

## 2001 in review

Our successful acquisition of Singapore-incorporated Overseas Union Bank Limited (OUB) in 2001 has created a powerful banking force with the size, scale and strength to compete more effectively in Singapore and the Asia-Pacific region.

This section contains a report on the progress of integrating OUB into UOB. It also provides a review of our operations in our key markets.

### Singapore

#### The Integration Of Two Strong Banks

On 29 June 2001, UOB announced a voluntary conditional takeover offer for OUB at a consideration comprising \$4.02 in cash and 0.52 new UOB share for each OUB share. At the outset, the Offer won the support of the principal shareholders of OUB and, on 26 October 2001, OUB became a wholly-owned subsidiary of UOB. On 2 January 2002, OUB was legally merged into UOB under the provisions of the Singapore Banking Act.

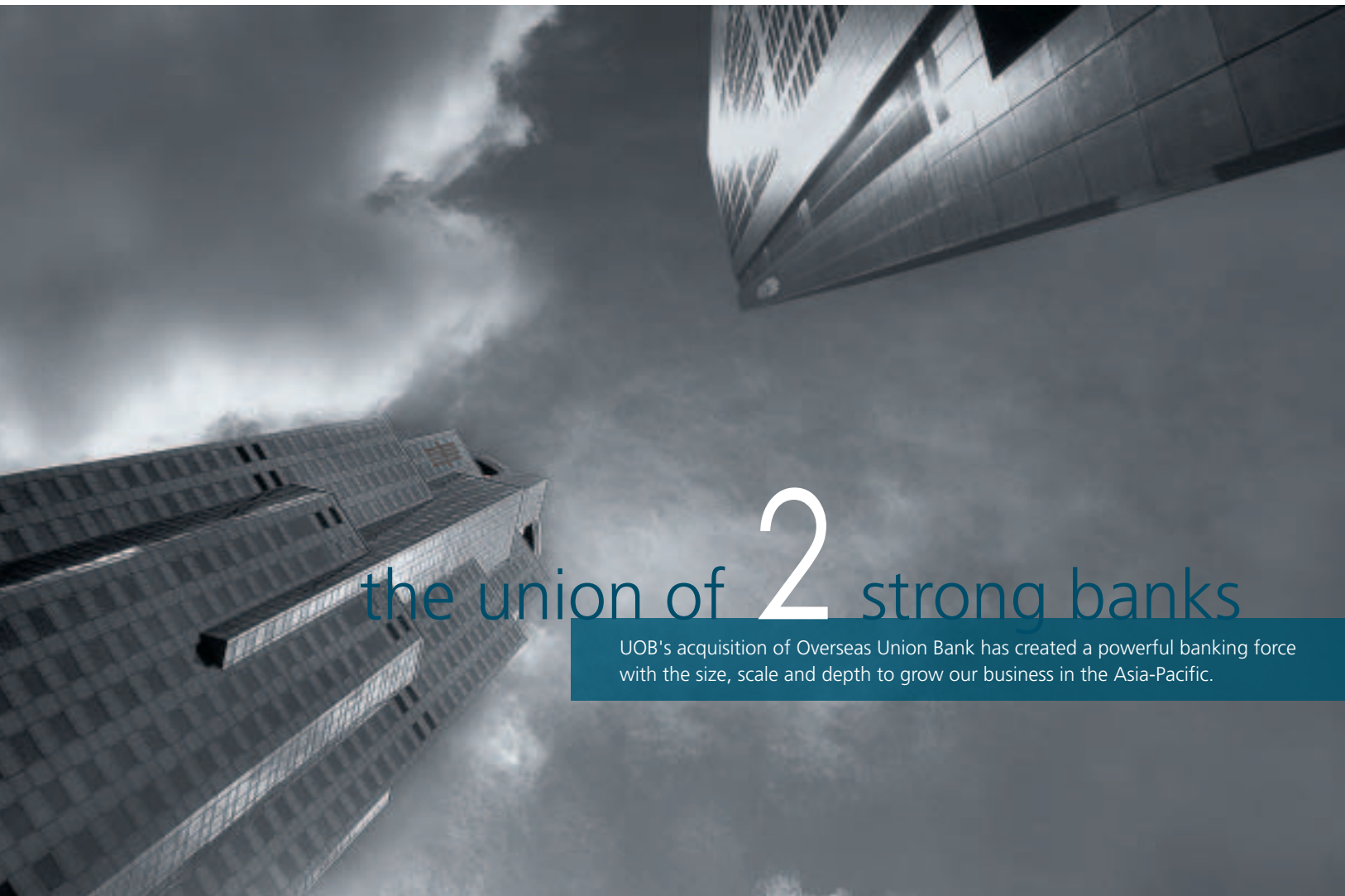
Since October 2001, we have moved swiftly to integrate the businesses and operations of the two banks. Our goal is to achieve a seamless integration and, ultimately, to bring our customers even better choices and services. For our shareholders, we are intent on harnessing value from the combined businesses of both banks and realising synergies from enhanced operational efficiencies.

