well as management and staff members who have helped the Group to put up a creditable performance in the past year.

Wee Cho Yaw
Chairman & Chief Executive Officer
March 2001

building shareholder value

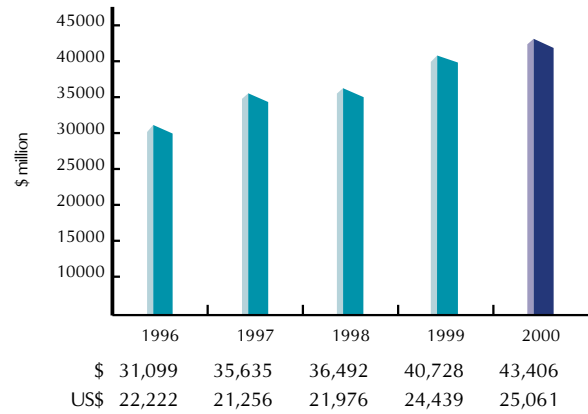
GROUP ASSETS

2000: \$66,324 million ■ + 16.8%
1999: \$56,774 million



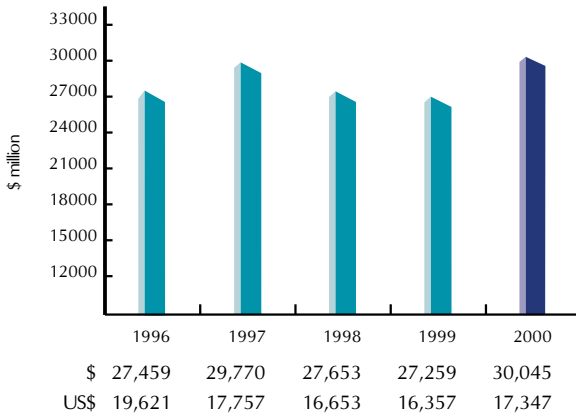
GROUP CUSTOMER DEPOSITS

2000: \$43,406 million ■ + 6.6%
1999: \$40,728 million



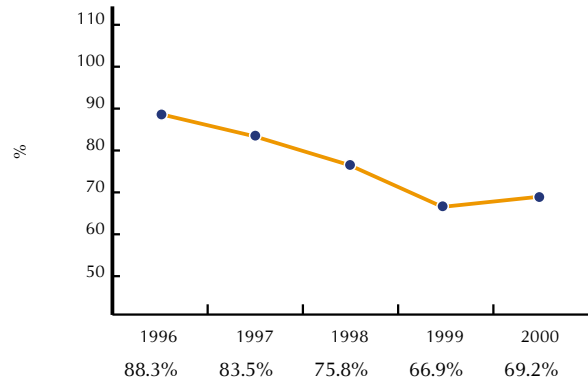
GROUP CUSTOMER LOANS

2000: \$30,045 million ■ + 10.2%
1999: \$27,259 million



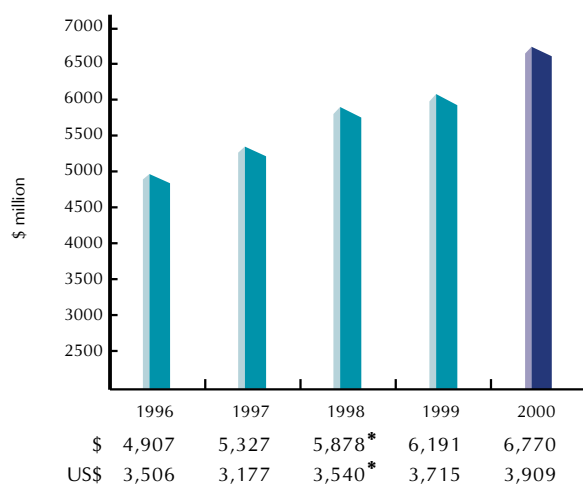
GROUP LOANS/CUSTOMER DEPOSITS RATIO

2000: 69.2% ■ + 2.3% points
1999: 66.9%



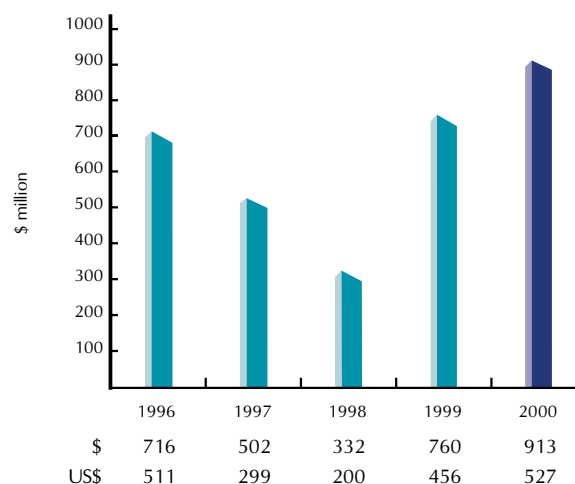
GROUP SHAREHOLDERS' FUNDS

2000: \$6,770 million ■ + 9.3%
1999: \$6,191 million



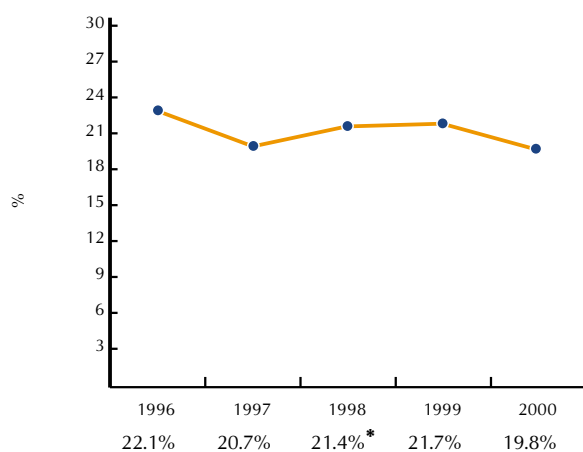
GROUP NET PROFIT AFTER TAX

2000: \$912.9 million ■ + 20.1%
1999: \$760.2 million



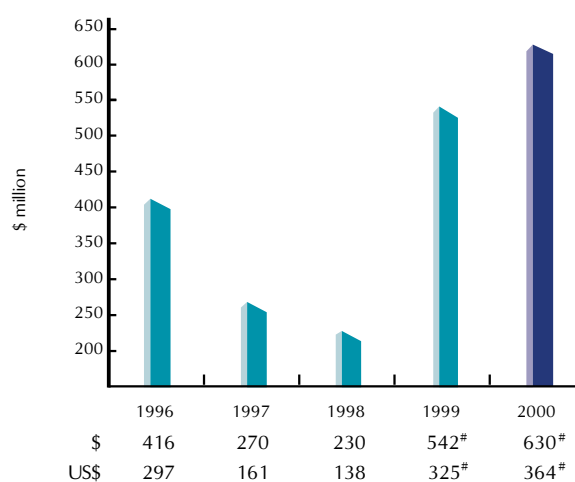
GROUP CAPITAL ADEQUACY RATIO

