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July 26, 2001

To: The Shareholders of Overseas Union Bank Limited

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL OFFER FOR AND ON BEHALF OF UNITED OVERSEAS BANK LIMITED FOR THE OFFER SHARES IN THE CAPITAL OF OVERSEAS UNION BANK LIMITED**

## 1 INTRODUCTION

On June 29, 2001, Merrill Lynch Singapore announced, for and on behalf of the Offeror, that the Offeror intended to make the Offer.

The Offer is made subject to the conditions as stated in Appendix 2 of Annexure A. The Offer is made by way of a cash and share offer, pursuant to which the Offeror will pay S$4.02 in cash and issue 0.52 New UOB Shares, for each OUB Share. A summary of the Offer is set out in paragraph 2 of this Offer Letter.

On July 5, 2001, pursuant to Section 213(4) of the Act, Merrill Lynch Singapore delivered, for and on behalf of the Offeror, a Notice of Takeover Offer and a Statement in Compliance with Part B of the Tenth Schedule to the Act in connection with the Offer, to the board of directors of OUB. The texts of the Notice of Takeover Offer and the Statement in Compliance with Part B of the Tenth Schedule to the Act are set out in Annexure A.

As of the Latest Practicable Date, the Offeror and its subsidiaries do not own or control nor have they agreed to acquire any OUB Shares, other than 600,000 OUB Shares held by UOB Life Assurance Limited and 20,000 OUB Shares held by United Overseas Insurance Limited. The holdings of OUB Shares of parties deemed to be acting in concert with the Offeror, and the details of their dealings in OUB Shares, are set out in Appendix 4 of Annexure A and paragraph 2.2 of Annexure E.

***Irrevocable Undertakings***

As of the Latest Practicable Date, the Offeror had obtained irrevocable undertakings from several OUB Shareholders to accept the Offer in respect of their respective shareholdings in OUB, in relation to (in aggregate) approximately 26.5 per cent. of OUB's issued share capital upon the terms and subject to the conditions of their respective irrevocable undertakings. Further details concerning such irrevocable undertakings are set out in Annexure C. These documents are available for inspection until the Closing Date at the offices of Wong Partnership at 80 Raffles Place #58-01, UOB Plaza 1, Singapore 048624.

## 2 THE OFFER

For and on behalf of the Offeror, Merrill Lynch Singapore offers, subject to the terms and conditions set out in this Offer Document, the Form of Acceptance and Authorisation ("**FAA**") and the Form of Acceptance and Transfer ("**FAT**"), to acquire the Offer Shares on the following bases:

### 2.1 Terms of Offer

***Offer Price***

**For each Offer Share : S$4.02 in cash and 0.52 New UOB Shares**

***Illustrative Example***

An OUB Shareholder who accepts the Offer will receive, for every 1,000 Offer Shares tendered in acceptance of the Offer, (1) S$4,020 in cash, and (2) 520 New UOB Shares.

***OUB Options***

OUB Optionholders can either (1) subject to the terms of the relevant OUB Options Scheme, exercise their OUB Options and accept the Offer in respect of the new OUB Shares to be issued pursuant to such exercise, or (2) accept the terms of the OUB Options Proposal set out in paragraph 5 in Annexure D.

***No Encumbrances***

The Offer Shares will be acquired (1) fully-paid, (2) free from all liens, charges, options, pledges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever (each, an "**Encumbrance**"), and (3) together with all rights, benefits and entitlements attaching and accruing thereto as of the date of the Announcement (and thereafter) including the right to all dividends, rights and distributions thereon (other than any interim dividends for the six-month period ended June 30, 2001 of an amount not exceeding 9 cents per OUB Share) declared, made or paid by OUB prior to the Closing Date.

On July 20, 2001, OUB announced the declaration of an aggregate interim dividend of 9 cents per OUB Share.

***UOB Shares***

Pursuant to the Offer, the Offeror will issue approximately 530.2 million New UOB Shares, representing approximately 33.5 per cent. of the enlarged fully-diluted share capital of the Offeror (assuming (1) full acceptance of the Offer, (2) all OUB Options are exercised prior to the Closing Date, and (3) no options or other awards to subscribe for any new UOB Shares are exercised). The New UOB Shares will be issued credited as fully-paid and will rank *pari passu* in all respects with the existing UOB Shares as of the date of the Announcement (and thereafter) including the right to all dividends, rights and distributions thereon (other than any interim dividends for the six-month period ended June 30, 2001 of an amount not exceeding 15 cents per UOB Share) declared, made or paid by the Offeror prior to the Closing Date.

In-principle approval has been granted by the SGX-ST for the listing and quotation of the New UOB Shares to be issued pursuant to the Offer, on the SGX-ST. Admission of the New UOB Shares to, and quotation of the New UOB Shares on, the SGX-ST are in no way reflective of the merits of the Offeror, the UOB Group, the OUB Group, the New UOB Shares or the Offer.

***Fractional Entitlements***

Fractions of a New UOB Share will be disregarded and will not be issued to accepting OUB Shareholders.

### 2.2 Conditions of Offer

The Offer is subject to the conditions (each, a "**Condition**") set out in Appendix 2 of Annexure A. These are briefly summarised below. Other than Conditions 1, 2, 3 and 4, the Offeror has reserved the right to waive in whole or in part, all or any of the Conditions. As of the Latest Practicable Date, Condition 2 of the Offer has been satisfied. In respect of Condition 3, the Offeror convened an EGM to have been held on July 26, 2001 to, *inter alia*, propose the resolutions necessary to obtain the approval of the UOB Shareholders for the issue of the New UOB Shares.

