

UNITED OVERSEAS BANK LIMITED
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

financial statements

directors' report	74
statement by directors	85
auditors' report to the members of united overseas bank limited	86
income statements	87
balance sheets	88
statements of recognised gains and losses and prior year adjustments	90
consolidated cash flow statement	91
notes to the financial statements	92

directors' report

for the financial year ended 31 December 2001

The directors present their report to the members together with the audited financial statements of the Bank and of the Group for the financial year ended 31 December 2001.

Directors

The directors holding office at the date of this report are:

Mr Wee Cho Yaw
Mr Lee Hee Seng (*appointed on 31 October 2001*)
Mr Wee Ee Cheong
Mr Koh Beng Seng
Mr Ho Sim Guan
Mr Ngiam Tong Dow (*appointed on 1 October 2001*)
Mr Ernest Wong Yuen Weng
Mr Wong Meng Meng
Mr John C Dean Jr
Mr Sim Wong Hoo
Mr Philip Yeo Liat Kok
Dr Cham Tao Soon (*appointed on 4 January 2001*)
Mr Tan Kok Quan (*appointed on 1 October 2001*)
Prof Lim Pin (*appointed on 1 October 2001*)
Mrs Margaret Lien Wen Hsien (*appointed on 1 October 2001*)
Mr Ng Boon Yew (*appointed on 1 October 2001*)

Principal Activities

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its subsidiaries are disclosed in Note 45 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Acquisitions and Disposals of Subsidiaries

(a) Incorporation of Subsidiaries

During the financial year, the following subsidiaries were incorporated:

	Group's Effective Interest %	Consideration Paid by the Group \$'000
UOB Hermes Asia Management Pte Limited	42	60
UOB Bioventures Management Pte Ltd	100	510
UOB Venture Bio Investments Ltd	100	*
UOB Venture Management (Shanghai) Co., Ltd	100	**

* Consideration paid by the Group was \$4.

** The subsidiary has no share capital.

(b) **Acquisition of Subsidiaries**

During the financial year, the Bank acquired a 100% interest in Overseas Union Bank Limited (“OUB”). As a result of the acquisition, the subsidiaries of OUB became the subsidiaries of the Bank. In addition, Overseas Union Securities Limited (“OUS”), an associate of OUB, became a subsidiary of the Bank by virtue of the combined interests of the Bank and OUB in OUS.

The names of the OUB subsidiaries and the details of the Group’s effective interests in these subsidiaries and in OUS are disclosed in Note 45 to the financial statements.

The consideration for the acquisition of OUB was satisfied by the issue of 0.52 new fully paid-up ordinary share of the Bank of \$1 each and payment of \$4.02 in cash for each OUB ordinary share. The value of the consideration amounted to \$9,027,046,083. The Group’s share of the net tangible assets acquired of OUB and its subsidiaries, and OUS amounted to \$5,228,072,000.

(c) **Liquidation of Subsidiaries**

During the financial year, the following subsidiaries were placed into members’ voluntary liquidation:

	Group’s Share of Net Tangible Assets at Date of Liquidation \$’000	Group’s Effective Interest %
UOB Investment Research Pte Ltd	512	100
LWB (1995) Limited	–	100

(d) **Disposal of Subsidiaries**

During the financial year, the Group disposed of its overseas stockbroking interests in Indonesia, Thailand, the Philippines and Hong Kong S.A.R. to its associate, UOB-Kay Hian Holdings Limited. Details of the disposals are as follows:

	Group’s Share of Net Tangible Assets at Date of Disposal \$’000	Group’s Effective Interest %	Group’s Share of the Consideration Received \$’000
P T UOBB Securities	402	68	459
UOB Securities (Thailand) Co. Ltd	11,905	100	29,306
UOB Securities (Philippines), Inc.	1,043	100	1,836
United Mok Ying Kie Limited	4,140	55	6,440
UMYK Nominees Limited	2	55	2

In addition, the Group disposed of its 50% interest in Dahua Xiamen Development Ltd (“DXDL”) to its associate, United Overseas Land Limited which received \$9,110,000 from the Group. The Group’s share of net liabilities disposed of is \$950,000.

directors' report

for the financial year ended 31 December 2001

Results for the Financial Year

	The Group \$'000	The Bank \$'000
Profit after taxation	928,574	746,639
Minority interests	(3,995)	–
Net profit for the financial year attributable to members	<u>924,579</u>	<u>746,639</u>

Material Transfers To or From Reserves and Provisions

Material movements in reserves and provisions are set out in the notes to the financial statements.

Issue of Shares and Debentures

- (a) During the financial year, the authorised ordinary share capital of the Bank was increased from \$2,000 million to \$3,000 million by the creation of 1,000 million ordinary shares of \$1 each.

During the financial year, the Bank issued 377,000 ordinary shares of \$1 each to option holders who exercised their rights in connection with the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme as follows:

Subscription Price Per Share, Paid in Cash \$	Number of Ordinary Shares of \$1 each in the Bank
9.17	212,000
8.25	121,000
3.14	44,000
	<u>377,000</u>

The Bank also issued 518,280,794 ordinary shares of \$1 each as fully paid shares as part consideration for the acquisition of OUB.

All newly issued shares rank *pari passu* in all respects with the previously issued shares.

- (b) Details of subsidiaries which issued shares during the financial year are set out below:

- (i) The following subsidiaries issued shares at par which were fully paid in cash to provide for working capital:

	Number of Shares Issued	Type of Shares	Issue Price Paid in Cash	Par Value of Shares
UOB Capital Investments Pte Ltd	49,400,000	Ordinary	\$49,400,000	\$1
UOB Capital Management Pte Ltd	3,000,000	Ordinary	\$3,000,000	\$1
UOB Global Capital Private Limited	40,000	Ordinary	\$40,000	\$1
UOB Holdings (USA) Inc	2,380,000	Preference	US\$2,380,000 (equivalent to \$4,405,380)	US\$1
UOB Global Capital LLC	2,380,000	Preference	US\$2,380,000 (equivalent to \$4,405,380)	US\$1

- (ii) Far Eastern Bank Limited made a bonus issue of 75,635,625 new ordinary shares of \$1 each on the basis of 3.103 new ordinary shares for every one existing ordinary share of \$1 each held to enable it to meet the minimum paid-up share capital requirement of \$100 million under Section 9A of the Banking (Amendment) Act 2001. The bonus shares were issued as fully paid shares through the capitalisation of \$22,500,000 and \$53,135,625 from its general reserve and retained profits respectively.
- (iii) Overseas Union Trust Limited (“OUT”) issued the following ordinary shares of \$1 each in the period between 20 September 2001, the date when OUT became a subsidiary of the Bank, and 31 December 2001 to option holders who exercised their rights in connection with the OUT Share Option Scheme:

Subscription Price Per Share, Paid in Cash	Number of Ordinary Shares of \$1 each in OUT
\$2.52	<u>28,000</u>

In the same period, OUT also issued 2,067,226 ordinary shares of \$1 each at the price of \$1.33 per share arising from the conversion of warrants in accordance with the Deed Poll.

All newly issued shares rank *pari passu* in all respects with the previously issued shares.

- (c) During the financial year, the Bank issued the following subordinated notes that qualify as Upper Tier 2 regulatory capital to strengthen the Group’s and the Bank’s capital structure upon the acquisition of OUB:
- (i) \$1,300,000,000 4.95% Subordinated Notes due 2016 Callable with Step-up in 2011; and
 - (ii) US\$1,268,000,000 (equivalent to \$2,347,068,000) Subordinated Floating Rate Notes due 2011 Callable in 2002.

Further details on the terms of the subordinated notes are disclosed in Note 23 to the financial statements.

- (d) There was no other issue of shares or debentures by the Bank or any other corporation in the Group during the financial year.

Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those issued in connection with the UOB Executives’ Share Option Scheme and the UOB 1999 Share Option Scheme as disclosed in this report.

directors' report

for the financial year ended 31 December 2001

Directors' Interests in Shares, Share Options and Debentures

(a) The interests of the directors holding office at the end of the financial year in the share capital of the Bank and related corporations according to the register of directors' shareholdings were as follows:

	Number of Ordinary Shares of \$1 each			
	Shareholdings Registered in the Name of Directors		Shareholdings in which Directors are deemed to have an Interest	
	At 31.12.2001	At 1.1.2001 or date of appointment, if later	At 31.12.2001	At 1.1.2001 or date of appointment, if later
The Bank				
Mr Wee Cho Yaw	16,390,248	16,530,548	146,375,326	146,072,026
Mr Lee Hee Seng	562,341	562,341	223,303	223,303
Mr Wee Ee Cheong	2,794,899	2,774,899	143,985,251	143,584,731
Mr Ho Sim Guan	5,565,142	5,665,142	70,978,684	70,978,684
Mr Ngiam Tong Dow	–	–	4,600	4,600
Mr Ernest Wong Yuen Weng	70,000	100,000	–	–
Dr Cham Tao Soon	–	–	4,520	2,520
Mr Tan Kok Quan	–	–	95,038	95,038
Mrs Margaret Lien Wen Hsien	99,783	99,783	81,538,287	81,538,287
Mr Ng Boon Yew	–	–	5,280	5,280
Industrial & Commercial Bank Limited				
Mr Wee Ee Cheong	–	–	356,000	303,000
Mr Ho Sim Guan	7,000	7,000	57,000	57,000
United Overseas Insurance Limited				
Mr Wee Cho Yaw	25,400	25,400	–	–
Mr Ho Sim Guan	9,300	9,300	–	–
Overseas Union Securities Limited				
Mr Lee Hee Seng	796,875	796,875	–	–
Mrs Margaret Lien Wen Hsien	–	–	15,625	15,625
Overseas Union Trust Limited				
Mr Lee Hee Seng	74,000	74,000	–	–
Mrs Margaret Lien Wen Hsien	56,600	50,600	133,900	119,900

(b) According to the register of directors' shareholdings, no director has any interest in the share options of the Bank or any of its subsidiaries at any time during the financial year except for Mr Ernest Wong Yuen Weng, whose options in the Bank are as follows:

Number of Options Granted during the Financial Year	Aggregate Number of Options since the Commencement of the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme up to 31 December 2001			Number of Options Outstanding as at	
	Granted	Exercised	Lapsed	31.12.2001	1.1.2001
Nil	741,000	588,000	153,000	Nil	75,000

The share options were granted pursuant to the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme and carried the right to subscribe for new ordinary shares of the Bank.

- (c) According to the register of directors' shareholdings, no director holding office at 31 December 2001 had any interest in the debentures of the Bank at the end of the financial year.
- (d) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2002 (being the 21st day after the end of the financial year).

Dividends

Dividends paid, declared and recommended since the end of the Bank's previous financial year were as follows:

\$'000

A final dividend of 25 cents per share net of tax at 24.5% was paid on 15 June 2001 in respect of the financial year ended 31 December 2000:

– as proposed in the Directors' Report for that financial year	198,650
– in respect of new shares issued upon the exercise of share options before book closure date	63
	198,713

An interim dividend of 15 cents per share net of tax at 24.5% was paid on 31 August 2001 in respect of the financial year ended 31 December 2001

119,231

A proposed final dividend of 25 cents per share recommended by the directors, net of tax at 24.5%, in respect of the financial year ended 31 December 2001

296,547

Bad and Doubtful Debts

Before the financial statements of the Bank were made out, the directors took reasonable steps to ascertain that proper action has been taken in relation to the writing off of bad debts and providing for doubtful debts of the Bank and have satisfied themselves that all known bad debts of the Bank have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the consolidated financial statements of the Group inadequate to any substantial extent.

Current Assets

Before the financial statements of the Bank were made out, the directors took reasonable steps to ascertain that current assets of the Bank which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in values of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements of the Group misleading.

Charges on Assets and Contingent Liabilities

At the date of this report, no charges have arisen since the end of the financial year on the assets of the Bank or any other corporation in the Group which secure the liability of any other person, nor has any contingent liability arisen since the end of the financial year in the Bank or any other corporation in the Group other than those normally undertaken in the course of the activities of the Bank and the Group.

directors' report

for the financial year ended 31 December 2001

Ability to Meet Obligations

No contingent or other liability of the Bank or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Bank and of the Group to meet their obligations as and when they fall due.

Other Circumstances Affecting the Financial Statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Bank and the consolidated financial statements of the Group misleading.

Unusual Items

In the opinion of the directors, the results of the operations of the Bank and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects of the acquisition of OUB as disclosed in the notes to the financial statements.

Unusual Items after the Year-End Date

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Bank and of the Group for the financial year in which this report is made other than the post balance sheet event as disclosed in Note 47 to the financial statements.

Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and in this report) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Directors' Fees and Other Remuneration

(a) The details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2001 are as follows:

	Directors' Fees %	Base or Fixed Salary %	Variable/ Performance Bonus %	Benefits-In-Kind and Others* %	Total %
\$1,000,000 and above	3.2	25.3	55.9	15.6	100.0
Mr Wee Cho Yaw					
Mr Lee Hee Seng					
Mr Wee Ee Cheong					
Mr Koh Beng Seng					
Below \$250,000	100.0	–	–	–	100.0
Mr Ho Sim Guan					
Mr Ngiam Tong Dow					
Mr Ernest Wong Yuen Weng					
Mr Wong Meng Meng					
Mr John C Dean Jr					
Mr Sim Wong Hoo					
Mr Philip Yeo Liat Kok					
Dr Cham Tao Soon					
Mr Tan Kok Quan					
Prof Lim Pin					
Mrs Margaret Lien Wen Hsien					
Mr Ng Boon Yew					

(b) The above directors did not receive any share options during the financial year.

* Included in benefits-in-kind and others is retirement gratuity paid.

Share Options of the Bank

- (a) From 1990 to 1998, share options were granted by the Bank pursuant to the UOB Executives' Share Option Scheme in respect of unissued ordinary shares of \$1 each to officers of the Bank and its subsidiaries who are of Vice President rank and above and are not substantial shareholders of the Bank. Particulars of the share options granted under this scheme in 1997 and 1998 (hereinafter called "Options 1997" and "Options 1998" respectively) have been set out in the Directors' Reports for the years ended 31 December 1997 and 1998 respectively.
- (b) On 6 October 1999, the Bank's shareholders approved the adoption of the UOB 1999 Share Option Scheme to replace the UOB Executives' Share Option Scheme. Under the UOB 1999 Share Option Scheme, options may be granted to employees in the corporate grade of Vice President (or an equivalent rank) and above and selected employees below the corporate grade of Vice President (or an equivalent rank) of the Bank and its subsidiaries, and to directors and controlling shareholders. Particulars of the share options granted under this scheme in 1999 and 2000 (hereinafter called "Options 1999" and "Options 2000") have been set out in the Directors' Reports for the financial years ended 31 December 1999 and 2000 respectively.
- (c) During the financial year, no options were granted pursuant to the UOB 1999 Share Option Scheme.
- (d) Statutory and other information regarding the Options are as follows:

(i) Options	Option Period	Offer Price \$
UOB Executives' Share Option Scheme		
1997	5 May 1998 to 4 February 2002	8.25
1998	14 September 1999 to 13 June 2003	3.14
UOB 1999 Share Option Scheme		
1999	27 December 2000 to 26 December 2004	14.70
2000	11 December 2001 to 10 December 2005	12.90

- (ii) The share options expire at the end of the respective option periods unless they lapse earlier in the event of death, bankruptcy or cessation of employment of the Participant or the take-over or winding up of the Bank. Further details of the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme ("the Schemes") are set out in the circulars to shareholders dated 18 January 1990 and 10 September 1999 respectively.
- (iii) Since the commencement of the Schemes, no participant received 5% or more of the total options available under the Schemes and no options were granted to controlling shareholders (or their associates) or directors of the Bank except for Mr Ernest Wong Yuen Weng, whose options are disclosed under "Directors' Interests in Shares, Share Options and Debentures".
- (iv) The holders of the Bank's options have no right to participate, by virtue of the options, in any share issue of any other company.
- (e) Save as disclosed in this report, no shares of the Bank were issued during the year to which this report relates by virtue of the exercise of options granted pursuant to the Schemes, whether granted before or during the financial year.

directors' report

for the financial year ended 31 December 2001

Share Options of the Bank *(continued)*

(f) Unissued shares under option at 31 December 2001 comprise the following:

Options Granted to Executives in Connection with the Schemes, Granted in	Price Per Share Payable in Full Upon Application \$	Date of Expiration of Option	Number of Unissued Ordinary Shares of \$1 each in the Bank
1997	8.25	5 February 2002	115,000
1998	3.14	14 June 2003	50,000
1999	14.70	27 December 2004	1,384,000
2000	12.90	11 December 2005	1,528,000
			<u>3,077,000</u>

Share Options and Warrants of the Bank's Subsidiary, Overseas Union Trust Limited ("OUT")

- (a) The OUT Share Option Scheme (the scheme as amended or modified from time to time hereinafter called the "OUT Scheme") was approved by the members of OUT at an Extraordinary General Meeting held on 11 May 1995.
- (b) Options under the OUT Scheme are granted to officers of OUT in the corporate grade of or equivalent to Assistant Manager and above, and an executive director of OUT. No options were granted pursuant to the OUT Scheme during the period from 20 September 2001, the date when OUT became a subsidiary of the Bank, to 31 December 2001.
- (c) Statutory and other information regarding the options granted are as follows:
- The dates of expiration of the options granted are set out in paragraph (e) below unless any such option has ceased prior thereto by reason of Regulation 21 of the Regulations of the OUT Scheme (relating to the resignation or the termination of employment or appointment of the grantee, or where the grantee is adjudged a bankrupt or enters into composition with his creditors, after the grant of the option).
 - The grantee may exercise an option during the option period relating thereto by notice in writing accompanied by a remittance for the full amount of the offering price.
 - The offering price is equal to the market value of OUT's shares based on the average of the last dealt price per share of OUT on the Singapore Exchange Securities Trading Limited ("SGX") as determined by reference to the daily official list published by the SGX for a period of three market days, on each of which there was trading of OUT's shares, immediately prior to each respective offering dates.
 - The number of shares which may be acquired on the exercise of an option, par value, class and/or the offering price shall, in accordance with the Regulations of the OUT Scheme, be adjusted in such manner as the Committee appointed to administer the OUT Scheme, on the written confirmation of the auditors of OUT for the time being that such adjustment is fair and reasonable (except in relation to a capitalisation issue), shall determine to be appropriate, in the event of any variation in the issued share capital of OUT (whether by way of capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or otherwise howsoever).

