

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

A. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The financial information relating to the OUB Group set out below has been extracted from the audited financial statements of the OUB Group for the three financial years ended 31 December 1998, 1999 and 2000. Certain information for the financial year ended 31 December 1998 is not available from the audited financial statements for that year, in which case we have indicated it as "N.A."

The financial information is expressed in Singapore dollars.

B. FINANCIAL INFORMATION

Consolidated Income Statements

		The OUB Group		
	Notes	1998 \$'000	1999 \$'000	2000 \$'000
Interest income	3(a)	2,687,194	1,979,337	2,339,123
Less: Interest expense	3(b)	1,843,849	1,128,010	1,340,211
Net interest income		843,345	851,327	998,912
Fees and commissions	4	148,481	231,984	182,714
Dividends	5	6,926	4,355	6,032
Rental		3,826	3,755	4,905
Other income	6	85,495	118,033	83,801
Income before operating expenses		1,088,073	1,209,454	1,276,364
Less:				
Staff costs		208,933	227,631	263,851
Other operating expenses		177,653	209,719	222,534
Total operating expenses	7	386,586	437,350	486,385
Operating profit		701,487	772,104	789,979
Less: Provision for possible loan losses and diminution in value of other assets	8	471,663	211,218	123,324
Net profit before share of associated companies' results		229,824	560,886	666,655
Share of associated companies' results		12,901	45,274	53,375
Net profit before taxation		242,725	606,160	720,030
Less: Tax	9	64,844	130,096	158,926
Net profit after taxation		177,881	476,064	561,104
Less: Minority interests		1,266	25,995	16,064
Net profit attributable to members		176,615	450,069	545,040
Earnings per share (cents)	10			
Basic		18	46	55
Diluted		18	46	55

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Consolidated Balance Sheets

	Notes	The OUB Group		
		1998 \$'000	1999 \$'000	2000 \$'000
SHARE CAPITAL AND RESERVES				
Share capital	11(a)	816,988	990,790	993,535
Reserves				
Share premium		1,867,984	1,757,116	1,764,435
Capital	11(b)	40,679	40,677	41,327
General	11(c)	803,276	916,404	1,047,821
Unappropriated profit		593,635	789,040	1,035,408
Share of associated companies' reserves		183,939	226,908	277,992
Total reserves		3,489,513	3,730,145	4,166,983
TOTAL SHAREHOLDERS' FUNDS		4,306,501	4,720,935	5,160,518
MINORITY INTEREST		100,553	126,137	139,898
LIABILITIES				
Certificates of deposit issued		225,279	136,757	381,597
Deposits and balances of banks		11,592,137	8,175,258	12,518,001
Deposits of non-bank customers		25,790,596	24,564,360	26,899,471
Total deposits	12	37,608,012	32,876,375	39,799,069
Bills payable		93,613	106,148	52,281
Provision for tax	13	97,305	160,221	175,110
Other liabilities	14	1,155,607	1,243,632	1,144,032
Proposed dividend		60,457	88,577	82,513
Debt securities	15	50,000	50,000	50,000
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		43,472,048	39,372,025	46,603,421
ASSETS				
Balances with central banks		610,117	729,996	800,866
Cash, bullion and balances with banks and agents		188,998	281,571	248,371
Certificates of deposit held		478,984	504,424	633,370
Singapore government securities	16(b)	2,885,533	3,411,550	3,502,454
Other government securities	16(c)	239,129	198,573	204,060
Dealing securities	16(d)	204,626	290,068	577,189
Placements with and loans to banks	17	13,128,339	7,042,657	9,393,893
Bills receivable		195,117	213,909	474,090
Loans to non-bank customers		23,771,108	24,789,888	28,100,934
Total non-bank loans and bills	18	23,966,225	25,003,797	28,575,024
Investment securities	16(e)	156,630	209,608	869,028
Other assets	19	725,625	743,159	776,434
Associated companies	20	524,909	586,261	612,848
Fixed assets	22	362,933	370,361	409,884
TOTAL ASSETS		43,472,048	39,372,025	46,603,421
OFF-BALANCE SHEET ITEMS				
Contingent liabilities	23	2,363,257	2,343,587	2,501,298
Financial instruments	24	12,512,022	13,369,361	15,424,096
Commitments	25	12,327,176	13,192,066	16,524,885

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Consolidated Cash Flow Statements