2000: 19.8% ■ - 1.9% points
1999: 21.7%



BANK NET PROFIT AFTER TAX

2000: \$630.2 million ■ + 16.4%
1999: \$541.5 million

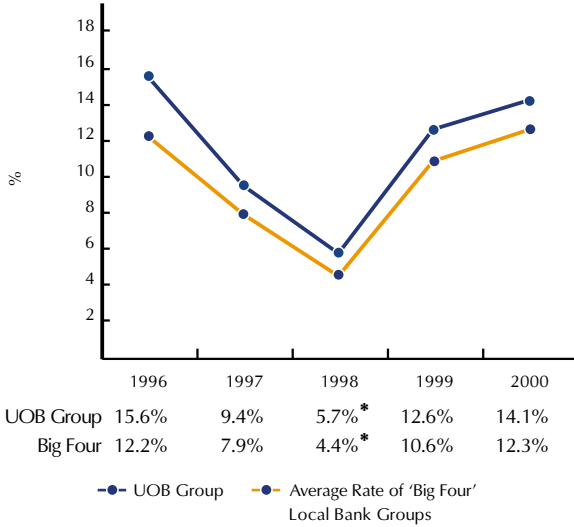


Excludes extraordinary items.

* Figures/ratios have been adjusted for impact of equity accounting.

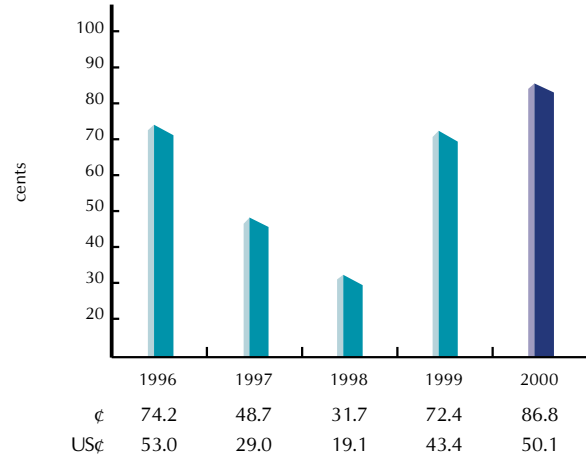
GROUP RETURN ON AVERAGE SHAREHOLDERS' FUNDS

2000: 14.1% ■ + 1.5 points
1999: 12.6%



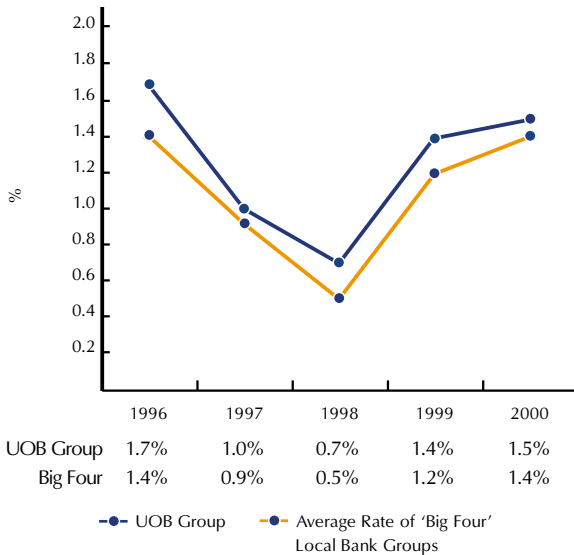
GROUP ADJUSTED EARNINGS PER SHARE

2000: 86.8 cents ■ + 19.9%
1999: 72.4 cents



GROUP RETURN ON AVERAGE TOTAL ASSETS

2000: 1.5% ■ + 0.1% point
1999: 1.4%



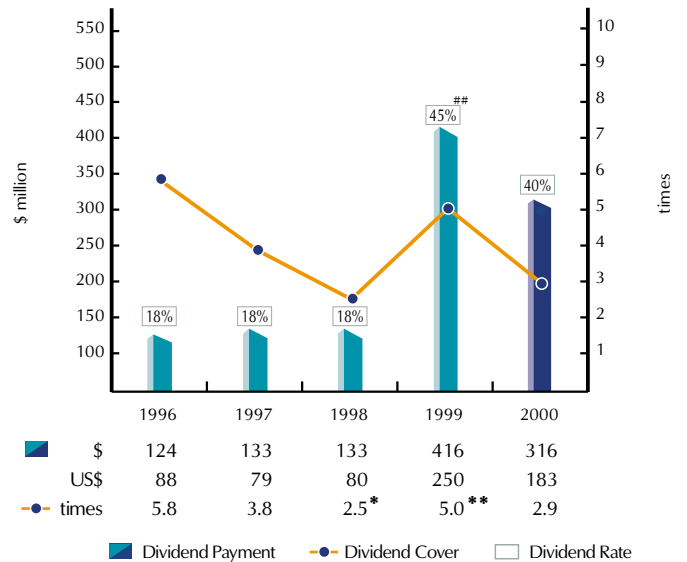
DIVIDENDS

DIVIDEND PAYMENT

2000: \$316.3 million ■ - 24.0%
1999: \$416.1 million

DIVIDEND COVER

2000: 2.9 times ■ - 42.0%
1999: 5.0 times



** Dividend cover is 1.8 times if the special tax exempt bonus dividend is included.
Includes special tax exempt bonus dividend of 25%.

* Figures/ratios have been adjusted for impact of equity accounting.