(d) On 1 April 2000, replacement options (hereinafter called the “Replacement Options”) were granted pursuant to the OUT Scheme (as amended) to holders of outstanding options granted under the OUT Scheme and who, on that date, satisfied the eligibility criteria specified in Regulation 6 of the Regulations of the OUT Scheme. Each Replacement Option comprises such number of shares, and can be exercisable into shares at such offering price, as was applicable to the outstanding option to which such Replacement Option relates. However, such Replacement Option has an option period equivalent to the aggregate of (i) the remaining option period of the outstanding option to which it relates and (ii) sixty months, after taking into account the remaining moratorium period (if any) in respect of such outstanding option. The grantee can exercise the Replacement Option during the option period by notice in writing accompanied by a remittance for the full amount of the offering price.

(e) Statutory and other information regarding the unissued shares of OUT under options which were granted pursuant to the OUT Scheme and outstanding as at 31 December 2001 is as follows:

Options Granted in Connection with the OUT Scheme	Price Per Share Payable in Full Upon Application \$	Date of Expiration of Option	Number of Unissued Ordinary Shares of \$1 each in OUT
1995 Replacement Options	2.49	1 October 2005	63,041
1996 Replacement Options	2.61	2 October 2006	71,000
1997 Replacement Options	2.14	30 September 2007	57,000
1998 Replacement Options	1.00	4 October 2008	75,000
1999 Options	2.27	30 September 2009	87,000
2000 Options	2.52	21 September 2010	314,000
2001 Options	3.89	5 August 2011	452,000
			1,119,041

The holders of the options, including Replacement Options of OUT have no right to participate, by virtue of the options, in any share issue of any other company.

(f) All outstanding warrants issued by OUT pursuant to a Prospectus dated 30 September 1996 expired on 3 October 2001.

directors' report

for the financial year ended 31 December 2001

Audit Committee

The Audit Committee comprises five members, four of whom are non-executive independent directors. The members of the Audit Committee are:

Mr Ernest Wong Yuen Weng (Chairman)

Mr Wee Ee Cheong (*appointed on 1 October 2001*)

Mr Philip Yeo Liat Kok

Dr Cham Tao Soon (*appointed on 4 January 2001*)

Mr Tan Kok Quan (*appointed on 1 October 2001*)

In its report to the Board of Directors, the Audit Committee reports that it has reviewed with the Bank's internal auditors their audit plan and the scope and results of the Bank's internal audit procedures. The Audit Committee has also reviewed with the Bank's auditors, PricewaterhouseCoopers, their audit plan, their evaluation of the system of internal accounting controls, their auditors' long-form report and the response of management thereto as well as their audit report on the financial statements of the Bank and the consolidated financial statements of the Group for the year ended 31 December 2001. The financial statements of the Bank and the consolidated financial statements of the Group for the year ended 31 December 2001 have been reviewed by the Committee prior to their submission to the Board of Directors.

The Audit Committee has also reviewed interested person transactions and the assistance given by the Bank's officers, in particular the Bank's internal auditors and financial controller, to PricewaterhouseCoopers.

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment by shareholders as auditors at the next Annual General Meeting.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

Wee Cho Yaw

Chairman

Wee Ee Cheong

Deputy Chairman

Signed on 8 March 2002

statement by directors
for the financial year ended 31 December 2001

In the opinion of the directors, the financial statements set out on pages 87 to 150 are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group at 31 December 2001, the results of the business and changes in equity of the Bank and of the Group and the cash flows of the Group for the financial year then ended, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the directors

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman

Signed on 8 March 2002

auditors' report to the members of united overseas bank limited

for the financial year ended 31 December 2001

We have audited the financial statements of United Overseas Bank Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2001 set out on pages 87 to 150. These financial statements are the responsibility of the Bank's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Bank and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Bank and of the Group at 31 December 2001, the profit and changes in equity of the Bank and of the Group, and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements of the Bank and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note 45 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification which is material in relation to the consolidated financial statements, and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 8 March 2002

income statements

for the financial year ended 31 December 2001

	Notes	The Group		The Bank	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
Interest income	3	3,410,284	3,053,356	2,315,784	2,423,956
Less: Interest expense	4	1,981,133	1,854,945	1,472,743	1,564,262
Net interest income		1,429,151	1,198,411	843,041	859,694
Dividend income	5	33,701	8,151	231,157	197,107
Fee and commission income	6	355,201	330,435	164,003	168,159
Rental income	7	75,947	70,513	42,036	39,171
Other operating income	8	330,091	295,152	245,296	167,147
Income before operating expenses		2,224,091	1,902,662	1,525,533	1,431,278
Less:					
Staff costs	9	442,657	381,457	252,084	239,328
Other operating expenses	10	431,186	369,749	222,694	218,812
		873,843	751,206	474,778	458,140
Operating profit before goodwill amortisation and provisions		1,350,248	1,151,456	1,050,755	973,138
Less: Goodwill amortisation	35	47,806	–	–	–
Less: Provisions	12	164,795	90,612	111,675	151,792
OPERATING PROFIT		1,137,647	1,060,844	939,080	821,346
EXCEPTIONAL ITEMS	13	(11,997)	–	(11,045)	148,477
SHARE OF PROFIT OF ASSOCIATES		71,912	125,032	–	–
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION		1,197,562	1,185,876	928,035	969,823
Less: TAXATION	14	268,988	273,416	181,396	259,696
PROFIT AFTER TAXATION		928,574	912,460	746,639	710,127
MINORITY INTERESTS		(3,995)	435	–	–
NET PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS		924,579	912,895	746,639	710,127
Earnings per share:	15				
Basic		77 cents	87 cents		
Diluted		77 cents	87 cents		

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 86.

balance sheets

as at 31 December 2001

	Notes	The Group		The Bank	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
SHARE CAPITAL AND RESERVES					
Share capital	16	1,571,109	1,052,451	1,571,109	1,052,451
Share premium	17	786,192	783,488	786,192	783,488
Non-distributable reserves	18	6,622,841	1,820,477	6,076,234	1,460,184
Revenue reserves	19	3,136,210	2,792,288	2,106,241	1,864,546
Share of reserves of associates	20	537,354	519,469	–	–
		12,653,706	6,968,173	10,539,776	5,160,669
MINORITY INTERESTS					
		398,560	206,727	–	–
LIABILITIES					
Current, fixed, savings accounts and other deposits of non-bank customers		74,451,684	43,405,504	36,484,724	33,937,170
Deposits and balances of banks and agents		18,093,807	13,431,424	11,429,360	11,840,866
Deposits from subsidiaries		–	–	1,133,793	940,008
	21	92,545,491	56,836,928	49,047,877	46,718,044
Bills and drafts payable		125,177	129,457	32,221	86,409
Provisions for current and deferred taxation	14	532,889	451,886	339,806	378,146
Other liabilities	22	3,415,412	1,730,881	1,380,453	1,148,812
Subordinated notes	23	3,639,095	–	3,639,095	–
		100,258,064	59,149,152	54,439,452	48,331,411
		113,310,330	66,324,052	64,979,228	53,492,080
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	37	7,788,183	4,041,625	3,535,260	2,903,279
Off-balance sheet derivatives	38	82,761,218	37,455,247	70,380,618	34,863,690
Commitments	39	34,692,168	18,586,493	15,389,598	12,539,256

	Notes	The Group		The Bank	
		2001	2000	2001	2000
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and balances with central banks		3,329,827	1,714,603	926,101	1,024,707
Singapore Government treasury bills and securities	24	8,711,833	3,224,421	4,272,411	2,982,892
Other government treasury bills and securities	25	1,817,360	2,117,138	244,261	138,206
Dealing securities	26	680,989	556,538	358,104	359,836
Placements and balances with banks and agents	27	24,687,340	23,609,022	19,396,877	21,106,185
Trade bills	28	1,204,164	568,748	62,280	95,029
Advances to customers	28	59,687,930	29,476,535	23,433,561	23,399,256
Placements with and advances to subsidiaries		–	–	2,038,867	439,230
Other accounts	29	2,951,274	1,789,426	1,648,779	1,075,275
		103,070,717	63,056,431	52,381,241	50,620,616
Investment securities	30	2,957,125	459,081	989,656	342,654
Investments in associates	31	1,781,322	1,557,531	737,601	679,678
Investments in subsidiaries	32	–	–	10,260,598	1,210,557
Fixed assets	34	1,724,515	1,251,009	610,132	638,575
Goodwill	35	3,776,651	–	–	–
		113,310,330	66,324,052	64,979,228	53,492,080

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 86.

statements of recognised gains and losses and prior year adjustments

for the financial year ended 31 December 2001

(a) Recognised Gains and Losses

The total gains and losses generated by the Group and the Bank after taking into account gains and losses (other than transactions with shareholders) that are recognised directly to reserves instead of the income statements are as follows:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Net profit for the financial year attributable to members	924,579	912,895	746,639	710,127
Group's share of reserves of associates	(1,857)	31,183	–	–
Liquidation of subsidiaries	–	(2,018)	–	–
Exchange differences arising on translation of the financial statements of foreign subsidiaries and branches	92,741	(36,989)	(2,629)	396
Net gain/(loss) not recognised in the income statements	90,884	(7,824)	(2,629)	396
Total recognised gains for the financial year	1,015,463	905,071	744,010	710,523

(b) Prior Year Adjustments

Prior year adjustments arising from change in accounting policy resulting from adoption of SAS 10

Credited to retained profits at 31 December 2000		<u>198,650</u>		<u>103,434</u>
--	--	----------------	--	----------------

(c) Changes in Shareholders' Equity

Changes in shareholders' equity for the Group and the Bank are set out in Notes 16 to 20.

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 86.

consolidated cash flow statement

for the financial year ended 31 December 2001

	2001 \$'000	2000 \$'000
Cash Flows From Operating Activities		
Profit before taxation	1,197,562	1,185,876
Adjustments for:		
Depreciation	96,119	74,743
Goodwill amortisation	47,806	–
Share of profit of associates	(71,912)	(125,032)
Operating profit before working capital changes	1,269,575	1,135,587
Working capital changes:		
Deposits	(1,165,418)	9,629,924
Bills and drafts payable	(48,023)	(300,713)
Other liabilities	(597,954)	(34,594)
Dealing securities	179,039	(198,605)
Trade bills and advances to customers	(824,386)	(2,786,169)
Other government treasury bills and securities not qualifying as cash and cash equivalents	310,371	559,377
Other accounts	140,937	(49,685)
Cash generated from operations	(735,859)	7,955,122
Income taxes paid	(322,008)	(189,254)
Net cash from operating activities	(1,057,867)	7,765,868
Cash Flows From Investing Activities		
Increase in investment securities and investments in associates	(699,022)	(41,716)
Net dividends received from associates	39,246	30,125
Net decrease/(increase) in fixed assets	21,593	(90,175)
Change in minority interests of subsidiaries	42,649	(145,939)
Net cash flow on acquisition	6,405,853	(73,435)
Net cash flow from disposal of subsidiaries	28,933	(29,725)
Net cash used in investing activities	5,839,252	(350,865)
Cash Flows From Financing Activities		
Proceeds from issue of shares	3,081	4,535
Net proceeds from issue of subordinated notes	3,639,095	–
Dividends paid by the Bank	(317,944)	(474,721)
Dividends paid by subsidiaries to minority shareholders	(6,811)	(6,522)
Net cash used in financing activities	3,317,421	(476,708)
Exchange translation adjustment	92,741	(36,989)
Net increase in cash and cash equivalents	8,191,547	6,901,306
Cash and cash equivalents at beginning of the financial year	29,224,561	22,323,255
Cash and cash equivalents at end of the financial year (Note 40)	37,416,108	29,224,561

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 86.

notes to the financial statements

for the financial year ended 31 December 2001

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

The Bank is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of its registered office is:

80 Raffles Place
UOB Plaza
Singapore 048624

The Bank is principally engaged in the business of banking in all its aspects, including the operation of an Asian Currency Unit under the terms and conditions specified by the Monetary Authority of Singapore. The principal activities of its subsidiaries are disclosed in Note 45 to the financial statements.

2 Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared in accordance with and comply with Singapore Statements of Accounting Standard ("SAS"). The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain off-balance sheet derivatives to market value at the balance sheet date and the inclusion of certain freehold and leasehold land and buildings at valuation.

The financial statements of the Bank and the consolidated financial statements of the Group are expressed in Singapore Dollars.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated income statement from the respective dates of their acquisition or disposal. Inter-company balances and transactions and resulting unrealised profits and losses are eliminated in full on consolidation.

(c) Associates

The Group treats as associates those companies in which the Group has a long-term equity interest of between 20 to 50 percent and over whose financial and operating policy decisions it has significant influence except when the investment is acquired and held exclusively with a view to its subsequent disposal in the near future, in which case it is accounted for either as a dealing security or investment security as appropriate.

Associates are accounted for under the equity method whereby the Group's share of profits less losses of associates is included in the consolidated income statement and the Group's share of post-acquisition unappropriated profits, or losses, and reserves are adjusted against the cost of investments in the consolidated balance sheet.

(d) Trade Bills and Advances to Customers

Trade bills and advances to customers are stated at cost less provisions for possible losses. These provisions comprise specific provisions made for any debts considered to be doubtful of collection and a general provision maintained to cover losses which, although not specifically identified, are inherent in any portfolio of loans and advances. Known bad debts are written off.

(e) **Investments**

- (i) Singapore Government treasury bills and securities, other than those that are held as long-term investments, are stated at the lower of cost and market value determined on an aggregate basis. Long-term Singapore Government treasury bills and securities are stated at cost and provisions are made for diminution in value that is other than temporary, determined on an individual counter basis.
- (ii) Other government treasury bills and securities are stated at the lower of cost and market value determined on an aggregate basis.
- (iii) Dealing securities are stated at the lower of cost and market value determined on an aggregate basis.
- (iv) Investment securities and investments in subsidiaries and associates are stated at cost and provisions are made for diminution in value that is other than temporary, determined on an individual counter basis.

(f) **Cash and Cash Equivalents**

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the balance sheet amounts of cash and balances with central banks, placements and balances with banks and agents and government treasury bills and securities, less non-cash equivalents included in those amounts.

(g) **Revenue Recognition**

- (i) Interest income is accrued on a day-to-day basis.
- (ii) Dividend income from investments other than investments in subsidiaries is taken up gross in the income statements of the accounting period in which the dividend is received.
- (iii) Dividend income from subsidiaries is included gross in the income statements of the accounting period in which the dividend is declared.

This accounting policy was adopted on 1 January 2001 as a result of revisions to SAS 10 and represents a change to the accounting policy adopted prior to that date. Prior to 1 January 2001, the accounting policy in respect of dividend income from subsidiaries was to include the gross amount of the dividend receivable in the income statement of the accounting period in respect of which the dividend was proposed. The effects of the change in accounting policy are disclosed in Note 2(q).

- (iv) Profits and losses on disposal of investments are taken to the income statements.
- (v) Fee and commission income and rental income are recognised on an accrual basis.

(h) **Fixed Assets and Depreciation**

Fixed assets are stated at cost, or valuation for certain land and buildings, less accumulated depreciation. Fixed assets, other than land and buildings, are depreciated on a straight-line basis over 5 or 10 years. Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the period of the lease. Buildings are depreciated on a straight-line basis over 50 years or over the period of the respective leases, whichever is shorter.

notes to the financial statements

for the financial year ended 31 December 2001

2 Significant Accounting Policies *(continued)*

(i) Taxation

Tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is provided on significant timing differences arising from the different treatments in accounting and taxation of relevant items except where it can be demonstrated with reasonable probability that the tax deferral will continue for the foreseeable future.

In accounting for timing differences, deferred tax debits are not accounted for unless there is reasonable expectation of their realisation.

(j) Foreign Currencies

Foreign currency assets and liabilities are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are converted to Singapore dollars at the rates of exchange ruling on the transaction dates. All exchange differences are taken up in the income statements.

For the purpose of the consolidation of foreign subsidiaries and branches and the equity accounting of associates, the balance sheets and results are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date. All exchange adjustments arising on translation into Singapore dollars are taken directly to the foreign currency translation reserve.

(k) Off-Balance Sheet Derivatives

Off-balance sheet derivatives are initially recognised in the balance sheets at amounts paid or received, as appropriate.

Those undertaken for trading purposes are subsequently remeasured to fair value and the resultant profits and losses are taken up in the income statements.

Those entered into for hedging purposes are subsequently accounted for in a manner consistent with the accounting treatment of the hedged items.

(l) Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiaries and associates when acquired.

Goodwill arising on acquisition of subsidiaries occurring on or after 1 January 2001 is reported in the balance sheet as an intangible asset. Goodwill on acquisition of associates occurring on or after 1 January 2001 is included in investments in associates.

Goodwill is amortised on a straight-line basis, through the consolidated income statement, over its useful economic life of up to a maximum of 20 years. Goodwill which is assessed as having no continuing economic value is written off to the consolidated income statement.

This accounting policy was adopted on 1 January 2001 to comply with the revised SAS 22 and represents a change to the accounting policy adopted prior to that date. Prior to 1 January 2001, goodwill was written off in full against reserves in the year of acquisition.