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Cash flows from operating activities			
Profit before tax and share of associated companies' results	229,824	560,886	666,655
Adjustments for:-			
Provision for possible loan losses and diminution in value of assets	471,663	211,218	123,324
Depreciation and goodwill amortisation	35,774	39,085	42,928
Operating profit before working capital changes	737,261	811,189	832,907
Increase/(Decrease) in:			
Certificates of deposit issued	(50,166)	(88,522)	244,840
Deposits and balances of banks	862,027	(3,416,879)	4,342,743
Deposits of non-bank customers	3,222,260	(1,226,236)	2,335,111
Bills payable and other liabilities	327,964	100,560	(153,465)
(Increase)/Decrease in:			
Government and dealing securities	(917,786)	(549,323)	(414,515)
Bills receivable and loans to non-bank customers	(1,470,747)	(1,257,491)	(3,658,628)
Placements with and loans to banks	(2,839,502)	6,085,712	(2,351,291)
Other assets	(73,528)	(27,786)	(31,417)
Cash provided by/(used in) operating activities	(202,217)	431,224	1,146,285
Tax paid	(95,986)	(56,583)	(128,949)
Net cash provided by/(used in) operating activities	(298,203)	374,641	1,017,336
Cash flows from investing activities			
Net increase in investment securities	(46,971)	(55,633)	(665,808)
Net decrease/(increase) in investments in associated companies	(92,110)	(18,385)	24,498
Dividends received from associated companies	12,033	9,010	9,296
Acquisition of subsidiaries, net of cash acquired	(2,348)	—	—
Change in minority interests	478	533	(438)
Net increase in fixed assets	(80,599)	(46,514)	(82,785)
Net cash used in investing activities	(209,517)	(110,989)	(715,237)
Cash flows from financing activities			
Net proceeds from issue of shares	184	62,934	10,064
Dividends paid	(74,483)	(94,992)	(157,311)
Net cash used in financing activities	(74,299)	(32,058)	(147,247)
Net foreign exchange translation adjustments	(4,865)	6,298	11,764
Net change in cash and cash equivalents	(586,884)	237,892	166,616
Cash and cash equivalents at 1 January	1,864,983	1,278,099	1,515,991
Cash and cash equivalents at 31 December	1,278,099	1,515,991	1,682,607
Cash and cash equivalents			
Balances with central banks	610,117	729,996	800,866
Cash, bullion and balances with banks and agents	188,998	281,571	248,371
Certificates of deposit held	478,984	504,424	633,370
	1,278,099	1,515,991	1,682,607

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Consolidated Statements of Changes in Equity

	Notes	The OUB Group		
		1998 \$'000	1999 \$'000	2000 \$'000
Share Capital				11(a)
At 1 January		816,949	816,988	990,790
Shares issued under OUB Share Option Scheme		39	13,581	2,745
Bonus issues		—	160,221	—
At 31 December		816,988	990,790	993,535
Share Premium				
At 1 January		1,867,839	1,867,984	1,757,116
Premium on shares exercised under OUB Share Option Scheme		145	50,668	7,319
Premium utilised for bonus issues		—	(160,221)	—
Expenses in connection with bonus issues		—	(1,315)	—
At 31 December		1,867,984	1,757,116	1,764,435
Capital Reserves (Non-distributable)				11(b)
At 1 January		39,071	40,679	40,677
Net exchange translation adjustments		(14)	(1)	14
Transfer from/(to) unappropriated profit		130	(1)	636
Surplus on acquisition of subsidiaries		1,492	—	—
At 31 December		40,679	40,677	41,327
General Reserves (Non-distributable)				11(c)
Statutory Reserves				
At 1 January		696,974	803,276	910,251
Net exchange translation adjustments		8,769	166	3,414
Adjustment for decrease in shareholdings in a subsidiary arising from warrants and employee share options exercised		—	(179)	(390)
Transfer from unappropriated profit		97,533	106,988	120,055
At 31 December		803,276	910,251	1,033,330

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Consolidated Statements of Changes in Equity (continued)

