

ANNEXURE B



PricewaterhouseCoopers

8 Cross Street #17-00
PWC Building
Singapore 048424
Telephone (65) 236 3388
Facsimile (65) 236 3300
www.pwcglobal.com/sg

Business No.: 52871777D

ACCOUNTANTS' REPORT

The Board of Directors
United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

26 July 2001

Our Ref: ABAS 1B / 02506099 / THJ / KWS (13)

Dear Sirs

I. INTRODUCTION

This report has been prepared for inclusion in the Offer Document dated 26 July 2001, issued in connection with the voluntary conditional offer for Overseas Union Bank Limited ("OUB") by United Overseas Bank Limited ("Bank").

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

A. BASIS OF PREPARATION OF UNAUDITED PROFORMA FINANCIAL INFORMATION

The unaudited proforma financial information of the combined United Overseas Bank ("UOB") Group and OUB Group ("the Combined Group") set out below comprises the following:

- (a) the unaudited proforma consolidated income statement of the Combined Group for the financial year ended 31 December 2000;
- (b) the unaudited proforma consolidated balance sheet of the Combined Group as at 31 December 2000; and
- (c) unaudited notes to the proforma consolidated income statement for the financial year ended 31 December 2000 and the proforma consolidated balance sheet as at 31 December 2000 of the Combined Group.

The financial information set out in this section is expressed in Singapore dollars.

The unaudited proforma financial information of the Combined Group set out in this section has been prepared based on the separate audited consolidated financial statements of the UOB Group and the OUB Group for the financial year ended 31 December 2000, after making such reclassifications to those audited financial statements as are considered necessary to achieve consistency of presentation, and on the basis of the assumptions set out in Section II(B). Reference has also been made, where appropriate, to publicly available information relating to the OUB Group.

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

A. BASIS OF PREPARATION OF UNAUDITED PROFORMA FINANCIAL INFORMATION (continued)

(c) (continued)

The proforma financial information is prepared in accordance with the significant accounting policies set out in Section II(C). These significant accounting policies are substantially consistent with the accounting policies adopted by the UOB Group for the financial year ended 31 December 2000 and those disclosed in the OUB Group's audited financial statements for the financial year ended 31 December 2000, except as stated in paragraph (k) of Section II(C).

The objective of the proforma financial information is to present what the Combined Group's historical consolidated balance sheet as at 31 December 2000 and the consolidated income statement for the year then ended would have been, had the acquisition of the OUB Group by UOB been completed on 1 January 2000. The proforma financial information is for illustrative purposes only, and does not purport to be indicative of the results and financial position of the Combined Group that would have been attained had the acquisition been completed on 1 January 2000.

B. KEY ASSUMPTIONS

The proforma financial information of the Combined Group is prepared on the basis of certain key assumptions made by the directors of UOB, which are set out below:

- (a) The consideration to be paid by UOB for each OUB ordinary share held is 0.52 New UOB Shares and \$4.02 in cash. In arriving at the total purchase consideration, it is assumed that the price of each UOB share is \$11.50, which was the last traded price of each UOB share on 28 June 2001.
- (b) Goodwill is computed based on the audited book values as at 31 December 2000, as opposed to fair values at the date of acquisition, of the OUB Group's identifiable assets and liabilities acquired. The goodwill is amortised over 20 years.
- (c) None of the outstanding UOB Options or OUB Options as at 31 December 2000 was exercised. The proforma financial information has not taken into account any arrangement which UOB might enter into with the holders of outstanding OUB Options.
- (d) The Offer is successful and UOB will acquire 100% of OUB.
- (e) It is assumed that there are no restructuring costs and no transaction costs associated with the proposed acquisition.
- (f) It is assumed that there are no synergistic benefits arising from the acquisition.
- (g) Transactions between the UOB Group and the OUB Group are not material to the unaudited proforma financial information of the Combined Group. Inter-company balances and transactions have therefore not been eliminated in preparing the proforma financial information.
- (h) The proforma financial information did not take into account any dividend, paid or payable, on the New UOB Shares to be issued in connection with the proposed acquisition.
- (i) For the purpose of preparing the proforma financial information, it is assumed that UOB will issue approximately \$3,200 million of Upper Tier 2 subordinated notes or alternative securities that qualify as regulatory capital to strengthen UOB's capital structure after the Offer.
- (j) There were no significant post balance sheet events between 31 December 2000 and the date of this Circular that would materially impact on the compilation of the proforma financial information.
- (k) It is assumed that there is no change to the authorised ordinary share capital of UOB as at 31 December 2000.

C. SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies which have been applied in the preparation of the proforma financial information and which are in accordance with Singapore Statements of Accounting Standard applicable for the financial year ended 31 December 2000, other than as noted in paragraph (k) below, is set out below.

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

C. SIGNIFICANT ACCOUNTING POLICIES (continued)

No adjustments have been made to the proforma financial information for the effects of new accounting standards which are effective for the UOB Group and OUB Group from 1 January 2001, except for that relating to goodwill arising on acquisition of a subsidiary as set out in paragraph (k) below.

(a) Basis of accounting

The financial information is prepared in accordance with the historical cost convention, modified by the revaluation of certain off-balance sheet financial instruments to market value at each balance sheet date and the inclusion of certain fixed assets at valuation.

The financial information is expressed in Singapore Dollars.

(b) Basis of consolidation

The financial information of the Combined Group includes the financial information of the Bank and all its subsidiaries made up to the end of each financial year. In consolidating the life insurance subsidiaries, the financial information of the Combined Group includes only the assets and liabilities belonging to the shareholders. The assets and liabilities of the Life Funds accrue to insurance policyholders and are not consolidated. The results of subsidiaries acquired or disposed of during each financial year are included in or excluded from the income statement of the Combined Group 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 Combined Group treats as associates those companies in which the Combined 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.

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

(d) Trade bills and advances to customers

Trade bills and advances to customers are stated after deduction of 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 are stated at the lower of cost and market value determined on an aggregate 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 which is other than temporary, determined on an individual basis.

(f) Revenue recognition

Interest income is accrued on a day-to-day basis.

Dividend income is taken up gross in the income statement of the accounting period in which the dividend is received. Profits or losses on disposal of investments are taken to the income statement.

Fee and commission income and rental income are recognised on an accrual basis.

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

C. SIGNIFICANT ACCOUNTING POLICIES (continued)(g) Fixed assets and depreciation

Fixed assets are stated at cost, or valuation for certain fixed assets, less accumulated depreciation. Fixed assets, other than land and buildings, are depreciated on a straight-line basis over 3 to 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.

(h) 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.

(i) Foreign currencies

Foreign currency assets and liabilities are translated to Singapore dollars at the rates of exchange ruling at each balance sheet date. Foreign currency transactions during each financial 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 statement.

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 each balance sheet date. All exchange adjustments arising on translation into Singapore dollars are taken directly to the foreign currency translation reserve.

(j) Off-balance sheet financial instruments

Transactions in off-balance sheet financial instruments undertaken for trading purposes are marked-to-market and the resulting profits and losses are taken up in the income statement.

Transactions designated as hedges are accounted for in a manner consistent with the accounting treatment of the hedged items.

(k) Goodwill

Goodwill arising on the acquisition of a subsidiary or an associate represents the excess of the cost of acquisition over the Combined Group's share of the fair values of the net identifiable assets of the subsidiary or associate acquired. For all acquisitions up to 31 December 2000, other than the assumed acquisition of OUB on 1 January 2000, goodwill is written off against reserves in the year of acquisition.

For the purpose of the proforma financial information, goodwill arising on the acquisition of OUB is amortised on a straight-line basis through the Combined Group's consolidated income statement over its economic useful life which has been assumed to be 20 years. This accounting policy applied to the goodwill arising on the acquisition of OUB is applicable to the UOB Group's financial statements with effect from 1 January 2001 as a result of revisions to Statement of Accounting Standard 22 – Accounting for Business Combinations.

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

D. UNAUDITED PROFORMA CONSOLIDATED INCOME STATEMENT OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000

	Notes In Section II(F)	UOB Group \$'000	OUB Group \$'000	Proforma adjustments \$'000	Proforma Combined Group after acquisition of OUB \$'000
Interest income		3,053,356	2,339,123	—	5,392,479
Less: Interest expense		1,854,945	1,340,211	179,075 (i)	3,374,231
Net interest income	1	1,198,411	998,912	(179,075)	2,018,248
Dividend income		8,151	6,032	—	14,183
Fee and commission income	2	330,435	182,714	—	513,149
Rental income	2	70,513	4,905	—	75,418
Other operating income	3	297,951	83,801	—	381,752
Income before operating expenses		1,905,461	1,276,364	(179,075)	3,002,750
Less:					
Staff costs		381,457	263,851	—	645,308
Other operating expenses		369,749	222,534	238,742 (ii)	831,025
		751,206	486,385	238,742	1,476,333
Operating profit before provisions		1,154,255	789,979	(417,817)	1,526,417
Less: Provisions	4	93,411	123,324	—	216,735
OPERATING PROFIT		1,060,844	666,655	(417,817)	1,309,682
SHARE OF PROFIT OF ASSOCIATES		125,032	53,375	—	178,407
PROFIT BEFORE TAXATION		1,185,876	720,030	(417,817)	1,488,089
Less: TAXATION		273,416	158,926	(45,664) (iii)	386,678
PROFIT AFTER TAXATION		912,460	561,104	(372,153)	1,101,411
Less: MINORITY INTERESTS		(435)	16,064	—	15,629
NET PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS		912,895	545,040	(372,153)	1,085,782
Basic earnings per share ("EPS")					
Before amortisation of goodwill		87 cents	55 cents		84 cents
After amortisation of goodwill		87 cents	55 cents		69 cents
Weighted average number of ordinary shares in issue for computation of basic EPS		1,052,262	992,748		1,568,900

(i) Funding costs in relation to new issue of approximately \$3,200 million of debt securities to strengthen UOB's capital structure, and other money market funds utilised for the acquisition.

(ii) One year's amortisation charge for goodwill arising on acquisition of OUB Group.

(iii) Tax effect on funding costs referred to in (i).