(m) Provisions

Provisions are recognised when the Group or the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(n) **Employee Benefits**

Equity Compensation Benefits

Employees of the Group and the Bank with the position of Vice President (or equivalent position) and above as well as selected employees below Vice President qualify for the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme, subject to certain restrictions.

Pursuant to these Schemes, options have been awarded to enable the holders to acquire shares in the Bank at exercise price.

The Group and the Bank do not recognise share options issued under these Schemes as a charge to the income statements.

Post Employment Benefits

The Group contributes to legally required social security schemes and these schemes are considered defined contribution schemes.

The Bank and certain of its subsidiaries also contribute to a defined contribution plan, the details of which are disclosed in Note 37(b) to the financial statements.

These expenses are charged to the income statements as and when they arise and are disclosed as part of staff costs.

(o) **Dividends**

Dividends on ordinary shares are recognised in equity in the period in which they are declared. This accounting policy was adopted on 1 January 2001 to comply with the revised SAS 10 and represents a change to the accounting policy adopted prior to that date. Prior to 1 January 2001, dividends proposed or declared after the balance sheet date were recognised as liabilities in the financial year in respect of which the dividends were proposed or declared. The effects of the change in accounting policy are disclosed in Note 2(q).

(p) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current financial year. Where applicable, the comparatives have been adjusted or extended to take into account the requirements of the revised or new SAS which the Group and the Bank adopted in 2001.

(q) **Effects of Changes to Accounting Policies**

(i) The changes to accounting policies set out in Notes 2(g)(iii) and 2(o) have been accounted for retrospectively and the comparative figures restated to conform with the changed policies.

The adjustments made to the comparative figures are as follows:

	Increased/(Decreased) By	
	The Group	The Bank
	2000	2000
	\$'000	\$'000
Other accounts	–	(95,216)
Provision for proposed dividends	(198,650)	(198,650)
Retained profits	198,650	103,434
Net profit for the financial year attributable to members	–	(30,726)

(ii) As permitted under the revised SAS 22, the change in accounting policy set out in Note 2(l) as a result of revisions to SAS 22 has not been accounted for retrospectively.

notes to the financial statements

for the financial year ended 31 December 2001

3 Interest Income

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Government treasury bills and securities	194,894	167,553	104,213	82,964
Trade bills and loans and advances	2,183,795	1,856,752	1,296,157	1,383,926
Inter-bank balances	951,806	995,675	869,439	937,466
Dealing and investment securities	79,789	33,376	45,975	19,600
	3,410,284	3,053,356	2,315,784	2,423,956
Received/receivable from:				
Subsidiaries	–	–	45,141	44,875
Associates	21,129	29,654	20,811	29,654
Third parties	3,389,155	3,023,702	2,249,832	2,349,427
	3,410,284	3,053,356	2,315,784	2,423,956

4 Interest Expense

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Non-bank deposits	1,318,879	1,256,838	874,637	979,888
Inter-bank balances	611,922	598,107	547,774	584,374
Subordinated notes	50,332	–	50,332	–
	1,981,133	1,854,945	1,472,743	1,564,262
Paid/payable to:				
Subsidiaries	–	–	64,553	55,284
Associates	1,605	472	1,245	472
Third parties	1,979,528	1,854,473	1,406,945	1,508,506
	1,981,133	1,854,945	1,472,743	1,564,262

5 Dividend Income

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Dividend income from:				
Investments in subsidiaries:				
Quoted	–	–	33,593	24,474
Unquoted	–	–	151,989	130,849
Investments in associates:				
Quoted	–	–	38,434	37,208
Unquoted	–	–	1,606	1,242
Other investments:				
Quoted	28,910	4,753	3,458	2,851
Unquoted	4,791	3,398	2,077	483
	33,701	8,151	231,157	197,107

In addition to the above, the Bank received a gross special interim dividend of \$49,835,000, net of tax at 24.5% of \$12,210,000 from its subsidiary, Overseas Union Bank Limited ("OUB") during the financial year. The net dividend of \$37,625,000 was paid out of the Group's pre-acquisition reserves of OUB and has been credited to the Bank's cost of investment in OUB.

6 Fee and Commission Income

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Credit card	63,708	49,633	45,085	41,246
Fund management	52,879	60,949	–	–
Investment-related	13,851	25,075	9,696	32,358
Loan-related	60,937	39,310	33,132	22,181
Stockbroking	7,362	38,720	–	–
Trade-related	80,272	67,350	45,604	45,549
Others	76,192	49,398	30,486	26,825
	355,201	330,435	164,003	168,159

7 Rental Income

Rental income represents income from the tenanted areas of the buildings owned by the Bank and its subsidiaries.

8 Other Operating Income

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Net profit on disposal of dealing securities, government treasury bills and securities, and derivatives	79,956	72,296	52,178	48,681
Net profit on foreign exchange dealings	137,095	76,641	106,990	55,967
Net profit on disposal of investment securities	16,098	4,279	8,935	2,476
Net profit on disposal of fixed assets	39,992	3,680	33,461	3,228
Profit on sale of development properties	–	70,423	–	–
Net (loss)/profit arising from disposal of subsidiaries	(6,546)	2,308	(11,712)	–
Other income	63,496	65,525	55,444	56,795
	330,091	295,152	245,296	167,147

9 Staff Costs

(a)	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Wages and salaries	370,115	320,392	178,355	173,143
Employer's contributions to Central Provident Fund	41,199	29,623	21,574	15,637
Other staff-related costs	31,343	31,442	52,155	50,548
	442,657	381,457	252,084	239,328

(b)	The Group		The Bank	
	2001	2000	2001	2000
Number of employees at the balance sheet date	12,142	9,228	3,125	3,284

notes to the financial statements

for the financial year ended 31 December 2001

9 Staff Costs (continued)

(c) Equity Compensation Benefits

Options to subscribe for ordinary shares of \$1 each in the Bank are granted pursuant to the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme to employees of the UOB Group in the position of Vice President (or an equivalent position) and above as well as selected employees below the position of Vice President, subject to certain restrictions.

Movements in the number of share options held by employees of the Group are as follows:

	2001 '000	2000 '000
Outstanding at 1 January	3,807	2,924
Issued	–	1,618
Exercised	(377)	(589)
Lapsed	(353)	(146)
Outstanding at 31 December	<u>3,077</u>	<u>3,807</u>

Details of the unissued ordinary shares of \$1 each of the Bank under option at the end of the financial year are set out below:

Options under the UOB Executives' Share Option Scheme and UOB 1999 Share Option Scheme, Granted in	Price Per Share Payable in Full Upon Application	Date of Expiration of Option	Number of Unissued Shares	
			2001 '000	2000 '000
1996	9.17	9 February 2001	–	222
1997	8.25	5 February 2002	115	236
1998	3.14	14 June 2003	50	94
1999	14.70	27 December 2004	1,384	1,637
2000	12.90	11 December 2005	1,528	1,618
			<u>3,077</u>	<u>3,807</u>

Details of share options exercised during the year to subscribe for ordinary shares of \$1 each in the Bank are as follows:

Options under the UOB Executives' Share Option Scheme and UOB 1999 Share Option Scheme, Granted in	Exercise Price	Number of Share Options Exercised		Consideration Received in Cash	
		2001 '000	2000 '000	2001 \$'000	2000 \$'000
1995	8.79	–	49	–	431
1996	9.17	212	247	1,944	2,265
1997	8.25	121	180	998	1,485
1998	3.14	44	113	139	354
1999	14.70	–	–	–	–
2000	12.90	–	–	–	–
		<u>377</u>	<u>589</u>	<u>3,081</u>	<u>4,535</u>

10 Other Operating Expenses

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Depreciation	96,119	74,743	47,053	40,704
Rental of premises and equipment	43,607	33,664	35,115	30,113
Maintenance of premises and other assets	34,884	31,386	17,235	18,794
Other expenses of premises	31,607	29,323	14,441	15,466
Fees paid/payable to PricewaterhouseCoopers Singapore:				
Audit fees				
Current year	2,226	982	668	455
Prior year underprovision	255	–	193	–
Other fees*	2,481	982	861	455
Audit fees paid/payable to other auditors including other member firms of the PricewaterhouseCoopers Global Organisation	1,245	726	269	206
Other expenses	220,970	198,260	107,560	112,746
	431,186	369,749	222,694	218,812

* Includes fees in respect of audit-related work required by laws and regulations.

11 Directors' Fees and Other Remuneration

(a) Included in total expenses are fees and other remuneration paid/payable to the directors of the Bank and its subsidiaries as follows:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Directors of the Bank:				
Fees	887	781	410	345
Remuneration	10,699	10,789	8,789	10,789
Professional fees paid/payable to firms of which certain directors of the Bank are members	1,476	640	1,294	329
Less:				
Amount capitalised in "Cost of Investment in OUB"	1,237	–	1,237	–
Amount charged to the results for the financial year	239	640	57	329
	11,825	12,210	9,256	11,463
Directors of subsidiaries:				
Fees	634	511	21	24
Remuneration	8,082	5,632	–	–
Professional fees paid/payable to firms of which certain directors of subsidiaries are members	424	283	3	–
Less:				
Amount capitalised in "Fixed Assets" and "Other Accounts"	419	283	–	–
Amount charged to the results for the financial year	5	–	3	–
	8,721	6,143	24	24

notes to the financial statements

for the financial year ended 31 December 2001

11 Directors' Fees and Other Remuneration (continued)

(b) The number of directors of the Bank whose total fees and other remuneration from the Group falls into the following bands is as follows:

	2001	2000
\$1,000,000 and above	4	3
\$750,000 to \$999,999	–	–
\$500,000 to \$749,999	–	1
\$250,000 to \$499,999	–	–
Below \$250,000	12	9
	16	13

12 Provisions

Provisions charged/(credited) to the income statements during the financial year are as follows:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Specific provisions for and net write offs of trade bills and advances to customers	165,411	69,202	113,295	22,033
General provisions, comprising provisions for possible loan losses, contingencies and other banking risks	(70,173)	(52,576)	(59,763)	(52,142)
(Write back of provisions)/provisions for diminution in value of:				
Investments in subsidiaries	–	–	(13,035)	108,906
Other investments, fixed assets and other assets	62,757	65,967	31,178	72,995
Provisions for Life Fund of the Group and similar contingencies	6,800	8,019	40,000	–
	164,795	90,612	111,675	151,792

13 Exceptional Items

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Gross dividend from United Overseas Finance Limited ("UOF") arising from its merger with the Bank, net of pre-acquisition dividend that was credited to the Bank's cost of investment in UOF	–	–	–	148,477
Restructuring costs as a result of the acquisition of OUB	(11,997)	–	(11,045)	–
	(11,997)	–	(11,045)	148,477

Details of the merger, and exceptional items arising from the merger, of UOF into the Bank have been set out in the previous year's financial statements.

14 Taxation

(a) The taxation charge to the income statements comprises the following:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
On the profit of the financial year:				
Current taxation	251,651	255,000	190,047	256,946
Deferred taxation	2,042	987	658	3,309
	253,693	255,987	190,705	260,255
Share of tax of associates	25,725	18,960	–	–
Overprovision of tax in respect of prior financial years	(10,430)	(1,531)	(9,309)	(559)
	268,988	273,416	181,396	259,696

The taxation charge on the results of the Group and the Bank for the financial year is lower than the amount of tax determined by applying the Singapore statutory income tax rate of 24.5% to the profit before taxation mainly because of certain income which is taxed at a concessionary rate of 10%, and a one-off corporate tax rebate of 5% on Singapore income tax payable applicable for the year of assessment 2002.

(b) The provisions for current and deferred taxation as at the balance sheet date are as follows:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Provision for current taxation	475,435	406,924	310,255	348,731
Provision for deferred taxation	57,454	44,962	29,551	29,415
	532,889	451,886	339,806	378,146

15 Earnings Per Share

The calculation of basic and diluted earnings per share ("EPS") is determined based on the following profit attributable to members divided by the weighted average number of ordinary shares in issue:

	The Group	
	2001 \$'000	2000 \$'000
Profit for the financial year attributable to members for computation of basic and diluted EPS	924,579	912,895
	Number	Number
	'000	'000
Weighted average number of ordinary shares in issue for computation of basic EPS	1,195,486	1,052,262
Adjustment for assumed conversion of share options	69	207
Weighted average number of ordinary shares for computation of diluted EPS	1,195,555	1,052,469

notes to the financial statements

for the financial year ended 31 December 2001

16 Share Capital of the Bank

(a)

	The Group and The Bank			
	2001		2000	
	Number of Shares '000	\$'000	Number of Shares '000	\$'000
Ordinary Shares of \$1 each				
Authorised	3,000,000	3,000,000	2,000,000	2,000,000
Issued and fully paid:				
Balance at 1 January	1,052,451	1,052,451	1,051,862	1,051,862
Shares issued to option holders who exercised their rights	377	377	589	589
Shares issued as part consideration for the acquisition of OUB [Note 32(b)]	518,281	518,281	–	–
Balance at 31 December	1,571,109	1,571,109	1,052,451	1,052,451

(b) During the financial year, the authorised ordinary share capital of the Bank was increased from \$2,000 million to \$3,000 million by the creation of 1,000 million ordinary shares of \$1 each.

(c) During the financial year, the Bank issued 377,000 (2000: 589,000) ordinary shares of \$1 each to option holders who exercised their rights. The Bank also issued 518,280,794 ordinary shares of \$1 each as fully paid shares as part consideration for the acquisition of OUB [Note 32(b)]. All newly issued shares rank *pari passu* in all respects with the previously issued shares.

(d) Details of the unissued ordinary shares of \$1 each of the Bank under option at the end of the financial year are set out in Note 9(c).

17 Share Premium

	The Group and The Bank	
	2001	2000
	\$'000	\$'000
Balance at 1 January	783,488	779,542
Share premium arising from the issue of shares to option holders who exercised their rights	2,704	3,946
Balance at 31 December	786,192	783,488

The share premium account may only be utilised for specific purposes provided for by the Singapore Companies Act.

18 Non-Distributable Reserves

(a) The Group

	2001					2000			
	Statutory Reserves \$'000	Capital Reserves \$'000	Foreign Currency Translation Reserves \$'000	Others \$'000	Total \$'000	Statutory Reserves \$'000	Foreign Currency Translation Reserves \$'000	Others \$'000	Total \$'000
Balance at 1 January	1,931,204	–	(173,616)	62,889	1,820,477	1,911,817	(136,627)	64,907	1,840,097
Exchange differences	–	–	92,741	–	92,741	–	(36,989)	–	(36,989)
Transfer from revenue reserves	219,067	–	–	1,081	220,148	68,297	–	–	68,297
Transfer from revenue reserves due to bonus shares issued by subsidiary	–	57,796	–	–	57,796	–	–	–	–
Transfer to share of reserves of associates upon merger of UOBS group and KHHL [Note 32(e)]	–	–	–	–	–	(48,910)	–	–	(48,910)
Liquidation of subsidiaries	–	–	–	–	–	–	–	(2,018)	(2,018)
Premium arising from shares issued as part consideration for the acquisition of OUB [Note 32(b)]	–	4,431,679	–	–	4,431,679	–	–	–	–
Balance at 31 December	2,150,271	4,489,475	(80,875)	63,970	6,622,841	1,931,204	(173,616)	62,889	1,820,477

notes to the financial statements

for the financial year ended 31 December 2001

18 Non-Distributable Reserves (continued)

(b) The Bank

	2001				2000		
	Statutory Reserve \$'000	Capital Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000	Statutory Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 1 January	1,467,100	–	(6,916)	1,460,184	1,373,300	(7,312)	1,365,988
Exchange differences	–	–	(2,629)	(2,629)	–	396	396
Transfer from revenue reserve	187,000	–	–	187,000	93,800	–	93,800
Premium arising from shares issued as part consideration for the acquisition of OUB [Note 32(b)]	–	4,431,679	–	4,431,679	–	–	–
Balance at 31 December	1,654,100	4,431,679	(9,545)	6,076,234	1,467,100	(6,916)	1,460,184

- (c) The statutory reserves of the Group and the Bank are amounts transferred to reserve funds in accordance with the provisions of applicable laws and regulations. These reserves are non-distributable unless approved by the relevant authorities.

The capital reserve of the Bank represents the premium arising from the issue of shares in connection with the acquisition of OUB which has not been transferred to the share premium account as the Bank qualifies for relief provided for under Section 69B of the Singapore Companies Act.

The capital reserves of the Group comprise the capital reserve of the Bank and \$57,796,000 relating to bonus shares which were issued by a subsidiary as fully paid shares through capitalisation of the subsidiary's revenue reserves.

The foreign currency translation reserves of the Group and the Bank relate to translation differences arising from the use of year-end exchange rates versus historical rates in translating the net assets of overseas branches, subsidiaries and associates.