A high level four-member Integration Steering Committee, chaired by the Bank's Chairman & Chief Executive Officer, sets strategic directions, formulates policies and makes all major decisions regarding the integration process.

We expect our entire integration effort to be completed by the third quarter of 2002.

#### Individual Banking

Our individual banking business, which delivers a wide range of personal financial services and wealth management services, recorded an 11.5% increase in net profit before tax in 2001. Key contributing factors included



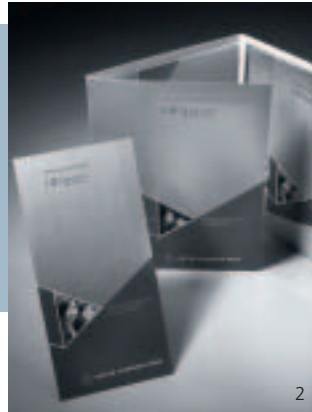
the union of 2 strong banks

UOB's acquisition of Overseas Union Bank has created a powerful banking force with the size, scale and depth to grow our business in the Asia-Pacific.



1. On 29 June 2001, UOB announced a voluntary conditional takeover offer for OUB with the support of the principal shareholders of OUB.

2 & 3. Additions to our suite of personal financial services in 2001 included 1-2-1 Banking, a personalised retail banking service, and UOB CashPlus, a personal line of credit.



a higher fee and commission income from our credit cards business and an improved net interest income from a higher loan volume.

### **Personal Financial Services**

Already a leader in consumer banking, our market lead was further extended with the acquisition of OUB. We are the Number One issuer of credit cards in Singapore with a base of more than 730,000 that represents a market share of 26%. Our total debit card base of over 100,000 has also catapulted us to the Number One spot in the issue of global debit cards in the Singapore market. In addition, we are a recognised leader in the personal loans business.

When our integration effort is completed, our customers will enjoy a wider choice of products and services and access to a larger network of branches and ATMs.

In 2001, we continued to expand our product range to meet the diverse needs of our customers, focusing always on providing greater convenience and higher service levels. We launched a series of initiatives, chief of which were:

- 1-2-1 Banking, a personalised retail banking service specifically designed for our upwardly mobile customers. This service is an industry 'first' and accords a wide range of privileges to our housing loan customers or customers who have investments of \$75,000 and above with the Bank. 1-2-1 Banking customers have access to their own personal Relationship Managers who assist them in all their banking, financial and investment needs.
- The UOB VISA R Card is an innovative global debit card that also carries many of the benefits of a credit card, including global acceptance, rewards points and free travel insurance. Funds are deducted immediately from the Cardmember's bank account each time he or she pays with the Card.
- The launch of the UOB Supplementary Retirement Scheme (SRS) Account allows our customers to enjoy tax savings and investment gains at the same time. UOB SRS Account customers can invest in a broad range of products, including unit trusts, life assurance plans and fixed deposits.
- In the area of personal lending, we introduced UOB CashPlus, a personal line of credit that comes with an extensive range of benefits to provide financial flexibility and convenience to the customer.

## 2001 in review

### Institutional Banking

Our institutional banking business encompasses commercial banking, corporate banking, corporate finance and capital markets. These businesses as a whole reported a 13.9% rise in net profit before tax during the year. The increase was largely due to consolidation with OUB Group's portfolio and higher fee-based income from our corporate finance and capital market activities.

### Commercial Banking

As a Singapore bank, the small and medium-sized enterprise (SME) market is an important core business for us. We reinforced our leadership position in this segment with the acquisition of OUB.

While it was a challenging year for our SME business, our level of profitability remained at almost the same level as 2000. This was largely achieved through prudent credit risk management and a tight control on expenses.

### Corporate Banking

We made good progress in the growth of our corporate banking business. Including OUB's loan portfolio, our customer base has been significantly expanded with our total portfolio outstanding exceeding \$18 billion.