	Notes	The OUB Group		
		1998 \$'000	1999 \$'000	2000 \$'000
General Reserves (Non-distributable) (continued)				
Exchange Translation Reserves				
At 1 January		(105,819)	(110,464)	(104,489)
Net exchange translation adjustments		(4,645)	5,975	8,483
At 31 December		(110,464)	(104,489)	(96,006)
Other Reserves				
At 1 January		105,819	110,464	110,642
Net exchange translation adjustments		(8,975)	158	(147)
Transfer from unappropriated profit		29,726	20	2
Goodwill written off upon merger with a subsidiary		(16,106)	—	—
At 31 December		110,464	110,642	110,497
Total General Reserves		803,276	916,404	1,047,821
Unappropriated Profit				
At 1 January		628,528	593,635	789,040
Transfer from income statement		183,184	424,635	516,319
Net dividends paid after previous year end in respect of shares issued under OUB Share Option Scheme		(2)	(90)	(168)
Profit available for appropriation		811,710	1,018,180	1,305,191
Transfer (to)/from capital reserves		(130)	1	(636)
Transfer to general reserves		(127,259)	(107,008)	(120,057)
Dividends	11(d)	(90,686)	(122,133)	(149,090)
At 31 December		593,635	789,040	1,035,408
Share of Associated Companies' Reserves				
Distributable Reserves				
At 1 January		61,510	47,682	63,235
Net exchange translation adjustments		N.A.	500	(284)
Capital reduction		N.A.	(4,826)	(6)
Transfer from income statement		N.A.	25,434	28,721
Transfer to non-distributable reserves		N.A.	(5,366)	(1,585)
Others		N.A.	(189)	(54)
Net movements during the year		(13,828)	—	—
At 31 December		47,682	63,235	90,027

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Consolidated Statements of Changes in Equity (continued)

	Notes	The OUB Group		
		1998 \$'000	1999 \$'000	2000 \$'000
Share of Associated Companies' Reserves (continued)				
Non-distributable Reserves				
At 1 January		174,827	136,257	163,673
Net exchange translation adjustments		N.A.	1,563	3,949
Goodwill on (acquisition)/disposal of associated companies		N.A.	(8,731)	10,669
Transfer from distributable reserves		N.A.	5,366	1,585
Revaluation surplus on properties		N.A.	5,374	12,822
Revaluation surplus/(deficit) on securities		N.A.	23,734	(11,756)
Gains on sale of investments		N.A.	—	7,023
Others		N.A.	110	—
Net movements during the year		(38,570)	—	—
At 31 December		136,257	163,673	187,965
Total Share of Associated Companies' Reserves		183,939	226,908	277,992
Total Shareholders' Funds		4,306,501	4,720,935	5,160,518
Summary of net gains not recognised in the income statement				
Revaluation surplus on properties		N.A.	5,374	12,822
Revaluation surplus/(deficit) on securities		N.A.	23,734	(11,756)
Goodwill on (acquisition)/disposal of associated companies		N.A.	(8,731)	10,669
Capital reduction		N.A.	(4,826)	(6)
Gains on sale of investments		N.A.	—	7,023
Net exchange translation adjustments		N.A.	8,361	15,429
Total		N.A.	23,912	34,181

Notes to the Financial Information

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

1 General

OUB is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of its registered office is 1 Raffles Place, OUB Centre, Singapore 048616.

OUB carries on all the normal activities of a commercial bank whilst the principal activities of its subsidiaries are listed in Note 21. There have been no significant changes in the nature of these activities during the financial year. The financial information is expressed in Singapore dollars.

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION

Notes to the Financial Information

2 Principal Accounting Policies

(a) Basis of accounting

The financial information of OUB and its subsidiaries are prepared in accordance with the historical cost convention, modified by the revaluation of certain off-balance sheet financial instruments to market value at the balance sheet date, the inclusion of certain fixed assets at a valuation, and are in accordance with the provisions of the Companies Act and Statements of Accounting Standard, applicable for the financial year ended 31 December 2000.

(b) Basis of consolidation

The consolidated financial information incorporates the financial information of OUB and its subsidiaries. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated financial information from the date of acquisition or disposal. All internal profits have been eliminated on consolidation and the OUB Group results relate to external transactions only.

Goodwill arising from the acquisition of subsidiaries is written off against capital reserves in the year of acquisition. Negative goodwill arising from the acquisition of subsidiaries is treated as capital reserves in the year of acquisition.

(c) Foreign currencies

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions of Singapore incorporated subsidiaries and of OUB's domestic operations during the year are translated into Singapore dollars at the rates of exchange ruling on the transaction dates. The results of foreign subsidiaries and of OUB's Asian Currency Unit and overseas branch operations are translated at the rates of exchange ruling at the balance sheet date.