19 Revenue Reserves

(a) The Group

	2001			2000		
	General Reserves \$'000	Retained Profits \$'000	Total \$'000	General Reserves \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 January:						
As previously reported	916,528	1,677,110	2,593,638	542,938	1,530,698	2,073,636
Prior year adjustments arising from change in accounting policy resulting from adoption of revised SAS 10	–	198,650	198,650	–	357,002	357,002
As restated	916,528	1,875,760	2,792,288	542,938	1,887,700	2,430,638
Net profit for the financial year attributable to members	–	924,579	924,579	–	912,895	912,895
Net capital reserves arising from increase in investments in subsidiaries	–	–	–	963	–	963
Transfer to retained profits prior to liquidation of subsidiaries	–	–	–	(1,467)	1,467	–
Transfer to share of reserves of associates upon merger of UOBS group and KHHL [Note 32(e)]	–	–	–	(9,190)	–	(9,190)
Transfer to general reserves	234,140	(234,140)	–	383,284	(383,284)	–
Transfer to statutory reserves	–	(219,067)	(219,067)	–	(68,297)	(68,297)
Transfer to other reserves	–	(1,081)	(1,081)	–	–	–
Goodwill recovered on disposal of subsidiary	15,231	–	15,231	–	–	–
Transfer to capital reserves due to bonus shares issued by subsidiary	(17,193)	(40,603)	(57,796)	–	–	–
Dividends:						
Final dividend in respect of financial year ended 31 December 2000 (2000: 31 December 1999) of 25 cents (2000: 12 cents) per share paid, net of tax at 24.5% (2000: 25.5%)	–	(198,713)	(198,713)	–	(94,151)	(94,151)
Special tax exempt bonus dividend in respect of financial year ended 31 December 1999 of 25 cents per share paid	–	–	–	–	(262,966)	(262,966)
Interim dividend in respect of financial year ended 31 December 2001 (2000: 31 December 2000) of 15 cents (2000: 15 cents) per share paid, net of tax at 24.5% (2000: 25.5%)	–	(119,231)	(119,231)	–	(117,604)	(117,604)
	–	(317,944)	(317,944)	–	(474,721)	(474,721)
Balance at 31 December	1,148,706	1,987,504	3,136,210	916,528	1,875,760	2,792,288

notes to the financial statements

for the financial year ended 31 December 2001

19 Revenue Reserves (continued)

(b) The Bank

	2001			2000		
	General Reserve \$'000	Retained Profits \$'000	Total \$'000	General Reserve \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 January:						
As previously reported	616,321	1,144,791	1,761,112	310,121	1,120,307	1,430,428
Prior year adjustments arising from change in accounting policy resulting from adoption of revised SAS 10	–	103,434	103,434	–	292,512	292,512
As restated	616,321	1,248,225	1,864,546	310,121	1,412,819	1,722,940
Net profit for the financial year attributable to members	–	746,639	746,639	–	710,127	710,127
Transfer to general reserve	213,000	(213,000)	–	306,200	(306,200)	–
Transfer to statutory reserve	–	(187,000)	(187,000)	–	(93,800)	(93,800)
Dividends:						
Final dividend in respect of financial year ended 31 December 2000 (2000: 31 December 1999) of 25 cents (2000: 12 cents) per share paid, net of tax at 24.5% (2000: 25.5%)	–	(198,713)	(198,713)	–	(94,151)	(94,151)
Special tax exempt bonus dividend in respect of financial year ended 31 December 1999 of 25 cents per share paid	–	–	–	–	(262,966)	(262,966)
Interim dividend in respect of financial year ended 31 December 2001 (2000: 31 December 2000) of 15 cents (2000: 15 cents) per share paid, net of tax at 24.5% (2000: 25.5%)	–	(119,231)	(119,231)	–	(117,604)	(117,604)
	–	(317,944)	(317,944)	–	(474,721)	(474,721)
Balance at 31 December	829,321	1,276,920	2,106,241	616,321	1,248,225	1,864,546

- (c) In each financial year, the Group and the Bank transfer a certain amount of retained profits to general reserves. These general reserves have not been earmarked for any particular purpose.

The revenue reserves of the Group and the Bank are distributable except for the Group's share of revenue reserves of associates amounting to \$248,724,000 (2000: \$241,783,000) which is included in the Group's revenue reserves.

20 Share of Reserves of Associates

	The Group	
	2001 \$'000	2000 \$'000
Balance at 1 January	519,469	445,910
Transfers from non-distributable and revenue reserves upon merger of UOBS group and KHHL [Note 32(e)]	–	58,100
Movements in other reserves of associates (2000: Net of goodwill arising from acquisitions in 2000)	17,885	15,459
Balance at 31 December	537,354	519,469

The balance comprises the Group's share of associates' post-acquisition revenue reserves at 1 January 1998, and other reserves, adjusted for goodwill arising on acquisition of associates prior to 1 January 2001. These are non-distributable reserves.

The Group's share of results after 1 January 1998 is included under revenue reserves of the Group.

21 Deposits of and Amounts Owing to Non-Bank Customers, Banks and Agents, and Subsidiaries

(a)	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Analysed by remaining maturity:				
Within 1 year	92,008,197	56,461,672	48,845,945	46,457,292
Over 1 year but within 3 years	375,723	177,923	60,454	63,802
Over 3 years but within 5 years	20,378	681	285	298
Over 5 years	141,193	196,652	141,193	196,652
	92,545,491	56,836,928	49,047,877	46,718,044

(b) Included in deposits of non-bank customers are:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Fixed rate deposits	54,418,511	32,421,232	25,667,261	25,300,449
Savings and others	20,033,173	10,984,272	10,817,463	8,636,721
	74,451,684	43,405,504	36,484,724	33,937,170

(c) Included in deposits and balances of banks and agents are:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Obligations on securities sold under repurchase agreements ("REPOs")	818,790	181,480	623,801	87,792

The related securities sold under REPOs are shown in Notes 24, 25 and 26 to the financial statements.

notes to the financial statements

for the financial year ended 31 December 2001

22 Other Liabilities

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Accrued interest payable	469,809	344,607	237,221	284,322
Balances arising from revaluation of trading off-balance sheet derivatives (Note 38)	798,246	379,405	758,981	371,708
Other liabilities	2,147,357	1,006,869	384,251	492,782
	3,415,412	1,730,881	1,380,453	1,148,812

23 Subordinated Notes

	The Group and The Bank	
	2001 \$'000	2000 \$'000
S\$ 4.95% Subordinated Notes due 2016 Callable with Step-up in 2011 ("S\$ Notes")	1,300,000	–
US\$ Subordinated Floating Rate Notes due 2011 Callable in 2002 ("US\$ Notes")	2,347,068	–
	3,647,068	–
Unamortised expenses incurred in connection with the issue of the subordinated notes	(7,973)	–
	3,639,095	–

The S\$ Notes were issued at par on 30 September 2001 and mature on 30 September 2016. The S\$ Notes may be redeemed at par at the option of the Bank, in whole but not in part, on 30 September 2011 or at any interest payment date in the event of certain changes to the taxation laws of Singapore, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 4.95% per annum up to and including 29 September 2011. From and including 30 September 2011, interest is payable semi-annually at a fixed rate equal to the five-year Singapore Dollar Interest Rate Swap (Offer Rate) as at 30 September 2011 plus 2.25% per annum.

The US\$ Notes were issued at par on 19 September 2001 and mature on 19 September 2011. The US\$ Notes may be redeemed in whole but not in part at the option of the Bank as follows, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions:

- redeemable at par at any interest payment date in the event of certain changes to the taxation laws of Singapore; and
- redeemable at 99% of the principal on 19 September 2002.

Interest is payable quarterly at the three-month US\$ LIBOR plus 2.28% per annum.

The S\$ Notes and US\$ Notes are unsecured.

24 Singapore Government Treasury Bills and Securities

(a)	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Held as long-term investments, at cost	552,957	–	552,957	–
Others, at cost	8,189,938	3,224,424	3,741,930	2,982,892
Provision for diminution in value (Note 33)	(31,062)	(3)	(22,476)	–
	8,158,876	3,224,421	3,719,454	2,982,892
	8,711,833	3,224,421	4,272,411	2,982,892
Market value at 31 December:				
Held as long-term investments	533,450	–	533,450	–
Others	8,158,876	3,234,932	3,719,454	2,992,794
	8,692,326	3,234,932	4,252,904	2,992,794

(b) Included in Singapore Government treasury bills and securities are:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Securities sold under repurchase agreements ("REPOs")	810,410	87,792	623,801	87,792

25 Other Government Treasury Bills and Securities

(a)	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
At cost	1,817,870	2,118,017	244,264	138,771
Provision for diminution in value (Note 33)	(510)	(879)	(3)	(565)
	1,817,360	2,117,138	244,261	138,206
Market value at 31 December	1,823,652	2,118,433	246,078	138,766

(b) Included in other government treasury bills and securities are:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Securities sold under repurchase agreements ("REPOs")	8,380	5,082	–	–

In addition, the Group's other government treasury bills and securities include an amount of \$1,130,252,000 (2000: \$1,440,623,000) which the Group is not entitled to sell, transfer, pledge, or create any lien or encumbrance over without the prior consent of a certain foreign government authority.

notes to the financial statements

for the financial year ended 31 December 2001

26 Dealing Securities

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
At cost:				
Quoted equities	182,407	122,693	78,611	89,329
Quoted debt securities	356,177	46,773	121,572	19,953
Unquoted marketable unit trusts	18,802	21,368	–	–
Unquoted equities	2,115	2,021	2,115	2,021
Unquoted debt securities	181,099	383,772	162,681	267,133
	740,600	576,627	364,979	378,436
Provision for diminution in value (Note 33)	(59,611)	(20,089)	(6,875)	(18,600)
	680,989	556,538	358,104	359,836
Market value at 31 December:				
Quoted equities	133,795	114,762	70,168	74,943
Quoted debt securities	352,055	46,049	124,417	17,815
Unquoted marketable unit trusts	15,771	19,682	–	–
	501,621	180,493	194,585	92,758
Securities sold under repurchase agreements ("REPOs")	–	88,606	–	–

27 Placements and Balances with Banks and Agents

(a)	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Analysed by maturity period:				
Within 1 year	24,530,111	23,265,285	19,316,523	20,770,176
Over 1 year but within 3 years	109,621	340,758	77,170	333,030
Over 3 years but within 5 years	47,608	2,979	3,184	2,979
	24,687,340	23,609,022	19,396,877	21,106,185

(b) Included in placements and balances with banks and agents are:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Negotiable certificates of deposit, floating rate certificates of deposit and other similar instruments	1,456,200	1,008,772	810,315	876,914
Government securities bought under reverse repurchase agreements	189,232	380,225	189,232	322,116
	1,645,432	1,388,997	999,547	1,199,030

28 Trade Bills and Advances to Customers

(a)

	The Group		The Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Gross trade bills	1,204,164	568,748	62,280	95,029
Gross advances to customers	63,006,762	31,141,314	24,382,913	24,428,271
Specific provisions	(1,613,974)	(770,534)	(342,551)	(363,442)
Interest-in-suspense	(270,356)	(125,755)	(68,668)	(67,692)
General provisions	(1,434,502)	(768,490)	(538,133)	(597,881)
	59,687,930	29,476,535	23,433,561	23,399,256
Total gross trade bills and advances to customers	64,210,926	31,710,062	24,445,193	24,523,300

(b) Total gross trade bills and advances to customers analysed by maturity period:

	The Group		The Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Within 1 year	27,723,225	18,832,614	11,148,964	13,490,146
Over 1 year but within 3 years	10,411,987	3,451,088	4,161,913	3,154,879
Over 3 years but within 5 years	7,303,078	2,762,390	2,946,549	2,485,597
Over 5 years	18,772,636	6,663,970	6,187,767	5,392,678
	64,210,926	31,710,062	24,445,193	24,523,300

(c) Total gross trade bills and advances to customers analysed by industry group:

	The Group		The Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	2,313,020	708,968	862,002	614,511
Building and construction	9,721,679	3,569,252	2,822,036	3,028,299
Manufacturing	5,337,661	2,958,376	1,055,662	1,600,947
Non-bank financial institutions	10,764,600	4,991,534	3,743,968	4,165,142
General commerce	6,296,428	3,857,400	2,413,559	2,452,767
Professionals and private individuals (excluding housing loans)	9,500,073	4,223,042	3,654,031	3,498,714
Housing loans	13,297,609	7,540,304	6,894,353	6,458,192
Others	6,979,856	3,861,186	2,999,582	2,704,728
	64,210,926	31,710,062	24,445,193	24,523,300

notes to the financial statements

for the financial year ended 31 December 2001

28 Trade Bills and Advances to Customers (continued)

(d) At the balance sheet date, the gross amount of trade bills and advances to customers that are regarded as non-performing loans are as follows:

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Substandard	3,851,284	1,536,532	895,592	951,086
Doubtful	474,900	174,070	95,855	135,913
Loss	1,617,850	751,530	318,658	306,330
Total non-performing loans	5,944,034	2,462,132	1,310,105	1,393,329

Non-performing loans are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612. All foreseeable losses relating to these non-performing loans have been provided for in the financial statements.

(e) The movements in provisions are as follows:

	2001				2000			
	Specific Provisions \$'000	Interest-in-Suspense \$'000	General Provisions \$'000	Total \$'000	Specific Provisions \$'000	Interest-in-Suspense \$'000	General Provisions \$'000	Total \$'000
The Group								
Balance at 1 January	770,534	273,156	768,490	1,812,180	847,381	266,386	819,472	1,933,239
Exchange differences	37,362	16,532	7,530	61,424	8,664	4,444	1,594	14,702
Write off against provisions	(383,665)	(121,665)	–	(505,330)	(142,399)	(68,512)	–	(210,911)
Charge/(write back) to income statements	149,377	–	(70,173)	79,204	59,846	–	(52,576)	7,270
Interest suspended	–	115,428	–	115,428	–	70,838	–	70,838
Transfer to provision for diminution in value of investments and other assets	(647)	–	–	(647)	(2,958)	–	–	(2,958)
Acquisition of subsidiaries	1,041,013	356,768	728,655	2,126,436	–	–	–	–
Balance at 31 December	1,613,974	640,219	1,434,502	3,688,695	770,534	273,156	768,490	1,812,180
The Bank								
Balance at 1 January	363,442	149,887	597,881	1,111,210	395,665	130,775	615,170	1,141,610
Exchange differences	7,953	2,984	15	10,952	3,350	925	77	4,352
Write off against provisions	(130,946)	(26,642)	–	(157,588)	(54,780)	(7,864)	–	(62,644)
Charge/(write back) to income statements	102,102	–	(59,763)	42,339	13,638	–	(52,142)	(38,504)
Interest suspended	–	32,198	–	32,198	–	23,476	–	23,476
Transfer from a subsidiary upon merger	–	–	–	–	5,569	2,575	34,776	42,920
Balance at 31 December	342,551	158,427	538,133	1,039,111	363,442	149,887	597,881	1,111,210

General provisions comprise provisions for possible loan losses, contingencies and other banking risks. The movements in interest-in-suspense include amounts relating to interest receivable as shown in Note 29.

29 Other Accounts

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Interest receivable	965,132	624,126	435,872	487,429
Interest-in-suspense (Note 28)	(369,863)	(147,401)	(89,759)	(82,195)
	595,269	476,725	346,113	405,234
Balances arising from revaluation of trading off-balance sheet derivatives (Note 38)	840,748	334,926	793,449	324,769
Other assets	1,615,445	1,035,721	592,842	394,760
Provisions for diminution in value of other assets (Note 33)	(100,188)	(57,946)	(83,625)	(49,488)
	2,356,005	1,312,701	1,302,666	670,041
	2,951,274	1,789,426	1,648,779	1,075,275

30 Investment Securities

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Quoted investments, at cost:				
Equities	754,684	118,395	99,730	106,707
Debt securities	1,293,670	134,533	579,979	99,811
	2,048,354	252,928	679,709	206,518
Provisions for diminution in value (Note 33)	(20,254)	(5,152)	(193)	–
	2,028,100	247,776	679,516	206,518
Unquoted investments, at cost:				
Equities	450,358	112,893	74,684	70,133
Debt securities	542,507	108,915	244,754	70,294
	992,865	221,808	319,438	140,427
Provisions for diminution in value (Note 33)	(63,840)	(10,503)	(9,298)	(4,291)
	929,025	211,305	310,140	136,136
Total investment securities	2,957,125	459,081	989,656	342,654
Market value at 31 December:				
Quoted equities	776,942	131,933	79,898	99,201
Quoted debt securities	1,295,922	148,163	588,882	113,807
	2,072,864	280,096	668,780	213,008

Included in the cost of investment securities is an amount of \$705,066,000 (2000: Nil) relating to companies in which the Group, through the OUB Group, presently has equity interests of between 20 to 50 percent and over whose financial and operating policy decisions it has significant influence. These investments have not been accounted for as associates of the Group as they were acquired and held exclusively with a view to their subsequent disposal in the near future.

notes to the financial statements

for the financial year ended 31 December 2001

31 Investments in Associates

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
At cost:				
Quoted equities	736,631	690,894	697,130	650,418
Quoted debt securities	2,068	2,068	–	–
Quoted warrants	23,757	38,737	23,757	38,429
Unquoted equities	287,444	91,625	19,674	10,915
	1,049,900	823,324	740,561	699,762
Provision for diminution in value [Note 33(b)]	–	–	(2,960)	(20,084)
Group's share of post acquisition reserves of associates, net of dividends received	731,422	734,207	–	–
	1,781,322	1,557,531	737,601	679,678
Market value at 31 December:				
Quoted equities	1,095,208	939,109	878,338	758,951
Quoted debt securities	2,374	2,238	–	–
Quoted warrants	45,979	57,575	45,979	56,940
	1,143,561	998,922	924,317	815,891

The major associates of the Group as at the balance sheet date are set out in Note 46 to the financial statements.

32 Investments in Subsidiaries

(a)	The Bank	
	2001 \$'000	2000 \$'000
Quoted equities, at cost	395,694	391,986
Provision for diminution in value [Note 33(b)]	–	(10,000)
	395,694	381,986
Unquoted equities, at cost	10,050,640	1,026,419
Provision for diminution in value [Note 33(b)]	(185,736)	(197,848)
	9,864,904	828,571
Total investments in subsidiaries	10,260,598	1,210,557
Market value of quoted equities at 31 December	745,559	516,277

The subsidiaries of the Group as at the balance sheet date are set out in Note 45 to the financial statements.

- (b) On 20 September 2001, the Bank acquired 91% of the issued share capital of Overseas Union Bank Limited (“OUB”), making it a subsidiary of the Group on that date. The Bank subsequently acquired the remaining issued share capital of OUB resulting in OUB becoming a wholly-owned subsidiary on 26 October 2001. As a result of the acquisition, the subsidiaries of OUB became the subsidiaries of the Bank. In addition, Overseas Union Securities Limited (“OUS”), an associate of OUB, became a subsidiary of the Bank by virtue of the combined interests of the Bank and OUB in OUS.