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

E. UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEET OF THE COMBINED UOB GROUP AND OUB GROUP AS AT 31 DECEMBER 2000

	Notes In Section II(F)	UOB Group \$'000	OUB Group \$'000	Proforma adjustments \$'000	Proforma Combined Group after acquisition of OUB \$'000
SHARE CAPITAL AND RESERVES					
Share capital	5	1,052,451	993,535	(993,535) (i) 516,638 (ii)	1,569,089
Share premium	6	783,488	1,764,435	(1,764,435) (i) 5,424,701 (ii)	6,208,189
Non-distributable reserves	7	1,820,477	1,089,148	(1,089,148) (i)	1,820,477
Revenue reserves	8	2,593,638	1,035,408	(1,035,408) (i) 172,887 (iii)	2,766,525
Share of reserves of associates		519,469	277,992	(277,992) (i)	519,469
		<u>6,769,523</u>	<u>5,160,518</u>	<u>953,708</u>	<u>12,883,749</u>
MINORITY INTERESTS		206,727	139,898	—	346,625
LIABILITIES					
Current, fixed, savings accounts and other deposits of non-bank customers		43,405,504	26,899,471	—	70,304,975
Deposits and balances of banks and agents		13,431,424	12,899,598	3,994,011 (ii) (3,200,000) (iv)	27,125,033
	9	56,836,928	39,799,069		97,430,008
Bills and drafts payable		129,457	52,281	—	181,738
Provisions for current and deferred taxation		451,886	175,110	(45,664) (v)	581,332
Other liabilities		1,730,881	1,144,032	—	2,874,913
Proposed dividends		198,650	82,513	—	281,163
Debt securities	10	—	50,000	3,200,000 (iv)	3,250,000
		<u>59,347,802</u>	<u>41,303,005</u>		<u>104,599,154</u>
		<u>66,324,052</u>	<u>46,603,421</u>	<u>4,902,055</u>	<u>117,829,528</u>
ASSETS					
Cash and balances with central banks		1,714,603	1,049,237	—	2,763,840
Singapore government treasury bills and securities		3,224,421	3,502,454	—	6,726,875
Other government treasury bills and securities		2,117,138	204,060	—	2,321,198
Dealing securities		556,538	577,189	—	1,133,727
Placements and balances with banks and agents	11	23,609,022	10,027,263	—	33,636,285
Trade bills and advances to customers	12	30,045,283	28,575,024	—	58,620,307
Other accounts		1,789,426	776,434	365,965 (vi)	2,931,825
		<u>63,056,431</u>	<u>44,711,661</u>		<u>108,134,057</u>
Investment securities		459,081	869,028	—	1,328,109
Investments in associates	13	1,557,531	612,848	—	2,170,379
Fixed assets	15	1,251,009	409,884	—	1,660,893
Goodwill		—	—	4,536,090 (vii)	4,536,090
		<u>66,324,052</u>	<u>46,603,421</u>	<u>4,902,055</u>	<u>117,829,528</u>
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	16	4,041,625	2,501,298	—	6,542,923
Off-balance sheet financial instruments	17	37,455,247	15,424,096	—	52,879,343
Commitments	18	<u>18,586,493</u>	<u>16,524,885</u>	—	<u>35,111,378</u>

(i) Elimination of pre-acquisition share capital and reserves of OUB Group.

(ii) Acquisition cost.

(iii) Profit of OUB Group for the financial year ended 31 December 2000 less goodwill amortisation and funding costs net of tax effect thereon.

(iv) Issue of approximately \$3,200 million of debt securities to strengthen UOB's capital structure.

(v) Tax effect on funding costs.

(vi) Increase in net assets as a result of recognising OUB's profit for the financial year ended 31 December 2000.

(vii) Goodwill arising on acquisition of OUB Group of \$4,774,832,000, less one year's amortisation charge to income statement of \$238,742,000.

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000

These notes form an integral part of, and should be read in conjunction with, the unaudited proforma consolidated financial information and Sections II (A) to (C).

1 Net Interest Income and Margin

	Proforma Combined Group after acquisition of OUB		
	Average Balance \$ million	Interest \$ million	Average Rate %
Interest-bearing assets	96,646	5,392	5.6
Interest-bearing liabilities	93,657	3,374	3.6
Net interest income		<u>2,018</u>	
Combined Group's Average Interest Margin*			<u>2.1</u>

*Average interest margin represents net interest income as a percentage of average interest-bearing assets.

2 Fee and Commission Income and Rental Income

Fee and commission income comprises income from fund management activities, securities brokerage, advisory fees, loan fees and commissions on trades and other services.

Rental income represents income from the tenanted areas of the buildings owned by the Combined Group.

3 Other Operating Income

	Proforma Combined Group after acquisition of OUB
	\$'000
Net profit on disposal of dealing securities, government treasury bills and securities, and derivatives	106,134
Net profit on foreign exchange dealings	102,904
Net profit on disposal of investment securities and associates	5,504
Net profit on disposal of fixed assets	3,503
Profit on sale of development properties	70,423
Surplus arising from liquidation of subsidiaries	2,308
Other income	90,976
	<u>381,752</u>

4 Provisions

Provisions charged/(credited) to the income statement are as follows:

	Proforma Combined Group after acquisition of OUB
	\$'000
Specific provisions for trade bills and advances to customers	147,281
General provisions, comprising provisions for possible loan losses, contingencies and other banking risks	(89,919)
Advances to customers written off	49,631
Provisions for diminution in value of other investments and other assets	101,723
Provisions for life funds of the Combined Group	8,019
	<u>216,735</u>

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

5 Share Capital

	Proforma Combined Group after acquisition of OUB	
	Number of shares '000	\$'000
Ordinary shares of \$1 each		
Authorised	2,000,000	2,000,000
Issued and fully paid:		
Balance at 1 January 2000	1,051,862	1,051,862
Shares issued to UOB option holders who exercised their rights	589	589
New UOB Shares issued in connection with the acquisition of the OUB Group	516,638	516,638
Balance at 31 December 2000	1,569,089	1,569,089

6 Share Premium

	Proforma Combined Group after acquisition of OUB
	\$'000
Balance at 1 January 2000	779,542
Share premium arising from the issue of shares to UOB option holders who exercised their rights	3,946
Share premium arising from the issue of New UOB Shares in connection with the acquisition of the OUB Group	5,424,701
Balance at 31 December 2000	6,208,189

7 Non-distributable Reserves

	Proforma Combined Group after acquisition of OUB			
	Statutory reserves \$'000	Foreign currency translation reserve \$'000	Others \$'000	Total \$'000
Balance at 1 January 2000	1,911,817	(136,627)	64,907	1,840,097
Exchange differences	—	(36,989)	—	(36,989)
Transfer from revenue reserves	68,297	—	—	68,297
Transfer to share of reserves of associates	(48,910)	—	—	(48,910)
Liquidation of subsidiaries	—	—	(2,018)	(2,018)
Balance at 31 December 2000	1,931,204	(173,616)	62,889	1,820,477

8 Revenue Reserves

	Proforma Combined Group after acquisition of OUB
	\$'000
Balance at 1 January 2000	2,073,636
Net profit for the financial year attributable to members	1,085,782
Transfer to share of reserves of associates	(9,190)
Net capital reserve arising from acquisition of, and increase in investments in, subsidiaries	963
Transfer to statutory reserves	(68,297)
Dividends	(316,369)
Balance at 31 December 2000	2,766,525

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

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

	Proforma Combined Group after acquisition of OUB
	\$'000
Analysed by maturity period:	
Within 1 year	96,771,620
Over 1 year but within 3 years	460,964
Over 3 years but within 5 years	772
Over 5 years	196,652
	<u>97,430,008</u>

10 Debt Securities

	Proforma Combined Group after acquisition of OUB
	\$'000
Analysed by maturity period:	
Within 1 year	50,000
Over 5 years	3,200,000
	<u>3,250,000</u>

11 Placements and Balances with Banks and Agents

	Proforma Combined Group after acquisition of OUB
	\$'000
Analysed by maturity period:	
Within 1 year	33,254,412
Over 1 year but within 3 years	358,527
Over 3 years but within 5 years	19,602
Over 5 years	3,744
	<u>33,636,285</u>

12 Trade Bills and Advances to Customers

(a)

	Proforma Combined Group after acquisition of OUB
	\$'000
Gross trade bills and advances to customers	61,450,806
Specific provisions and interest-in-suspense (Note 14)	(1,519,061)
General provisions (Note 14)	(1,311,438)
	<u>58,620,307</u>

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

12 Trade Bills and Advances to Customers (continued)

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

	Proforma Combined Group after acquisition of OUB
	\$'000
Within 1 year	30,575,831
Over 1 year but within 3 years	8,929,280
Over 3 years but within 5 years	5,913,642
Over 5 years	16,032,053
	<u>61,450,806</u>

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

	Proforma Combined Group after acquisition of OUB
	\$'000
Manufacturing	5,464,068
Building and construction	9,318,588
Housing	11,877,369
General commerce	6,101,735
Transport, storage and communication	1,769,019
Non-bank financial institutions	10,996,286
Professionals and private individuals (excluding housing loans)	8,501,055
Others	7,422,686
	<u>61,450,806</u>

13 Investments in Associates

	Proforma Combined Group after acquisition of OUB
	\$'000
At cost:	
Quoted investments	987,830
Unquoted investments	170,350
	<u>1,158,180</u>
Group's share of post acquisition reserves of associates, net of dividends received and goodwill adjustments	1,012,199
	<u>2,170,379</u>
Market value of quoted investments at 31 December 2000	<u>1,590,060</u>

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

14 Provisions for Trade Bills and Advances to Customers, Diminution in Value of Investments and Other Assets

	Proforma Combined Group after acquisition of OUB		
	Specific Provisions and Interest- in-Suspense \$'000	General Provisions \$'000	Total \$'000
Trade bills and advances to customers (Note 12(a))	1,519,061	1,311,438	2,830,499
Singapore government treasury bills and securities	18	—	18
Other government treasury bills and securities	1,200	—	1,200
Dealing securities	57,651	—	57,651
Other assets	417,307	—	417,307
Investment securities	45,419	—	45,419
Balances at 31 December 2000	<u>2,040,656</u>	<u>1,311,438</u>	<u>3,352,094</u>

15 Fixed Assets

(a)

	Proforma Combined Group after acquisition of OUB		
	Land and Buildings \$'000	Office Equipment, Computers, Fixtures and Other Assets \$'000	Total \$'000
Balances at 31 December 2000:			
Cost/valuation	1,567,614	933,692	2,501,306
Accumulated depreciation	(197,173)	(602,184)	(799,357)
Provision for diminution in value	(41,056)	—	(41,056)
Net book value	<u>1,329,385</u>	<u>331,508</u>	<u>1,660,893</u>

(b) Included in the land and buildings of the Combined Group are leasehold properties with net book value at 31 December 2000 amounting to \$980.3 million. The rest of the properties is freehold.

(c) Based on directors' valuation, the estimated market values of the land and buildings of the Combined Group included in fixed assets as at 31 December 2000 were \$3,119 million. The excess of market value over the net book value of the land and buildings is not recognised in the unaudited proforma consolidated financial information.

16 Contingent Liabilities

(a)

	Proforma Combined Group after acquisition of OUB \$'000
Direct credit substitutes	2,995,206
Transaction-related contingencies	1,176,048
Trade-related contingencies	1,669,533
Other contingent liabilities	702,136
	<u>6,542,923</u>

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

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

16 Contingent Liabilities (continued)

(b) In addition to the above, the Bank and certain of its subsidiaries (“the Companies”) operate a fund under the “Company Welfareism 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.