All exchange differences are taken to the income statement except for translation differences arising from the opening net investments in foreign subsidiaries, foreign associated companies and overseas branches regarded as foreign entities (as defined in Statement of Accounting Standard 20) which are taken directly to general reserves.

(d) Off-balance sheet financial instruments

Off-balance sheet financial instruments including forwards, swaps, futures and options are valued at market prices if they are for trading or general hedging purposes, and the resultant gains or losses are taken to the income statement. Transactions entered into for specific hedging purposes are accounted for in a manner consistent with the accounting treatment of the item being hedged.

(e) Basis of valuation of assets

(i) Loans and bills receivable

Loans and bills receivable are stated after deduction of provisions for possible losses. These provisions comprise specific provision, interest-in-suspense and general provision. Specific provision is based on the borrowers' debt servicing ability and adequacy of securities. In addition, a general provision on total loans is made to cover unexpected losses which have not been specifically identified. Known bad debts are written off.

(ii) Government securities

Government securities are stated at the lower of cost and market value determined on a portfolio basis to take into account the effect of portfolio diversification.

(iii) Dealing securities

Securities held for dealing or non-strategic holding purpose are stated at the lower of cost and market value (for quoted securities) or net tangible asset value (for unquoted securities) determined on a portfolio basis to take into account the effect of portfolio diversification.

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

2 Principal Accounting Policies (continued)

(e) Basis of valuation of assets (continued)

(iv) Investment securities

Long-term investments and investments in subsidiaries and associated companies are stated at cost and provision is made for any diminution in value considered to be other than temporary determined on an individual investment basis. Cost of debt securities is adjusted for the amortisation of premium and discount.

(v) Associated companies

Associated companies are companies in which the OUB Group has a long-term equity interest of between 20% and 50% and over whose financial and operating policy decisions the OUB Group exercises significant influence.

The OUB Group's share of results of associated companies is included in the consolidated income statement and the OUB Group's share of net assets is included in the consolidated balance sheet. Equity accounting is applied based on the latest audited accounts or management accounts of the associated companies concerned made up to the respective companies' financial year-end which is within six months from the OUB Group's financial year-end.

Where the accounting policies of associated companies do not conform with those of the OUB Group, adjustments are made for amounts considered significant to the OUB Group.

(f) Depreciation of fixed assets

The basis of depreciation is as follows:

- (i) Freehold land and leasehold land with leases having more than 99 years to run are not amortised. Buildings and other leasehold land are amortised on a straight-line basis over the period of the lease or over 50 years whichever is the shorter.
- (ii) Other fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

	<u>No. of years</u>
Computer software and hardware	3 to 5
Motor vehicles	3
Office equipment, furniture & fittings and others	4 to 10

(g) Recognition of income

Interest income is recognised on an accrual basis. Interest income on hire purchase loans is included in the income statement using the sum of digits method.

Fee income relating to loans is recognised over the period during which the related service is provided or credit risk undertaken.

Dividends are taken to the income statement on an accrual basis if the right to receive them can be established, otherwise they are recognised in the income statement on a cash basis.

(h) Tax

Tax expense is determined based on tax effect accounting using the liability method. Deferred tax 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 benefits are not recognised unless there is reasonable expectation of their realisation.

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

2 Principal Accounting Policies (continued)

(i) Repurchase and reverse repurchase agreements ("repos" and "reverse repos")

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised lending and borrowing transactions and reflected in the relevant asset and liability categories in the balance sheet. Interest income on reverse repurchase agreements and interest expenses on repurchase agreements are accrued and brought to the income statement over the respective periods of the agreements.

3 Interest

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
(a) Interest income			
Interest income from:			
Associated companies	N.A.	16,008	12,675
Others	N.A.	1,963,329	2,326,448
Total	<u>2,687,194</u>	<u>1,979,337</u>	<u>2,339,123</u>
(b) Interest expense			
Interest expense paid/payable to:			
Associated companies	N.A.	2,260	3,143
Others	N.A.	1,125,750	1,337,068
Total	<u>1,843,849</u>	<u>1,128,010</u>	<u>1,340,211</u>

4 Fees and Commissions

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Fees and commissions from:			
Associated companies	N.A.	2,756	3,195
Others	N.A.	229,228	179,519
Total	<u>148,481</u>	<u>231,984</u>	<u>182,714</u>