The names and principal activities of the subsidiaries of OUB acquired, and details of the Group’s effective interests in those subsidiaries and OUS are disclosed in Note 45 to the financial statements.

The acquisition of OUB was paid for by the issue of 0.52 new fully paid-up ordinary share of the Bank of \$1 each and \$4.02 in cash for each OUB ordinary share, amounting to a total consideration of \$9,027,046,083.

The fair values of identifiable net assets of the subsidiaries at the date of acquisition are as follows:

	\$’000
Investment and dealing securities	2,175,311
Trade bills and advances to customers	29,972,425
Government treasury bills and securities	4,034,946
Placements and balances with banks and agents	5,627,611
Cash and balances with central bank	820,382
Other assets	2,112,455
Current, fixed, savings accounts and other deposits of non-bank customers	(30,413,698)
Deposits and balances of banks and agents	(6,460,283)
Other liabilities	(2,485,976)
Minority interests	(155,101)
Fair value of identifiable net assets acquired	5,228,072
Goodwill on acquisition	3,824,457
Cost of investment	<u>9,052,529</u>
Details of cost of investment is as follows:	
Purchase consideration discharged by shares issued	4,949,960
Cash consideration paid	4,077,086
Total purchase consideration	9,027,046
Acquisition expenses capitalised	25,483
Cost of investment [see (c)]	<u>9,052,529</u>
Net inflow of cash and cash equivalents on acquisition:	
Cash and cash equivalents of subsidiaries acquired	10,482,939
Cash consideration paid	(4,077,086)
Cash inflow on acquisition	<u>6,405,853</u>

Subsequent to the acquisition, OUB paid a gross special interim dividend out of the Group’s pre-acquisition reserves of OUB amounting to \$49,835,000, net of tax at 24.5% of \$12,210,000. The net dividend of \$37,625,000 has been credited to the Bank’s cost of investment in OUB.

notes to the financial statements

for the financial year ended 31 December 2001

32 Investments in Subsidiaries *(continued)*

The results of these newly acquired subsidiaries have been included in the financial statements of the Group from 20 September 2001. These subsidiaries contributed \$198 million to the Group's profit for the financial year ended 31 December 2001, before deducting goodwill amortisation of \$47,806,000, and increased the Group's total assets and total liabilities by \$41,480 million and \$33,963 million respectively as at the balance sheet date.

- (c) Included in the cost of investment of OUB above are professional fees of \$500,000 paid to the auditors of the Bank for services rendered as reporting accountants in connection with the acquisition of OUB.
- (d) During the financial year, the Group disposed of its overseas stockbroking interests in Indonesia, Thailand, the Philippines and Hong Kong S.A.R. to its associate, UOB-Kay Hian Holdings Limited. Details of the disposals are as follows:

	Country of Incorporation and Business Carried On In	Group's Effective Interest at Date of Disposal %	Group's Share of the Consideration Received \$'000
P T UOBB Securities	Indonesia	68	459
UOB Securities (Thailand) Co. Ltd	Thailand	100	29,306
UOB Securities (Philippines), Inc.	Philippines	100	1,836
United Mok Ying Kie Limited	Hong Kong S.A.R.	55	6,440
UMYK Nominees Limited	Hong Kong S.A.R.	55	2

In addition, the Group paid \$9,110,000 to its associate, United Overseas Land Limited, to take over its 50% interest in Dahua Xiamen Development Ltd. The Group's share of net liabilities disposed of is \$950,000.

Certain minor subsidiaries of the Group were placed into members' voluntary liquidation during the financial year.

The above disposals and liquidations have no material effect on the Group's and the Bank's balance sheets and results for the current financial year.

- (e) In the financial year ended 31 December 2000, the Bank's subsidiary, UOB Securities Pte Ltd ("UOBS"), together with the subsidiaries of UOBS were merged with Kay Hian Holdings Limited ("KHHL"). This was effected through a share exchange agreement whereby the Group divested the whole of its 100% interest in UOBS in exchange for a 39.4% interest in UOB-Kay Hian Holdings Limited, the newly-created holding company of UOBS and KHHL. As a result of the share exchange agreement, UOB-Kay Hian Holdings Limited became an associate of the Group.

33 Movements in the Provisions for Diminution in Value of Investments and Other Assets

(a) The Group

	Singapore Government Treasury Bills and Securities \$'000	Other Government Treasury Bills and Securities \$'000	Dealing Securities \$'000	Other Assets \$'000	Investment Securities \$'000	Fixed Assets \$'000	Total \$'000
2001							
At 1 January	3	879	20,089	57,946	15,655	36,236	130,808
Exchange differences	–	(6)	596	2,329	746	1,528	5,193
Write off against provisions	–	–	(4,895)	(154)	(794)	–	(5,843)
Charge/ (write back) to income statement	30,595	(660)	(9,990)	34,820	5,941	2,051	62,757
Transfer from specific provisions for trade bills and advances to customers	–	–	–	–	647	–	647
Acquisition of OUB	19	297	52,780	7,954	62,981	–	124,031
Disposal of subsidiaries	–	–	(51)	(2,707)	–	(2,490)	(5,248)
Transfer from Life Fund	445	–	–	–	–	–	445
Reclassification	–	–	1,082	–	(1,082)	–	–
At 31 December	31,062	510	59,611	100,188	84,094	37,325	312,790
2000							
At 1 January	–	3,220	3,536	19,349	10,204	39,520	75,829
Exchange differences	–	(74)	(222)	(524)	(321)	(3,507)	(4,648)
Write off against provisions	–	–	–	(1,024)	–	–	(1,024)
Charge/ (write back) to income statement	3	(2,267)	16,888	47,759	3,361	223	65,967
Transfer from specific provisions for trade bills and advances to customers	–	–	–	547	2,411	–	2,958
Disposal of subsidiaries	–	–	(113)	(8,161)	–	–	(8,274)
At 31 December	3	879	20,089	57,946	15,655	36,236	130,808

notes to the financial statements

for the financial year ended 31 December 2001

33 Movements in the Provisions for Diminution in Value of Investments and Other Assets (continued)

(b) The Bank

	Singapore Government Treasury Bills and Securities \$'000	Other Government Treasury Bills and Securities \$'000	Dealing Securities \$'000	Other Assets \$'000	Investment Securities \$'000	Investments in Associates \$'000	Investments in Subsidiaries \$'000	Fixed Assets \$'000	Total \$'000
2001									
At 1 January	–	565	18,600	49,488	4,291	20,084	207,848	2,557	303,433
Exchange differences	–	(8)	693	103	292	(22)	1,668	50	2,776
Write off against provisions	–	–	–	(24)	–	–	(10,745)	–	(10,769)
Charge/ (write back) to income statement	22,476	(554)	(12,418)	34,058	4,908	(17,102)	(13,035)	(190)	18,143
At 31 December	22,476	3	6,875	83,625	9,491	2,960	185,736	2,417	313,583
2000									
At 1 January	–	1,753	2,772	1,828	4,504	9,356	98,159	2,118	120,490
Exchange differences	–	(77)	(239)	(160)	161	24	783	299	791
Write off against provisions	–	–	–	(102)	–	–	–	–	(102)
Charge/ (write back) to income statement	(328)	(1,111)	16,067	47,922	(374)	10,679	108,906	140	181,901
Transfer from a subsidiary upon merger	328	–	–	–	–	25	–	–	353
At 31 December	–	565	18,600	49,488	4,291	20,084	207,848	2,557	303,433

34 Fixed Assets

(a) The Group

	2001			2000		
	Land and Buildings \$'000	Office Equipment, Computers, Fixtures and Other Assets \$'000	Total \$'000	Land and Buildings \$'000	Office Equipment, Computers, Fixtures and Other Assets \$'000	Total \$'000
Balances at 1 January:						
Cost/valuation	1,259,109	599,190	1,858,299	1,236,459	567,619	1,804,078
Accumulated depreciation	(169,738)	(401,316)	(571,054)	(152,469)	(376,512)	(528,981)
Provision for diminution in value	(36,236)	–	(36,236)	(39,520)	–	(39,520)
Net book value	1,053,135	197,874	1,251,009	1,044,470	191,107	1,235,577
Movements during the financial year:						
Exchange differences	5,847	3,139	8,986	(3,864)	(2,450)	(6,314)
Additions	5,352	106,863	112,215	33,283	68,899	102,182
Acquisition of subsidiaries	512,149	79,069	591,218	197	223	420
Disposal of subsidiaries	(48,354)	(15,681)	(64,035)	–	(1,986)	(1,986)
Disposals	(46,819)	(29,889)	(76,708)	(2,354)	(1,550)	(3,904)
Depreciation charge	(21,410)	(74,709)	(96,119)	(18,374)	(56,369)	(74,743)
Provision for diminution in value	(2,051)	–	(2,051)	(223)	–	(223)
Net book value at 31 December	1,457,849	266,666	1,724,515	1,053,135	197,874	1,251,009
Balances at 31 December:						
Cost/valuation	1,656,256	960,289	2,616,545	1,259,109	599,190	1,858,299
Accumulated depreciation	(161,082)	(693,623)	(854,705)	(169,738)	(401,316)	(571,054)
Provision for diminution in value	(37,325)	–	(37,325)	(36,236)	–	(36,236)
Net book value	1,457,849	266,666	1,724,515	1,053,135	197,874	1,251,009

notes to the financial statements

for the financial year ended 31 December 2001

34 Fixed Assets (continued)

(b) The Bank

	2001			2000		
	Land and Buildings \$'000	Office Equipment, Computers, Fixtures and Other Assets \$'000	Total \$'000	Land and Buildings \$'000	Office Equipment, Computers, Fixtures and Other Assets \$'000	Total \$'000
Balances at 1 January:						
Cost/valuation	615,112	371,908	987,020	602,171	333,177	935,348
Accumulated depreciation	(88,275)	(257,613)	(345,888)	(78,054)	(231,080)	(309,134)
Provision for diminution in value	(2,557)	–	(2,557)	(2,118)	–	(2,118)
Net book value	524,280	114,295	638,575	521,999	102,097	624,096
Movements during the financial year:						
Exchange differences	571	431	1,002	(2,918)	(20)	(2,938)
Additions	5,330	48,958	54,288	1,427	45,939	47,366
Transfer from a subsidiary	–	6	6	13,744	71	13,815
Disposals	(36,412)	(464)	(36,876)	(1,833)	(1,087)	(2,920)
Depreciation charge	(7,933)	(39,120)	(47,053)	(7,999)	(32,705)	(40,704)
Net write back/ (charge) of provision for diminution in value	190	–	190	(140)	–	(140)
Net book value at 31 December	486,026	124,106	610,132	524,280	114,295	638,575
Balances at 31 December:						
Cost/valuation	572,865	412,647	985,512	615,112	371,908	987,020
Accumulated depreciation	(84,422)	(288,541)	(372,963)	(88,275)	(257,613)	(345,888)
Provision for diminution in value	(2,417)	–	(2,417)	(2,557)	–	(2,557)
Net book value	486,026	124,106	610,132	524,280	114,295	638,575

- (c) Based on directors' valuation, the estimated market values of the land and buildings of the Group and the Bank included in fixed assets as at 31 December 2001 were \$2,766 million and \$1,202 million respectively (2000: \$2,538 million and \$1,348 million respectively). The excess of the estimated market value over the net book value of the land and buildings is not recognised in the financial statements.
- (d) Included in the land and buildings of the Group and the Bank are leasehold properties with net book value at 31 December 2001 amounting to \$1,055 million and \$436.1 million respectively (2000: \$828.6 million and \$469.9 million respectively). The rest of the properties is freehold.
- (e) Certain freehold and leasehold land and buildings of the Group and of the Bank are included on the basis of valuations made by independent valuers with subsequent additions at cost. The dates of these valuations are as follows:
- (i) The leasehold land at Bonham Street on which UOB Plaza 2 is sited April 1970
 - (ii) Certain freehold and leasehold land and buildings of Chung Khiaw Realty, Limited December 1969
 - (iii) Certain freehold land and buildings of United Overseas Bank (Malaysia) Bhd November 1965
- (f) Provisions for diminution in value are in respect of certain properties in Singapore, Malaysia, Hong Kong S.A.R., China and Thailand which are written down to their estimated market values as determined by the Bank's internal professionally qualified valuers.

35 Goodwill

	The Group	
	2001 \$'000	2000 \$'000
Balance at 1 January	–	–
Goodwill arising on acquisition of OUB	3,824,457	–
Amortisation during the financial year	(47,806)	–
Balance at 31 December	<u>3,776,651</u>	–

36 Proposed Dividends

The directors have proposed a final dividend in respect of the financial year ended 31 December 2001 of 25 cents per share net of tax at 24.5%, amounting to a total of \$296,547,000. These financial statements do not reflect this proposed dividend, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2002. The proposed final dividend in respect of the financial year ended 31 December 2000 was 25 cents per share net of tax at 24.5%, amounting to a total of \$198,650,000 based on the number of shares in issue on 31 December 2000.

notes to the financial statements

for the financial year ended 31 December 2001

37 Contingent Liabilities

(a)	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Direct credit substitutes	2,953,396	1,321,950	1,882,535	1,444,947
Transaction-related contingencies	2,086,844	718,535	435,607	434,325
Trade-related contingencies	2,019,823	1,359,361	639,083	718,001
Other contingent liabilities	728,120	641,779	578,035	306,006
	7,788,183	4,041,625	3,535,260	2,903,279

In the normal course of business, the Group and the Bank conduct businesses involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities is offset by corresponding obligations of third parties.

(b) In addition to the above, the Bank and certain of its subsidiaries ("the Companies") operate a fund under the "Company Welfarism Through Employer's Central Provident Fund (CPF) Contributions" ("COWEC") Scheme known as the UOB Group COWEC Fund to provide retirement and other benefits for participating employees ("the Members"). Under the Trust Deed created on 21 August 1984 for this purpose, the Companies jointly undertake to indemnify the trustees to the extent that:

- (i) if upon termination of the Scheme, it is found that the amount of the Fund is less than the total amount which the Members of the Fund are entitled to under the Scheme, the Companies shall contribute pro-rata to the Fund such amounts as are sufficient to make up for the deficiency; and
- (ii) if in any year the Trustees find that, even after drawing from reserves, they are unable to declare a Scheme Interest Rate which is at least equal to the prevailing CPF interest rate, the Companies shall contribute pro-rata to the Fund such amounts as shall enable the Trustees to declare a Scheme Interest Rate equivalent to the prevailing CPF interest rate.

38 Off-Balance Sheet Derivatives

(a) The Group

	2001				
	Contract or Underlying Principal Amount \$'000	Trading Derivatives		Total Derivatives	
		Positive Revaluation \$'000	Negative Revaluation \$'000	Positive Fair Value \$'000	Negative Fair Value \$'000
Foreign exchange contracts					
Forwards	5,090,877	54,923	56,176	55,507	56,437
Swaps	52,994,548	595,292	553,101	851,300	716,888
Options purchased	2,039,132	7,702	7,324	17,380	–
Options written	1,678,972	6,632	7,856	–	14,291
Interest rate contracts					
Forward rate agreements	28,348	–	–	3	–
Swaps	19,176,778	173,268	162,291	191,901	182,730
Futures	957,496	1,085	1,183	1,085	1,183
Options purchased	94,401	–	–	416	–
Options written	94,401	–	–	–	416
Equity-related contracts					
Futures	16,931	550	–	550	–
Swaps	49,594	1,050	1,049	1,050	1,049
Options purchased	33,196	–	796	28	–
Options written	40,703	46	2,621	–	4,809
Credit-related contracts					
Credit default swaps	465,841	200	5,849	200	5,849
	82,761,218	840,748	798,246	1,119,420	983,652

	2000		
	Contract or Underlying Principal Amount \$'000	Trading Derivatives	
		Positive Revaluation \$'000	Negative Revaluation \$'000
Foreign exchange contracts			
Forwards	3,872,479	64,049	77,700
Swaps	23,703,220	197,545	203,475
Options purchased	148,925	1,385	1,647
Options written	130,000	642	561
Interest rate contracts			
Swaps	7,289,533	62,275	84,639
Futures	1,851,401	3,703	5,802
Equity-related contracts			
Futures	68,753	354	788
Options purchased	70,883	550	2,126
Options written	309,661	4,011	2,653
Credit-related contracts			
Credit default swaps	10,392	412	14
	37,455,247	334,926	379,405

notes to the financial statements

for the financial year ended 31 December 2001

38 Off-Balance Sheet Derivatives (continued)

(b) The Bank

	2001				
	Contract or Underlying Principal Amount \$'000	Trading Derivatives		Total Derivatives	
		Positive Revaluation \$'000	Negative Revaluation \$'000	Positive Fair Value \$'000	Negative Fair Value \$'000
Foreign exchange contracts					
Forwards	4,885,902	52,958	54,061	52,958	54,061
Swaps	47,859,314	597,318	560,260	719,917	606,100
Options purchased	2,039,728	7,696	7,325	17,335	–
Options written	1,678,972	6,632	7,856	–	14,291
Interest rate contracts					
Forward rate agreements	28,348	–	–	3	–
Swaps	13,022,414	127,014	124,702	145,647	145,141
Futures	560,394	1,035	1,143	1,035	1,143
Options purchased	94,401	–	–	416	–
Options written	94,401	–	–	–	416
Equity-related contracts					
Futures	16,931	550	–	550	–
Options purchased	33,196	–	796	28	–
Options written	40,703	46	2,621	–	4,809
Credit-related contracts					
Credit default swaps	25,914	200	217	200	217
	70,380,618	793,449	758,981	938,089	826,178

	2000		
	Contract or Underlying Principal Amount \$'000	Trading Derivatives	
		Positive Revaluation \$'000	Negative Revaluation \$'000
Foreign exchange contracts			
Forwards	3,593,875	57,187	75,257
Swaps	21,517,397	194,251	199,262
Options purchased	148,925	1,385	1,647
Options written	130,000	642	561
Interest rate contracts			
Swaps	7,287,917	62,275	84,639
Futures	1,726,970	3,703	4,761
Equity-related contracts			
Futures	67,670	353	788
Options purchased	70,883	550	2,126
Options written	309,661	4,011	2,653
Credit-related contracts			
Credit default swaps	10,392	412	14
	34,863,690	324,769	371,708

- (c) Off-balance sheet derivatives are instruments whose values change in response to the change in one or more “underlying”, such as foreign exchange rate, interest rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives.