17 Off-Balance Sheet Financial Instruments

(a)

	Proforma Combined Group after acquisition of OUB		
	Contract or Underlying Principal Amount \$'000	Year-End Positive Fair Value \$'000	Year-End Negative Fair Value \$'000
Foreign exchange contracts			
Forwards and spots	4,638,818	71,029	83,799
Swaps	34,554,933	200,302	206,119
Futures	25,841	11	206
Options purchased	165,358	1,385	1,647
Options written	146,433	642	670
Interest rate contracts			
Swaps	10,672,665	77,922	91,074
Futures	2,093,993	3,745	5,802
Equity-related contracts			
Futures	75,568	372	793
Options purchased	71,047	550	2,136
Options written	310,137	4,011	2,697
Others	124,550	2,378	344
	52,879,343	362,347	395,287

(b) Off-balance sheet financial instruments 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 Combined Group transacts in these financial instruments for proprietary trading purposes as well as to maintain its assets/liabilities and structural positions. The Combined Group also customises these financial instruments to meet the specific needs of their customers.

The table above analyse the notional principal amounts and the year-end positive and negative fair values of the Combined Group’s off-balance sheet financial instruments. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date. They do not represent amounts at risk. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of off-balance sheet financial instruments held for trading as at the balance sheet date.

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

18 Commitments

	Proforma Combined Group after acquisition of OUB
	\$'000
Undrawn credit facilities	32,444,425
Capital commitments	67,968
Others	2,598,985
	<u>35,111,378</u>

19 Segment Information

(a) Primary Reporting Format - Business Segments

	Proforma Combined Group after acquisition of OUB				
	Wholesale & Retail Banking \$'000	Global Treasury \$'000	Investment Banking \$'000	Others \$'000	Total \$'000
Income before operating expenses	<u>2,257,130</u>	<u>436,569</u>	<u>262,755</u>	<u>46,296</u>	<u>3,002,750</u>
Segment profit before taxation ¹	<u>1,304,367</u>	<u>287,890</u>	<u>85,108</u>	<u>93,293</u>	1,770,658
Unallocated expenses					
- Corporate expenses					(222,234)
- Goodwill amortisation					(238,742)
Share of profit of associates					178,407
Profit before taxation					1,488,089
Taxation and minority interests					(402,307)
Net profit for the financial year attributable to members					<u>1,085,782</u>
Other information:					
Segment assets ²	64,970,867	43,243,863	826,494	1,460,075	110,501,299
Segment liabilities ²	71,745,448	31,785,140	215,212	27,657	103,773,457

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

The difference between total segment assets and total assets as disclosed in the Combined Group's proforma consolidated balance sheet is primarily the investments in associates and goodwill.

The difference between total segment liabilities and total liabilities as disclosed in the proforma consolidated balance sheet is primarily the unallocated provision for current and deferred taxation, and proposed dividends.

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

19 Segment Information (continued)

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

The Combined Group's businesses are organised into four segments, based on the types of products and services that it provides worldwide. These segments are Wholesale & Retail Banking, Global Treasury, Investment Banking, and Others that include insurance and property-related activities.

Wholesale & Retail Banking

The Combined Group's Wholesale & Retail Banking segment encompasses personal financial services, commercial banking and corporate banking. The personal financial services business delivers consumer services that include the issuance of credit and debit cards, loans and mortgages, deposit services and investment advisory services. 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, financing options and trade services.

Global Treasury

The Combined Group's Global Treasury segment extends treasury services in foreign exchange and derivatives, money market activities, leveraged trading and futures broking. It is a player and market maker in Singapore dollar treasury instruments and a primary dealer in Singapore Government Securities. Global Treasury also provides banknotes services and a range of gold products, and provides Singapore dollar cheque clearing services to correspondent banks.

Investment Banking

The Investment Banking segment executes proprietary investments on the Combined Group's behalf. Investment Banking also offers asset management products and services, corporate finance and capital market activities, venture capital management, and stockbroking services.

Others

Other operations of the Combined Group include head office functions, insurance, and property-related activities.

(b) Secondary Reporting Format - Geographical Segments

	Proforma Combined Group after acquisition of OUB		
	Income Before Operating Expenses \$'000	Profit Before Taxation \$'000	Total Assets \$'000
Singapore (including Asian Currency Units)	2,301,794	1,191,822	94,079,044
Other ASEAN countries	394,002	124,047	11,438,130
Other Asia-Pacific countries	228,371	126,254	7,168,707
Rest of the world	78,583	45,966	5,143,647
	<u>3,002,750</u>	<u>1,488,089</u>	<u>117,829,528</u>

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 location of customers and assets.

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

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

20 Non-Performing Loans ("NPLs") and Provisions

- (a) The Combined Group has exposures to certain countries in the Asia Pacific region. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

	Proforma Combined Group after acquisition of OUB	
	NPLs \$'million	%
Malaysia	1,022	19
Indonesia	222	4
Thailand	194	4
South Korea	18	—
The Philippines	181	3
Total five regional countries	1,637	30
Singapore	3,334	61
Other countries	468	9
Total	5,439	100

NPLs are those classified as Sub-standard, Doubtful or Loss in accordance with MAS Notice 612. NPLs include classified loans, contingent facilities and debt instruments.

- (b) Details of the Combined Group's NPLs and provisions at 31 December 2000 are as follows:

	Proforma Combined Group after acquisition of OUB		
	Regional Countries \$'million	Singapore and Other Countries \$'million	Total \$'million
Non-Performing Loans			
- sub-standard	809	2,885	3,694
- doubtful	167	297	464
- loss	661	620	1,281
	1,637	3,802	5,439
NPLs as a % of the Combined Group's total assets	1.39%	3.23%	4.62%
Total Cumulative Provisions			
- specific provisions	739	957	1,696
- general provisions	662	649	1,311
	1,401	1,606	3,007
Total cumulative provision as a % of the Combined Group's total assets	1.19%	1.36%	2.55%

21 Assets Pledged/Restricted

The aggregate carrying amount of assets that have been mortgaged or pledged in the normal course of business at 31 December 2000 is as follows:

	Proforma Combined Group after acquisition of OUB
	\$'000
Securities pledged under repurchase agreements	211,822
Others	91,851
	303,673

II. UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP

F. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE COMBINED UOB GROUP AND OUB GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2000 (continued)

21 Assets Pledged/Restricted (continued)

In addition, included in the Proforma Combined Group's other government treasury bills and securities is an amount of \$1,440,623,000 which the Proforma Combined 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.

22 Net Tangible Assets ("NTA") per Ordinary Share

	UOB Group	OUB Group	Proforma Combined Group after acquisition of OUB
At 31 December 2000			
- NTA (excluding goodwill) (\$'000)	6,769,523	5,160,518	8,347,659
- Number of ordinary shares ('000)	1,052,451	993,535	1,569,089
- NTA per ordinary share (\$)	6.43	5.19	5.32

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

A. THE BANK AND THE UOB GROUP

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, including the operation of an Asian Currency Unit under the terms and conditions specified by the Monetary Authority of Singapore.

The Bank and its subsidiaries are collectively referred to as the "UOB Group" in this report.

The Bank's subsidiaries as at 31 December 2000, and their respective principal activities, countries of incorporation and places of business and the extent of the Bank's interest in those subsidiaries are set out in note 25 of Section III(J). Changes to the UOB Group subsequent to 31 December 2000 and up to the date of this report are set out below:

Subsidiaries disposed of/placed in members' voluntary liquidation

UOB Securities (Philippines), Inc.
United Mok Ying Kie Limited
PT UOBB Securities
UOB Securities (Thailand) Co. Ltd.
UMYK Nominees Limited
UOB Investment Research Pte Ltd
Dahua Xiamen Development Ltd

Subsidiary incorporated

UOB Hermes Asia Management Pte Limited

B. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The financial information relating to the UOB Group set out in this section is expressed in Singapore dollars and shows the following:

- (a) the income statements of the UOB Group, and accompanying notes, for the three years ended 31 December 1998 to 31 December 2000;
- (b) the balance sheets of the UOB Group as at 31 December 1998, 31 December 1999 and 31 December 2000;
- (c) the consolidated statements of changes in shareholders' equity for the UOB Group as at the end of the three years ended 31 December 1998 to 31 December 2000;
- (d) the cash flow statements of the UOB Group for the three years ended 31 December 1998 to 31 December 2000; and
- (e) the statement of net assets, of the Bank and the UOB Group, and accompanying notes, as at 31 December 2000.

The financial information is prepared based on the audited financial statements of the Bank and the UOB Group for the financial years ended 31 December 1998 to 31 December 2000. These have been prepared in accordance with the accounting policies of the UOB Group set out in Section III(C) of this report.

We have acted as the auditors of the Bank for each of the three years ended 31 December 1998 to 31 December 2000.

The auditors' reports on the financial statements of the Bank and all its subsidiaries were not subject to any qualification which is material in relation to the financial information for each of the financial periods mentioned above.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies which have been consistently applied in the preparation of the financial information and which are in accordance with Singapore Statements of Accounting Standard applicable for the financial year ended 31 December 2000, are set out below:

(a) Basis of accounting

The financial information is prepared in accordance with the historical cost convention, modified by the revaluation of certain off-balance sheet financial instruments to market value at each balance sheet date and the inclusion of certain freehold and leasehold land and buildings at valuation.

The financial information is expressed in Singapore Dollars.

(b) Basis of consolidation

The financial information of the UOB Group includes the financial information of the Bank and all its subsidiaries made up to the end of each financial year. In consolidating the life insurance subsidiaries, the financial information of the UOB Group includes only the assets and liabilities belonging to the shareholders. The assets and liabilities of the Life Funds accrue to insurance policyholders and are not consolidated. The results of subsidiaries acquired or disposed of during each financial year are included in or excluded from the income statement of the UOB Group 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 UOB Group treats as associates those companies in which the UOB 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.

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

(d) Trade bills and advances to customers

Trade bills and advances to customers are stated after deduction of 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 are stated at the lower of cost and market value determined on an aggregate 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 which is other than temporary, determined on an individual basis.

(f) Cash and cash equivalents

For the purposes of the cash flow statements of the UOB Group, 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.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP**C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**(g) Revenue recognition**

Interest income is accrued on a day-to-day basis.

Dividend income is taken up gross in the income statement of the accounting period in which the dividend is received. Profits or losses on disposal of investments are taken to the income statement.

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.

(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 each balance sheet date. Foreign currency transactions during each financial 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 statement.

For the purpose of 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 each 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 financial instruments

Transactions in off-balance sheet financial instruments undertaken for trading purposes are marked-to-market and the resulting profits and losses are taken up in the income statement.

Transactions designated as hedges are accounted for in a manner consistent with the accounting treatment of the hedged items.