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

5 Dividends

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Dividends from:			
Quoted investments	6,371	4,272	4,015
Unquoted investments	555	83	2,017
Total	<u>6,926</u>	<u>4,355</u>	<u>6,032</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

6 Other Income

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Net gains/(losses) from:			
Dealing			
Foreign exchange	48,816	20,479	26,263
Securities	16,923	18,872	16,845
Others	511	9,348	16,993
Disposal of investment securities	2,312	48,960	1,225
Disposal of fixed assets	(514)	(37)	(177)
Others	17,447	20,411	22,652
Total	85,495	118,033	83,801

Included in the gains from disposal of investment securities for 1999 were gains of \$48.2 million from disposal of shares received from a capital reduction exercise of an associated company.

7 Total Operating Expenses

(a) Total operating expenses include the following:

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Directors' fees and remuneration			
Remuneration of OUB's directors	3,107*	3,012	4,083
Remuneration of other directors	2,099	2,086	2,415
Fees of OUB's directors	433	474	974
Fees of other directors	200	185	265
	5,839	5,757	7,737
Remuneration of auditors			
Audit work	688	733	791
Non-audit work	544	478	523
Other auditors	453	430	442
	1,685	1,641	1,756
Depreciation (Note 22)			
Bank premises and other properties	4,072	4,632	4,379
Other fixed assets	29,308	34,453	38,549
	33,380	39,085	42,928
Fee and commission expenses	N.A.	38,798	24,652
Professional fees paid to a firm of which a director of OUB is a member	14	34	—
Maintenance and hire of fixed assets including buildings	15,750	19,663	25,435
Rental of premises	29,353	26,172	27,885
Staff retirement benefits (Note 14)	N.A.	4,186	3,559
Other expenses	300,565	302,014	352,433
Total	386,586	437,350	486,385

* Included in the remuneration of OUB's directors for 1998 is an adjustment of \$420,000 being underprovision in respect of 1997. Therefore, the remuneration for 1998 would have been \$2,687,000.

(b) Number of staff for the OUB Group as at 31 December 2000 is 4,331 (1999: 4,119; 1998: N.A.).

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

7 Total Operating Expenses (continued)

- (c) The number of directors of OUB, including those appointed, resigned and retired during the year, in each of the remuneration bands is as follows:

	The OUB Group		
	1998	1999	2000
\$500,000 and above	2	2	2
\$250,000 to \$499,999	—	—	—
Below \$250,000	8	8	11
Total	10	10	13

8 Provision for Possible Loan Losses and Diminution in Value of Other Assets

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Specific provision for loans losses [Note 18(b)]	291,068	248,091	87,435
Specific provision/(write-back) for diminution in value of securities and other assets [Note 16(f)]	28,903	(8,681)	35,756
Bad debts written off	9,091	20,088	37,476
General provision/(write-back) for possible loan losses, contingencies and other banking risks [Note 18(b)]	142,601	(48,280)	(37,343)
Total	471,663	211,218	123,324

9 Tax

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Current taxation (Note 13)	53,977	120,082	132,588
Deferred taxation (Note 13)	515	(790)	11,707
	54,492	119,292	144,295
Share of associated companies' taxes	10,352	10,804	14,631
Total	64,844	130,096	158,926

The resulting tax rates of the OUB Group for the years ended 31 December 2000 and 1999 were lower than the Singapore corporate tax rates of 25.5% and 26.0% respectively due mainly to certain overseas income not being taxable and offshore income from the Asian Currency Unit being either tax-exempted or taxed at a concessionary rate of 10% (1998: N.A.).

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

10 Earnings Per Share

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Net profit attributable to members for computation of basic and diluted EPS	176,615	450,069	545,040
	'000	'000	'000
Weighted average number of ordinary shares for computation of basic EPS	976,283	982,383	992,748
Adjustment for assumed conversion of share options	597	5,249	4,504
Weighted average number of ordinary shares for computation of diluted EPS	976,880	987,632	997,252
	Cents	Cents	Cents
Earnings per share			
Basic	18	46	55
Diluted	18	46	55

Basic earnings per share is calculated by dividing the net profit attributable to members by the weighted average number of ordinary shares in issue during the financial year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the number of shares that could have been acquired at the average market price during the year based on the exercise price of the outstanding share options.