In its normal course of business, the Group and the Bank customise derivatives to meet the specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. The risks associated with the use of derivatives, as well as management’s policies for controlling these risks are set out in Note 43.

The tables above analyse the notional principal amounts and the positive and negative revaluations and fair values of the Group’s and the Bank’s off-balance sheet derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date for both trading and hedging instruments. They do not necessarily indicate the amounts of future cash flows or the fair value of the derivatives and, therefore, do not represent total amounts at risk.

The positive and negative revaluations represent the unrealised gains and losses respectively on revaluation of off-balance sheet derivatives held for trading as at the balance sheet date. The positive and negative fair values for 2001 represent the favourable and unfavourable fair values respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at the balance sheet date.

39 Commitments

	The Group		The Bank	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Capital commitments contracted but not provided for on development of property and purchase of fixed assets	27,248	18,088	22,467	12,136
Undrawn credit facilities	34,353,956	17,746,051	15,058,810	12,006,636
Others	310,964	822,354	308,321	520,484
	34,692,168	18,586,493	15,389,598	12,539,256

40 Cash and Cash Equivalents

	The Group	
	2001 \$'000	2000 \$'000
Cash and balances with central banks	3,329,827	1,714,603
Placements and balances with banks and agents	24,687,340	23,609,022
Singapore Government treasury bills and securities	8,711,833	3,224,421
Other government treasury bills and securities, less non-cash equivalents of \$1,130,252,000 (2000: \$1,440,623,000)	687,108	676,515
	37,416,108	29,224,561

notes to the financial statements

for the financial year ended 31 December 2001

41 Segment Information

(a) Primary Reporting Format - Business Segments

	The Group – 2001					Total \$'000
	Individual Banking \$'000	Institutional Banking \$'000	Global Treasury \$'000	Investment Banking \$'000	Others \$'000	
Income before operating expenses	716,629	846,299	414,506	102,381	144,276	2,224,091
Segment profit before taxation¹	380,832	475,666	266,502	45,810	112,547	1,281,357
Unallocated corporate expenses						(95,904)
						1,185,453
Goodwill amortisation						(47,806)
Operating profit						1,137,647
Exceptional items						(11,997)
Share of profit of associates						71,912
Profit before taxation						1,197,562
Taxation and minority interests						(272,983)
Net profit for the financial year attributable to members						924,579
Other information:						
Segment assets ²	22,832,255	42,298,876	38,399,703	3,126,387	1,035,266	107,692,487
Investments in associates						1,781,322
Goodwill						3,776,651
Unallocated assets						59,870
Total assets						113,310,330
Gross customer loans	22,797,682	41,413,244	–	–	–	64,210,926
Non-performing loans (“NPLs”)	1,494,628	4,449,406	–	–	–	5,944,034
Specific provision and interest-in-suspense for NPLs (cumulative)	376,248	1,508,082	–	–	–	1,884,330
Dealing securities (gross)						
Debt securities*	–	–	801,744	123,720	–	925,464
Equity securities	–	–	5,825	197,499	–	203,324
Non-dealing securities (gross)						
Debt securities*	–	1,130,252	9,699,469	1,179,033	–	12,008,754
Equity securities and funds	–	–	3,105	1,201,937	–	1,205,042
Segment liabilities ²	39,695,187	37,354,597	18,880,362	68,107	24,833	96,023,086
Provisions for current and deferred taxation						532,889
Subordinated notes						3,639,095
Unallocated liabilities						62,994
Total liabilities						100,258,064
Capital expenditure	19,776	26,888	5,839	1,714	57,998	112,215
Depreciation	17,102	26,341	3,445	1,176	48,055	96,119
Provisions included in segment profit before taxation	22,796	108,549	33,829	(2,488)	2,109	164,795

* Includes government treasury bills and securities.

	The Group – 2000					
	Individual Banking \$'000	Institutional Banking \$'000	Global Treasury \$'000	Investment Banking \$'000	Others \$'000	Total \$'000
Income before operating expenses	609,845	636,439	295,361	143,761	217,256	1,902,662
Segment profit before taxation¹	347,740	361,183	213,064	35,962	185,847	1,143,796
Unallocated corporate expenses						(82,952)
						1,060,844
Share of profit of associates						125,032
Profit before taxation						1,185,876
Taxation and minority interests						(272,981)
Net profit for the financial year attributable to members						912,895
Other information:						
Segment assets ²	12,152,863	22,077,603	28,890,016	524,999	1,068,816	64,714,297
Investments in associates						1,557,531
Unallocated assets						52,224
						66,324,052
Gross customer loans	11,763,346	19,946,716	–	–	–	31,710,062
Non-performing loans (“NPLs”)	681,055	1,781,077	–	–	–	2,462,132
Specific provision and interest-in-suspense for NPLs (cumulative)	173,662	722,627	–	–	–	896,289
Dealing securities (gross)						
Debt securities*	–	–	1,063,455	143,458	–	1,206,913
Equity securities	–	–	–	146,082	–	146,082
Non-dealing securities (gross)						
Debt securities*	–	1,440,623	3,225,260	143,638	–	4,809,521
Equity securities and funds	–	–	1,392	229,896	–	231,288
Segment liabilities ²	21,683,686	21,612,216	15,328,171	31,392	9,780	58,665,245
Provisions for current and deferred taxation						451,886
Unallocated liabilities						32,021
Total liabilities						59,149,152
Capital expenditure	20,416	25,575	10,656	1,102	44,433	102,182
Depreciation	12,807	21,018	1,064	935	38,919	74,743
Provisions included in segment profit before taxation	9,765	62,499	(706)	15,870	3,184	90,612

* Includes government treasury bills and securities.

notes to the financial statements

for the financial year ended 31 December 2001

41 Segment Information

(a) Primary Reporting Format - Business Segments *(continued)*

Notes:

1 Segment profit before taxation represents segment income less operating expenses that are directly attributable, and those that can be allocated on a reasonable basis, to a segment. Inter-segment transactions are charged at internal transfer prices, estimated based on the costs in providing the products and services, and after taking into account competitive market prices that are charged to unaffiliated customers.

2 Segment assets and segment liabilities comprise operating assets and liabilities that are directly attributable, and those that can be allocated on a reasonable basis, to a segment.

The Group's businesses are organised into five segments, based on the types of products and services that it provides worldwide. These segments are Individual Banking, Institutional Banking, Global Treasury, Investment Banking, and Others that include mainly property-related activities.

Individual Banking

The Group's Individual Banking segment encompasses personal financial services and private banking. The personal financial services business delivers a wide array of consumer services that includes the issuance of credit and debit cards, loans and mortgages, deposit services and investment advisory services. Private Banking offers wealth management services for high networth individuals.

Institutional Banking

Institutional Banking encompasses commercial banking, corporate banking and capital markets. The commercial banking business serves the small and medium-sized enterprises, while corporate banking serves the large corporations, institutions and governments. Both commercial banking and corporate banking provide customers with, among other things, a broad range of financing options, trade services and custody services. The capital markets segment offers corporate finance services including initial public offerings and corporate advisory services.

Global Treasury

The Group's Global Treasury segment extends a wide range of treasury capabilities in foreign exchange, money market, fixed income, derivatives, leveraged trading and futures broking. It is a dominant player in Singapore dollar treasury instruments and a major primary dealer in Singapore Government Securities. Global Treasury also provides banknotes services and a full range of gold products, and continues to lead in the provision of Singapore dollar cheque clearing services to correspondent banks.

Investment Banking

The Investment Banking segment executes proprietary investments on the Group's behalf. Through the Bank's subsidiaries, Investment Banking also offers asset management products and services through UOB Asset Management Ltd and OUB Asset Management Ltd, venture capital management through UOB Venture Management Private Limited, insurance products through United Overseas Insurance Limited and UOB Life Assurance Limited, and stockbroking services through OUB Securities Pte Ltd and Grand Orient Securities Pte Ltd.

Others

Other operations of the Group include mainly property-related activities.

(b) **Secondary Reporting Format - Geographical Segments**

The Group's activities can be analysed into the following geographical areas:

	Income Before		The Group Profit		Total Assets	
	Operating Expenses		Before Taxation			
	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore (including Asian Currency Units)	1,725,398	1,513,706	1,053,010	1,058,715	86,255,252	50,614,322
Malaysia	247,319	214,124	122,452	123,094	9,574,659	5,520,229
Other ASEAN countries	80,981	45,625	(39,461)	(60,629)	4,008,776	3,044,058
	328,300	259,749	82,991	62,465	13,583,435	8,564,287
Other Asia-Pacific countries	115,996	93,247	35,511	50,555	8,135,632	3,991,057
Rest of the world	54,397	35,960	26,050	14,141	5,336,011	3,154,386
	2,224,091	1,902,662	1,197,562	1,185,876	113,310,330	66,324,052

With the exception of Singapore and Malaysia, no individual country contributed 10% or more of either the Group's total assets, total income before operating expenses or total profit before taxation.

The geographical segment information is based on the location where the assets and transactions are booked. It provides an approximation to geographical segment information that is based on the location of customers and assets.

Geographical segment information is stated after elimination of inter-segment transactions.

42 Non-Current Assets and Liabilities

To comply with the disclosure requirements of the Ninth Schedule of the Singapore Companies Act, set out below are the non-current assets and non-current liabilities of the Group and the Bank. Assets and liabilities other than those disclosed below are current.

	The Group		The Bank	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Singapore Government treasury bills and securities	552,957	–	552,957	–
Trade bills and advances to customers (gross)	36,487,701	12,877,448	13,296,229	11,033,154
Placements and balances with banks and agents	157,229	343,737	80,354	336,009
Investment securities	2,957,125	459,081	989,656	342,654
Investments in associates	1,781,322	1,557,531	737,601	679,678
Investments in subsidiaries	–	–	10,260,598	1,210,557
Fixed assets	1,724,515	1,251,009	610,132	638,575
Goodwill	3,776,651	–	–	–
	47,437,500	16,488,806	26,527,527	14,240,627
Non-current liabilities				
Deposits of and amounts owing to non-bank customers, banks and agents, and subsidiaries	537,294	375,256	201,932	260,752
Provision for deferred taxation	57,454	44,962	29,551	29,415
Subordinated notes	3,639,095	–	3,639,095	–
	4,233,843	420,218	3,870,578	290,167

notes to the financial statements

for the financial year ended 31 December 2001

43 Financial Risk Management

The Group's activities are principally related to transacting in and the use of financial instruments, including derivatives. Transactions in, and the use of, financial instruments expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Managing financial risks is an integral part of the Group's business and it is carried out centrally by the various specialist committees of the UOB Group under policies approved by the directors of the Bank. These policies not only include the parameters for the risks that the Group may undertake for the various financial instruments, but also directions on the types of business that the Group may engage in, guidelines for accepting customers for all types of financial instruments and the terms under which customer business is conducted.

The various specialist committees of the UOB Group have established processes to identify, measure, monitor and ultimately, mitigate these financial risks. Additionally, the Board of Directors of the Bank and the UOB Group's Risk Management & Compliance Sector provide an independent oversight to ensure that those risk management policies are complied with through a variety of established controls and reporting processes.

Discussions on the main financial risks that the Group is exposed to and how it manages these risks are set out below.

(a) Credit Risk

Credit risk is the potential loss arising from any failure by the Group's customers or counterparties to fulfill their obligations as and when these obligations fall due. These obligations may arise from lending, trade finance, investments, receivables under derivative contracts and other credit-related activities undertaken by the Group.

The Credit Committee is responsible for the management of credit risk of the Group. Apart from direct credit management, such as approval of significant loans, it is also responsible for providing directions and timely guidance on lending to different geographical sectors, industries and products.

In general, the Group monitors the levels of credit risk it undertakes through regular review by management, with independent oversight of its credit concentration and portfolio quality by the Credit Committee.

In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, geographical and industry segments, types of acceptable security, level of non-performing loans and adequacy of provisioning requirements.

In respect of other credit risk activities such as money market transactions and off-balance sheet derivatives, the Group has counterparty risk policies that set out approved counterparties with which the Group may transact and their respective transaction limits.

Exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral when certain exposure thresholds are exceeded, the right to terminate transactions upon the occurrence of unfavourable events, the right to reset the terms of transactions after specified time periods or upon the occurrence of unfavourable events, and entering into netting agreements with counterparties that permit the Group to offset receivables and payables with such counterparties.

Given the amounts, types and nature of its existing products and businesses, the Group assesses that industry concentration risk arises primarily from the Group's trade bills and advances to customers. Note 28(c) analyses the Group's total gross trade bills and advances to customers by industry classification as at the balance sheet date.

The following table analyses the Group's financial assets and credit-related contingent liabilities by geographical concentration as at the balance sheet date:

	The Group – 2001				
	Trade Bills and Advances to Customers (Gross) \$'000	Placements and Balances with Banks and Agents \$'000	Other Financial Assets \$'000	Credit-Related Contingent Liabilities \$'000	Total \$'000
Five Regional Countries*	8,562,500	1,988,000	5,418,614	1,788,680	17,757,794
Greater China	2,911,600	911,400	705,078	1,007,680	5,535,758
Singapore	47,328,426	5,807,500	15,497,076	1,555,905	70,188,907
Others**	5,408,400	15,980,440	608,962	3,321,000	25,318,802
	64,210,926	24,687,340	22,229,730	7,673,265	118,801,261

	The Group – 2000				
	Trade Bills and Advances to Customers (Gross) \$'000	Placements and Balances with Banks and Agents \$'000	Other Financial Assets \$'000	Credit-Related Contingent Liabilities \$'000	Total \$'000
Five Regional Countries*	4,191,400	1,787,400	3,702,785	1,003,031	10,684,616
Greater China	1,002,900	475,200	284,594	214,000	1,976,694
Singapore	24,251,562	3,700,522	7,279,695	2,072,331	37,304,110
Others**	2,264,200	17,645,900	151,664	620,000	20,681,764
	31,710,062	23,609,022	11,418,738	3,909,362	70,647,184

* The Five Regional Countries refer to Malaysia, Indonesia, the Philippines, Thailand and South Korea.

** Others comprise mainly other OECD countries.

In addition to the above, the Group also has potential credit risk exposure to undrawn credit facilities of \$34,354 million (2000: \$17,746 million). These represent unused portions of authorisation to extend credit mainly in the form of loans, guarantees and trade finance products such as letters of credit. However, the likely amount of exposure is less than the total undrawn credit facilities since most of these are contingent upon customers maintaining specific credit standards and are cancellable at the option of the Group subject to notice requirements. From past experience, many of these undrawn credit facilities are expected to expire without being drawn upon.

notes to the financial statements

for the financial year ended 31 December 2001

43 Financial Risk Management *(continued)*

(b) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and value of financial instruments caused by fluctuations in foreign exchange rates.

The Group's foreign exchange exposures arise from its foreign exchange position-taking or proprietary business, customer facilitation business as well as a certain amount of structural foreign currency translation exposures as represented by the net asset values of its overseas branches and investments in overseas subsidiaries, and long-term investments in overseas properties. The Group utilises mainly foreign currency forwards and swaps to hedge its foreign exchange exposures.

Foreign exchange risk is managed through risk limits and policies as approved by the Asset Liability Committee. These limits and policies, such as on the level of exposure by currency and in total for both overnight and intra-day positions, are independently monitored on a daily basis by the UOB Group's Risk Management & Compliance Sector, through the Risk Control Unit.

The following table sets out the Group's assets, liabilities and off-balance sheet derivatives by currency as at the balance sheet date. The off-balance sheet gap represents the net contract/underlying principal amounts of derivatives, which are principally used to reduce the Group's exposure to currency movements.

	The Group – 2001							
	Singapore Dollars \$'000	US Dollars \$'000	Malaysian Ringgit \$'000	Hong Kong Dollars \$'000	Australian Dollars \$'000	Thai Baht \$'000	Others \$'000	Total \$'000
Assets								
Cash and balances with central banks	1,568,092	50,635	1,337,459	29,857	12,616	101,877	229,291	3,329,827
Government treasury bills and securities	8,711,833	73,695	208,435	68,934	32,742	1,155,766	277,788	10,529,193
Placements and balances with banks and agents	4,839,718	15,316,399	431,743	325,309	655,449	20,199	3,098,523	24,687,340
Trade bills and advances to customers	39,247,425	9,274,726	5,778,996	1,686,868	1,381,770	858,587	2,663,722	60,892,094
Investment securities	1,010,408	1,479,640	149,395	8,051	85,587	32,063	191,981	2,957,125
Investments in associates	1,755,027	–	24,964	–	–	–	1,331	1,781,322
Goodwill	3,776,651	–	–	–	–	–	–	3,776,651
Others	2,773,710	1,414,290	359,909	117,529	71,763	122,830	496,747	5,356,778
	63,682,864	27,609,385	8,290,901	2,236,548	2,239,927	2,291,322	6,959,383	113,310,330
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	45,258,917	15,552,335	5,618,313	794,490	1,263,153	2,081,411	3,883,065	74,451,684
Deposits and balances of banks and agents	5,105,171	9,483,734	348,986	665,786	509,498	55,075	1,925,557	18,093,807
Bills and drafts payable	68,538	3,343	48,849	557	125	2,578	1,187	125,177
Subordinated notes	1,292,027	2,347,068	–	–	–	–	–	3,639,095
Other liabilities	1,648,526	453,183	525,843	70,405	38,297	37,720	1,174,327	3,948,301
	53,373,179	27,839,663	6,541,991	1,531,238	1,811,073	2,176,784	6,984,136	100,258,064
Shareholders' funds and minority interests	12,050,725	3,949	713,798	351,626	87,114	(208,619)	53,673	13,052,266
	65,423,904	27,843,612	7,255,789	1,882,864	1,898,187	1,968,165	7,037,809	113,310,330
Net on-balance sheet position	(1,741,040)	(234,227)	1,035,112	353,684	341,740	323,157	(78,426)	–
Net off-balance sheet position	534,213	853,534	(103,132)	(318,143)	(283,602)	(171,294)	(511,576)	–
Net foreign currency gap	(1,206,827)	619,307	931,980	35,541	58,138	151,863	(590,002)	–

notes to the financial statements

for the financial year ended 31 December 2001

43 Financial Risk Management

(b) Foreign Exchange Risk *(continued)*

Other foreign exchange exposures of the Group are primarily structural foreign currency exposures. These comprise the net asset values of the Group's overseas branches and investments in overseas subsidiaries, and long-term investments in overseas properties.