GROUP TOTAL INCOME

NET INTEREST INCOME

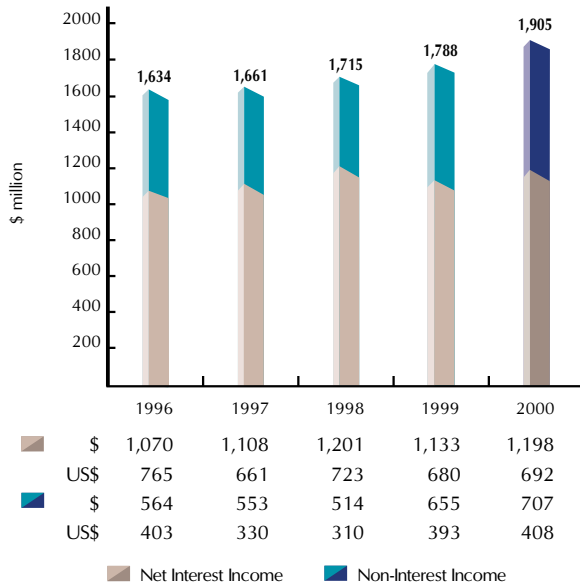
2000: \$1,198 million ■ + 5.8%

1999: \$1,133 million

NON-INTEREST INCOME

2000: \$707 million ■ + 7.9%

1999: \$655 million



GROUP TOTAL NON-PERFORMING LOANS (NPLs)

NPLs

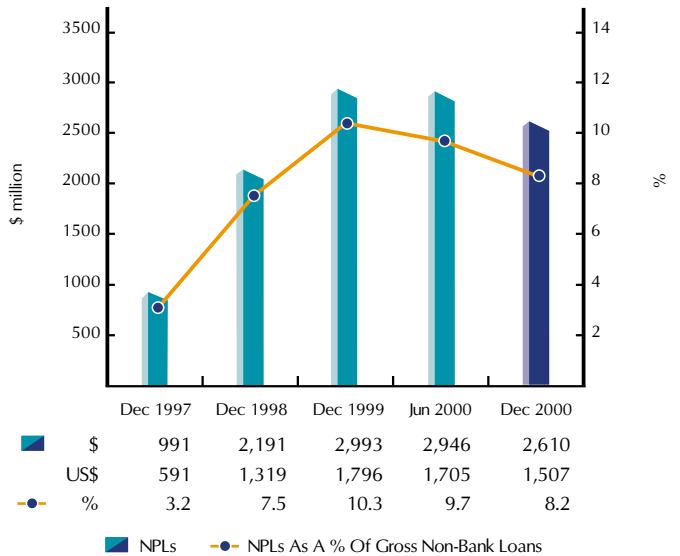
Dec 2000: \$2,610 million ■ - 12.8%

Dec 1999: \$2,993 million

NPLs AS A % OF GROSS NON-BANK LOANS

Dec 2000: 8.2% ■ - 2.1% points

Dec 1999: 10.3%



GROUP TOTAL CUMULATIVE PROVISIONS

CUMULATIVE SPECIFIC PROVISION

Dec 2000: \$1,044 million ■ - 6.3%

Dec 1999: \$1,114 million

CUMULATIVE GENERAL PROVISION

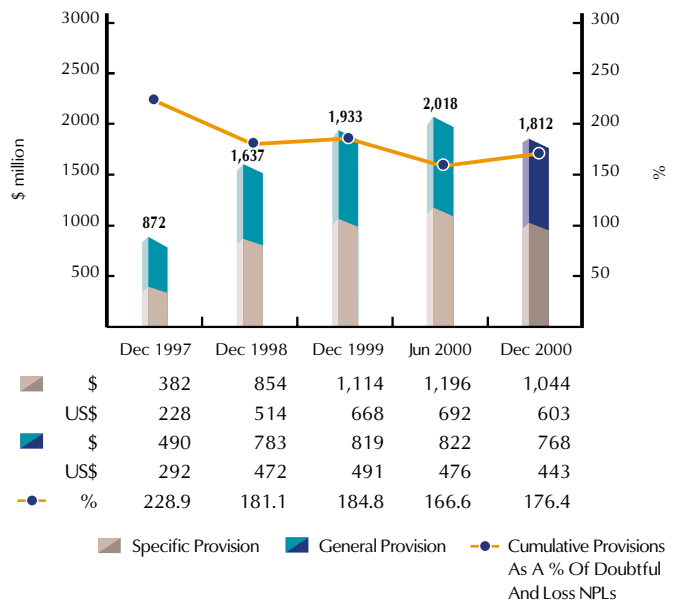
Dec 2000: \$768 million ■ - 6.2%

Dec 1999: \$819 million

TOTAL CUMULATIVE PROVISIONS AS A % OF DOUBTFUL AND LOSS NPLs

Dec 2000: 176.4% ■ - 8.4% points

Dec 1999: 184.8%





Wee Cho Yaw
Chairman & Chief Executive Officer

Age 72. A career banker with more than 40 years of experience. Chairman & CEO of UOB since 1974. Chairman of the Executive Committee since 1976. Chairman of the Bank's Compensation Committee and member of its Nominating Committee. Chairman of UOB subsidiaries, including publicly listed Industrial & Commercial Bank, United Overseas Insurance and United International Securities. Chairman of Haw Par Corporation, Haw Par Healthcare, United Overseas Land, Hotel Plaza, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. Director of Singapore Press Holdings. Member of the Asia-Pacific Advisory Committee, New York Stock Exchange. Honorary President of Singapore Chinese Chamber of Commerce & Industry.



Wee Ee Cheong
Deputy Chairman & President

Age 48. A professional banker who joined the Bank in 1979. Appointed Deputy Chairman & President of UOB in March 2000. Executive Director and member of the Bank's Executive Committee since 1990. Chairman of the Association of Banks in Singapore. Director of VISA International, Institute of Banking & Finance, and several UOB subsidiaries and affiliates, including Far Eastern Bank, Industrial & Commercial Bank, United Overseas Insurance, United Overseas Land and Hotel Plaza. Council Member of Singapore Chinese Chamber of Commerce & Industry. Served as Deputy Chairman, Housing & Development Board, Singapore (1995 – 2000) and Director, Port of Singapore Authority (1997 – 2000).

fresh per



Wong Meng Meng

Age 52. Managing Partner of Wong Partnership. Notary Public and Senior Counsel, Supreme Court of Singapore. Director of the Bank since March 2000. Chairs the Bank's Nominating Committee. Director of UOB subsidiaries – Far Eastern Bank and Industrial & Commercial Bank. Accredited Arbitrator to the Centre for International Commercial Dispute Resolution (Hawaii), American Association of Arbitrators and Singapore International Arbitration Centre. Advisor to the Association of Banks in Singapore (1985 – 1992).