***Condition 1: Minimum Acceptance Condition***

the receipt of valid acceptances resulting in the Offeror and its concert parties holding such number of OUB Shares carrying more than 50 per cent. of the maximum potential issued share capital of OUB (as defined in Appendix 2 of Annexure A) as of the Closing Date;

***Condition 2: Listing Approval***

the receipt of in-principle approval from the SGX-ST for the listing and quotation of New UOB Shares on the SGX-ST;

***Condition 3: Shareholders Approval***

the passing of all necessary resolutions to approve the issue of the New UOB Shares at an EGM of the Offeror;

***Condition 4: MAS Approval***

the receipt by the Offeror of such approvals as are required from the MAS for or in connection with the Offer and/or the acquisition of control of OUB or any member of the OUB Group or its Associated Companies ("**Acquisition of Control**");

***Condition 5: Regulatory Approvals***

the receipt of all requisite Authorisations from all Relevant Authorities (both terms as defined in Appendix 2 of Annexure A) for or in connection with the Offer and/or the Acquisition of Control by the Offeror and to carry on the business of OUB or of any member of the OUB Group and its Associated Companies;

***Condition 6: No Injunctions***

no Relevant Authority (as defined in Appendix 2 of Annexure A) having taken any steps, and there not continuing to be in effect any statute, regulation or order, which would or might affect the Offer and/or the Acquisition of Control by the Offeror;

***Condition 7: No Material Adverse Change***

since December 31, 2000, there having been no material adverse change in the OUB Group and its Associated Companies taken as a whole and/or no legal proceedings against any member of the OUB Group and its Associated Companies which could have a material adverse effect on the OUB Group and its Associated Companies taken as a whole; and

***Condition 8: No Material Transaction***

there being no Material Transaction (as defined in Appendix 2 of Annexure A) announced, entered into and/or completed or consummated prior to the Closing Date.

2.3 **Warranties**

Acceptance of the Offer will be deemed to constitute a warranty by the accepting OUB Shareholder that the Offer Shares tendered in acceptance of the Offer are sold by the accepting OUB Shareholder, for or on behalf of the beneficial owners thereof, (1) fully-paid, (2) free from all Encumbrances, and (3) together with all rights, benefits and entitlements attaching and accruing thereto as of the date of the Announcement (and thereafter) including the right to all dividends, rights and distributions thereon (other than any interim dividends for the six-month period ended June 30, 2001 of an amount not exceeding 9 cents per OUB Share) declared, made or paid by OUB prior to the Closing Date.

Acceptance of the Offer will be deemed to constitute a warranty that no Authorisation of any Relevant Authority (both terms as defined in Appendix 2 of Annexure A), including the approval of the Minister for Finance, will be required for or in relation to the issue of the New UOB Shares to such accepting OUB Shareholder, or, if such Authorisation is required, that all such Authorisations have been or will be obtained by such accepting OUB Shareholders before they accept the Offer.

An OUB Shareholder, by lodging a duly completed FAA or FAT shall be deemed to have represented and warranted that, (1) he has observed the laws of all relevant jurisdictions, obtained all requisite governmental or other required consents in connection with such acceptance in any such jurisdiction, (2) he has not taken or omitted to take any action which will or may result in the Offeror, Merrill Lynch Singapore or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer, and (3) the Offeror and Merrill Lynch Singapore are entitled to rely on the information given in the FAA or FAT, and that such information is accurate and correct.

2.4 **Duration of the Offer**

***Minimum Period for Acceptance***

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will be open for acceptance by OUB Shareholders for at least 21 days from the date of the despatch of this Offer Document (or such longer period as may be announced from time to time by or on behalf of the Offeror).

**Accordingly, the Offer will close at 3.30 p.m. on Friday August 17, 2001 (or such other date(s) as may be announced from time to time by or on behalf of the Offeror).**

***Further Period for Acceptance***

If the Offer becomes or is declared unconditional in all respects, in order to give those OUB Shareholders who have not accepted the Offer the opportunity to do so, the Offer will remain open for acceptance for a period of not less than 14 days after the date on which it would otherwise have expired, unless it becomes or is declared unconditional in all respects on or by an expiry date and the Offeror has given not less than 14 days' notice in writing to the OUB Shareholders that the Offer will not be open for acceptance beyond that date, provided that:

(i) such notice shall not be capable of being enforced in a situation which the SIC may deem to be competitive; and

(ii) no such notice shall be given during the period commencing from the announcement of a competing offer and ending at the time when the resultant competitive situation has ceased.

If a declaration that the Offer is unconditional in all respects is confirmed in accordance with paragraph 4.2 of Annexure D, such period of 14 days during which the Offer will remain open for acceptance will run from the date of such confirmation or the date on which the Offer would otherwise have expired, if later.

***Long-Stop Date***

Except with the prior approval of the SIC and the Registrar of Companies and Businesses of Singapore, the Offer (whether revised or not) shall not be capable of becoming or being declared to be unconditional in all respects after 3.30 p.m. on the 60th day after the date of despatch of this Offer Document or of being kept open after that time unless it has previously become or been declared to be unconditional in all respects.

***Revision***

If the Offer is revised, the Offer will remain open for acceptance for a period of at least 14 days from the date of despatch of written notification of the revision to OUB Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each OUB Shareholder who has previously accepted the Offer.