11 Share Capital and Reserves

(a) Share capital

	The OUB Group		
	Number of shares		
	1998 '000	1999 '000	2000 '000
Authorised ordinary shares of \$1 each	2,000,000	2,000,000	2,000,000
Issued and fully paid ordinary shares of \$1 each			
At 1 January	816,949	816,988	990,790
Shares issued under OUB Share Option Scheme	39	13,581	2,745
Bonus issues	—	160,221	—
At 31 December	816,988	990,790	993,535
Shares held by associated companies	N.A.	126,072	126,072

- (i) During the year ended 31 December 2000, OUB issued 2,744,276 (1999: 13,581,519; 1998: 38,875) ordinary shares of \$1.00 each, fully paid up in cash, pursuant to the OUB Share Option Scheme at the offering prices ranging from \$1.89 to \$7.88 (1999: \$1.89 to \$6.17; 1998: \$4.71) per share according to the terms of the options granted.
- (ii) During the year ended 31 December 1999, OUB issued:
- 81,821,253 ordinary shares of \$1.00 each pursuant to its 1 for 10 Bonus Issue; and
 - 78,399,537 ordinary shares of \$1.00 each pursuant to its special bonus issue of 50 for 1,000 local shares and 142 for 1,000 foreign shares for the purpose of removing the restrictions on foreign ownership of its shares.
- (iii) At 31 December 2000, 26,175,010 (1999: 19,569,516; 1998: 21,923,777) shares of OUB were unissued under the OUB Share Option Scheme at the offering prices ranging from \$1.89 to \$8.68 (1999: \$1.89 to \$7.88; 1998: \$2.18 to \$6.17) per share, with expiry dates ranging from 30 September 2001 to 31 August 2010 (1999: N.A.; 1998: N.A.).

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

11 Share Capital and Reserves (continued)

(b) Capital reserves (non-distributable)

Capital reserves represent realised gains on disposal of investment securities and properties as prescribed by the articles of association of certain subsidiaries.

(c) General reserves (non-distributable)

General reserves comprise statutory reserves, exchange translation reserves and other reserves.

Statutory reserves include amounts transferred from unappropriated profits in accordance with the Banking Act, Finance Companies Act, Cap. 108, Malaysian Banking and Financial Institutions Act, 1989, Securities Industry Act, Cap. 289, Rules of Singapore Exchange Derivatives Trading Limited and other overseas statutory regulations.

Exchange translation reserves comprise net exchange differences arising from the translation of foreign entities.

Other reserves include amounts transferred from unappropriated profits to cover differences in exchange translation reserves and reserves required by overseas regulatory bodies.

(d) Dividends

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Interim dividend of 5 cents (1999: 5 cents; 1998: 5 cents) per share less income tax at 25.5% (1999: 26%; 1998: 26%) paid	30,229	33,556	36,987
Special interim dividend of 4 cents (1999 and 1998: \$Nil) per share less income tax at 25.5% paid	—	—	29,590
Proposed final dividend of 7 cents (1999: 7 cents; 1998: 7 cents) per share less income tax at 24.5% (1999: 25.5%; 1998: 26%)	42,320	51,670	52,508
Proposed special final dividend of 4 cents (1999: 5 cents; 1998: 3 cents) per share less income tax at 24.5% (1999: 25.5%; 1998: 26%)	18,137	36,907	30,005
Total	<u>90,686</u>	<u>122,133</u>	<u>149,090</u>

12 Total Deposits

(a) Total deposits analysed by remaining maturity

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Within 1 year	37,350,150	32,714,921	39,515,937
Over 1 year but within 3 years	208,295	144,892	283,041
Over 3 years but within 5 years	49,567	16,562	91
Total	<u>37,608,012</u>	<u>32,876,375</u>	<u>39,799,069</u>
Deposits of associated companies (included in total deposits)	<u>N.A.</u>	<u>116,714</u>	<u>108,157</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

12 Total Deposits (continued)

(b) Deposits of non-bank customers analysed by product

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Savings deposits	N.A.	2,563,484	2,667,447
Current accounts	N.A.	2,301,634	2,316,499
Fixed deposits	N.A.	19,458,536	21,667,582
Other deposits	N.A.	240,706	247,943
Total	<u>25,790,596</u>	<u>24,564,360</u>	<u>26,899,471</u>