John C Dean Jr

Age 53. A banking professional with more than 20 years experience. President & CEO of Silicon Valley Bancshares. Chairman of Silicon Valley Bank. Director of the Bank since March 2000. Member of the Bank's Nominating Committee. Director of UOB subsidiaries – Far Eastern Bank and Industrial & Commercial Bank. Director and Advisor to several venture capital firms and technology companies. Member of the Wharton Entrepreneurial Advisory Board. Former President & CEO of Pacific First Bank, First Interstate Bank of Washington, and First Interstate Bank of Oklahoma.



Koh Beng Seng
Deputy President

Age 50. Spent over 24 years at the Monetary Authority of Singapore where he made significant contributions to the development and supervision of the Singapore financial sector in his capacity as Deputy Managing Director, Banking & Financial Institutions Group. Joined UOB as Deputy President in June 2000. Executive Director and member of the Bank's Executive and Nominating Committees. Director of UOB subsidiaries – Far Eastern Bank and Industrial & Commercial Bank, Chartered Semiconductor Manufacturing and ST Assembly Test Services. Advisor (part-time) to the International Monetary Fund.



Ho Sim Guan

Age 75. A veteran businessman with more than 45 years of experience in the plantation, hotel and banking sectors. Chairman of the Tai Tak Group of Companies in Singapore and Malaysia who is actively involved in Tai Tak's investment activities in Asia. Member of the Bank's Executive Committee since 1976. Member of the Bank's Compensation Committee. Director of UOB subsidiaries – Far Eastern Bank, Industrial & Commercial Bank and United Overseas Insurance.



Ernest Wong Yuen Weng

Age 55. Group CEO of MediaCorp (Media Corporation of Singapore Pte Ltd). Director of the Bank since 1990. Chairs the Bank's Audit Committee. Built his career first with the Economic Development Board in 1967 and then with the Ministry of Finance before joining UOB in 1972. President of UOB from 1990 until September 2000 when he left to take up his current appointment at MediaCorp. Also a Director of United Overseas Land.

spectives



Sim Wong Hoo

Age 45. A prominent technopreneur and pioneer best known for bringing sound, video and digital entertainment technology into the personal computer. Founder, Chairman & CEO of Singapore-based Creative Technology Ltd (Nasdaq: CREAM). Director of the Bank since March 2000. Member of the Bank's Nominating Committee. Director of UOB subsidiaries – Far Eastern Bank and Industrial & Commercial Bank.



Philip Yeo Liat Kok

Age 54. Brings to the Bank wide government and private sector experience over a 30-year career. Recognised for his contributions to Singapore's economic development and his pioneering role in the development of Singapore's information technology industry. Chairman of National Science & Technology Board. Director of the Bank since May 2000. Member of the Bank's Audit Committee. Director of UOB subsidiaries – Far Eastern Bank and Industrial & Commercial Bank. Co-Chairman of Economic Development Board. Chairman of CapitaLand.



Dr Cham Tao Soon

Age 61. Professor & President of Nanyang Technological University with more than 30 years of experience in the academia sector. Director of the Bank since January 2001. Member of the Bank's Audit and Compensation Committees. Chairman of NatSteel. Chairman of Singapore Symphonia Company. Director of Ei-Nets, Keppel Corporation and WBL Corporation. Board Member of Land Transport Authority.

at the helm

DR GOH KENG SWEE

Advisor (Research) to UOB since 1993. Former Deputy Prime Minister of Singapore. Has served as Minister of Finance, Minister of Defence and Minister of Education. Former Chairman of the Monetary Authority of Singapore.

SAMUEL POON HON THANG

Age 51. Senior Executive Vice President of Institutional and Individual Banking. Joined UOB in 1988. Holds a Bachelor of Commerce (Honours) degree from the then Nanyang University. Worked with Citibank N.A. from 1979 to 1988.

TERENCE ONG SEA ENG

Age 51. Senior Executive Vice President of Asset Management, Group Investments and Global Treasury. Joined UOB in 1982. Holds a Bachelor of Accountancy degree from the then University of Singapore. Has more than 15 years of experience in treasury services and operations. Deputy General Manager of the Board of Commissioners of Currency Singapore before joining UOB.

YEO ENG CHEONG

Age 52. Executive Vice President of Commercial Credit. Joined UOB in 1986. Holds a Bachelor of Business Administration (Honours) degree from the then University of Singapore. Has more than 25 years of experience in credit and marketing. Worked with Chase Manhattan Bank (now known as J P Morgan Chase & Co) from 1972 to 1982.

NEO KHAY PIN

Age 54. Executive Vice President in charge of UOB's Indonesian operations. Joined UOB in 1988. Holds a Masters of Science degree from the University of Warwick. A banker with more than 20 years of experience. Worked with ABN Bank (now known as ABN AMRO Bank) from 1979 to 1988.

FRANCIS LEE CHIN YONG

Age 46. Executive Vice President & Chief Executive Officer in charge of UOB's Malaysian operations. Joined UOB in 1980. A professional banker with more than 20 years' experience. Appointed Head of UOB's consumer services operations in Malaysia in 1991.

KUEK TONG AU

Age 54. Executive Vice President of Corporate Services that includes the functions of corporate affairs, financial control, investor relations, settlements, tax, property, legal and secretariat. Joined UOB in 1970. Holds a Bachelor of Accountancy (Honours) degree from the then University of Singapore. Has more than 30 years of experience in finance.

SIM PUAY SUANG (MS)

Age 48. Executive Vice President of Personal Financial Services. Joined UOB in 1978. Holds a Bachelor of Arts degree from the then University of Singapore. Has a wealth of experience in consumer banking spanning more than 20 years.

MICHAEL LAU HWAI KEONG

Age 40. Executive Vice President of International/Strategic Planning & Research. Joined UOB in June 2000. Holds a Bachelor of Business Administration (Honours) degree from the National University of Singapore. A Chartered Financial Analyst. Has 15 years of experience in the financial industry, and held senior appointments at the Central Depository and Monetary Authority of Singapore.

DAVID LOH HONG KIT

Age 45. Executive Vice President of Risk Management & Compliance. Joined UOB in June 2000. Holds a Masters of Business Administration degree from the University of New South Wales. A Chartered Financial Analyst. Has more than 15 years of financial industry experience, and was Senior Vice President at the now Singapore Exchange Derivatives Trading/Derivatives Clearing from 1992 to 1999.

WONG CHONG FATT

Age 46. Executive Vice President of High Network Customers and Managing Director of Banknotes, Futures & Personal Treasury Services, Global Treasury. Joined UOB in June 2000. Holds a Bachelor of Commerce degree from the then Nanyang University. Has more than 20 years' experience in treasury products, and held senior appointments at ABN AMRO Futures, NatWest Futures and HSBC Futures.