***Expiry Date***

In any announcement of an extension of the Offer, the next expiry date will be stated.

***Close of Offer***

If once the Offer becomes or is declared to be unconditional in all respects and it is stated that the Offer will remain open until further notice, not less than 14 days' notice must be given before the Offer may be closed.

2.5 **Summary of Procedures for Acceptance**

The procedure for acceptance of the Offer differs for accepting OUB Shareholders who have deposited their Offer Shares in their Securities Accounts and accepting OUB Shareholders who hold their Offer Shares without depositing them with any Securities Accounts. **A full description of the procedures for the acceptance of the Offer is set out in paragraph 1 of Annexure D.**

***Depositors whose Securities Accounts are and/or will be credited with Offer Shares***

<u>Depositors whose Securities Accounts are credited with Offer Shares</u>

Accepting OUB Shareholders who already have Offer Shares standing in the "Free Balance" of their Securities Accounts must complete, sign and forward the FAA to **United Overseas Bank Limited, c/o The Central Depository (Pte) Limited** either by hand or by post, **to arrive NOT LATER THAN 3.30 p.m. on the Closing Date**.

<u>Depositors whose Securities Accounts will be credited with Offer Shares</u>

Accepting OUB Shareholders who are Depositors who have purchased Offer Shares and whose Securities Accounts will be credited with the Offer Shares must complete, sign and forward the FAA together with the original bought contract statement(s) validly issued by a member company of the SGX-ST to **United Overseas Bank Limited, c/o The Central Depository (Pte) Limited** either by hand or by post, **to arrive NOT LATER THAN 3.30 p.m. on the Closing Date**.

<u>Depositors whose Securities Accounts are and will be credited with Offer Shares</u>

Accepting OUB Shareholders who already have Offer Shares standing in the "Free Balance" of their Securities Accounts and who have also purchased additional Offer Shares that will be credited to their Securities Accounts must complete, sign and forward the FAA together with the relevant original bought contract statement(s) validly issued by a member company of the SGX-ST to **United Overseas Bank Limited, c/o The Central Depository (Pte) Limited** either by hand or by post, **to arrive NOT LATER THAN 3.30 p.m. on the Closing Date**.

***OUB Shareholders whose Offer Shares are not deposited with CDP but are represented by share certificates***

Accepting OUB Shareholders who hold the share certificate(s) of their Offer Shares without depositing them with any Securities Accounts with CDP must complete, sign and forward the FAT together with the relevant share certificate(s) for the Offer Shares and any other relevant documents to **United Overseas Bank Limited, c/o M&C Services Private Limited** either by hand or by post, **to arrive NOT LATER THAN 3.30 p.m. on the Closing Date**.

***OUB Shareholders, some of whose Offer Shares are represented by share certificates and some of whose Offer Shares are credited in Securities Accounts***

Accepting OUB Shareholders who have some of their Offer Shares represented by share certificate(s) and who have had the rest of their Offer Shares credited to their Securities Accounts must complete, sign and forward the FAT together with the relevant share certificate(s) for the Offer Shares in respect of which they hold the share certificate(s) and any other relevant documents to **United Overseas Bank Limited, c/o M&C Services Private Limited**, and the FAA for the Offer Shares which are and/or will be deposited in their Securities Account to **United Overseas Bank Limited, c/o The Central Depository (Pte) Limited**, in both cases **to arrive NOT LATER THAN 3.30 p.m. on the Closing Date**.

2.6 **Summary of Settlement Procedure**

A summary of the settlement procedure on the acceptance of the Offer is set out below. **A full description of the settlement procedure is set out in paragraph 2 of Annexure D.**

***Accepting OUB Shareholders whose Securities Accounts are credited with Offer Shares***

Accepting OUB Shareholders whose Offer Shares are credited to their Securities Accounts will receive from CDP, by post, cheques for the appropriate amount of the Cash Consideration and statements showing the number of New UOB Shares credited to their Securities Accounts in respect of the Share Consideration.

Cheques for the appropriate amount of the Cash Consideration will be despatched, by post, to the accepting OUB Shareholders within 21 days of (i) the date the Offer becomes or is declared unconditional, if the FAA and such other relevant documents required are received prior to such date, or (ii) the date of receipt by CDP of the FAA, if the FAA and such other relevant documents required are received after the Offer becomes or is declared unconditional.

The New UOB Shares will be credited to the relevant Securities Accounts of the accepting OUB Shareholders within 21 days of (i) the date the Offer becomes or is declared unconditional, if the FAA and such other relevant documents required are received prior to such date, or (ii) the date of receipt by CDP of the FAA, if the FAA and such other relevant documents required are received after the Offer becomes or is declared unconditional.

***Accepting OUB Shareholders whose Offer Shares are represented by share certificates***

Accepting OUB Shareholders whose Offer Shares are represented by share certificates will receive, by post, cheques for the appropriate amount of the Cash Consideration and share certificates in respect of the Share Consideration for the appropriate number of New UOB Shares, within 21 days of (i) the date the Offer becomes or is declared unconditional, if the FAT and such other relevant documents required are received prior to such date, or (ii) the date of receipt by **United Overseas Bank Limited, c/o M&C Services Private Limited** of the FAT, if the FAT and such other relevant documents required are received after the Offer becomes or is declared unconditional.

2.7 **Further Terms**

Further terms of the Offer are contained in the Notice of Takeover Offer, the text of which is set out in Annexure A and which forms, to the extent not inconsistent with the terms and conditions of this Offer Document, part of the Offer. In the event of any inconsistency between Annexure A and the remainder of this Offer Document, the terms and conditions of the remainder of this Offer Document will prevail.