13 Provision for Tax

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
<u>Current tax</u>			
At 1 January	N.A.	91,831	155,537
Exchange translation adjustments	N.A.	207	(457)
Tax paid	(95,986)	(56,583)	(128,912)
Tax charge for the year (Note 9)	53,977	120,082	132,588
At 31 December	<u>91,831</u>	<u>155,537</u>	<u>158,756</u>
<u>Deferred tax</u>			
At 1 January	N.A.	5,474	4,684
Tax paid	N.A.	-	(37)
Transfer from/(to) income statement (Note 9)	515	(790)	11,707
At 31 December	<u>5,474</u>	<u>4,684</u>	<u>16,354</u>
Total	<u>97,305</u>	<u>160,221</u>	<u>175,110</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

14 Other Liabilities

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Revaluation loss on off-balance sheet financial instruments (Note 24)	8,631	5,354	15,882
Interest payable	235,310	192,227	205,749
Trade creditors	329,730	612,193	435,784
Sundry creditors	219,103	209,939	330,322
Provision for staff retirement benefits			
At 1 January	N.A.	7,327	11,235
Exchange translation adjustments	N.A.	90	(86)
Provision utilised	N.A.	(368)	(110)
Transfer to income statements [Note 7(a)]	N.A.	4,186	3,559
At 31 December	7,327	11,235	14,598
Provision for contingent assets			
At 1 January	N.A.	280	3,465
Exchange translation adjustments	N.A.	1	77
Provision utilised	N.A.	(11)	(1,632)
Net provision for the year	N.A.	3,195	56
At 31 December	280	3,465	1,966
Others	355,226	209,219	139,731
Total	1,155,607	1,243,632	1,144,032

15 Debt Securities

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
\$50 million bond due 2001	50,000	50,000	50,000

The bonds are redeemable at par on 10 October 2001 and interest is payable annually in arrears at a fixed rate of 1.85%.

Under the Singapore Accounting Standard ("SAS 32") on Financial Instruments Disclosure and Presentation which becomes operative for financial statements covering periods beginning on or after 1 October 2000, the accounting treatment for an issue of bonds with warrants is to allocate the proceeds of the issue separately between the value of the bonds and the value of the warrants. The difference between the principal amount of the bonds and its allocated value is amortised and taken to the income statement of the OUB Group over the life of the bonds. The value of the warrants is capitalised as a general reserve. Expenses of the issue are set-off against the general reserves.

For information, had SAS 32 been applied in preparing these financial information, the profit before tax would have been reduced by approximately \$1,403,000 (1999: \$1,336,000; 1998: \$1,274,000) for the OUB Group. The net tangible assets of the OUB Group would have been increased by approximately \$1,124,000 (1999: \$2,527,000; 1998: \$3,863,000) representing the difference between the principal amount of the bonds of \$50 million and the net present value of the bonds at the time of issue less the bond discount that would have been amortised to date.

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

16 Total Securities

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
(a) Total securities*			
Cost	3,557,936	4,161,488	5,220,393
Less: Provision for diminution in value	72,018	51,689	67,662
Net book value	<u>3,485,918</u>	<u>4,109,799</u>	<u>5,152,731</u>
*Covers Notes 16(b) to 16(e)			
(b) Singapore government securities			
Cost	2,885,533	3,411,732	3,502,469
Less: Provision for diminution in value	—	182	15
Net book value	<u>2,885,533</u>	<u>3,411,550</u>	<u>3,502,454</u>
Market value	<u>2,906,533</u>	<u>3,425,001</u>	<u>3,513,948</u>
(c) Other government securities			
Cost	241,814	199,116	204,381
Less: Provision for diminution in value	2,685	543	321
Net book value	<u>239,129</u>	<u>198,573</u>	<u>204,060</u>
Market value	<u>244,876</u>	<u>200,980</u>	<u>205,239</u>
(d) Dealing securities			
Quoted equity securities			
Cost	47,074	59,556	75,907
Less: Provision for diminution in value	28,514	2,665	32,684
Net book value	<u>18,560</u>	<u>56,891</u>	<u>43,223</u>
Market value	<u>18,995</u>	<u>65,042</u>	<u>43,250</u>
Quoted debt securities			
Cost	163,761	213,959	532,303
Less: Provision for diminution in value	7,127	12,951	4,837
Net book value	<u>156,634</u>	<u>201,008</u>	<u>527,466</u>
Market value	<u>157,830</u>	<u>201,823</u>	<u>531,002</u>
Unquoted debt securities			
Cost	45,721	48,863	6,541
Less: Provision for diminution in value	16,289	16,694	41
Net book value	<u>29,432</u>	<u>32,169</u>	<u>6,500</u>
Total net book value	<u>204,626</u>	<u>290,068</u>	<u>577,189</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