JOSEPH CHEN SEOW CHAN

Age 50. Managing Director of Trading & Institutional Treasury Services, Global Treasury. Joined UOB in 1989. Holds a Bachelor of Science (Honours) degree from the then University of Singapore. A banker with over 20 years' experience in the treasury and fixed income business. Worked with various major foreign banks and the Monetary Authority of Singapore before joining UOB.

SUSAN HWEE (MS)

Age 41. Executive Vice President of Information Technology. Joined UOB in January 2001. Holds a Bachelor of Science degree from the National University of Singapore. Has more than 19 years of experience in information technology, having held appointments in Keppel TatLee Bank, Citibank N.A. and IBM.

LARRY LAM CHI KEUNG

Age 44. Senior Vice President and Head of Internal Audit. Joined UOB in 1998. Holds a Masters of Business Administration degree and a Bachelor of Information Systems degree from the California State Polytechnic University. A Certified Public Accountant (California License) and a Certified Information Systems Auditor. Has 17 years of internal and external audit experience from the United States.

achieving best practices

The United Overseas Bank (UOB) Group is committed to high standards of corporate governance and business conduct in accordance with best practice.

Outlined below are the Bank's corporate governance practices that were in place throughout the financial year just ended.

BOARD OF DIRECTORS

The Board of United Overseas Bank Limited, comprising 10 distinguished members with diverse corporate experiences, is responsible for the supervision of the Bank's activities. It has oversight responsibilities for the business and affairs of the Bank. The Board sets the overall business direction and provides guidance on the Bank's strategic plans. It delegates the formulation of business policies and day-to-day management to various committees and the Chief Executive Officer. The Board meets regularly to review the Bank's business plans and the operating results achieved. The Board met five times in 2000.

EXECUTIVE COMMITTEE

The Executive Committee (Exco) was established by the Board to formulate the Bank's business strategies and conduct on-going monitoring of the Group's performance. The four-member Exco comprises Mr Ho Sim Guan, a non-executive director, and three executive directors, namely, Mr Wee Cho Yaw, Mr Wee Ee Cheong and Mr Koh Beng Seng. The Exco meets monthly and has also been given delegated

authority to exercise certain of the Board's powers during the period of time between the meetings of the Board.

The Chief Executive Officer is responsible for the day-to-day operation of the Bank. The Board has conferred upon the Exco and the Chief Executive Officer certain discretionary limits and authority for credit and loan approvals, treasury and investment activities, capital expenditure, budgeting and human resource management.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent and non-executive directors. They are Mr Ernest Wong Yuen Weng, Chairman of the Committee, Mr Philip Yeo Liat Kok and Dr Cham Tao Soon. The Committee meets at least three times a year. Additional meetings could be called by the Chairman of the Audit Committee to discuss specific audit issues when necessary. The following are some of the functions performed by the Audit Committee:

- reviews with the external auditor, the audit plan, his evaluation of the system of internal controls, his audit report and any matter which the external auditor wishes to discuss;
- reviews with the internal auditor, the scope and results of internal audit procedures;

- reviews with the internal and external auditors, their findings on their evaluation of the system of internal controls;
- reviews the half-yearly and annual financial statements prior to submission to the Board;
- reviews any significant findings of internal investigations;
- nominates a person or persons as auditor;
- reviews the assistance given by the Bank's officers to the internal and external auditors; and
- reviews interested person transactions.

The Bank has complied with the Best Practices Guide with respect to Audit Committees issued by the Singapore Exchange Securities Trading Limited (SGX-ST). In this regard, the Bank had ensured that the Audit Committee, when making decisions, had the benefit of the views of members who were independent of management.

To effectively discharge its responsibilities, the Committee had full access to and the cooperation of management, including internal auditors. The Committee also had full discretion to invite any director and executive officer to attend its meetings.

NOMINATING COMMITTEE

The Nominating Committee was established by the Board to assist the Board in identifying individuals and reviewing nominations for appointment to the Board, the Executive Committee, the Audit Committee, the Compensation Committee and the key management positions of Chief Executive Officer, President, Deputy President and Chief Financial Officer and any other

officer with responsibilities and functions similar to any of these officers. There are five directors on the Nominating Committee, three of whom are independent directors, namely, Mr Wong Meng Meng who is the Chairman of the Committee, Mr John C Dean Jr and Mr Sim Wong Hoo. The other two members of the Nominating Committee are Mr Wee Cho Yaw and Mr Koh Beng Seng. The Nominating Committee met twice in 2000.

COMPENSATION COMMITTEE

The Board has recently constituted a Compensation Committee of three directors to assist the Board in overseeing executive staff compensation and development in the UOB Group. The Committee's terms of reference include the determination of a remuneration policy that would attract, retain and motivate a pool of executive talent, deliver improved shareholder value by ensuring that individual performance and reward are reflective of the business objectives of the Group, and align the interests of all staff as closely as possible with the interests of shareholders. The Committee shall take over the functions of the Administering Committee which was appointed to administer the UOB 1999 Share Option Scheme and the UOB Executives' Share Option Scheme.

The members of the Compensation Committee are Mr Wee Cho Yaw who chairs the Committee, and two independent directors, Mr Ho Sim Guan and Dr Cham Tao Soon.

PERFORMANCE PLANNING AND MONITORING

The Bank has a comprehensive planning, budgeting and monitoring system based on key performance indicators for each business area and cost centre. Business plans incorporating detailed one-year operating plans are

prepared annually by each business unit and cost centre and presented and discussed by senior management before they are presented to the Board of Directors for approval. The Board receives quarterly management reports comparing actual performance with budget, highlighting key business indicators and giving the progress of major projects.

MANAGING RISKS

The management of risk is fundamental to our business and forms an essential element in our overall strategy. Our risk management philosophy is that all risks taken must be identified, measured, monitored and managed within a robust risk management framework, and that returns must be commensurate with the risks taken.

There is a strong, centralised and independent risk management governance structure that oversees the various key types of risks, namely:

- credit and country risk;
- balance sheet risk;
- liquidity risk;
- market risk; and
- operational risk.

The risk management corporate governance structure takes the form of overall responsibility by the Board of Directors in providing guidance regarding strategies and risk appetite for an integrated view of the Group's risk exposures.

On a day-to-day basis, various committees, comprising senior executive staff who are responsible for the Group's businesses, meet regularly to evaluate and approve business and operational matters, including that of risk exposures. The committees formulate policies on risk for the Group's businesses and these are communicated through risk limits and operational procedures to the various business units. The major

policy decisions and proposals on risk exposures are subject to review by the Exco and the Board.