## 3 RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTION REGARDING OUB

### 3.1 Rationale for the Offer

In the circular to UOB Shareholders dated July 11, 2001, the Board set out the rationale for the Offer. Set out in this paragraph titled "Rationale for the Offer" is the rationale presented by the Board in that circular, which the Board has updated for the purposes of this Offer Document.

The Board believes that the combination of the UOB Group and the OUB Group creates a Singaporean bank of unparalleled quality.

The Board believes that the proposed transaction will result in two strong banking groups uniting to become the leading group in Singapore for many banking products. The table below illustrates the power of this proposed union:

| | Proforma market ranking(1) of the Combined Group | Proforma Combined Group | UOB Group standalone | OUB Group standalone |
|---|---|---|---|---|
| **Gross Customer Loans** | 1(2) | S$61.4bn(3) | S$31.7bn(3) | S$29.7bn(3) |
| **Gross Personal Loans (excluding housing loans)** | 1(2) | S$8.5bn(3) | S$4.2bn(3) | S$4.3bn(3) |
| **Gross Corporate Loans** | 1(2) | S$41.1bn(3) | S$20.0bn(3) | S$21.1bn(3) |
| **Gross Housing Loans** | 2(2) | S$11.8bn(3) | S$7.5bn(3) | S$4.3bn(3) |
| **Total Assets** | 1(2) | S$117.8bn(3) | S$66.3bn(3) | S$46.6bn(3) |
| **Non-bank Customer Deposits** | 2(2) | S$70.3bn(3) | S$43.4bn(3) | S$26.9bn(3) |
| **Credit Cards**(8) | 1 | 686,000(4) | 466,000(4) | 220,000(4) |
| **Domestic Branches** | 2 | 93(5) | 63(5) | 30(5) |
| **Domestic ATMs** | 2 | 426(4) | 282(4) | 144(4) |
| **Market Capitalisation** | 1 | S$18.2 bn(6) | S$12.1 bn(7) | S$9.4 bn(7) |

***Notes:***

*(1) Local banks.*
*(2) Based on a comparison with the December 31, 2000 audited consolidated financial statements of each of DBS Group Holdings Ltd, Oversea-Chinese Banking Corporation Limited and Keppel Capital Holdings Ltd.*
*(3) Based on the Accountants' Report set out in Annexure B.*
*(4) As per joint press announcement by UOB and OUB on June 29, 2001.*
*(5) Information is accurate as of the Latest Practicable Date.*
*(6) Based on the number of UOB Shares in issue assuming (a) 530.2 million New UOB Shares are issued in connection with the Offer assuming 100 per cent. acceptances obtained (inclusive of acceptances by all OUB Optionholders arising from the exercise of all of their OUB Options), (b) no UOB options are exercised, and (c) using a UOB Share price of S$11.50 (Bloomberg closing price on June 28, 2001).*
*(7) Based on Bloomberg closing prices on June 28, 2001, and shares in issue as of December 31, 2000.*
*(8) Issued in Singapore.*

The vision of the Board is for the UOB Group to be a premier bank in the Asia-Pacific region, committed to providing quality products and excellent customer service. The union of the UOB Group and the OUB Group will enable all UOB Shareholders and OUB Shareholders to benefit from this vision.

The continuing liberalisation of the Singapore financial markets will increase competition and pose new challenges to local banks. The Board expects that the acquisition of OUB will enhance the UOB Group's franchise and competitive position in the domestic market and provide the Combined Group with a strong platform to grow its business in other parts of Asia.

In the opinion of the Board, the combination will create value for the benefit of both OUB Shareholders and UOB Shareholders. In the opinion of the Board, there is significant potential to enhance shareholder value through revenue enhancement and cost savings by combining the operations of the two banks. Furthermore, the Combined Group would also be able to enjoy greater economies of scale in harnessing technology and other resources with a view to providing better service to its customers.

The Board believes that the strategic fit between the UOB Group and the OUB Group is excellent. Both banks are among the top banks in Singapore and have significant operations in Malaysia. In addition, UOB also has operations in Thailand, Indonesia and the Philippines *via* its banking subsidiaries. Both the UOB Group and the OUB Group are focusing on expanding their respective businesses in Greater China (i.e. the People's Republic of China, Hong Kong SAR and Taiwan). The two banks have achieved leading positions in Singapore in a number of business areas. It is envisaged that the integration of both banks will yield significant cost savings and revenue enhancement across various businesses and strengthen the Combined Group's market position, especially in Singapore and Malaysia.

OUB is generally recognised in Singapore as one of the leading players in personal unsecured credit and small and medium-sized enterprises ("**SME**") financing. The Board believes that OUB's capabilities would further enhance UOB in these areas. OUB is also recognised by the local banking industry as having a good track record in domestic corporate finance activities, which would add to UOB's capabilities in this area.

Amongst the local banks, the UOB Group is a market leader in retail asset management. Together with OUB Group's track record in institutional asset management, the Board believes that UOB Group will significantly enhance its capabilities to expand further the asset management business domestically and internationally. The UOB Group is also a market leader in Singapore in futures broking, and in stockbroking *via* its associate stockbroking company. Combined with OUB Group's operations, UOB Group's strong market position in these businesses will be further reinforced.