(l) Goodwill

On acquisition of a subsidiary or an associate, the excess of the cost of acquisition over the UOB Group's share of the fair values of the net identifiable assets of the subsidiary or associate is dealt with as goodwill and written off against reserves in the year of acquisition.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

D. INCOME STATEMENTS OF THE UOB GROUP

The results of the UOB Group for each of the three financial years ended 31 December 1998, 1999 and 2000, prepared on the basis set out in Section III(B) above, are as follows:

	Notes in Section III(E)	The UOB Group		
		1998 \$'000	1999 \$'000	2000 \$'000
Interest income	1	3,031,493	2,458,534	3,053,356
Less: Interest expense	2	1,830,341	1,325,853	1,854,945
Net interest income		1,201,152	1,132,681	1,198,411
Dividend income	3	7,665	6,565	8,151
Fee and commission income	4	229,959	335,559	330,435
Rental income	5	91,119	76,315	70,513
Other operating income	6	185,005	236,755	297,951
Income before operating expenses		1,714,900	1,787,875	1,905,461
Less:				
Staff costs	7	294,170	285,175	381,457
Other operating expenses	8	272,463	295,353	369,749
		566,633	580,528	751,206
Operating profit before provisions		1,148,267	1,207,347	1,154,255
Less: Provisions	10	653,573	253,475	93,411
OPERATING PROFIT		494,694	953,872	1,060,844
SHARE OF (LOSS)/PROFIT OF ASSOCIATES		(11,647)	72,345	125,032
PROFIT BEFORE TAXATION		483,047	1,026,217	1,185,876
Less: TAXATION	11	145,253	251,396	273,416
PROFIT AFTER TAXATION		337,794	774,821	912,460
Less: MINORITY INTERESTS		6,115	14,607	(435)
NET PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS		331,679	760,214	912,895
Earnings per share:	12			
Basic		32 cents	72 cents	87 cents
Diluted		32 cents	72 cents	87 cents

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

E. NOTES TO THE INCOME STATEMENTS OF THE UOB GROUP

1 Interest Income

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Government treasury bills and securities	128,668	111,443	167,553
Trade bills and loans and advances	2,341,151	1,730,563	1,856,752
Inter-bank balances	554,156	605,713	995,675
Dealing and investment securities	7,518	10,815	33,376
	<u>3,031,493</u>	<u>2,458,534</u>	<u>3,053,356</u>

2 Interest Expense

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Non-bank deposits	1,594,952	1,058,324	1,256,838
Inter-bank balances	235,389	267,529	598,107
	<u>1,830,341</u>	<u>1,325,853</u>	<u>1,854,945</u>

3 Dividend Income

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
From:			
Quoted investments	5,305	3,459	4,753
Unquoted investments	2,360	3,106	3,398
	<u>7,665</u>	<u>6,565</u>	<u>8,151</u>

4 Fee and Commission Income

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Stockbroking	33,325	70,459	38,720
Fund management	25,419	56,410	60,949
Investment-related	18,510	30,329	25,075
Trade-related	57,650	57,935	67,350
Loan-related	17,371	32,418	39,310
Credit card	34,215	41,339	49,633
Others	43,469	46,669	49,398
	<u>229,959</u>	<u>335,559</u>	<u>330,435</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

E. NOTES TO THE INCOME STATEMENTS OF THE UOB GROUP (continued)

5 Rental Income

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

6 Other Operating Income

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Net (loss)/profit on disposal of dealing securities, government treasury bills and securities, and derivatives	(49,277)	57,005	72,296
Net profit on foreign exchange dealings	163,335	85,692	76,641
Net (loss)/profit on disposal of investment securities and associates	(9,047)	1,324	4,279
Net profit on disposal of fixed assets	1,000	2,337	3,680
Profit on sale of development properties	10,162	16,776	70,423
Surplus arising from liquidation of subsidiaries	—	—	2,308
Other income	68,832	73,621	68,324
	<u>185,005</u>	<u>236,755</u>	<u>297,951</u>

7 Staff Costs

	The UOB Group		
	1998	1999	2000
Number of employees at the balance sheet date	<u>6,551</u>	<u>9,064</u>	<u>9,228</u>

8 Other Operating Expenses

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Depreciation	60,611	62,905	74,743
Rental of premises and equipment	31,533	28,718	33,664
Maintenance of premises and other assets	28,161	24,256	31,386
Other expenses of premises	26,888	22,964	29,323
Auditors' remuneration:			
Bank's auditors	901	969	982
Other auditors	640	571	726
Fees payable for non-audit services rendered by the auditors of the Bank	71	345	665
Other expenses	123,658	154,625	198,260
	<u>272,463</u>	<u>295,353</u>	<u>369,749</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

E. NOTES TO THE INCOME STATEMENTS OF THE UOB GROUP (continued)

9 Directors' Fees and Other Remuneration

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

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Directors of the Bank:			
Fees	583	605	781
Remuneration	7,085	10,812	10,789
Professional fees paid to a firm of which a director of the Bank is a member	—	—	640
	<u>7,668</u>	<u>11,417</u>	<u>12,210</u>
Directors of subsidiaries:			
Fees	310	419	511
Remuneration	4,891	6,152	5,632
	<u>5,201</u>	<u>6,571</u>	<u>6,143</u>

In addition to the above, professional fees of \$283,000 (1999: \$233,000; 1998: \$354,000) were paid by a subsidiary to a firm of which a director of a subsidiary is a member and these were capitalised in the cost of development property and certain fixed assets of the UOB Group.

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

	The UOB Group		
	1998	1999	2000
\$500,000 and above	3	3	4
\$250,000 to \$499,999	—	—	—
Below \$250,000	6	5	9
	<u>9</u>	<u>8</u>	<u>13</u>

10 Provisions

Provisions charged/(credited) to the income statement are as follows:

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Specific provisions for trade bills and advances to customers	440,356	232,276	59,846
General provisions, comprising provisions for possible loan losses, contingencies and other banking risks	292,863	19,043	(52,576)
Advances to customers written off	4,150	6,445	12,155
Provisions for diminution in value of other investments and other assets	(93,417)	(3,343)	65,967
Provisions for life funds of the UOB Group	9,621	(946)	8,019
	<u>653,573</u>	<u>253,475</u>	<u>93,411</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

E. NOTES TO THE INCOME STATEMENTS OF THE UOB GROUP (continued)

11 Taxation

The taxation charge to the income statement comprises the following:

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
On the profit of the financial year:			
Current taxation	132,333	235,047	255,000
Deferred taxation	3,084	(2,436)	987
	<u>135,417</u>	<u>232,611</u>	<u>255,987</u>
Share of tax of associates	11,803	19,936	18,960
Overprovision of tax in respect of prior financial years	(1,967)	(1,151)	(1,531)
	<u>145,253</u>	<u>251,396</u>	<u>273,416</u>

12 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 UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Profit attributable to members for computation of basic and diluted EPS	<u>331,679</u>	<u>760,214</u>	<u>912,895</u>
	Number '000	Number '000	Number '000
Weighted average number of ordinary shares in issue for computation of basic EPS	1,046,828	1,049,134	1,052,262
Adjustment for assumed conversion of share options	—	324	207
Weighted average number of ordinary shares for computation of diluted EPS	<u>1,046,828</u>	<u>1,049,458</u>	<u>1,052,469</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

F. BALANCE SHEETS OF THE UOB GROUP

The UOB Group's balance sheet as at the end of the three financial years ended 31 December 1998 to 31 December 2000, prepared on the basis set out in Section III(B) above, are as follows:

	The UOB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
SHARE CAPITAL AND RESERVES			
Share capital	994,736	1,051,862	1,052,451
Share premium	798,501	779,542	783,488
Non-distributable reserves	1,465,758	1,840,097	1,820,477
Revenue reserves	2,263,446	2,073,636	2,593,638
Share of reserves of associates	356,054	445,910	519,469
	<u>5,878,495</u>	<u>6,191,047</u>	<u>6,769,523</u>
MINORITY INTERESTS	258,428	436,564	206,727
LIABILITIES			
Current, fixed, savings accounts and other deposits of non-bank customers	36,491,777	40,728,491	43,405,504
Deposits and balances of banks and agents	6,129,804	6,478,513	13,431,424
	42,621,581	47,207,004	56,836,928
Bills and drafts payable	354,392	430,170	129,457
Provisions for current and deferred taxation	288,173	386,684	451,886
Other liabilities	1,487,859	1,765,475	1,730,881
Proposed dividends	73,611	357,002	198,650
	<u>44,825,616</u>	<u>50,146,335</u>	<u>59,347,802</u>
	<u>50,962,539</u>	<u>56,773,946</u>	<u>66,324,052</u>
ASSETS			
Cash and balances with central banks	1,555,889	2,013,189	1,714,603
Singapore government treasury bills and securities	3,226,415	3,366,684	3,224,421
Other government treasury bills and securities	3,360,439	2,558,458	2,117,138
Dealing securities	210,873	357,933	556,538
Placements and balances with banks and agents	11,466,214	16,384,924	23,609,022
Trade bills	492,912	577,256	568,748
Advances to customers	27,160,457	26,681,858	29,476,535
Other accounts	947,365	1,916,887	1,789,426
	<u>48,420,564</u>	<u>53,857,189</u>	<u>63,056,431</u>
Investment securities	300,464	453,688	459,081
Investments in associates	1,062,442	1,227,492	1,557,531
Fixed assets	1,179,069	1,235,577	1,251,009
	<u>50,962,539</u>	<u>56,773,946</u>	<u>66,324,052</u>
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	3,810,367	3,824,241	4,041,625
Off-balance sheet financial instruments	22,411,210	20,725,811	37,455,247
Commitments	15,075,440	15,987,141	18,586,493

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

G. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY OF THE UOB GROUP

The consolidated statements of changes in shareholders' equity of the UOB Group for the three financial years ended 31 December 1998 to 31 December 2000, prepared on the basis set out in Section III(B) above, are as follows:

1998

	Share capital \$'000	Share premium \$'000	Non-distributable reserves \$'000	Revenue reserves \$'000	Share of reserves of associates \$'000	Total \$'000
Balance at 1 January 1998	994,703	798,366	1,419,318	2,114,688	518,729	5,845,804
Net profit for the financial year attributable to members	—	—	—	331,679	—	331,679
Exchange differences	—	—	(3,980)	—	—	(3,980)
UOB Group's share of reserves of associates	—	—	—	—	(196,235)	(196,235)
Total recognised gains and losses for the financial year	—	—	(3,980)	331,679	(196,235)	131,464
Transfers from/(to) reserves	—	—	50,420	(50,420)	—	—
Dividends	—	—	—	(132,501)	—	(132,501)
Movements in other reserves of associates, net of goodwill arising from acquisitions during the financial year	—	—	—	—	33,560	33,560
Shares issued to option holders who exercised their rights	33	135	—	—	—	168
Balance at 31 December 1998	<u>994,736</u>	<u>798,501</u>	<u>1,465,758</u>	<u>2,263,446</u>	<u>356,054</u>	<u>5,878,495</u>