The Credit Committee deals with all credit, as well as country/transfer risk matters, including approval of credit applications, formulation of credit policies and the review of existing credit facilities.

The Asset Liability Committee formulates, reviews and approves policies and strategies regarding the balance sheet structure, liquidity needs and trading activities.

The Investment Committee formulates, reviews and approves policies and strategies regarding the investment and management of funds.

The Computer Committee determines and oversees the prioritisation of the Bank's investments in IT as well as the resources committed to the development of the Bank's technology infrastructure, and ensures that these are in line with the Bank's business strategy.

The Management Committee reviews operations and formulates policies relating to the business activities of the Group and any operational risks arising from them.

The Risk Management and Compliance Sector, which is independent of the business units, performs the operational role of implementing risk policies and procedures and ensuring compliance by the business and operation units.

INTERNAL CONTROLS

The Bank has well-established internal audit and compliance functions. There are formal procedures for both internal and external auditors to report the conclusions and recommendations of their audit findings to management and to the Audit Committee.

The Bank's Internal Audit, which reports to the Audit Committee, assists the Board of Directors in monitoring and managing business risks and internal controls. The Audit Committee approves the Bank's internal audit plan during the first of at least three Audit Committee meetings each year. The results of the audits are submitted to the Audit Committee for its review in other meetings. Administratively, the Head of Internal Audit reports to the Bank's Chairman & Chief Executive Officer.

The scope of Internal Audit covers the audits of all units and operations, including overseas branches and subsidiaries.

The Bank's banking subsidiaries, United Overseas Bank (Malaysia), UOB Radanasin Bank and United Overseas Bank Philippines, each has its own internal audit function and is also subject to its local regulations. However, the Head of Internal Audit at the Bank's Head Office will help standardise the audit charter, practices and annual planning process, and review audit results across all the Bank's banking subsidiaries.

The audits carried out in 2000 on the Group's units and operations were prioritised based on audit risk assessments.

During the year under review, Internal Audit also implemented the Control Self Assessment Programme for local as well as overseas branches. This is part of its efforts to enhance internal control awareness and risk assessment within the various business units and branches. Internal Audit will be implementing the Control Self Assessment Programme for business units and operations at the Bank's Head Office.

In addition, Internal Audit audits the various computer application systems, network and the Bank's Information Technology sector. Internal Audit uses the Control

Objectives for Information and Related Technology (COBIT) for evaluating internal control systems of the Bank. In view of the Bank's substantial investment in Internet banking and e-commerce, Internal Audit had focussed on assessing and addressing information technology risks of key Internet banking and e-commerce application systems that were developed and introduced during 2000.

The Group's Internal Audit function is carried out by a team of approximately 165 staff worldwide, including 75 in Singapore.

ETHICAL STANDARDS

The Bank has adopted The Association of Banks in Singapore's Code Of Conduct for all staff and drawn up guidelines for compliance.

The Bank has also adopted the SGX-ST's Best Practices Guide with respect to dealings in securities and has a Code On Dealings In Securities for the guidance of directors and officers.



expanding horizons

This report of our activities in 2000 reflects the relative importance of our operations in key markets that we have identified as instrumental in helping us build ourselves as a premier bank in the Asia-Pacific region.

SINGAPORE

Our strategy continued to be one of broadening and deepening our customer relationships across all our businesses, providing our customers with quality and relevant products and a high and consistent level of service.

Wholesale & Retail Banking

Our wholesale and retail banking activities encompass personal financial services, commercial banking and corporate banking. These businesses as a whole recorded an increase in net profit before tax of 28% in 2000. Key contributing factors included improved net interest income from a higher loan volume and lower provisions.

Personal Financial Services

We are focussed on enhancing our leadership in the consumer market. Already we are No. 1 in credit cards with a card base that is more than 460,000 strong.

Additions to our range of personal financial services in 2000 targetted at increasing customer convenience included the following:

- Entered the intensely competitive but high growth car financing market, achieving a market share of more than 10%
- Launched MOST (Mapping Out Strategies for Tomorrow) – an integrated personal financial planning platform that helps customers plan for their future financial needs, the key focus being their asset enhancement, education, protection and retirement needs
- Consolidated customer call centres with the creation of one common platform, namely, one 24-hour hotline 1800 22 22 121, that is devoted to customers
- Announced participation in Ace Net, a joint venture company with three other local banks to market and manage all off-site ATMs of the banks. Customers will eventually gain access to over 500 Ace Net ATMs islandwide and enjoy an improved range of ATM services.

Commercial Banking

We are the leader in the commercial market, the small- and medium-sized enterprises that are a vital and long-standing core business for us. In 2000, we witnessed a healthy growth in our loan portfolio in this segment against a background of more optimistic business sentiments.



• We are dedicated to offering a superior customer experience. Our Call Centre provides convenience of access 24 hours a day, 7 days a week.

We will continue to strengthen our market leadership through a wider and better array of products and services for our customers, and by deepening our relationships with them. At the same time, we will drive expansion by seeking growth in our customer base, tapping more business opportunities for them through our regional operations. As a Singapore bank with a strong regional presence, we believe that we are well placed to assist the small- and medium-sized enterprises in their regional expansion programmes.

Corporate Banking

Corporate Banking provides complete financial solutions, wherever and whenever they are needed – to companies, governments and institutions. Our corporate banking business had a highly successful year, managing a total loan portfolio that was 14% higher than in 1999.

Key initiatives taken in 2000 were the following:

- Arranged a diverse range of financing options totalling more than \$1.4 billion for corporate customers who included Centennial Tower Investments Ltd of the Pontiac Group, Tampines Condominium Pte Ltd, Gateway Land Ltd and Keppel Bay Pte Ltd
- Arranged revolving credit facilities totalling more than US\$91 million for Caltex Corporation Limited and Neptune Orient Lines.



- We are proud to be the sole financier of the Caribbean at Keppel Bay, Keppel's premier residential property that is set to redefine waterfront living with its unparalleled sea views.



- With our strong regional presence and our understanding of customer needs, we are well-positioned to support the business expansion of small- and medium-sized enterprises like SMB United, a leading and publicly listed local manufacturer of switch gear assembly.

Global Treasury

Given the subdued market conditions in 2000 that gave rise to less trading opportunities, Global Treasury saw slightly lower profits during the year. Nevertheless, we remain optimistic and have made strategic investments to build a highly experienced team and develop our electronic channels through the Internet.