In the opinion of the Board, the benefits of the proposed UOB-OUB union include:-

- **Stronger domestic base for regional expansion:** The Combined Group will leverage its strong domestic market position to expand further into the region, particularly in Southeast Asia and Greater China, where the Board sees good growth opportunities. The enlarged banking group, with its enhanced capabilities, will be a leading player in most segments of the domestic market and will become a Pan-Asian financial powerhouse.

- **Enhanced marketing and product offerings:** The Combined Group's market share will be improved and its competitive position strengthened. There will be greater potential for cross selling of products and services and the development of bancassurance business. The Combined Group will have a more diversified and enhanced business mix to achieve broader and deeper customer reach.

- **Operational efficiency and excellence:** There is potential for economies of scale, greater operational efficiencies and cost savings through the integration and optimisation of branch and automated teller machine ("**ATM**") networks, and other delivery channels such as call centres and Internet services. A larger bank will also enable technology to be harnessed more effectively to improve operational efficiencies and customer service.

- **A talented management team:** UOB's and OUB's management teams, when combined, will provide a valuable pool of talent to meet the competitive challenges of the future.

**The Offer is supported by OUB's principal shareholders and senior management**

The Offer is supported by OUB's principal shareholders, including OUB's founder and principal shareholder, Dr Lien Ying Chow. As of the Latest Practicable Date, OUB Shareholders representing approximately 26.5 per cent. of OUB's issued share capital have given irrevocable undertakings to accept the Offer in respect of their respective OUB Shares. Further details of such irrevocable undertakings and the conditions attaching thereto are set out in Annexure C.

Importantly, UOB's Offer has the support of OUB's senior management. At the Joint Press Conference[1] announcing the Offer, Mr Lee Hee Seng, Chairman of OUB commented:

"I welcome UOB's offer, and believe that it is good for shareholders, customers, employees, and good for Singapore."[1]

"A combination of our two banks will give us the size and scale to compete more effectively in Singapore and in the region, building on each of our respective strengths to continue to deliver value to our shareholders and the best service to our customers. Both banks have complementary operations, allowing us to realise synergies through the ability to provide a wider range of products to an enlarged customer base, and through our ability to streamline our operations."[1]

It is envisaged that the Combined Group will have a management team that draws on the very best of the existing management talent of both UOB and OUB. Specifically, it is foreseen that Dr Lien Ying Chow will be the Honorary Life Counsellor and, subject to all regulatory approvals, UOB will invite the directors of OUB to become directors of the Combined Group.

Subject to all regulatory approvals, it is further envisaged that the following persons will be members of the Executive Committee:

(a) Mr Wee Cho Yaw, Chairman of the Board, Chairman of the Executive Committee and Chief Executive Officer;

(b) Mr Lee Hee Seng, Senior Deputy Chairman of the Board and Deputy Chairman of the Executive Committee;

(c) Mr Wee Ee Cheong, Deputy Chairman of the Board and President;

(d) Mr Peter Seah, Deputy Chairman of the Board and President;

(e) Mr Koh Beng Seng, Deputy President and Director; and

(f) Mr Ho Sim Guan, Director.

### 3.2 Potential Benefits of the Union

The Board believes that there are potential benefits from the union of OUB and UOB in the following areas:

- ***Cost savings:*** The Board estimates that substantial cost savings can be realised from the elimination of duplication in back office, technology and processing activities as well as from the rationalisation of the Singapore branch network and overseas representative offices, branches and agencies. The Board will aim to achieve these cost savings without compromising the quality of customer service.

- ***Revenue enhancement:*** The Board expects there would be significant potential to generate additional revenue from the combination of customers, regional coverage, products and skills. The union would lead to an enhanced range of products and services being offered to customers across a broader geographic footprint.

- ***Greater scale to fuel growth:*** The greater scale arising from the combination of the UOB Group and the OUB Group would provide a stronger platform to take advantage of further value enhancing opportunities such as regional expansion and use of technology.

[1] Extracted from the joint press announcement by UOB and OUB on June 29, 2001. The statements above do not constitute a formal recommendation from the board of OUB to the OUB Shareholders to accept the Offer. As is required by the Code, a formal recommendation to the OUB Shareholders will be given only after the board of OUB has received the advice of an independent financial adviser with respect to the Offer and any other offer.

**(i) Cost Savings**

The Board estimates annual recurring pre-tax cost savings of between S$200 million and S$250 million. This represents approximately 16 per cent. to 20 per cent. of the aggregate of UOB's and OUB's year 2000 group operating costs. UOB's management team has an established, long track record of integrating business acquisitions, and the team has drawn on its past experience in estimating the cost savings arising from the integration of the operations of the two groups. The Board has carefully analysed the sources of these cost savings. The Board estimates that they would be derived from each of the following principal areas:

***Overseas representative offices, branches and agencies (excluding Malaysia):*** Where UOB's and OUB's representative offices are in the same location, the Board expects that duplicate offices would be closed. There are some areas of overlap in the overseas network of the two banks. Any duplication could be rationalised with substantial recurring pre-tax cost savings.

***Malaysian operations:*** OUB, like UOB, has a substantial presence in Malaysia. OUB's existing branch network is seen by the Board as an important addition to UOB's branch network in growing UOB's Malaysian operations. UOB's Malaysian operations continue to provide attractive margins and the Board regards them as a valuable asset. While the Board would not expect to close any branches, it would explore how the branch network could be rebalanced to achieve greater customer coverage. The combination, however, of the Malaysian head offices of the two banks is expected by the Board to generate material savings in both the front and back ends of the head office functions.