Where possible, the Group mitigates the effect of structural currency exposures by funding all the Group's investments in overseas branches with borrowings in the same currencies as the functional currencies of the respective overseas branches. On a selective basis, the Group's investments in overseas subsidiaries and long-term investments in overseas properties are also funded in the same functional currencies. The Group also hedges some of the structural foreign currency exposures using foreign exchange derivatives.

At 31 December 2001, the structural currency exposures of the Group are as follows:

Currency of Structural Exposures	Total Structural Currency Exposures in Overseas Operations \$'000	Hedges by Funding in Respective Functional Currencies \$'000	Other Currency Hedges \$'000	Net Structural Currency Exposures \$'000
Australian dollars	159,753	39,749	7,266	112,738
Bruneian dollars	52,644	–	–	52,644
Hong Kong dollars	634,776	75,812	190,869	368,095
Indonesian rupiah	51,941	291	(36)	51,686
Korean won	34,224	–	–	34,224
Malaysian ringgit	1,325,314	303,999	–	1,021,315
Philippine pesos	71,068	–	–	71,068
Sterling pounds	56,770	541	12,776	43,453
Thai baht	81,877	947	70,752	10,178
Taiwan dollars	25,760	–	–	25,760
US dollars	412,532	235,985	129,913	46,634
Others	53,611	12,212	2,548	38,851
Total	2,960,270	669,536	414,088	1,876,646

(c) Interest Rate Risk

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

Sensitivity to interest rates arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies.

The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

The Group – 2001

	Total \$'000	Non- Interest Bearing \$'000	Up To 7 Days \$'000	Over 7 Days To 1 Month \$'000	Over 1 To 3 Months \$'000	Over 3 To 12 Months \$'000	Over 1 To 3 Years \$'000	Over 3 Years \$'000	Total Interest Bearing \$'000	Effective Interest Rate %
Assets										
Cash and balances with central banks	3,329,827	3,329,827	-	-	-	-	-	-	-	-
Government treasury bills and securities	10,529,193	-	18,300	1,341,663	2,135,759	2,180,855	2,335,009	2,517,607	10,529,193	3.54
Placements and balances with banks and agents	24,687,340	-	5,480,565	7,903,518	3,694,198	7,451,830	109,621	47,608	24,687,340	2.86
Trade bills and advances to customers	60,892,094	-	20,827,428	16,100,213	7,348,703	6,483,402	7,843,418	2,288,930	60,892,094	5.55
Dealing and investment securities	3,638,114	1,554,586	9,040	99,850	180,489	903,939	583,081	307,129	2,083,528	4.44
Investments in associates	1,781,322	1,779,254	-	-	-	-	2,068	-	2,068	1.50
Goodwill	3,776,651	3,776,651	-	-	-	-	-	-	-	-
Others	4,675,789	4,675,789	-	-	-	-	-	-	-	-
	113,310,330	15,116,107	26,335,333	25,445,244	13,359,149	17,020,026	10,873,197	5,161,274	98,194,223	-
Liabilities										
Current, fixed, savings accounts and other deposits of non-bank customers	74,451,684	8,316,931	21,491,616	19,585,026	11,491,515	13,029,302	375,723	161,571	66,134,753	1.93
Deposits and balances of banks and agents, and bills and drafts payable	18,218,984	125,177	5,810,760	4,374,135	5,163,894	2,745,018	-	-	18,093,807	2.95
Subordinated notes	3,639,095	-	-	-	2,345,343	-	-	1,293,752	3,639,095	4.46
Others	3,948,301	3,948,301	-	-	-	-	-	-	-	-
	100,258,064	12,390,409	27,302,376	23,959,161	19,000,752	15,774,320	375,723	1,455,323	87,867,655	-
Shareholders' funds and minority interests	13,052,266	13,052,266	-	-	-	-	-	-	-	-
	113,310,330	25,442,675	27,302,376	23,959,161	19,000,752	15,774,320	375,723	1,455,323	87,867,655	-
Net on-balance sheet position	-	(10,326,568)	(967,043)	1,486,083	(5,641,603)	1,245,706	10,497,474	3,705,951	10,326,568	-
Net off-balance sheet position	-	-	202,472	381,312	351,082	(491,907)	(339,452)	(103,507)	-	-
Net interest rate sensitivity gap	-	(10,326,568)	(764,571)	1,867,395	(5,290,521)	753,799	10,158,022	3,602,444	10,326,568	-

notes to the financial statements

for the financial year ended 31 December 2001

43 Financial Risk Management

(c) Interest Rate Risk (continued)

The Group – 2000										
	Total \$'000	Non- Interest Bearing \$'000	Up To 7 Days \$'000	Over 7 Days To 1 Month \$'000	Over 1 To 3 Months \$'000	Over 3 To 12 Months \$'000	Over 1 To 3 Years \$'000	Over 3 Years \$'000	Total Interest Bearing \$'000	Effective Interest Rate %
Assets										
Cash and balances with central banks	1,714,603	1,714,603	–	–	–	–	–	–	–	–
Government treasury bills and securities	5,341,559	–	151,511	334,410	1,439,334	1,191,324	1,218,956	1,006,024	5,341,559	2.88
Placements and balances with banks and agents	23,609,022	–	2,913,922	7,933,796	7,259,055	5,158,512	340,758	2,979	23,609,022	4.92
Trade bills and advances to customers	30,045,283	–	12,621,521	6,695,160	3,206,948	4,406,207	2,413,229	702,218	30,045,283	6.35
Dealing and investment securities	1,015,619	409,098	–	–	264,086	64,272	146,511	131,652	606,521	5.89
Investments in associates	1,557,531	1,555,463	–	–	–	–	–	2,068	2,068	1.50
Others	3,040,435	3,040,435	–	–	–	–	–	–	–	–
	66,324,052	6,719,599	15,686,954	14,963,366	12,169,423	10,820,315	4,119,454	1,844,941	59,604,453	–
Liabilities										
Current, fixed, savings accounts and other deposits of non-bank customers	43,405,504	2,866,633	13,731,222	12,239,372	6,286,813	7,908,881	175,501	197,082	40,538,871	3.23
Deposits and balances of banks and agents, and bills and drafts payable	13,560,881	129,457	5,127,298	3,783,181	2,524,467	1,993,805	2,422	251	13,431,424	4.98
Others	2,182,767	2,182,767	–	–	–	–	–	–	–	–
	59,149,152	5,178,857	18,858,520	16,022,553	8,811,280	9,902,686	177,923	197,333	53,970,295	–
Shareholders' funds and minority interests										
	7,174,900	7,174,900	–	–	–	–	–	–	–	–
	66,324,052	12,353,757	18,858,520	16,022,553	8,811,280	9,902,686	177,923	197,333	53,970,295	–
Net on-balance sheet position	–	(5,634,158)	(3,171,566)	(1,059,187)	3,358,143	917,629	3,941,531	1,647,608	5,634,158	–
Net off-balance sheet position	–	–	75,973	(136,053)	84,227	(25,924)	97,466	(95,689)	–	–
Net interest rate sensitivity gap	–	(5,634,158)	(3,095,593)	(1,195,240)	3,442,370	891,705	4,038,997	1,551,919	5,634,158	–

Actual repricing dates may differ from contractual dates because prepayments and contractual terms do not reflect the actual behavioural patterns of assets and liabilities. Therefore, the Group manages its interest rate risk by applying dynamic simulation modelling techniques on the above information, which is based on contractual terms.

(d) **Liquidity Risk**

Liquidity risk is the risk that the Group is unable to meet its cash flow obligations as and when they fall due, such as upon the maturity of deposits and loan draw-downs.

It is not unusual for a bank to have mismatches in the contractual maturity profile of its assets and liabilities. The Group manages liquidity risk in accordance with a framework of liquidity policies, controls and limits that is approved by the Asset Liability Committee, with the main objectives of honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

These controls and policies include the setting of limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Additionally, the Group is required by law in the various locations that it operates from, including Singapore, to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements.

notes to the financial statements

for the financial year ended 31 December 2001

43 Financial Risk Management

(d) Liquidity Risk *(continued)*

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms.

	The Group – 2001							
	Total \$'000	Up To 7 Days \$'000	Over 7 Days To 1 Month \$'000	Over 1 To 3 Months \$'000	Over 3 To 12 Months \$'000	Over 1 To 3 Years \$'000	Over 3 Years \$'000	Non- Specific Maturity \$'000
Assets								
Cash and balances with central banks	3,329,827	3,329,827	–	–	–	–	–	–
Government treasury bills and securities	10,529,193	18,300	1,341,663	2,135,759	2,180,855	2,335,009	2,517,607	–
Placements and balances with banks and agents	24,687,340	5,480,565	7,903,518	3,694,198	7,451,830	109,621	47,608	–
Trade bills and advances to customers	60,892,094	12,298,234	6,085,570	3,083,811	4,852,874	9,865,132	24,706,473	–
Dealing and investment securities	3,638,114	–	56,905	112,979	206,449	713,338	1,189,764	1,358,679
Investments in associates	1,781,322	–	–	–	–	25,825	–	1,755,497
Goodwill	3,776,651	–	–	–	–	–	–	3,776,651
Others	4,675,789	120,224	59,491	30,147	47,441	96,440	241,526	4,080,520
	113,310,330	21,247,150	15,447,147	9,056,894	14,739,449	13,145,365	28,702,978	10,971,347
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	74,451,684	29,808,547	19,585,026	11,491,515	13,029,302	375,723	161,571	–
Deposits and balances of banks and agents, and bills and drafts payable	18,218,984	5,906,780	4,390,738	5,176,448	2,745,018	–	–	–
Subordinated notes	3,639,095	–	–	–	–	–	3,639,095	–
Others	3,948,301	188,457	123,821	72,652	82,374	2,375	130	3,478,492
	100,258,064	35,903,784	24,099,585	16,740,615	15,856,694	378,098	3,800,796	3,478,492
Shareholders' funds and minority interests	13,052,266	–	–	–	–	–	–	– 13,052,266
	113,310,330	35,903,784	24,099,585	16,740,615	15,856,694	378,098	3,800,796	16,530,758
Net maturity mismatch	–	(14,656,634)	(8,652,438)	(7,683,721)	(1,117,245)	12,767,267	24,902,182	(5,559,411)

The Group – 2000

	Total \$'000	Up To 7 Days \$'000	Over 7 Days To 1 Month \$'000	Over 1 To 3 Months \$'000	Over 3 To 12 Months \$'000	Over 1 To 3 Years \$'000	Over 3 Years \$'000	Non- Specific Maturity \$'000
Assets								
Cash and balances with central banks	1,714,603	1,714,603	–	–	–	–	–	–
Government treasury bills and securities	5,341,559	151,511	334,410	1,439,334	1,191,324	1,218,956	1,006,024	–
Placements and balances with banks and agents	23,609,022	2,913,922	7,933,796	7,259,055	5,158,512	340,758	2,979	–
Trade bills and advances to customers	30,045,283	7,915,810	2,677,496	3,182,661	3,755,850	3,353,543	9,159,923	–
Dealing and investment securities	1,015,619	–	–	78,201	101,880	202,500	278,102	354,936
Investments in associates	1,557,531	–	–	–	14,980	–	25,825	1,516,726
Others	3,040,435	125,599	42,484	50,499	59,594	53,210	145,339	2,563,710
	66,324,052	12,821,445	10,988,186	12,009,750	10,282,140	5,168,967	10,618,192	4,435,372
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	43,405,504	16,597,855	12,239,372	6,286,813	7,908,881	175,501	197,082	–
Deposits and balances of banks and agents, and bills and drafts payable	13,560,881	5,183,124	3,856,812	2,524,467	1,993,805	2,422	251	–
Others	2,182,767	132,159	97,454	50,058	62,973	1,397	566	1,838,160
	59,149,152	21,913,138	16,193,638	8,861,338	9,965,659	179,320	197,899	1,838,160
Shareholders' funds and minority interests	7,174,900	–	–	–	–	–	–	7,174,900
	66,324,052	21,913,138	16,193,638	8,861,338	9,965,659	179,320	197,899	9,013,060
Net maturity mismatch	–	(9,091,693)	(5,205,452)	3,148,412	316,481	4,989,647	10,420,293	(4,577,688)

notes to the financial statements

for the financial year ended 31 December 2001

43 Financial Risk Management

(d) Liquidity Risk *(continued)*

The contractual maturity analysis often does not reflect the actual behavioural patterns. In particular, the Group has a significant amount of “core” deposits of non-bank customers which are contractually at call and thus, included in the “Up To 7 Days” time band, but history shows that such deposits provide a stable source of long-term funding for the Group.

In addition to the above, the Group is also subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37 and 39. The total outstanding contractual amounts do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the commitments to pay third parties (such as letters of credit) are reimbursed immediately by customers.

44 Fair Values of Financial Instruments

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm’s length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with Singapore Statements of Accounting Standard comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associates, fixed assets, goodwill and provision for current and deferred taxation. The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	2001			
	The Group		The Bank	
	Carrying Amount \$'000	Estimated Fair Value \$'000	Carrying Amount \$'000	Estimated Fair Value \$'000
Singapore Government treasury bills and securities	8,711,833	8,692,326	4,272,411	4,252,904
Other government treasury bills and securities	1,817,360	1,823,652	244,261	246,078
Dealing securities	680,989	683,801	358,104	358,104
Investment securities	2,957,125	3,176,846	989,656	987,119
Subordinated notes	3,639,095	3,635,354	3,639,095	3,635,354

The fair values of off-balance sheet derivatives for 2001 are shown in Note 38.

The fair values of financial instrument contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs. The Group and the Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant.

Where available, quoted and observable market prices are used as the measure of fair values, such as for government treasury bills and securities, quoted securities, subordinated notes and most of the off-balance sheet derivatives.

Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions, the principal ones being as follows:

- The fair values of cash and balances with central bank, and placements and balances with banks, agents and related companies are considered to approximate their carrying values because most of these are (a) of negligible credit risk and (b) either short-term in nature or repriced frequently.
- The Group and the Bank consider the carrying amount of advances to customers as a reasonable approximation of its fair value. Presently, market and observable prices do not exist as there is currently no ready market wherein exchanges between willing parties occur. In estimating the fair value, loans are categorised into homogeneous groups by product types, risk characteristics, maturity and pricing profiles, and non-performing accounts. In estimating the reasonableness of fair value, the Group and the Bank performed stress testing on each of the homogeneous groups, taking into account various hypothetical credit spread and market interest rate scenarios, future expected loss experience and estimated forced sale values of collateral. General provisions are also deducted in arriving at the fair value as a discount for credit risk inherent in the large portfolio of advances to customers.
- The Group and the Bank consider the carrying amounts of all its deposits, such as non-bank customers' deposits and deposits and balances of banks, agents and related companies, as reasonable approximation of their respective fair values given that these are mostly repayable on demand and short-term in nature. The Group and the Bank have also performed stress testing after taking into account the current interest rate environment and determined that their fair values are not likely to be materially sensitive to shifts in market interest rates.
- For off-balance sheet derivatives where quoted and observable market prices are not available, fair values are arrived at using internal pricing models.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, the fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of SAS 32 which requires fair value information to be disclosed. These include fixed assets, long-term relationships with customers, franchise and other intangibles, which are integral to the full assessment of the Group's and the Bank's financial position and the value of their net assets.

notes to the financial statements

for the financial year ended 31 December 2001

45 Subsidiaries

The subsidiaries of the Group as at the balance sheet date are as follows, with those acquired during the financial year upon the acquisition of OUB separately disclosed in (b):