1999

Balance at 1 January 1999	994,736	798,501	1,465,758	2,263,446	356,054	5,878,495
Net profit for the financial year attributable to members	—	—	—	760,214	—	760,214
Exchange differences	—	—	4,105	—	—	4,105
UOB Group's share of reserves of associates	—	—	—	—	77,124	77,124
Total recognised gains for the financial year	—	—	4,105	760,214	77,124	841,443
Goodwill arising from acquisition of subsidiaries	—	—	—	(163,649)	—	(163,649)
Transfers from/(to) reserves	—	—	370,234	(370,234)	—	—
Dividends	—	—	—	(416,141)	—	(416,141)
UOB Group's share of reserves of associates	—	—	—	—	12,732	12,732
Shares issued to option holders who exercised their rights	4,803	33,364	—	—	—	38,167
Bonus shares issued	52,323	(52,323)	—	—	—	—
Balance at 31 December 1999	<u>1,051,862</u>	<u>779,542</u>	<u>1,840,097</u>	<u>2,073,636</u>	<u>445,910</u>	<u>6,191,047</u>

2000

Balance at 1 January 2000	1,051,862	779,542	1,840,097	2,073,636	445,910	6,191,047
Net profit for the financial year attributable to members	—	—	—	912,895	—	912,895
Exchange differences	—	—	(36,989)	—	—	(36,989)
UOB Group's share of reserves of associates	—	—	—	—	31,183	31,183
Liquidation of subsidiaries	—	—	(2,018)	—	—	(2,018)
Total recognised gains and losses for the financial year	—	—	(39,007)	912,895	31,183	905,071
Transfers (to)/from reserves upon merger of UOBS Group and KHHH [note 17(c) of Section III(J)]	—	—	(48,910)	(9,190)	58,100	—
Net capital reserve arising from acquisition of, and increase in investments in, subsidiaries	—	—	—	963	—	963
Transfers from/(to) reserves	—	—	68,297	(68,297)	—	—
Dividends	—	—	—	(316,369)	—	(316,369)
Movements in other reserves of associates, net of goodwill arising from acquisitions during the financial year	—	—	—	—	(15,724)	(15,724)
Shares issued to option holders who exercised their rights	589	3,946	—	—	—	4,535
Balance at 31 December 2000	<u>1,052,451</u>	<u>783,488</u>	<u>1,820,477</u>	<u>2,593,638</u>	<u>519,469</u>	<u>6,769,523</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

H. CASH FLOW STATEMENTS OF THE UOB GROUP

The cash flow statements of the UOB Group for the three financial years ended 31 December 1998 to 31 December 2000, prepared on the basis set out in Section III(B) above, are as follows:

	1998 \$'000	1999 \$'000	2000 \$'000
Cash flows from operating activities			
Operating profit after provisions	494,694	953,872	1,060,844
Adjustments for:			
Depreciation	60,611	62,905	74,743
Operating profit before working capital changes	555,305	1,016,777	1,135,587
Working capital changes:			
Deposits	1,001,013	1,999,268	9,629,924
Bills and drafts payable	(21,211)	75,778	(300,713)
Other liabilities	(490,389)	125,889	(34,594)
Dealing securities	54,570	(147,060)	(198,605)
Trade bills and advances to customers	2,116,393	778,221	(2,786,169)
Other government treasury bills and securities not qualifying as cash and cash equivalents	—	—	559,377
Other accounts	621,655	(383,107)	(49,685)
Cash generated from operations	3,837,336	3,465,766	7,955,122
Income taxes paid	(178,030)	(132,046)	(189,254)
Net cash from operating activities	3,659,306	3,333,720	7,765,868
Cash flows from investing activities			
Increase in investment securities and investments in associates	(176,946)	(115,690)	(41,716)
Net dividends received from associates	12,776	20,940	30,125
Net increase in fixed assets	(48,820)	(47,682)	(90,175)
Change in minority interests of subsidiaries	(2,259)	575	(145,939)
Net cash flow on acquisition of, and increase in investments in, subsidiaries	—	(382,562)	(73,435)
Net cash flow upon merger of UOBS Group and KHHL [note 17(c) of Section III(J)]	—	—	(29,725)
Net cash used in investing activities	(215,249)	(524,419)	(350,865)
Cash flows from financing activities			
Proceeds from issue of shares	168	38,167	4,535
Dividends paid by the Bank	(132,498)	(132,750)	(474,721)
Dividends paid by subsidiaries to minority shareholders	(5,399)	(4,525)	(6,522)
Net cash used in financing activities	(137,729)	(99,108)	(476,708)
Exchange translation adjustment	(3,980)	4,105	(36,989)
Net increase in cash and cash equivalents	3,302,348	2,714,298	6,901,306
Cash and cash equivalents at beginning of the financial year	16,306,609	19,608,957	22,323,255
Cash and cash equivalents at end of the financial year [note 23 of Section III(J)]	19,608,957	22,323,255	29,224,561

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

I. STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK

The statement of net assets of the UOB Group and the Bank as at 31 December 2000, based on the audited financial statements of the UOB Group and the Bank for the financial year ended 31 December 2000, is as follows:

	Notes in Section III(J)	The UOB Group \$'000	The Bank \$'000
SHARE CAPITAL AND RESERVES			
Share capital	1	1,052,451	1,052,451
Share premium	2	783,488	783,488
Non-distributable reserves	3	1,820,477	1,460,184
Revenue reserves	4	2,593,638	1,761,112
Share of reserves of associates	5	519,469	—
		6,769,523	5,057,235
MINORITY INTERESTS			
		206,727	—
LIABILITIES			
Current, fixed, savings accounts and other deposits of non-bank customers		43,405,504	33,937,170
Deposits and balances of banks and agents		13,431,424	11,840,866
Deposits from subsidiaries		—	940,008
	6	56,836,928	46,718,044
Bills and drafts payable		129,457	86,409
Provisions for current and deferred taxation	7	451,886	378,146
Other liabilities	8	1,730,881	1,148,812
Proposed dividend		198,650	198,650
		59,347,802	48,530,061
		66,324,052	53,587,296
ASSETS			
Cash and balances with central banks		1,714,603	1,024,707
Singapore government treasury bills and securities	9	3,224,421	2,982,892
Other government treasury bills and securities	10	2,117,138	138,206
Dealing securities	11	556,538	359,836
Placements and balances with banks and agents	12	23,609,022	21,106,185
Trade bills	13	568,748	95,029
Advances to customers	13	29,476,535	23,399,256
Placements with and advances to subsidiaries		—	439,230
Other accounts	14	1,789,426	1,170,491
		63,056,431	50,715,832
Investment securities	15	459,081	342,654
Investments in associates	16	1,557,531	679,678
Investments in subsidiaries	17	—	1,210,557
Fixed assets	19	1,251,009	638,575
		66,324,052	53,587,296
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	20	4,041,625	2,903,279
Off-balance sheet financial instruments	21	37,455,247	34,863,690
Commitments	22	18,586,493	12,539,256

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK

1 Share Capital

(a)

	The UOB Group and The Bank	
	Number of shares '000	\$'000
Ordinary shares of \$1 each		
Authorised	2,000,000	2,000,000
Issued and fully paid:		
Balance at 1 January 2000	1,051,862	1,051,862
Shares issued to option holders who exercised their rights	589	589
Balance at 31 December 2000	1,052,451	1,052,451

(b) During the year, the Bank issued 589,000 ordinary shares of \$1 each to option holders who exercised their rights. All newly-issued shares rank *pari passu* in all respects with the previously issued shares.

(c) 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 at 31 December 2000 '000
1996	9.17	9.2.2001	222
1997	8.25	5.2.2002	236
1998	3.14	14.6.2003	94
1999	14.70	27.12.2004	1,637
2000	12.90	11.12.2005	1,618
			3,807

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.

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.

2 Share Premium

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

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

3 Non-Distributable Reserves

(a) The UOB Group

	Statutory Reserves \$'000	Foreign Currency Translation Reserve \$'000	Others \$'000	Total \$'000
Balance at 1 January 2000	1,911,817	(136,627)	64,907	1,840,097
Exchange differences	—	(36,989)	—	(36,989)
Transfer from revenue reserves	68,297	—	—	68,297
Transfer to share of reserves of associates upon merger of UOBS Group and KHHL [note 17(c) of Section III(J)]	(48,910)	—	—	(48,910)
Liquidation of subsidiaries	—	—	(2,018)	(2,018)
Balance at 31 December 2000	<u>1,931,204</u>	<u>(173,616)</u>	<u>62,889</u>	<u>1,820,477</u>

(b) The Bank

	Statutory Reserves \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
Balance at 1 January 2000	1,373,300	(7,312)	1,365,988
Exchange differences	—	396	396
Transfer from revenue reserves	93,800	—	93,800
Balance at 31 December 2000	<u>1,467,100</u>	<u>(6,916)</u>	<u>1,460,184</u>

- (c) The statutory reserves of the UOB Group and the Bank are amounts transferred to reserve funds in accordance with the provisions of the Singapore Banking Act, Cap. 19, Singapore Finance Companies Act, Cap. 108, the Malaysian Banking and Financial Institutions Act, 1989, the Singapore Securities Industry Regulations, 1986, and the requirements of the Singapore Exchange Securities Trading Limited and Singapore Exchange Derivatives Trading Limited. These reserves are non-distributable unless approved by the relevant authorities.

The foreign currency translation reserve relates 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.

4 Revenue Reserves

(a) The UOB Group

	General Reserves \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 January 2000	542,938	1,530,698	2,073,636
Net profit for the financial year attributable to members	—	912,895	912,895
Net capital reserve arising from acquisition of, and 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 17(c) of Section III(J)]	(9,190)	—	(9,190)
Transfer to general reserves	383,284	(383,284)	—
Transfer to statutory reserves	—	(68,297)	(68,297)
Dividends:			
Final dividend of 12 cents per share paid, net of tax at 25.5% in respect of previous year on new shares issued upon the exercise of share options before book closure date	—	(115)	(115)
Interim dividend of 15 cents per share paid, net of tax at 25.5%	—	(117,604)	(117,604)
Proposed final dividend of 25 cents per share, net of tax at 24.5%	—	(198,650)	(198,650)
	—	(316,369)	(316,369)
Balance at 31 December 2000	<u>916,528</u>	<u>1,677,110</u>	<u>2,593,638</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

4 Revenue Reserves (continued)

(b) The Bank

	General Reserves \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 January 2000	310,121	1,120,307	1,430,428
Net profit for the financial year attributable to members	—	740,853	740,853
Transfer to general reserves	306,200	(306,200)	—
Transfer to statutory reserves	—	(93,800)	(93,800)
Dividends:			
Final dividend of 12 cents per share paid, net of tax at 25.5% in respect of previous year on new shares issued upon the exercise of share options before book closure date	—	(115)	(115)
Interim dividend of 15 cents per share paid, net of tax at 25.5%	—	(117,604)	(117,604)
Proposed final dividend of 25 cents per share, net of tax at 24.5%	—	(198,650)	(198,650)
	—	(316,369)	(316,369)
Balance at 31 December 2000	<u>616,321</u>	<u>1,144,791</u>	<u>1,761,112</u>

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

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

5 Share of Reserves of Associates

	The UOB Group \$'000
Balance at 1 January 2000	445,910
Transfers from non-distributable and revenue reserves upon merger of UOB Group and KHHH [note 17(c) of Section III(J)]	58,100
Movements in other reserves of associates, net of goodwill arising from acquisitions during the financial year	15,459
Balance at 31 December 2000	<u>519,469</u>

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

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

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

(a)

	The UOB Group \$'000	The Bank \$'000
Analysed by maturity period:		
Within 1 year	56,461,672	46,457,292
Over 1 year but within 3 years	177,923	63,802
Over 3 years but within 5 years	681	298
Over 5 years	196,652	196,652
	<u>56,836,928</u>	<u>46,718,044</u>

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

	The UOB Group \$'000	The Bank \$'000
Obligations on securities sold under repurchase agreements ("REPOs")	<u>181,480</u>	<u>87,792</u>

The related securities sold under REPOs are shown in notes 9, 10 and 11 of Section III(J).