To provide our futures customers with faster and more efficient execution of their trades, we tied up with major Futures Commission Merchants in 2000 that will allow us access to the major global futures exchanges. In addition, Global Treasury continues to be an active player in the regional and international foreign exchange markets, providing 24-hour global trading. In particular, it is a dominant player and market maker in Singapore dollar treasury instruments and a major primary dealer in Singapore Government Securities. We are the only bank in Singapore that offers a full range of gold products, and continue to lead as Singapore's premier correspondent bank for Singapore dollar cheque clearing services.



- Our Personal Financial Consultants use the Bank's latest integrated personal financial planning platform – Mapping Out Strategies for Tomorrow or MOST – to help customers plan for their different financial needs.

Investment Banking

Investment Banking, which comprises asset management, corporate finance, capital markets, venture capital management, proprietary investments and stockbroking, registered a drop in net profit before tax during the year. Among the main factors influencing the results were higher provisions for investments, higher expenses, and lower income on the back of weak market sentiments and intense industry competition, including the liberalisation of fixed brokerage fees.

Despite this, we increased our efforts in 2000 to expand our products and services and to

Bond Obligation (CBO), becoming the first Singapore-based company to manage such an issue in Singapore and the third in Asia

- Appointed investment manager for four investment-linked funds: by John Hancock for its Japan, Greater China and Global Technology funds, and by NTUC Income for its Japan fund.

Capital Markets (UOB Asia Limited)

- Arranged transactions aggregating in excess of \$2.3 billion in the Singapore and Malaysian debt capital markets
- Established several 'firsts' in the Singapore dollar bond market, notably the first Singapore dollar

harnessing technology



organically grow our business through strategic alliances and joint ventures. The key activities included the following:

Asset Management (UOB Asset Management Ltd)

- Launched four new unit trusts, raising a total of \$260 million. UOB Asset Management is a leading fund manager in Singapore, managing more than \$1.4 billion in total unit trust assets that represents a market share of more than 18%
- Appointed investment advisor to eight new mandates from international fund managers, including Fleet Bank Boston – the eighth largest holding company in the USA
- Appointed manager of our first Asian Collateralised

bond issues for a Korean issuer, H&CB (formerly known as Housing & Commercial Bank) and for a Malaysian company, Resorts World (Labuan) Limited; the first Singapore dollar bond aircraft financing for Singapore Aircraft Leasing Enterprise; and jointly arranged the first AAA rated US dollar bond by a Singapore corporate, Singapore Power Limited

- Completed our first Islamic Private Debt Securities issue in Malaysia totalling RM1.4 billion for Puncak Niaga (M) Sdn Bhd, using the principles of Al-Bai Bithaman Ajil and Murabahah.

Venture Management/Private Equity

- Managed four funds exceeding \$260 million, with six of the portfolio companies managed

under the funds being publicly listed and four being acquired

- Invested into more than 80 diverse companies in Singapore and overseas
- Formed a joint venture with Hermes Private Equity Management, London to jointly develop and manage the fund-of-funds business; at the same time, launched the Hermes UOB European Private Equity Fund and UOB Hermes Asia Technology Fund that raised Euro 116.5 million and US\$45 million respectively at their first close
- Incorporated a subsidiary, UOB Venture Management (USA) Inc., in Sunnyvale, California so as to be closer to the latest developments in Silicon Valley.

Stockbroking

- Merged our stockbroking arm, UOB Securities Pte Ltd and its wholly-owned subsidiaries, UOBS Research (M) Sdn Bhd and UOB Securities Nominees Pte Ltd with Kay Hian Holdings Limited to form a new associate, UOB-Kay Hian Holdings Limited
- Entered into a conditional agreement to transfer, for a cash consideration, our stockbroking interests in Hong Kong S.A.R., Indonesia, Malaysia, Philippines and Thailand to UOB-Kay Hian Holdings Limited
- Signed an agreement to purchase a 100% stake in Amsteel Securities (Malaysia) Sdn Bhd, a voting member of the Kuala Lumpur Stock Exchange that is principally involved in the stockbroking business, through our associate, Affin-UOB Holdings Sdn Bhd.



Expanding Our Internet Presence

With the launch of our 'Touch, Click and Mortar' strategy in 2000, the Internet will play a significant and increasing role in the growth of our business. Our focus in 2000 was the delivery of more customer-centric services through the Internet. We launched www.uobgroup.com, our online financial and lifestyle portal that allows customers to 'Bank Online, Live Online' with us.

Key initiatives in 2000 included the following:

- Introduced lifestyle services online, where customers can shop, make restaurant reservations, book air tickets and taxis, buy gifts and flowers, and arrange for spa treatments
- Launched UniWallet, a secure online payment service that lets customers pay for their online purchases by debiting their UOB accounts or charging to their credit cards held with any bank
- Expanded our online services for credit cardmembers to access their credit card account information, and view and redeem rewards online
- Introduced the first online share financing and trading facility in Singapore – Invest Credit



- *UOB Asset Management is a leading fund manager in Singapore with a team of experienced investment professionals who adopt a disciplined investment process that has enabled the company to win fund awards, year after year.*

- *Bank Online, Live Online. www.uobgroup.com, launched in 2000, is an online financial and lifestyle portal.*

- Provided an online banking service, Corporate UniBanking, for corporations to manage their business needs
- Enhanced our solutions capabilities in payments with the launch of VISA Commerce Open Account, an industry first worldwide. VISA Commerce Open Account, with its straight through secure online processing system, assists customers to realise greater cost savings from business-to-business electronic commerce.

INTERNATIONAL OPERATIONS

The Asia-Pacific remains our key target, consistent with the Bank's strategy to strengthen our presence, grow our business, and build a quality asset base in the region, in particular, in ASEAN and Greater China. In 2000, our operations outside Singapore, including ACU, contributed 16% to Group total profit. Our goal is to lift this to 50% by 2010.

Malaysia

Our Malaysian operations, covering principally United Overseas Bank (Malaysia) Bhd (UOBM) and UOB Labuan Branch, reported a 19.7% increase in net profit before tax, aided by improved market conditions and a lower level of provisions for non-performing loans.

With 25 branches, UOBM is among the largest foreign banks operating in the country with a well-entrenched banking business and customer base.

We are intent on actively strengthening our market share in the areas of personal financial services, middle markets, treasury and investment banking activities.