	Country Of Incorporation	Business Carried In	Percentage Of Paid-Up Capital Held By				Cost Of Bank's Investment	
			The Bank		Subsidiaries		2001	2000
			2001 %	2000 %	2001 %	2000 %	\$'000	\$'000
(a) Subsidiaries Excluding Those Arising from the Acquisition of OUB								
Commercial Banking								
Industrial & Commercial								
Bank Limited	Singapore	Singapore	87	87	–	–	384,286	384,286
Far Eastern Bank Limited	Singapore	Singapore	76	74	–	–	37,387	34,259
* United Overseas Bank (Malaysia) Bhd	Malaysia	Malaysia	45	45	55	55	123,731	123,731
* PT Bank UOB Indonesia	Indonesia	Indonesia	80	80	–	–	30,562	30,562
* United Overseas Bank (Canada)	Canada	Canada	100	100	–	–	18,155	18,155
* UOB Radanasin Bank Public Company Limited	Thailand	Thailand	75	75	–	–	165,485	165,485
* United Overseas Bank Philippines	Philippines	Philippines	60	60	–	–	75,642	75,642
Merchant Banking								
UOB Asia Limited	Singapore	Singapore	100	100	–	–	9,747	9,747
* UOB Australia Limited	Australia	Australia	100	100	–	–	10,865	10,865
* UOB Asia (Hong Kong) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	50	50	50	50	11,687	11,687
Insurance								
United Overseas Insurance Limited	Singapore	Singapore	51	51	–	–	7,700	7,700
ICI (2000) Limited (<i>in members'</i> <i>voluntary liquidation</i>)	Singapore	Inactive	–	–	73	73	–	–
* UOB Insurance (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	–	–	100	100	–	–
UOB Life Assurance Limited	Singapore	Singapore	88	88	12	12	76,500	76,500
* PT UOB Life - Sun Assurance	Indonesia	Indonesia	–	–	80	80	–	–
Investment Companies								
CKB (2000) Limited	Singapore	Inactive	100	100	–	–	–	–
* Chung Khiaw Bank (Malaysia) Bhd LWB (1995) Limited (<i>in members'</i> <i>voluntary liquidation</i>)	Malaysia	Malaysia	100	100	–	–	152,403	152,403
UOF (2000) Limited	Singapore	Inactive	100	100	–	–	10	10
* United Overseas Finance (Malaysia) Bhd	Malaysia	Inactive	–	–	100	100	–	–
UOB Equity Holdings (Pte) Ltd	Singapore	Singapore	100	100	–	–	9,600	9,600
United Investments Limited	Singapore	Singapore	100	100	–	–	26,100	68,100
* UOB Finance (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	100	–	–	23,739	22,207

	Country Of Incorporation	Business Carried In	Percentage Of Paid-Up Capital Held By				Cost Of Bank's Investment		
			The Bank		Subsidiaries		2001	2000	
			2001 %	2000 %	2001 %	2000 %	\$'000	\$'000	
* UOB Realty (H.K.) Limited	Hong Kong	Hong Kong							
	S.A.R.	S.A.R.	–	–	100	100	–	–	
ICB Pte Ltd	Singapore	Inactive	–	–	100	100	–	–	
* ICB Finance Limited	Hong Kong	Hong Kong							
	S.A.R.	S.A.R.	–	–	100	100	–	–	
** UOB Holdings (USA) Inc	United States	United States							
	of America	of America	100	100	–	–	27,043	21,182	
UOB Capital Investments Pte Ltd	Singapore	Singapore	100	100	–	–	50,000	600	
UOB Capital Management Pte Ltd	Singapore	Singapore	100	100	–	–	3,100	100	
asia-reach.com Pte Ltd	Singapore	Inactive	100	100	–	–	#	#	
** UOB Venture Management (USA) Inc.	United States	United States							
	of America	of America	–	–	100	100	–	–	
Stockbroking									
UOB Securities (Philippines), Inc. <i>(disposed of during the year)</i>	Philippines	Philippines	–	–	–	100	–	–	
United Mok Ying Kie Limited <i>(disposed of during the year)</i>	Hong Kong	Hong Kong	–	–	–	55	–	–	
	S.A.R.	S.A.R.							
P T UOBB Securities <i>(disposed of during the year)</i>	Indonesia	Indonesia	–	–	–	85	–	–	
UOB Securities (Thailand) Co. Ltd <i>(disposed of during the year)</i>	Thailand	Thailand	–	–	–	100	–	–	
Trustee/Investment Management									
United Overseas Bank Trustee Limited	Singapore	Singapore	20	20	80	80	100	100	
UOB Asset Management Ltd	Singapore	Singapore	100	100	–	–	2,000	2,000	
UOB Global Capital Private Limited	Singapore	Singapore	70	70	–	–	700	672	
*** UOB Global Capital LLC	United States	United States							
	of America	of America	–	–	70	70	–	–	
** UOB Global Capital SARL	France	France	–	–	100	100	–	–	
** UOB Global Capital (Dublin) Ltd	Ireland	Ireland	–	–	100	100	–	–	
UOB Venture Management Private Limited	Singapore	Singapore	100	100	–	–	250	250	
* UOB–OSK Asset Management Sdn Bhd	Malaysia	Malaysia	–	–	70	70	–	–	
* UOB Investment Advisor (Taiwan) Ltd	Taiwan	Taiwan	–	–	100	100	–	–	
UOB Hermes Asia Management Pte Limited	Singapore	Singapore	–	–	60	–	–	–	
UOB Bioventures Management Pte Ltd	Singapore	Singapore	–	–	100	–	–	–	

notes to the financial statements

for the financial year ended 31 December 2001

	Country Of Incorporation	Business Carried In	Percentage Of Paid-Up Capital Held By				Cost Of Bank's Investment	
			The Bank		Subsidiaries		2001	2000
			2001 %	2000 %	2001 %	2000 %	\$'000	\$'000
Trustee/Investment Management								
<i>(continued)</i>								
UOB Venture Bio Investments Ltd	Singapore	Singapore	–	–	100	–	–	–
*** UOB Venture Management (Shanghai) Co., Ltd	People's Republic of China	People's Republic of China	–	–	100	–	–	–
Nominee Services								
United Overseas Bank Nominees (Private) Limited	Singapore	Singapore	100	100	–	–	10	10
ICB Nominees (Private) Limited	Singapore	Singapore	–	–	100	100	–	–
Chung Khiaw Nominees (Private) Limited	Singapore	Singapore	100	100	–	–	10	10
Far Eastern Bank Nominees (Private) Limited	Singapore	Singapore	–	–	100	100	–	–
Lee Wah Nominees (S) Pte Ltd	Singapore	Singapore	100	100	–	–	#	#
Tye Hua Nominees Private Limited	Singapore	Singapore	100	100	–	–	10	10
UOF Nominees (Private) Limited	Singapore	Inactive	100	100	–	–	#	#
United Merchant Bank Nominees (Pte) Ltd	Singapore	Singapore	–	–	100	100	–	–
* UOBM Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
* UOBM Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
* UOB Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
* UOB Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
* United Overseas Bank Nominees (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	100	–	–	4	4
* Chung Khiaw Nominees (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	100	–	–	2	2
* Singapore UMB (Hong Kong) Limited	Hong Kong S.A.R.	Inactive	–	–	100	100	–	–
*** UOB Nominees (UK) Limited	United Kingdom	United Kingdom	100	100	–	–	2	2
* UOB Nominees (Australia) Limited	Australia	Australia	–	–	100	100	–	–
UMYK Nominees Limited <i>(disposed of during the year)</i>	Hong Kong S.A.R.	Hong Kong S.A.R.	–	–	–	100	–	–

	Country Of Incorporation	Business Carried In	Percentage Of Paid-Up Capital Held By				Cost Of Bank's Investment	
			The Bank		Subsidiaries		2001	2000
			2001 %	2000 %	2001 %	2000 %	\$'000	\$'000
Gold/Futures Dealing								
UOB Bullion and Futures Limited	Singapore	Singapore	100	100	–	–	9,000	9,000
Computer Services								
Unicom Databank Private Limited	Singapore	Singapore	100	100	–	–	#	#
* UOB InfoTech Sdn Bhd	Malaysia	Inactive	–	–	100	100	–	–
Management Services								
UOB Management Services Pte Ltd	Singapore	Inactive	100	100	–	–	#	#
ICB Management Pte. Ltd.	Singapore	Inactive	–	–	100	100	–	–
A.I.M. Services Pte Ltd	Singapore	Inactive	–	–	100	100	–	–
General Services								
United General Services (Pte) Ltd	Singapore	Singapore	100	100	–	–	#	#
Consultancy and Research Services								
UOB Investment Research Pte Ltd <i>(in members' voluntary liquidation)</i>	Singapore	Inactive	100	100	–	–	–	500
Property								
UOB Warehouse Private Limited	Singapore	Singapore	100	100	–	–	88,000	88,000
Chung Khiaw Realty, Limited	Singapore	Singapore/ Malaysia	99	99	–	–	60,448	60,448
Industrial & Commercial								
Realty Limited <i>(in members' voluntary liquidation)</i>	Singapore	Inactive	–	–	100	100	–	–
FEB Realty Company Pte Ltd	Singapore	Inactive	–	–	100	100	–	–
ICB Enterprises (Private) Limited	Singapore	Inactive	100	100	–	–	495	495
Industrial & Commercial								
Property (S) Pte Ltd	Singapore	Singapore	–	–	100	100	–	–
** UOB Realty (USA) Inc	United States of America	United States of America	100	100	–	–	370	346
** UOB Realty (USA) Ltd Partnership	United States of America	United States of America	99	99	1	1	18,325	17,147
+ Dahua Xiamen Development Ltd <i>(disposed of during the year)</i>	People's Republic of China	People's Republic of China	–	50	–	–	–	12,333
Property Management								
UOB Property Management Pte Ltd	Singapore	Singapore	100	100	–	–	#	#
Travel								
UOB Travel Planners Pte Ltd	Singapore	Singapore	100	100	–	–	3,987	3,987
UOB Travel (General Sales Agent) Pte Ltd	Singapore	Singapore	55	55	–	–	268	268

notes to the financial statements

for the financial year ended 31 December 2001

	Country Of Incorporation	Business Carried In	Percentage Of Paid-Up Capital Held By				Cost Of Bank's Investment		
			The Bank		Subsidiaries		2001	2000	
			2001	2000	2001	2000	\$'000	\$'000	
			%	%	%	%			
(b)⁺⁺ Acquired during the Financial Year upon Acquisition of OUB									
Commercial Banking									
Overseas Union Bank Limited	Singapore	Singapore	100	–	–	–	9,014,903	–	–
* Overseas Union Bank (Malaysia) Berhad	Malaysia	Malaysia	–	–	100	–	–	–	–
Merchant Banking									
* OUB Australia Ltd	Australia	Australia	–	–	100	–	–	–	–
Finance Companies									
Overseas Union Trust Limited	Singapore	Singapore	##	–	53	–	398	–	–
* OUB Finance (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	–	–	100	–	–	–	–
Factoring									
OUB Factors Pte Ltd <i>(in members' voluntary liquidation)</i>	Singapore	Inactive	–	–	77	–	–	–	–
Leasing									
* OUB Credit Bhd	Malaysia	Malaysia	–	–	100	–	–	–	–
* OUL Sdn Bhd	Malaysia	Malaysia	–	–	100	–	–	–	–
Investment Companies									
Overseas Union Holdings Private Limited	Singapore	Singapore	–	–	100	–	–	–	–
Securities Investment Pte Ltd	Singapore	Singapore	–	–	100	–	–	–	–
Overseas Union Garden (Private) Limited	Singapore	Singapore	–	–	100	–	–	–	–
* Overseas Union Holdings (Aust) Pty Limited	Australia	Australia	–	–	100	–	–	–	–
OUB.com Pte Ltd	Singapore	Singapore	–	–	100	–	–	–	–
OUB Investments Pte Ltd	Singapore	Singapore	–	–	100	–	–	–	–
* Overseas Union Facilities (H.K.) Ltd	Hong Kong S.A.R.	Hong Kong S.A.R.	–	–	100	–	–	–	–
Overseas Union Securities Limited	Singapore	Singapore	6	–	46	–	3,310	–	–
Overseas Union Securities Trading Pte Ltd	Singapore	Singapore	–	–	100	–	–	–	–
Stockbroking									
OUB Securities Pte Ltd	Singapore	Singapore	–	–	100	–	–	–	–
* OUB Securities (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	–	–	100	–	–	–	–
Grand Orient Securities Pte Ltd	Singapore	Singapore	–	–	100	–	–	–	–

	Country Of Incorporation	Business Carried In	Percentage Of Paid-Up Capital Held By				Cost Of Bank's Investment	
			The Bank		Subsidiaries		2001	2000
			2001	2000	2001	2000	\$'000	\$'000
Trustee/Investment Management								
OUB Asset Management Ltd	Singapore	Singapore	–	–	100	–	–	–
* OUB-TA Asset Management Sdn Bhd	Malaysia	Malaysia	–	–	51	–	–	–
Overseas Union Bank Trustees Ltd	Singapore	Singapore	–	–	51	–	–	–
* OUB (Australia) Securities Pty Ltd	Australia	Australia	–	–	100	–	–	–
Nominee Services								
Overseas Union Bank Nominees (Private) Limited	Singapore	Singapore	–	–	100	–	–	–
Mandarin Nominees Pte Ltd	Singapore	Singapore	–	–	100	–	–	–
Overseas Union Trust (Nominees) Pte Ltd	Singapore	Singapore	–	–	100	–	–	–
* OUB Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	–	–	100	–	–	–
* OUB Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	–	–	100	–	–	–
* Overseas Union Bank Nominees (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	–	–	100	–	–	–
** Overseas Union Bank Nominees (U.K.) Limited	United Kingdom	Inactive	–	–	100	–	–	–
* OUB Australia Nominees Pty Ltd	Australia	Australia	–	–	100	–	–	–
Grand Orient Nominees Pte Ltd	Singapore	Singapore	–	–	100	–	–	–
Bullion and Futures Dealing								
OUB Bullion & Futures Ltd	Singapore	Singapore	–	–	100	–	–	–
Management Services								
Overseas Union Management Services Pte Ltd	Singapore	Singapore	–	–	100	–	–	–
* Overseas Union Management Services Sdn Bhd	Malaysia	Malaysia	–	–	100	–	–	–
Research Services								
* OUB Research Sdn Bhd <i>(in members' voluntary liquidation)</i>	Malaysia	Inactive	–	–	100	–	–	–
Property								
* Overseas Union Holdings Sdn Bhd	Malaysia	Malaysia	–	–	100	–	–	–

notes to the financial statements

for the financial year ended 31 December 2001

	Country Of Incorporation	Business Carried In	Percentage Of Paid-Up Capital Held By				Cost Of Bank's Investment	
			The Bank		Subsidiaries		2001	2000
			2001	2000	2001	2000	\$'000	\$'000
Property Management								
* Overseas Union Facilities Sdn Bhd	Malaysia	Inactive	–	–	100	–	–	–
OUB Towers Pte Ltd	Singapore	Singapore	–	–	100	–	–	–
Overseas Union Developments (Private) Limited	Singapore	Singapore	–	–	100	–	–	–
Overseas Union Project Management Pte Ltd	Singapore	Singapore	–	–	100	–	–	–
Overseas Union Realty Services Pte Ltd	Singapore	Singapore	–	–	100	–	–	–
* Overseas Union Developments Sdn Bhd	Malaysia	Malaysia	–	–	100	–	–	–
							10,446,334	1,418,405
							(185,736)	(207,848)
							10,260,598	1,210,557

Notes:

- * Companies audited by member firms of the PricewaterhouseCoopers Global Organisation other than PricewaterhouseCoopers Singapore.
- ** Not required to be audited in country of incorporation.
- *** Companies not audited by PricewaterhouseCoopers Singapore or other member firms of the PricewaterhouseCoopers Global Organisation.
- + Subsidiary at 31 December 2000 by virtue of the Bank's control of more than half of its voting power or control of the composition of the board of directors.
- ++ The Group's effective interest in each of the subsidiaries acquired is the aggregate of the percentage of paid-up capital held by the Bank and by its subsidiaries as shown above, except for Overseas Union Trust (Nominees) Pte Ltd and Overseas Union Securities Trading Pte Ltd in which the Group's effective interests acquired were 53% and 52% respectively.
- # Cost of investment is less than \$1,000.
- ## Percentage of paid-up capital held by the Bank is 0.2%.

46 Major Associates

	Principal Activities	Country of Incorporation and Business	Effective Interest Held By The Group	
			2001	2000
			%	%
Associates (Quoted)				
United Overseas Land Limited	Property/hotel	Singapore	45	45
United International Securities Limited	Investment	Singapore	42	42
Haw Par Corporation Limited	Conglomerate	Singapore	42	42
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	39	39
Associates (Unquoted)				
Ace Net Financial Services Pte Ltd	Automated teller machine services	Singapore	50	–
OUB Manulife Pte Ltd	Life insurance	Singapore	50	–
OUB Optimix Funds Management Ltd	Unit trust fund management	Singapore	50	–
Overseas Union Insurance, Limited	General insurance	Singapore	48	–
Affin-UOB Securities Sdn Bhd	Stockbroking	Malaysia	45	45
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	40	20
Singapore Consortium Investment Management Ltd	Unit trust fund management	Singapore	40	20
Asfinco Singapore Limited	Investment holding	Singapore	39	23
Clearing and Payment Services Pte Ltd	Continuous linked settlement	Singapore	33	–
OSK-UOB Unit Trust Management Berhad	Investment management	Malaysia	30	30
Walden Asia II Limited	Venture capital investment	United States of America	25	25
UOB Venture Investments Limited	Venture capital investment	Singapore	21	21
Vertex Asia Limited	Investment	Singapore	21	–
Novena Square Development Pte Ltd	Property	Singapore	20	20
Novena Square Investment Pte Ltd	Investment	Singapore	20	20
Orix Leasing Singapore Ltd	Leasing/rental	Singapore	20	20
PT Bali Walden UOB Venture Capital	Venture capital investment	Indonesia	20	20

notes to the financial statements

for the financial year ended 31 December 2001

47 Subsequent Event

On 2 January 2002, Overseas Union Bank Limited ("OUB"), a wholly-owned subsidiary, was merged into the Bank under Section 14A of the Banking Act, Cap.19. As a result of the merger, the businesses, assets, liabilities, interests, rights, privileges, obligations and commitments of OUB were transferred to and vested in the Bank.

The assets and liabilities of OUB as at 2 January 2002 transferred to the Bank were \$35,639 million and \$32,006 million respectively.

The merger has no impact on the financial position of the Group as at the date of the merger.

48 Authorisation of Financial Statements

On 8 March 2002, the Board of Directors of United Overseas Bank Limited authorised these financial statements for issue.

The Auditors' Report is on page 86.