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

7 Provisions for Current and Deferred Taxation

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

	The UOB Group \$'000	The Bank \$'000
Provision for current taxation	406,924	348,731
Provision for deferred taxation	44,962	29,415
	<u>451,886</u>	<u>378,146</u>

8 Other Liabilities

	The UOB Group \$'000	The Bank \$'000
Accrued interest payable	344,607	284,322
Balance arising from revaluation of off-balance sheet financial instruments [note 21 of Section III(J)]	379,405	371,708
Other liabilities	1,006,869	492,782
	<u>1,730,881</u>	<u>1,148,812</u>

9 Singapore Government Treasury Bills and Securities

(a)

	The UOB Group \$'000	The Bank \$'000
At cost	3,224,424	2,982,892
Provision for diminution in value [note 18 of Section III(J)]	(3)	—
	<u>3,224,421</u>	<u>2,982,892</u>
Market value at 31 December 2000	<u>3,234,932</u>	<u>2,992,794</u>

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

	The UOB Group \$'000	The Bank \$'000
Securities sold under repurchase agreements ("REPOs")	<u>87,792</u>	<u>87,792</u>

10 Other Government Treasury Bills and Securities

(a)

	The UOB Group \$'000	The Bank \$'000
At cost	2,118,017	138,771
Provision for diminution in value [note 18 of Section III(J)]	(879)	(565)
	<u>2,117,138</u>	<u>138,206</u>
Market value at 31 December 2000	<u>2,118,433</u>	<u>138,766</u>

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

	The UOB Group \$'000	The Bank \$'000
Securities sold under repurchase agreements ("REPOs")	<u>5,082</u>	<u>—</u>

In addition, the UOB Group's other government treasury bills and securities include an amount of \$1,440,623,000 which the UOB 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.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

11 Dealing Securities

	The UOB Group \$'000	The Bank \$'000
At cost:		
Quoted equities	122,693	89,329
Quoted debt securities	46,773	19,953
Unquoted marketable unit trusts	21,368	—
Unquoted equities	2,021	2,021
Unquoted debt securities	383,772	267,133
	<u>576,627</u>	<u>378,436</u>
Provision for diminution in value [note 18 of Section III(J)]	(20,089)	(18,600)
	<u>556,538</u>	<u>359,836</u>
Market value at 31 December 2000:		
Quoted equities	114,762	74,943
Quoted debt securities	46,049	17,815
Unquoted marketable unit trusts	19,682	—
	<u>180,493</u>	<u>92,758</u>
Securities sold under repurchase agreements ("REPOs")	<u>88,606</u>	<u>—</u>

12 Placements and Balances with Banks and Agents

(a)

	The UOB Group \$'000	The Bank \$'000
Analysed by maturity period:		
Within 1 year	23,265,285	20,770,176
Over 1 year but within 3 years	340,758	333,030
Over 3 years but within 5 years	2,979	2,979
	<u>23,609,022</u>	<u>21,106,185</u>

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

	The UOB Group \$'000	The Bank \$'000
Negotiable certificates of deposits, floating rate certificates of deposits and other similar instruments	1,008,772	876,914
Government securities bought under reverse repurchase agreements	380,225	322,116
	<u>1,388,997</u>	<u>1,199,030</u>

13 Trade Bills and Advances to Customers

(a)

	The UOB Group \$'000	The Bank \$'000
Gross trade bills	<u>568,748</u>	<u>95,029</u>
Gross advances to customers	31,141,314	24,428,271
Specific provisions	(770,534)	(363,442)
Interest-in-suspense	(125,755)	(67,692)
General provisions	(768,490)	(597,881)
	<u>29,476,535</u>	<u>23,399,256</u>
Total gross trade bills and advances to customers	<u>31,710,062</u>	<u>24,523,300</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

13 Trade Bills and Advances to Customers (continued)

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

	The UOB Group \$'000	The Bank \$'000
Within 1 year	18,832,614	13,490,146
Over 1 year but within 3 years	3,451,088	3,154,879
Over 3 years but within 5 years	2,762,390	2,485,597
Over 5 years	6,663,970	5,392,678
	<u>31,710,062</u>	<u>24,523,300</u>

(c) The UOB Group's total gross trade bills and advances to customers analysed by industry group:

	The UOB Group \$'000	The Bank \$'000
Manufacturing	2,958,376	1,600,947
Building and construction	3,569,252	3,028,299
Housing	7,540,304	6,458,192
General commerce	3,857,400	2,452,767
Transport, storage and communication	708,968	614,511
Non-bank financial institutions	4,991,534	4,165,142
Professional and private individuals (excluding housing loans)	4,223,042	3,498,714
Others	3,861,186	2,704,728
	<u>31,710,062</u>	<u>24,523,300</u>

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

	The UOB Group \$'000	The Bank \$'000
Substandard	1,583,165	970,018
Doubtful	207,836	167,344
Loss	818,532	338,162
	<u>2,609,533</u>	<u>1,475,524</u>
Gross amount	<u>2,609,533</u>	<u>1,475,524</u>

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

(e) The movements in provisions are as follows:

	Specific Provisions \$'000	Interest-In- Suspense \$'000	General Provisions \$'000	Total \$'000
The UOB Group				
Balance at 1 January 2000	847,381	266,386	819,472	1,933,239
Exchange differences	8,664	4,444	1,594	14,702
Write off against provisions	(142,399)	(68,512)	—	(210,911)
Charge/(write back) to income statement	59,846	—	(52,576)	7,270
Interest suspended	—	70,838	—	70,838
Transfer to provision for diminution in value of investments and other assets	(2,958)	—	—	(2,958)
Balance at 31 December 2000	<u>770,534</u>	<u>273,156</u>	<u>768,490</u>	<u>1,812,180</u>
The Bank				
Balance at 1 January 2000	395,665	130,775	615,170	1,141,610
Exchange differences	3,350	925	77	4,352
Write off against provisions	(54,780)	(7,864)	—	(62,644)
Charge/(write back) to income statement	13,638	—	(52,142)	(38,504)
Interest suspended	—	23,476	—	23,476
Transfer from a subsidiary upon merger	5,569	2,575	34,776	42,920
Balance at 31 December 2000	<u>363,442</u>	<u>149,887</u>	<u>597,881</u>	<u>1,111,210</u>

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 14 of Section III(J).

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

14 Other Accounts

	The UOB Group \$'000	The Bank \$'000
Interest receivable	624,126	487,429
Interest-in-suspense [note 13(e) of Section III(J)]	(147,401)	(82,195)
	<u>476,725</u>	<u>405,234</u>
Balances arising from revaluation of off-balance sheet financial instruments [note 21 of Section III(J)]	334,926	324,769
Other assets	1,035,721	489,976
Provisions for diminution in value of other assets [note 18 of Section III(J)]	(57,946)	(49,488)
	<u>1,312,701</u>	<u>765,257</u>
	<u>1,789,426</u>	<u>1,170,491</u>

15 Investment Securities

	The UOB Group \$'000	The Bank \$'000
Quoted investments, at cost:		
Equities	118,395	106,707
Debt securities	134,533	99,811
	<u>252,928</u>	<u>206,518</u>
Provision for diminution in value [note 18 of Section III(J)]	(5,152)	—
	<u>247,776</u>	<u>206,518</u>
Unquoted investments, at cost:		
Equities	112,893	70,133
Debt securities	108,915	70,294
	<u>221,808</u>	<u>140,427</u>
Provision for diminution in value [note 18 of Section III(J)]	(10,503)	(4,291)
	<u>211,305</u>	<u>136,136</u>
Total investment securities	<u>459,081</u>	<u>342,654</u>
Market value at 31 December 2000:		
Quoted equities	131,933	99,201
Quoted debt securities	148,163	113,807
	<u>280,096</u>	<u>213,008</u>

16 Investments in Associates

	The UOB Group \$'000	The Bank \$'000
At cost:		
Quoted equities	690,894	650,418
Quoted debt securities	2,068	—
Quoted warrants	38,737	38,429
Unquoted equities	91,625	10,915
	<u>823,324</u>	<u>699,762</u>
Provision for diminution in value [note 18 of Section III(J)]	—	(20,084)
UOB Group's share of post acquisition reserves of associates, net of dividends received and goodwill adjustments	734,207	—
	<u>1,557,531</u>	<u>679,678</u>
Market value at 31 December 2000:		
Quoted equities	939,109	758,951
Quoted debt securities	2,238	—
Quoted warrants	57,575	56,940
	<u>998,922</u>	<u>815,891</u>

The major associates of the UOB Group as at 31 December 2000 are set out in note 26 of Section III(J).

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

17 Investments in Subsidiaries

(a)

	<u>The Bank</u>
	<u>\$'000</u>
Quoted equities, at cost	391,986
Provision for diminution in value [note 18 of Section III(J)]	(10,000)
	<u>381,986</u>
Unquoted equities, at cost	1,026,419
Provision for diminution in value [note 18 of Section III(J)]	(197,848)
	<u>828,571</u>
Total investments in subsidiaries	<u>1,210,557</u>
Market value of quoted equities at 31 December 2000	<u>516,277</u>

The subsidiaries of the UOB Group as at 31 December 2000 are set out in note 25 of Section III(J).

(b) During the financial year ended 31 December 2000, the UOB Group acquired the following subsidiaries:

	Interest acquired %	Consideration paid \$'000
UOB Securities (Thailand) Co. Ltd	100	29,307
asia-reach.com Pte Ltd	100	*

*\$2

The acquisitions had no material effect on the UOB Group's balance sheet as at 31 December 2000 and results for the financial year then ended.