The personal financial services business was, in particular, a major focus in 2000. UOBM introduced several services to customers, chief of which was the launch of a 24-hour customer call centre, UOB121, and U Club that is specifically designed to meet the banking and financial needs of college and university students. It also made Internet services available, including mobile phone banking and PayOnline, an Internet-only bill payment service with the credit card.

Thailand & The Philippines

For UOB Radanasin Bank and United Overseas Bank Philippines (UOBP), 2000 was a year of integration and consolidation after their majority acquisition by UOB in late 1999. Both subsidiaries registered expected losses in their first year, their performance dampened by the small loan portfolios, lower margins, provisions for non-performing loans, and higher expenditure that went into improving systems and processes.

Notwithstanding, we see opportunities in both countries, especially in the personal financial services, high-end corporate banking and treasury businesses.



We are dedicated to providing banking services and products through our global network of offices, bringing value to our customers.

serving
diverse
customers

At UOB Radanasin Bank, a wider range of personal financial services was delivered to our customers in 2000 with the successful launch of our housing loan programme in April and VISA Credit Cards in September. These have met with good responses at year-end, generating a loan volume of Baht 2.5 billion (\$100 million) and the issue of 16,000 cards respectively.

In the Philippines, we remain cautious due to the difficult market conditions. During the course of the year, the greater part of our efforts was concentrated on building the UOBP brand, reorganisation and consolidation, and on enhancing our infrastructure to attain the competitive efficiencies necessary to support our business thrusts.

Indonesia

Net profit before tax from our operations in Indonesia increased by 67.6%, as lower provisions were made for non-performing loans.

During the year, our majority-owned banking subsidiary in Indonesia, PT Bank UOB Indonesia, opened a branch in Bali, its seventh in the country.



- The successful transfer of our experience and expertise from Singapore to Thailand has enabled UOB Radanasin Bank, our Thai banking subsidiary, to introduce VISA Credit Cards and an attractive housing loan programme to its customers.

Greater China & Other International Businesses

Our other international operations, which include Greater China, returned to profitability in 2000, largely due to improved income, a substantial drop in provisions for non-performing loans, and improved credit quality of the loan portfolio.

Beyond our key ASEAN markets, Greater China is of particular importance in view of its long-term potential. We already have a considerable presence in the region with three branches in China, four in Hong Kong S.A.R. and one in Taiwan, and a Representative Office in Beijing.

Besides our commercial banking business, we intend to develop new growth opportunities in Greater China, especially in the areas of asset and venture management, and to strengthen our relationships with customers.

In 2000, we took the following initiatives:

- Formed a joint venture with the Allianz Group, Germany and GIC Special Investments, the private equity investment arm of the Government of Singapore Investment Corporation, to participate in the asset management market in China
- Entered into two joint ventures for venture capital management in China – with ShenZhen Venture



- Among the personal financial services launched in 2000 by United Overseas Bank (Malaysia), our Malaysian banking subsidiary, is U Club, designed to cater to the banking needs of college and university students.

Capital Co Ltd in ShenZhen and Beijing
Centergate Technologies Co Ltd in Beijing

- Signed a Memorandum Of Understanding with Bank Of Communications, China for closer business cooperation.

TECHNOLOGY

Significant investment has been made and will continue to be made in technology to create greater value for and convenience to our customers, wherever they are and whenever they want. In 2000, our technology expenditure amounted to \$116 million, representing 15.5% of total Group

expenses. This was \$29 million more than in 1999. Our aggressive investment in technology will give us a strong competitive advantage as we move forward.

During 2000, important initiatives included:

- Building a robust Internet network infrastructure to support our growing Internet initiatives
- Creating and enhancing systems to support credit cards, treasury, trade services and remittances, and commercial lending in Singapore and the region.

PEOPLE

Improving performance and skills among our more than 9,000 staff worldwide continue to be the key objective of our human resource policies. In our quest to build a premier bank in the Asia-Pacific, the following messages are reinforced continually: to deliver excellent customer service, to take ownership, and to drive and embrace change.

In line with these objectives, our human resource efforts in 2000 included:

- Recruiting new talent into the Bank that will enable us to drive change at a greater capacity

embracing change



We are committed to fostering an environment where our staff can excel and where we can deliver quality in all of our dealings with our customers.

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ACCOLADES

We continue to be awarded recognition by client surveys, leading publications and organisations for our achievements in a range of services, including asset management and custody services.

Key awards received in 2000 included:

- *Global Finance: World's 300 Safest Banks 2000*
Ranked 62nd and named 'The Safest Bank In Singapore'
- *Far Eastern Economic Review: Review 200*
– *Asia's Leading Companies*
Ranked 9th among the Top 10 Singapore Companies
- *Standard & Poor's: Investment Funds Performance Awards 2001*
Best Performing Fund Over Three Years
 - Greater China Equity Category:
United Greater China Fund
 - Far East & Pacific Equity Category:
United Regional Growth Fund
- *Singapore Investment Fund Awards 2000*
Best Performing Fund Over Three Years
 - Greater China Equity Category:
United Greater China Fund
 - Japan Equity Category: United Japan Growth Fund
- *EDGE-Lipper Malaysian Unit Trust Fund Awards 2000*
Best Small Capital Equity Fund in Malaysia
 - OSK-UOB Small-Cap Opportunity Fund



- *The annual UOB Painting Of The Year Competition and Exhibition, started in 1982, continues to be an effective platform for the recognition of some of the best creative talents in Singapore.*

- *Global Custodian: 2000 Agent Bank Review*
'Top Rated' award for excellence in providing custody services
- *GSCS Benchmarks: 2000 Review of Subcustodian Services*
'Star' ratings for settlement, safekeeping and overall performance.

COMMUNITY SUPPORT

One of our priorities is our responsibility to the communities in which we operate through sponsorship activities. We support a variety of programmes in such diverse areas as education and the arts. For our consistent contributions to the arts in Singapore, we received the Friend Of The Arts Award 2000 from the National Arts Council.

Among the key initiatives undertaken in 2000 were the following:

- Contributed towards the UOB Radanasin Chair of Banking at Chulalongkorn University, Thailand with a contribution of Baht 2 million
- Donated \$100,000 towards the Lim Kim San Professorship in Business Policy, National University of Singapore
- Organised the 19th UOB Painting Of The Year Competition and Exhibition.



- *'Rice Terrace II' by Dr Earl Lu. The painting, one of the more than 1,300 works of art in the UOB Group Art Collection, is inspired by the rice fields of Bali. In 2000, we opened a branch on the island through our banking subsidiary, PT Bank UOB Indonesia.*