***Singapore branches:*** Both UOB and OUB have been rationalising their branch networks in recent times. This has been a function of the move to online banking combined with the expansive ATM coverage and expansion of the auto lobby concept, resulting in fewer branches being required to maintain service levels for a given customer base. Even in the absence of merger activity amongst the Singapore banks, further branch rationalisation would be expected by the Board. UOB has 63[2] Singapore branches and OUB has 30[2]. The Board expects that approximately 20 per cent. of the combined total of such branches could be rationalised over a two-year period. This would generate meaningful ongoing savings. In the longer term, the Board expects the combined branch network to be rationalised further. Decisions on branch closures in a given location will be made taking into account the need for continued high quality customer service. The Board expects that after the acquisition, UOB's existing regional processing centres will be able to cater for the combined branch network, resulting in economies of scale.

Annual recurring pre-tax cost savings from overseas branches and representative offices, Malaysian operations and Singapore branches are estimated by the Board to be in the vicinity of S$60 million to S$75 million, which represents approximately 5 per cent. to 6 per cent. of the aggregate of UOB's and OUB's year 2000 group operating costs.

***Head office and head office information technology:*** Cost savings are expected by the Board through combining the head offices of the two banks. These savings are expected to be derived through the realisation of economies of scale in a number of areas including back office functions, corporate services and corporate development. A good example of where savings are expected is back office processing, including settlements, clearing, and credit administration.

UOB plans to integrate OUB's information technology platform with UOB's. A preliminary analysis, based on industry knowledge, has already been undertaken of the various hardware and software platforms OUB has in place. The preliminary analysis has covered all the key functional areas, and for the most part it appears that the two groups use broadly similar platforms. The Board expects that a significant amount of cost savings would be realised from the integration of the head office information technology platforms. The integration is expected to take 12 to 18 months. UOB pursues a policy of outsourcing the development of non-critical information technology. UOB management decided early on that the writing of computer codes "in-house" was not optimal in delivering information technology support to management and customers, and the Board believes that this has given UOB a significant ability to control costs in this area. This practice of outsourcing is expected to enhance the integration process, allowing for the early adoption of best-in-class practices whilst facilitating the management of information technology integration costs.

[2] Information is accurate as of the Latest Practicable Date.

Annual recurring pre-tax cost savings from the rationalisation of head office and head office information technology are estimated by the Board to be in the vicinity of S$85 million to S$105 million, which represents approximately 7 per cent. to 8 per cent. of the aggregate of UOB's and OUB's year 2000 group operating costs.

***Singapore business units:*** The Board expects cost savings across all the Singapore business units including consumer banking, institutional banking, global treasury and group investments. The total of these annual recurring pre-tax cost savings is expected to be in the vicinity of S$55 million to S$70 million, representing approximately 4 per cent. to 6 per cent. of the aggregate of UOB's and OUB's year 2000 group operating costs. In estimating these cost savings, the Board has been mindful of the profit-making nature of these activities. Part of the savings is expected to be derived from the centralisation of the backroom functions and some of the operations of UOB's and OUB's respective finance, stockbroking, asset management and bullion and futures subsidiaries and Associated Companies. The cost savings would be derived from eliminating duplication across the business units.

**(ii) Revenue Enhancement**

The Board believes that there are a number of ways in which UOB and OUB would complement each other to enhance revenue.

The combination of the two banks would result in more comprehensive products and services being available to customers.

A combination of the banks would enhance regional coverage. This broadened coverage should prove attractive to new customers as well as existing customers of UOB and OUB.

There would also be opportunities for enhancing fee income. Combining the two customer bases would create significant cross-selling opportunities not only for loans, but also in other areas such as consumer banking, asset management, insurance and credit cards.

UOB's customer data warehousing and data mining capabilities enable marketing efforts to be focused and afford greater efficiency in the delivery of financial products and services. The Board believes that using such customer relationship management tools across the Combined Group would in turn enhance customer and product mix and thereby improve the overall return from marketing activities.

**(iii) Greater Scale to Fuel Growth**

In recent years, UOB and OUB have developed many new products and services and introduced Internet banking. The combination of the two banks would allow the cross-selling of products across a broader customer base. The Board would expect the quality and efficiency of these products to improve. Asset management and bancassurance products are exciting areas for the Combined Group to use its critical mass to improve its market position.

Economies of scale could be achieved in selling, marketing and advertising as well as in the fixed-cost administrative and information technology support for these products. Increased scale would also provide pricing power with regard to suppliers.

The Board believes that the Combined Group's enhanced presence in Greater China and Southeast Asia would provide a stronger foundation to expand its business in these markets.

**One-Off Restructuring Costs**

To achieve these cost savings, the Board would expect to incur one-off pre-tax restructuring costs and charges, in aggregate, of approximately S$130 million to S$150 million over the two years following the completion of the acquisition. The one-off pre-tax restructuring charges include approximately S$60 million to S$80 million for the integration of the information technology platforms of both banks, some of which relate to additional hardware capacity and investment in new systems. In determining the one-off pre-tax restructuring costs and charges, no account has been taken of possible gains or losses, which may result from the disposal of surplus assets as a result of the integration.

**Revenue Attrition**

Based on UOB's past experience, the Board believes it would be able to mitigate the risk of customer attrition in the Combined Group. Maintaining and enhancing the overall customer experience (for example, service levels, product choice, convenient banking) would be pivotal in this regard. Nevertheless, the Board has developed what it considers to be a conservative estimate for revenue attrition of approximately S$50 million or approximately two per cent. of the aggregate of UOB's and OUB's year 2000 group operating income. This, however, is a gross figure and does not take into account expected revenue enhancement that has been mentioned earlier from combining UOB and OUB (see paragraph 3.2(ii) above).