(c) During the financial year ended 31 December 2000, UOB Securities Pte Ltd ("UOBS") and its wholly-owned subsidiaries, UOBS Research (M) Sdn Bhd and UOB Securities Nominees Pte Ltd, were merged with Kay Hian Holdings Limited ("KHHL"). This was effected through a share exchange agreement whereby the UOB 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 UOB Group.

In addition, certain minor subsidiaries of the UOB Group were placed into members' voluntary liquidation during the financial year ended 31 December 2000.

The above share exchange and liquidations had no material effect on the UOB Group's balance sheet as at 31 December 2000 and the results for the financial year then ended.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

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

(a) The UOB Group

	Singapore Government Treasury Bills and Securities \$'000	Other Government Treasury Bills and Securities \$'000	Dealing Securities \$'000	Other Assets \$'000	Investment Securities \$'000	Total \$'000
At 1 January 2000	—	3,220	3,536	19,349	10,204	36,309
Exchange differences	—	(74)	(222)	(524)	(321)	(1,141)
Amounts written off	—	—	—	(1,024)	—	(1,024)
Charge/(write back) to income statement	3	(2,267)	16,888	47,759	3,361	65,744
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 2000	<u>3</u>	<u>879</u>	<u>20,089</u>	<u>57,946</u>	<u>15,655</u>	<u>94,572</u>

(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	Total \$'000
At 1 January 2000	—	1,753	2,772	1,828	4,504	9,356	98,159	118,372
Exchange differences	—	(77)	(239)	(160)	161	24	783	492
Amounts written off	—	—	—	(102)	—	—	—	(102)
(Write back)/charge to income statement	(328)	(1,111)	16,067	47,922	(374)	10,679	108,906	181,761
Transfer from a subsidiary upon merger	328	—	—	—	—	25	—	353
At 31 December 2000	<u>—</u>	<u>565</u>	<u>18,600</u>	<u>49,488</u>	<u>4,291</u>	<u>20,084</u>	<u>207,848</u>	<u>300,876</u>

19 Fixed Assets

(a) The UOB Group

	Land and Buildings \$'000	Office Equipment, Computers, Fixtures and Other Assets \$'000	Total \$'000
Balances at 1 January 2000:			
Cost/valuation	1,236,459	567,619	1,804,078
Accumulated depreciation	(152,469)	(376,512)	(528,981)
Provision for diminution in value	(39,520)	—	(39,520)
Net book value	<u>1,044,470</u>	<u>191,107</u>	<u>1,235,577</u>
Movements during the financial year:			
Exchange differences	(3,864)	(2,450)	(6,314)
Additions	33,283	68,899	102,182
Acquisition of subsidiaries	197	223	420
Disposal of subsidiaries	—	(1,986)	(1,986)
Disposals	(2,354)	(1,550)	(3,904)
Depreciation charge	(18,374)	(56,369)	(74,743)
Provision for diminution in value	(223)	—	(223)
Net book value at 31 December 2000	<u>1,053,135</u>	<u>197,874</u>	<u>1,251,009</u>
Balances at 31 December 2000:			
Cost/valuation	1,259,109	599,190	1,858,299
Accumulated depreciation	(169,738)	(401,316)	(571,054)
Provision for diminution in value	(36,236)	—	(36,236)
Net book value	<u>1,053,135</u>	<u>197,874</u>	<u>1,251,009</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

19 Fixed Assets (continued)

(b) The Bank

	Land and Buildings \$'000	Office Equipment, Computers, Fixtures and Other Assets \$'000	Total \$'000
Balances at 1 January 2000:			
Cost/valuation	602,171	333,177	935,348
Accumulated depreciation	(78,054)	(231,080)	(309,134)
Provision for diminution in value	(2,118)	—	(2,118)
Net book value	521,999	102,097	624,096
Movements during the financial year:			
Exchange differences	(2,918)	(20)	(2,938)
Additions	1,427	45,939	47,366
Transfer from a subsidiary upon merger	13,744	71	13,815
Disposals	(1,833)	(1,087)	(2,920)
Depreciation charge	(7,999)	(32,705)	(40,704)
Provision for diminution in value	(140)	—	(140)
Net book value at 31 December 2000	524,280	114,295	638,575
Balances at 31 December 2000:			
Cost/valuation	615,112	371,908	987,020
Accumulated depreciation	(88,275)	(257,613)	(345,888)
Provision for diminution in value	(2,557)	—	(2,557)
Net book value	524,280	114,295	638,575

(c) Based on UOB's Directors' valuation, the estimated market values of the land and buildings of the UOB Group and the Bank included in fixed assets as at 31 December 2000 were \$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 UOB Group and the Bank are leasehold properties with net book value at 31 December 2000 amounting to \$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 UOB 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.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

20 Contingent Liabilities

(a)

	The UOB Group \$'000	The Bank \$'000
Direct credit substitutes	1,321,950	1,444,947
Transaction-related contingencies	718,535	434,325
Trade-related contingencies	1,359,361	718,001
Other contingent liabilities	641,779	306,006
	<u>4,041,625</u>	<u>2,903,279</u>

In the normal course of business, the UOB 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 Welfareism 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.

21 Off-Balance Sheet Financial Instruments

(a) The UOB Group

	Contract or Underlying Principal Amount \$'000	Year-End Positive Fair Value \$'000	Year-End Negative Fair Value \$'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
	<u>37,455,247</u>	<u>334,926</u>	<u>379,405</u>

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

21 Off-Balance Sheet Financial Instruments (continued)

(b) The Bank

	Contract or Underlying Principal Amount \$'000	Year-End Positive Fair Value \$'000	Year-End Negative Fair Value \$'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
	<u>34,863,690</u>	<u>324,769</u>	<u>371,708</u>

- (c) Off-balance sheet financial instruments 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 UOB Group and the Bank transact in these financial instruments for proprietary trading purposes as well as to maintain its assets/liabilities and structural positions. The UOB Group and the Bank also customise these financial instruments to meet the specific needs of their customers.

The tables above analyse the notional principal amounts and the year-end positive and negative fair values of the UOB Group's and the Bank's off-balance sheet financial instruments. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date. They do not represent amounts at risk. The year-end positive and negative fair values represent the unrealised gains and losses respectively on revaluation of off-balance sheet financial instruments held for trading as at the balance sheet date.

22 Commitments

	The UOB Group \$'000	The Bank \$'000
Capital commitments contracted but not provided for on development of property and purchase of fixed assets	18,088	12,136
Undrawn credit facilities	17,746,051	12,006,636
Others	822,354	520,484
	<u>18,586,493</u>	<u>12,539,256</u>

As at 31 December 2000, the UOB Group had also entered into a conditional agreement to transfer, for cash consideration, its overseas stockbroking interests in Malaysia, Indonesia, Thailand, Philippines and Hong Kong S.A.R. to its new associate, UOB-Kay Hian Holdings Limited. These overseas stockbroking interests are as follows:

	Country of Incorporation and Business Carried On In	UOB Group's Interest at 31.12.2000 %
Affin-UOB Holdings Sdn Bhd	Malaysia	45
P T UOBB Securities	Indonesia	85
UOB Securities (Thailand) Co. Ltd	Thailand	100
UOB Securities (Philippines), Inc.	Philippines	100
United Mok Ying Kie Limited	Hong Kong S.A.R.	55

No loss is expected to arise on any of the transfers.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

23 Cash and Cash Equivalents

	The UOB Group
	\$'000
Cash and balances with central banks	1,714,603
Placements and balances with banks and agents	23,609,022
Singapore government treasury bills and securities	3,224,421
Other government treasury bills and securities, less non-cash equivalents of \$1,440,623,000	676,515
	<u>29,224,561</u>

24 Segment Information

(a) Primary Reporting Format - Business Segments

	The UOB Group				
	Wholesale & Retail Banking \$'000	Global Treasury \$'000	Investment Banking \$'000	Others \$'000	Total \$'000
Income before operating expenses	<u>1,211,951</u>	<u>295,361</u>	<u>169,454</u>	<u>228,695</u>	<u>1,905,461</u>
Segment profit before taxation ¹	<u>691,984</u>	<u>213,064</u>	<u>54,392</u>	<u>184,356</u>	1,143,796
Unallocated corporate expenses					(82,952)
Share of profit of associates					125,032
Profit before taxation					<u>1,185,876</u>
Taxation and minority interests					(272,981)
Net profit for the financial year attributable to members					<u>912,895</u>
Other information:					
Segment assets ²	33,984,078	28,890,016	594,639	1,245,564	64,714,297
Segment liabilities ²	43,189,211	15,328,171	138,083	9,780	58,665,245
Provisions included in segment profit before taxation	<u>67,955</u>	<u>(706)</u>	<u>17,085</u>	<u>9,077</u>	<u>93,411</u>

Notes:

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

The difference between total segment assets and total assets as disclosed in the UOB Group's balance sheet is primarily the investments in associates.

The difference between total segment liabilities and total liabilities as disclosed in the consolidated balance sheet is primarily the unallocated provision for current and deferred taxation, and proposed dividends.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

24 Segment Information (continued)

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

The UOB Group's businesses are organised into four segments, based on the types of products and services that it provides worldwide. These segments are Wholesale & Retail Banking, Global Treasury, Investment Banking, and Others that include insurance and property-related activities.

Wholesale & Retail Banking

The UOB Group's Wholesale & Retail Banking segment encompasses personal financial services, commercial banking and corporate 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. 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.

Global Treasury

The UOB Group's Global Treasury segment extends a wide range of treasury capabilities in foreign exchange and derivatives, money market activities, leveraged trading and futures broking. It is a dominant player and market maker 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 UOB Group's behalf. Through the Bank's subsidiaries, Investment Banking also offers asset management products and services through UOB Asset Management Ltd, corporate finance and capital market activities through UOB Asia Limited, venture capital management through UOB Venture Management Private Limited, and stockbroking services through stockbroking subsidiaries and associates in Singapore, Hong Kong S.A.R., Indonesia, Malaysia, Philippines and Thailand.

Others

Other operations of the UOB Group include insurance, and property-related activities. None of the activities in this group constitutes 10% or more of the UOB Group's total segment assets, total segment income before operating expenses or total segment results.

(b) Secondary Reporting Format - Geographical Segments

	The UOB Group		
	Income Before Operating Expenses \$'000	Profit Before Taxation \$'000	Total Assets \$'000
Singapore (including Asian Currency Units)	1,516,136	1,058,715	50,614,322
Other ASEAN countries	260,061	62,465	8,564,287
Other Asia-Pacific countries	93,249	50,555	3,991,057
Rest of the world	36,015	14,141	3,154,386
	<u>1,905,461</u>	<u>1,185,876</u>	<u>66,324,052</u>

With the exception of Singapore, no individual country contributed 10% or more of either the UOB 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 location of customers and assets.