We also had a particularly noteworthy year in business development initiatives, winning several major financing mandates that totalled more than \$3.5 billion. Many of these mandates came from prime names and established industry players.

Other significant initiatives in 2001 included:

- Appointing Global Relationship Managers and Field Relationship Managers to better serve our global and regional customers and to further support the growth of their businesses as they expand into the region and beyond.
- Introducing cash management services as part of our product expansion strategy.
- Launching a 24-hour Call Centre service that is exclusively dedicated to our corporate customers. Available via a toll-free hotline, 1800 22 66 121, the service gives our customers round-the-clock assistance and convenient access to their corporate accounts, anytime, anywhere. Customers can also perform a range of phone banking transactions, including checking the status of inward remittances to their accounts.



1. The UOB VISA R Card is an innovative global debit card launched during the year. We are now Number One in the issue of global debit cards in Singapore.

2. 1800 22 66 121 is a 24-hour Call Centre service introduced to give our corporate customers round-the-clock assistance and convenient access to their accounts.

3. Among the innovative financing solutions that we arranged for our customers was the first Islamic bond issue in Singapore for Majlis Ugama Islam Singapura (MUIS).



# number 1 in SME loans

UOB continues to be the market leader in loans to small and medium-sized enterprises.

## **Capital Markets**

Through UOB Asia Limited, we continued to provide innovative financing solutions to meet the needs of our customers. These included the following:

- Jointly lead-managed the Bank's debut \$1.3 billion subordinated debt issue.
- Arranged and lead-managed the first Islamic bond issue in Singapore for Majlis Ugama Islam Singapura, a statutory body.
- Arranged and lead-managed a variety of bond issues for corporates in Singapore that included SembCorp Industries and Singapore Aircraft Leasing Enterprise.
- Arranged a RM547 million rights issue of 15-year Junior Notes for Puncak Niaga Holdings Berhad in Malaysia.
- Raised financing in the syndicated loan market in Malaysia for London Vista Hotel Limited, a subsidiary of Malayan United Industries Berhad, and Maxis Holdings Sdn Bhd.

## **Global Treasury**

Our global treasury operations maintained a strong performance in 2001, with net profit before tax up by 25.1%. This partly reflected our ability to take advantage of the generally favourable global interest rate environment for non-domestic treasury activities. More importantly, our growth rested on our success in three strategic areas:

- Our ability to capitalise on our core competencies in areas where we have a distinct comparative advantage;
- Expansion of our corporate client business; and
- Enhancing our capabilities in innovative product development.

The rapidly changing financial services landscape, as evidenced by the liberalisation and consolidation of the banking industry in Singapore, together with advances in information technology, have combined to present both challenges and opportunities for banks. Recognising these trends, we continually review our fundamental strategies. Doing so will allow us to meet the greater demands posed by the rapidly evolving business environment.



## 2001 in review

Global Treasury is focused on two priority areas for growth:

- *A concentrated effort to broaden our institutional and corporate client business.*

We are creating a more extensive and integrated client-driven value chain encompassing ideas generation, product structuring, customisation in marketing, and provision of client advisory services. Complementing this is our role as a pre-eminent player in the domestic foreign exchange market providing virtually round-the-clock coverage.

- *A stronger focus on providing value-added services.*

We have committed resources to enhancing our financial engineering capability by adopting research and development and knowledge-intensive activities. Our key aim is to maximise value for our clients by structuring solutions that effectively meet their financing and investment requirements and helping them with complex issues on financial risk management.

We will continue to use new technology to extend our reach and our suite of products, services and quality

information over our online channel, UOB e-Treasury.

Our expanded Global Treasury, after full integration with OUB's Treasury, will also allow us to further build on our Asset-Backed Commercial Paper (ABCP) business. Started in 1999, our ABCP programme continues to attract all classes of sophisticated fixed income investors, as evidenced by the strong growth in the volume of ABCPs issued since inception. In the last quarter of 2001, amid challenging market conditions, the volume of ABCPs issued reached a record high.

Our other priorities are to complement and add significant value to our bond origination, underwriting and distribution activities. As one of the pioneer primary dealers in the Singapore Government Securities market, we have played a significant role in the development of the primary domestic debt capital market. We will also continue to reinforce our commitment in growing the Bank's fee-based income through our planned introduction of structured notes like equity-linked debt issues.