**Disposal of Non-core Assets**

The Board believes that the combination of the non-core asset portfolios of UOB and OUB could allow more flexibility in their disposal. The Board is committed to their disposal within the next three years and believes that significant value can be unlocked by the Combined Group to enhance shareholder value.

**Integration Implementation**

The Board presently intends to conduct a thorough review of OUB's assets, businesses, personnel and operations for the purpose of confirming the potential cost savings which it believes would exist, and of identifying any other potential cost savings. The review will include a comprehensive analysis of the human resource requirements of the Combined Group. An integration committee would be formed with senior representation from both UOB and OUB to conduct this review and to oversee the integration process, it being the intention that the process be conducted with a view to maintaining continuity and minimising disruption. The integration committee would seek to retain the best talent to enable the Combined Group to continue to increase shareholder value and improve customer service going forward.

**Basis**

The estimated figures for cost savings, revenue attrition and one-off restructuring costs and charges (the "**Estimated Figures**") set out above, for which the Board is solely responsible, have been prepared on the basis of accounting policies normally adopted by the UOB Group, those accounting policies being consistent with Singapore Statements of Accounting Standard.

Where possible, the Estimated Figures have been based on public information on OUB. Where such information was not available, the key assumption has been that OUB's cost structure is relatively similar to UOB's cost structure, given that both are operating in broadly similar business environments.

The Board has reviewed the following key areas of the Combined Group which formed the basis of the Estimated Figures:

- the potential for branch network re-configuration and rationalisation, in the local and international arena;
- the potential for cost efficiencies arising from the integration of information technology and processing functions onto common platforms, as well as streamlining and consolidation of the head office support functions and business units;
- the potential for cost savings resulting from combining the business operations of the finance, bullion and futures, stockbroking and fund management subsidiaries and Associated Companies of the two banks;
- the possible attrition of OUB's customer base and the resulting loss of income; and
- the potential one-off restructuring costs and charges expected to be incurred in achieving cost savings.

**Assumptions**

The principal assumptions used in arriving at the Estimated Figures are as follows:

- the whole integration process is expected to take between 18 and 24 months from the completion of the Offer;
- for overseas branches and representative offices, OUB's costs are similar to those of UOB's when operating in the same location;
- for OUB's Malaysian operations, information on the total operating costs of OUB's Malaysian operations are publicly available. It has been assumed that the cost structure of OUB's Malaysian operations is similar to that of UOB's Malaysian operations;
- for Singapore branches, OUB has a similar cost structure to that of UOB;
- for head office and information technology costs, OUB's business units and back office units' costs have a similar cost structure as those of UOB's;
- for OUB's finance, bullion and futures, stockbroking and fund management subsidiaries, the respective costs are estimated from public documents;
- OUB's operations, processes and procedures are comparable with those of UOB's;
- the estimated figures for cost savings arising from the elimination of duplication of processes and functions are derived from savings identified and assumed to be realised within OUB's cost base, although the Board expects, in practice, these savings to be realised across the Combined Group;
- the one-off restructuring cost comprises redundancy cost, lease break fees, cost of hardware and software upgrades, write off of capitalised software and related external consultancy cost; however, the restructuring cost estimate does not take into account possible gains or losses on disposal of surplus assets as a result of the integration;
- there will be no material change to the market dynamics in the Combined Group's core markets following the completion of the Offer;
- there will be no disruption to the conduct of business activities of the Combined Group arising from industrial, political, legal or legislative action or action taken by any Relevant Authority; and
- there will be no disruption to the conduct of the business activities of the Combined Group arising from changes in senior management during the integration period.

It should be noted that the Board has not had discussions with OUB's management regarding the reasonableness of these assumptions used by the Board in arriving at the Estimated Figures.

4 **EVALUATION OF OFFER CONSIDERATION**

It is the view of the Board that the combination of S$4.02 in cash and 0.52 New UOB Shares, per OUB Share, is an attractive one. The cash component allows OUB Shareholders to crystallise a significant amount of their existing investment. The share component allows OUB Shareholders to retain their exposure to the Singaporean banking market through a continuing shareholding in the Combined Group. The Board expects the union of UOB and OUB to create value for both OUB Shareholders and UOB Shareholders. (Refer to paragraph 3 on page 7 of this Offer Letter).

The Offer:

- comprises a significant cash component of S$4.02 per OUB Share;
- at Announcement, represented a premium of approximately 38.9 per cent. to the average closing prices of OUB Shares on the SGX-ST of S$7.20 over the 60-day period from April 3, 2001 to June 28, 2001[3], being the last trading day prior to the Announcement;
- at Announcement, represented a premium of approximately 92.7 per cent. to the audited net tangible asset value of S$5.19 per OUB Share as of December 31, 2000[4]; and
- is supported by OUB's principal shareholders, including OUB's founder and principal shareholder, Dr Lien Ying Chow.

5 **FURTHER DETAILS OF THE OFFER**

Details in respect of the procedure for accepting the Offer, settlement, announcements, rights of withdrawal and information regarding the OUB Options Proposal are set out in Annexure D.

The attention of OUB Shareholders who are residents of or located in jurisdictions outside Singapore is drawn to paragraph 6 of Annexure D, which such OUB Shareholders should read before taking any action pursuant to the Offer.