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

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

25 Subsidiaries

	Country of Incorporation	Business Carried On in	Percentage of Paid-Up Capital Held By		Cost of Bank's Investment \$'000
			The Bank %	Subsidiaries %	
Commercial Banking					
CKB (2000) Limited (formerly known as Chung Khiaw Bank Limited)	Singapore	Inactive	100	—	—
Industrial & Commercial Bank Limited	Singapore	Singapore	87	—	384,286
Far Eastern Bank Limited	Singapore	Singapore	74	—	34,259
* United Overseas Bank (Malaysia) Bhd	Malaysia	Malaysia	45	55	123,731
* PT Bank UOB Indonesia (formerly known as PT United Overseas Bank Bali)	Indonesia	Indonesia	80	—	30,562
* United Overseas Bank (Canada)	Canada	Canada	100	—	18,155
LWB (1995) Limited	Singapore	Inactive	100	—	—
* UOB Radanasin Bank Public Company Limited	Thailand	Thailand	75	—	165,485
* United Overseas Bank (Philippines)	Philippines	Philippines	60	—	75,642
Merchant Banking					
UOB Asia Limited	Singapore	Singapore	100	—	9,747
* UOB Australia Limited	Australia	Australia	100	—	10,865
* UOB Asia (Hong Kong) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	50	50	11,687
Finance Company					
* United Overseas Finance (Malaysia) Bhd	Malaysia	Inactive	—	100	—
Insurance					
United Overseas Insurance Limited	Singapore	Singapore	51	—	7,700
ICI (2000) Limited (formerly known as Industrial & Commercial Insurance Limited, in members' voluntary liquidation)	Singapore	Inactive	—	73	—
* UOB Insurance (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	—	100	—
UOB Life Assurance Limited	Singapore	Singapore	88	12	76,500
* PT UOB Life-Sun Assurance	Indonesia	Indonesia	—	80	—
Investment Companies					
* Chung Khiaw Bank (Malaysia) Bhd	Malaysia	Malaysia	100	—	152,403
UOF (2000) Limited (formerly known as United Overseas Finance Limited)	Singapore	Inactive	100	—	10
UOB Equity Holdings (Pte) Ltd	Singapore	Singapore	100	—	9,600
United Investments Limited	Singapore	Singapore	100	—	68,100
* UOB Finance (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	—	22,207
* UOB Realty (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	—	100	—
ICB Pte Ltd	Singapore	Inactive	—	100	—
* ICB Finance Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	—	100	—
** UOB Holdings (USA) Inc	United States of America	United States of America	100	—	21,182
UOB Capital Investments Pte Ltd	Singapore	Singapore	100	—	600
UOB Capital Management Pte Ltd	Singapore	Singapore	100	—	100
asia-reach.com Pte Ltd	Singapore	Inactive	100	—	@
** UOB Venture Management (USA) Inc.	United States of America	United States of America	—	100	—

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

25 Subsidiaries (continued)

	Country of Incorporation	Business Carried On in	Percentage of Paid-Up Capital Held By		Cost of Bank's Investment \$'000
			The Bank %	Subsidiaries %	
Stockbroking					
* UOB Securities (Philippines), Inc.	Philippines	Philippines	—	100	—
* United Mok Ying Kie Limited	Hong Kong	Hong Kong	—	55	—
	S.A.R.	S.A.R.			
* PT UOBB Securities	Indonesia	Indonesia	—	85	—
***UOB Securities (Thailand)	Thailand	Thailand	—	100	—
Co. Ltd (formerly known as Ocean Securities Co. Limited)					
Trustee/Investment Management					
United Overseas Bank Trustee Limited	Singapore	Singapore	20	80	100
UOB Asset Management Ltd	Singapore	Singapore	100	—	2,000
UOB Global Capital Private Limited (formerly known as UOB Global Capital Limited)	Singapore	Singapore	70	—	672
***UOB Global Capital LLC	United States of America	United States of America	—	70	—
** UOB Global Capital SARL	France	France	—	100	—
** UOB Global Capital (Dublin) Ltd	Ireland	Ireland	—	70	—
UOB Venture Management Private Limited	Singapore	Singapore	100	—	250
* UOB-OSK Asset Management Sdn Bhd	Malaysia	Malaysia	—	70	—
* UOB Investment Advisor (Taiwan) Ltd	Taiwan	Taiwan	—	100	—
Nominee Services					
United Overseas Bank Nominees (Private) Limited	Singapore	Singapore	100	—	10
ICB Nominees (Private) Limited	Singapore	Singapore	—	100	—
Chung Khiaw Bank Nominees (Private) Limited	Singapore	Singapore	100	—	10
Far Eastern Bank Nominees (Private) Limited	Singapore	Singapore	—	100	—
Lee Wah Nominees (S) Pte Ltd	Singapore	Singapore	100	—	@
Tye Hua Nominees Private Limited	Singapore	Singapore	100	—	10
UOF Nominees (Private) Limited	Singapore	Inactive	100	—	@
United Merchant Bank Nominees (Pte) Ltd	Singapore	Singapore	—	100	—
* UOBM Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	—	100	—
* UOBM Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	—	100	—
* UOB Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	—	100	—
* UOB Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	—	100	—
* United Overseas Bank Nominees (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	—	4
* Chung Khiaw Nominees (H.K.) Limited (formerly known as Chung Khiaw Bank Nominees (H.K.) Limited)	Hong Kong S.A.R.	Hong Kong S.A.R.	100	—	2

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

25 Subsidiaries (continued)

	Country of Incorporation	Business Carried On in	Percentage of Paid-Up Capital Held By		Cost of Bank's Investment \$'000
			The Bank %	Subsidiaries %	
Nominee Services (continued)					
* Singapore UMB (Hong Kong) Limited	Hong Kong S.A.R.	Inactive	—	100	—
***UOB Nominees (UK) Limited	United Kingdom	United Kingdom	100	—	2
* UOB Nominees (Australia) Limited	Australia	Australia	—	100	—
* UMYK Nominees Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	—	100	—
Gold/Futures Dealing					
UOB Bullion and Futures Limited	Singapore	Singapore	100	—	9,000
Leasing/Rental					
Ubin Private Limited (in members' voluntary liquidation)	Singapore	Inactive	—	100	—
Computer Services					
Unicom Databank Private Limited	Singapore	Singapore	100	—	@
* UOB InfoTech Sdn Bhd	Malaysia	Inactive	—	100	—
Management Services					
UOB Management Services Pte Ltd	Singapore	Inactive	100	—	@
ICB Management Pte Ltd	Singapore	Inactive	—	100	—
A.I.M. Services Pte Ltd	Singapore	Inactive	—	100	—
General Services					
United General Services (Pte) Ltd	Singapore	Singapore	100	—	@
Consultancy and Research Services					
UOB Investment Research Pte Ltd	Singapore	Singapore	100	—	500
Property					
UOB Warehouse Private Limited	Singapore	Singapore	100	—	88,000
Chung Khiaw Realty, Limited	Singapore	Singapore/Malaysia	99	—	60,448
Industrial & Commercial Realty Limited (in members' voluntary liquidation)	Singapore	Inactive	—	100	—
FEB Realty Company Pte Ltd	Singapore	Inactive	—	100	—
ICB Enterprises (Private) Limited	Singapore	Inactive	100	—	495
Industrial & Commercial Property (S) Pte Ltd	Singapore	Singapore	—	100	—
** UOB Realty (USA) Inc	United States of America	United States of America	100	—	346
** UOB Realty (USA) Ltd Partnership	United States of America	United States of America	99	1	17,147
***# Dahua Xiamen Development Ltd	People's Republic of China	People's Republic of China	50	—	12,333

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

25 Subsidiaries (continued)

	Country of Incorporation	Business Carried On in	Percentage of Paid-Up Capital Held By		Cost of Bank's Investment \$'000
			The Bank %	Subsidiaries %	
Property Management					
UOB Property Management Pte Ltd	Singapore	Singapore	100	—	@
Granite Trading/Quarrying					
GH Carriers Private Limited (in members' voluntary liquidation)	Singapore	Inactive	—	100	—
Gim Huat Private Limited (in members' voluntary liquidation)	Singapore	Inactive	—	100	—
Travel					
UOB Travel Planners Pte Ltd	Singapore	Singapore	100	—	3,987
UOB Travel (General Sales Agent) Pte Ltd	Singapore	Singapore	55	—	268
					1,418,405
Provision for diminution in value					(207,848)
					1,210,557

Notes:

* Companies audited by member firms of PricewaterhouseCoopers.

** Not required to be audited in country of incorporation.

*** Companies not audited by PricewaterhouseCoopers, Singapore or a member firm of PricewaterhouseCoopers.

Subsidiary 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.

@ Investment cost is less than \$1,000.

III. FINANCIAL INFORMATION RELATING TO THE UOB GROUP

J. NOTES TO THE STATEMENT OF NET ASSETS OF THE UOB GROUP AND THE BANK (continued)

26 Major Associates

	Principal Activities	Country of Incorporation and Business	Effective Interest Held By The UOB Group %
Associates (Quoted)			
United Overseas Land Limited	Property/hotel	Singapore	45
United International Securities Limited	Investment	Singapore	42
Haw Par Corporation Limited	Conglomerate	Singapore	42
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	39
Associates (Unquoted)			
Affin-UOB Securities Sdn Bhd	Stockbroking	Malaysia	45
OSK-UOB Unit Trust Management Berhad	Investment management	Malaysia	30
Walden Asia II Limited	Venture capital investment	United States of America	25
UOB Venture Investments Limited	Venture capital investment	Singapore	21
Network For Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	20
Novena Square Development Pte Ltd	Property	Singapore	20
Novena Square Investment Pte Ltd	Investment	Singapore	20
Orix Leasing Singapore Ltd	Leasing/rental	Singapore	20
PT Bali Walden UOB Venture Capital	Venture capital investment	Indonesia	20
Singapore Consortium Investment Management Ltd	Investment management	Singapore	20

K. DIVIDENDS

Based on the audited financial statements of the Bank, no dividends have been paid, declared or proposed by the Bank for the period covered by this report except as follows:

	Rate of Dividend (Gross) %	Issued Ordinary Share Capital \$'000	Net Dividend Paid/Declared \$'000
Year ended 31 December 1998			
Interim dividend, net of tax at 26%, paid on 28 August 1998	8	994,736	58,888
Final dividend, net of tax at 26%, paid on 18 June 1999	10	996,086	73,710
Year ended 31 December 1999			
Interim dividend, net of tax at 26%, paid on 3 September 1999	8	997,288	59,039
Final dividend, net of tax at 25.5%, paid on 16 June 2000	12	1,052,201	94,067
Special tax exempt bonus dividend, paid on 16 June 2000	25	1,052,201	263,050
Year ended 31 December 2000			
Interim dividend, net of tax at 25.5%, paid on 1 September 2000	15	1,052,381	117,604
Final dividend, net of tax at 24.5%, paid on 15 June 2001	25	1,052,786	198,713

L. AUDITED FINANCIAL STATEMENTS

No audited financial statements of the Bank or of the UOB Group have been prepared for any period subsequent to 31 December 2000.