# over 730,000 credit cards

UOB's credit cards business has grown rapidly and we are the Number One credit card issuer in Singapore.





1. *Global Treasury is focused on a client-driven business and is continuing to grow by adding value for our clients in an increasingly complex international marketplace.*

2. *We will continue to deliver convenience to our customers, providing more services through our Internet channel, [www.uobgroup.com](http://www.uobgroup.com).*

## Investment Banking

Investment Banking, which comprises asset management, venture capital management, proprietary investments, insurance and stockbroking, registered a 27.4% increase in net profit before tax during the year. This was primarily attributable to a write-back of provisions for investments made in 2000 and lower expenses.

## Asset Management

Despite the difficult market conditions, our assets under management and advice and committed capital reached \$5 billion at year-end. With the support of our international subsidiary – UOB Global Capital – operating from its offices in New York and Paris, we made significant progress in establishing UOB's presence in the global marketplace.

Our key achievements for the year included the following:

### *UOB Asset Management Ltd*

- Launched two new unit trusts, thus bringing the total number of funds and sub-funds managed by the asset management subsidiary to 29. At the close of 2001, assets under management in unit trusts and segregated accounts had grown to \$4.6 billion. Unit trust assets took a 29% share of this total.

- Appointed as Investment Advisor:
  - by Banque Populaire Asset Management for a \$90 million mandate for its Asia Fund
  - by Banque du Louvre for the Japan equities portfolio of the Louvre Multi Select Asian Equity Fund
  - of Atlas CDO I Ltd, advising on a US\$181 million transaction that invests in a portfolio of global emerging market bonds and FRNs.
- Won six out of the 34 awards in Standard & Poor's Investment Funds Award Singapore 2002.
- Won five out of the 42 awards in the Singapore Investment Fund Awards 2001.

Our institutional asset management business has also been strengthened by the inclusion of OUB Asset Management Ltd (OUBAM)'s expertise and strong franchise.

This has resulted in a significant increase in total assets under management and advice to \$10 billion.

During the year, OUBAM continued to expand its Collateralised Bond/Debt Obligation (CBO/CDO) business with the following achievements:

## 2001 in review

- Appointed as Investment Partner of Melchior CDO I S.A., a Euro 400 million transaction investing in a portfolio of Euro high-yield corporate bonds and loans.
- Appointed as Collateral Advisor and Execution Agent for Solar Investment Grade CBO II Ltd, a US\$407.5 million transaction investing in a portfolio of US investment grade corporate bonds and credit default swaps.
- Appointed as Investment Manager of Emerging Asia CBO Ltd, a US\$80 million transaction investing in a portfolio of sovereign and corporate bonds of emerging markets.

### *UOB Venture Management Private Limited*

- Raised two new funds with commitments totalling \$141 million comprising:
  - \$105 million that was raised in cooperation with UOB Global Capital for the UOB Hermes Asia Technology Fund Limited. Investors included major US and Japanese investors, such as Boeing, New York Life, Silicon Valley Bank and ORIX Investment and Management Pte Ltd. The fund was sponsored by UOB and Hermes Investment Management on behalf of the British Telecom Pension Scheme Trustees; and
  - \$36 million that was raised from the first closing of the UOB Shenzhen Venture Capital Co., Ltd (SZVC) Fund.

- Managed five funds exceeding \$350 million in actual committed capital.
- Set up a subsidiary, UOB Venture Management (Shanghai) Co., Ltd in Shanghai as an investment holding entity and our fund management vehicle in China.
- Established a joint venture consulting company in Beijing with Beijing Centergate Technologies Co., Ltd to provide financial and advisory services to local and foreign companies in China.
- Established UOB Bioventures Management Pte Ltd, a fund management company that specialises in managing private investments in the bio-medical sector.

### *UOB Global Capital*

- Launched an offshore hedge fund through a strategic alliance with Kinetics Advisors LLC., as part of the ongoing effort to grow the range of products that we manage and offer to our clients. In addition, UOB Global Capital successfully concluded a Letter of Intent with a major international fund manager to establish a joint venture in the Fund of Hedge Fund business. This will create UOB's first US\$ global product.



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1 & 2. New unit trusts launched by UOB Asset Management during the year brought the total number of funds and sub-funds managed by the subsidiary to 29. The asset management subsidiary is consistently awarded industry recognition for its fund management accomplishments.





# 10 billion dollars in assets under management and advice

The combination of the fund management capabilities of UOB and OUB has significantly enhanced the retail and institutional segments of our asset management business.