6 **INFORMATION ON UOB**

The UOB Group is a leading banking group in Singapore, providing its customers with a wide range of financial products and services throughout its extensive domestic branch network. These financial products and services include commercial credit and corporate banking, personal financial services, private banking, gold and futures dealings, custody and trust services, treasury services, asset management, corporate finance, capital market activities, venture capital management, general insurance and life assurance. UOB, through its subsidiaries, and Associated Companies (principally the United Overseas Land Group, the Haw Par Group and UOB-Kay Hian), also has diversified interests in stockbroking, travel, leasing, property development, hotel ownership and management, healthcare, manufacturing and general trading.

UOB was founded in 1935. It was renamed the United Overseas Bank Limited in 1965, the year it opened its first overseas branch in Hong Kong. UOB has been listed on the SGX-ST since 1970, and as of June 30, 2001 had a market capitalisation of S$12.1 billion, based on the closing price of its ordinary shares on the SGX-ST on June 28, 2001 and all outstanding shares in UOB as of December 31, 2000.

The UOB Group's growing international network includes offices in Southeast Asia, Greater China, Australia, Europe and North America.

Additional information about UOB is set out in Annexures B and E.

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[3] Source: Bloomberg closing prices, the Announcement.

[4] Source: The OUB Group Annual Report 2000.

7 **INFORMATION ON OUB**

OUB was incorporated in the Republic of Singapore in 1947 and is listed on the SGX-ST. OUB is licensed to carry on banking business in Singapore. OUB carries on all the normal activities of a commercial bank, while the principal activities of its subsidiaries consist of commercial banking, merchant banking, factoring, finance company, leasing, bullion and futures dealing, stockbroking, asset management, trustee services, research services, investment holding, investment dealing, investment advisory, property investment, property management and nominee services.

Additional information about OUB is set out in Annexures B and F.

8 **LISTING AND COMPULSORY ACQUISITION**

Under the provisions of the SGX-ST Listing Manual, in the event that the Offeror and any party acting in concert with it should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the issued share capital of OUB, the SGX-ST will suspend the trading of OUB Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least ten per cent. of the OUB Shares are held by at least 1,000 OUB Shareholders who are members of the public.

Pursuant to Section 215(1) of the Act, in the event the Offeror receives acceptances of the Offer in respect of not less than 90 per cent. of the Offer Shares, the Offeror would have the right to compulsorily acquire all the OUB Shares of the OUB Shareholders who have not accepted the Offer. In addition, such OUB Shareholders have the right under and subject to Section 215(3) of the Act, to require the Offeror to acquire their OUB Shares in the event that the Offeror, its subsidiaries or nominees of it or its subsidiaries acquire 90 per cent. or more of OUB's issued and paid-up share capital. OUB Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

It is the intention of the Offeror to exercise its rights of compulsory acquisition pursuant to Section 215(1) of the Act in the event that it is entitled to do so. In the event that the Offeror is not entitled to exercise rights of compulsory acquisition but has an aggregate shareholding (together with its concert parties) of more than 75 per cent. in OUB after the close of the Offer, the Offeror may consider applying to delist OUB pursuant to Clause 208 of the SGX-ST Listing Manual.

9 **CONFIRMATION OF FINANCIAL RESOURCES OF THE OFFEROR**

Merrill Lynch Singapore confirms that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offer by the OUB Shareholders and full acceptances of the OUB Options Proposal by OUB Optionholders.

10 **RESPONSIBILITY STATEMENT**

10.1 **Offer**

The Directors (including any who may have delegated detailed supervision of this Offer Document) have taken all reasonable care to ensure that the facts stated and the opinions expressed in relation to the UOB Group, the Offer and the OUB Options Proposal in this Offer Document are fair and accurate and that no material facts have been omitted from this Offer Document, and they jointly and severally accept responsibility accordingly.

10.2 **Other**

Where information has been extracted from published or publicly available sources (including, without limitation, information relating to the OUB Group and its Associated Companies), the sole responsibility of the Directors of UOB has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this Offer Document.

11 **STATUTORY AND GENERAL INFORMATION**

The Offer, this Offer Document, including the FAA and the FAT and all acceptances of the Offer and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the foregoing shall be governed by, and construed in accordance with, the laws of Singapore, and the Offeror and the accepting OUB Shareholders submit to the non-exclusive jurisdiction of the Singapore courts.

The Offeror and Merrill Lynch Singapore reserve the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Offer Document or in the FAA or the FAT, or if made otherwise than in accordance with the provisions of this Offer Document and in the FAA and the FAT.

Any omission to despatch this Offer Document, including the FAA and the FAT or any notice or announcement required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made shall not invalidate the Offer in any way.

The Offeror will make the neccessary arrangements with select broker(s) who will, on a best efforts basis, facilitate the trading in odd lots of UOB Shares on the SGX-ST by OUB Shareholders who have validly accepted the Offer and have been allotted and issued UOB Shares, for a limited period after the close of the Offer and at the usual commissions applicable to odd lots trading on the SGX-ST. Further details of the broker(s) and the arrangements made with respect to the trading in odd lots of UOB shares, will be announced in due course after the Offer becomes or is declared unconditional in all respects.

Additional general information is provided in Annexure G.

Your attention is drawn to Annexures A to J which form part of this Offer Document.

Yours faithfully,
for and on behalf of
Merrill Lynch (Singapore) Pte. Ltd.

Tracey Woon
Director

Malcolm Hiscock
Director