## Internet Banking

Following the successful launch in 2000 of [www.uobgroup.com](http://www.uobgroup.com), our online financial and lifestyle portal that allows customers to 'Bank Online, Live Online' with us, we have continued to leverage on the Internet to deliver more convenient and customer-centric services.

Our key initiatives in 2001 included:

- Launching e-Uni\$, which customers can redeem for a wide range of choice rewards.
- Launching UniAlerts, a value-added service that allows customers to be alerted via email, fax, mobile SMS or pager on a variety of banking activities, including their COE bidding and IPO application results, the due dates of their UOB Credit Card bills, and the status of their scheduled bill payments.
- Introducing e-Statement, where customers can opt to view their account statements online instead of receiving physical paper statements.

## International Operations

Our international presence has been enhanced with the acquisition of OUB. Our overseas branches, offices and subsidiaries now span 18 countries in the Asia-Pacific, Western Europe and North America.

We are focused on growing our business in the Asia-Pacific region. This is consistent with our vision to be a premier bank in the Asia-Pacific. In particular, ASEAN and Greater China are key markets for us, and we are working towards building a strong franchise to strengthen our market presence in these regions.

In 2001, our overseas operations, including ACU, contributed 30.4% to Group total profit. Our goal is 40% by 2010.



## 2001 in review

### Malaysia

Operating under a difficult business climate, our Malaysian operations, covering principally United Overseas Bank (Malaysia) Bhd (UOBM) and UOB Labuan Branch, reported lower profitability in 2001. A reduced demand for loans, coupled with lower interest rates during the year, led to an erosion of interest margins and, consequently, to a lower stream of interest income. However, our strategy to diversify our revenue streams has cushioned the impact to our overall bottom line. As a result, we generated almost the same level of non-interest income as in the previous year.

With the addition of OUB's Malaysian operations, we now have a total of 38 branches. This makes us the foreign bank with the largest branch network in the country.

Privilege Banking is a key focus and we have begun to see positive results of our investment in this area, in terms of a growing customer base and contributions to the

bottom line. We will continue to sharpen our client focus. Our network of Privilege Banking Centres is also being expanded.

### Thailand

UOB Radanasin Bank (UOBR) closed the year with a net loss of B669 million (\$28 million) against B1.3 billion (\$51.3 million) in 2000.

The loss notwithstanding, UOBR, over the course of 2001, made significant headway in building its business franchise in the country. This was most notable in the areas of trade finance and personal financial services.

In trade finance, we registered high growth volumes, extending largely packing credit, trust receipts and import letters of credit to customers. In personal financial services, we were active in the housing loan, credit card and debit card markets. By year-end, we had 72,000 credit cards CIF (Cards In Force), while U-Credit, our debit card with



18 countries worldwide

UOB has a global presence that spans 18 countries in the Asia-Pacific, Western Europe and North America. More than three-quarters of our offices are in the Asia-Pacific. This is consistent with our vision to be a premier bank in the region.



1 & 2. We made good strides in building our personal financial services franchise in Thailand and Hong Kong in 2001. UOB Radanasin Bank, our Thai banking subsidiary, launched U-Credit, a debit card with an accompanying overdraft facility, while in Hong Kong, we established a full-service UOB Card Centre to launch the UOB Credit Card this year.

an accompanying overdraft line, reached a base of 33,000 and generated receivables of B223 million (\$9.3 million).

With the successful consolidation of our branch network, we are also now well positioned to transform our current 37 branches into an effective and efficient platform for growth.

### Philippines

In the Philippines, the tough economic conditions have necessitated us to continue to adopt a cautious business approach. Our banking subsidiary, United Overseas Bank Philippines, registered a loss in 2001, largely due to a small loan portfolio and higher expenditure needed to improve infrastructure, systems and processes.

Efforts in 2001 were focused on rationalising our operations and building a strong base from which we can expand the array of products and services we offer.

### Indonesia

Net profit before tax from our operations in Indonesia increased by 34.3% in 2001, reflecting net interest income growth as a result of a higher business volume. During the year, we continued to be selective in our marketing approach, focusing on export-oriented companies that have sound fundamentals and show potential for growth.

### Other International Businesses

Our other international operations reported improved profitability in 2001. This was largely due to the focused expansion of our corporate lending activity and money market operations.

Our strategy to grow our regional business, particularly in the Greater China region, took a significant step forward with the integration of OUB's overseas network into UOB's. Apart from OUB's extensive regional business links, our market presence has been expanded to include four branches in China, five branches in Hong Kong S.A.R., a branch in Taiwan, and a representative office each in Beijing and Chengdu. Additionally, we have established an office in Hong Kong S.A.R. to spearhead the development of our corporate banking business in the Greater China region.

The following were part of our initiatives in 2001 to further develop business growth opportunities in Greater China:

- Signed a Memorandum Of Understanding (MOU) with the China Construction Bank. As with the MOU signed with the Bank Of Communications in 2000, this MOU with the China Construction Bank aims to foster closer business cooperation.
- Made preparations for the launch of the UOB Credit Card in Hong Kong S.A.R. as part of our effort to develop our consumer banking business in the country.

## 2001 in review

### Technology

Despite the difficult and challenging business environment in 2001, the Bank maintained its significant investment in technology. During the year under review, our technology expenditure amounted to \$153 million, or 17.5% of total Group expenses.

We have moved swiftly to integrate the information technology (IT) systems of UOB and OUB. Apart from the integration of the business systems, the capacity of our technical infrastructure is also being upgraded to respond to the increased volume in business transactions. This will allow us to perform at an optimum level.

Besides integration and business solutions, our initiatives in 2001 were centred on building our IT infrastructure to further enhance our technology capabilities. Our efforts included:

- Building an Enterprise Integration Infrastructure (EAI) to facilitate increased straight through processing in both our back-office operations and customer-activated systems.
- Implementing a formal project management methodology with the aim of achieving higher quality, better consistency and greater timeliness in project delivery.



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### Staff

Being in a customer-focused industry, our key asset is our staff. The acquisition of OUB has given us greater depth and strength in management, and an enlarged talent pool to help us successfully deliver our business goals and achieve our corporate vision.

Our key activities in 2001 included:

- Introducing the concept of Line Human Resource (HR) Managers who work closely with the Bank's business units for an intimate understanding of their human resource needs to meet their business objectives.
- Investing in an Internet-based HR management system.
- Continuing to focus on training for the professional and personal development of our staff. In 2001, 10,266 training places were recorded, up 5% from 2000. In line with the Bank's strategies, a significant portion of training time was devoted to developing staff in inter-personal, management and information technology skills.



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1. Our training continues to focus on developing staff in inter-personal, management and information technology skills.

2. A major thrust of our philanthropy is support for the development of local arts. An example is our annual UOB Painting Of The Year Competition and Exhibition.

3. Recognition awarded by leading publications like Asiamoney strengthen our reputation as a leading financial institution in Singapore and Asia.



A woman in a business suit is using an ATM. The background is a blurred cityscape. The text 'more than 400 ATMs islandwide' is overlaid on the image.

# more than 400 ATMs islandwide

UOB's enlarged ATM network brings greater convenience and accessibility to our customers on the island.

## Accolades

Over the years, the Bank has built a strong reputation as a quality and professionally managed financial institution. In 2001, this reputation was strengthened by a series of accolades and awards from leading publications.

Significant awards received in 2001 were:

- Asiamoney: Asia's Strongest Banks
  - Strongest Bank In Singapore and Third Strongest Bank In Asia
- Global Finance: World's Best Banks 2001
  - Best Bank In Singapore
- The Asset: Triple A – Asset Asian Awards 2002
  - Best Domestic Commercial Bank In Singapore
  - Best Bank M & A Deal: UOB's US\$5.8 billion Acquisition Of OUB
- Global Custodian: 2001 Major Market Agent Bank Review
  - 'Top Rated' Award for excellence in providing custody services and Best Performing Agent Among Singapore Banks (by score)

- GSCS Benchmarks: 2001 Review Of Subcustodian Services
  - 'Star' Ratings for settlement, safekeeping and overall performance.

## Community

As a leading financial institution, we operate not only in the interests of our shareholders, customers and staff but also of society. We strive to play an active and meaningful role in the communities in which we live and work.

Our key demonstrations of community involvement in 2001 included:

- Donating, together with OUB, \$2 million to several charities and public bodies, including the National Trades Union Congress' Education and Training Fund for the training of banking sector employees.
- Contributing \$50,000 towards the Toh Chin Chye Professorship in Molecular Biology at the National University of Singapore.
- Supporting the development of local arts via our annual UOB Painting Of The Year Competition and Exhibition which celebrated its 20th year in 2001.