16 Total Securities (continued)

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
(e) Investment securities			
Quoted equity securities			
Cost	27,359	25,233	32,086
Less: Provision for diminution in value	6,831	2,294	3,684
Net book value	<u>20,528</u>	<u>22,939</u>	<u>28,402</u>
Market value	<u>60,437</u>	<u>80,310</u>	<u>80,239</u>
Unquoted equity securities			
Cost	46,376	47,767	81,977
Less: Provision for diminution in value	2,331	2,149	4,759
Net book value	<u>44,045</u>	<u>45,618</u>	<u>77,218</u>
Quoted debt securities			
Cost	28,947	87,488	538,558
Less: Provision for diminution in value	286	40	5,582
Net book value	<u>28,661</u>	<u>87,448</u>	<u>532,976</u>
Market value	<u>28,779</u>	<u>89,723</u>	<u>552,450</u>
Unquoted debt securities			
Cost	71,351	67,774	246,171
Less: Provision for diminution in value	7,955	14,171	15,739
Net book value	<u>63,396</u>	<u>53,603</u>	<u>230,432</u>
Total net book value	<u>156,630</u>	<u>209,608</u>	<u>869,028</u>
(f) Specific provision for diminution in value of securities and other assets			
At 1 January	51,222	80,132	68,581
Exchange translation adjustments	(35)	—	125
Transfer from a subsidiary acquired	42	—	—
Provision utilised	—	(2,870)	(24,232)
Charge/(write-back) for the year (Note 8)	28,903	(8,681)	35,756
At 31 December	<u>80,132</u>	<u>68,581</u>	<u>80,230</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

16 Total Securities (continued)

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
(g) Total securities analysed by issuer			
Government	N.A.	3,610,848	3,706,850
Public sector	N.A.	38,924	304,781
Banks	N.A.	13,000	439,516
Corporations	N.A.	498,716	769,246
Total (at cost)	<u>3,557,936</u>	<u>4,161,488</u>	<u>5,220,393</u>
(h) Total securities analysed by country			
Singapore	N.A.	3,655,161	4,107,102
United States	N.A.	99,542	380,091
Malaysia	N.A.	240,330	227,898
United Kingdom	N.A.	—	125,813
Hong Kong	N.A.	43,785	71,843
Belgium	N.A.	88	63,430
Australia	N.A.	43,064	54,152
Other countries	N.A.	79,518	190,064
Total (at cost)	<u>3,557,936</u>	<u>4,161,488</u>	<u>5,220,393</u>

17 Placements with and Loans to Banks

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Analysed by remaining maturity			
Within 1 year	13,104,823	6,987,343	9,355,757
Over 1 year but within 2 years	N.A.	9,993	1,734
Over 2 years but within 3 years	N.A.	1,665	16,035
Over 1 year but within 3 years	9,966	11,658	17,769
Over 3 years but within 5 years	13,550	38,288	16,623
Over 5 years	—	5,368	3,744
Total	<u>13,128,339</u>	<u>7,042,657</u>	<u>9,393,893</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

18 Total Non-Bank Loans and Bills

(a)	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Gross loans and bills	25,086,753	26,287,961	29,740,744
Less: Provisions	1,120,528	1,284,164	1,165,720
Net loans and bills	<u>23,966,225</u>	<u>25,003,797</u>	<u>28,575,024</u>
Net loans and bills to associated companies (included in total net loans and bills)	<u>N.A.</u>	<u>318,613</u>	<u>349,081</u>

(b) Provision for possible loan losses and interest-in-suspense	The OUB Group		
	Specific Provision \$'000	Interest-In -Suspense \$'000	General Provision \$'000
1998			
Balance at 1 January	114,898	67,047	483,594
Exchange translation adjustments	4,066	(374)	651
Provision utilised	(7,772)	(4,152)	—
Net provision for the year (Note 8)	<u>291,068</u>	<u>150,298</u>	<u>142,601</u>
Balance at 31 December	<u>402,260</u>	<u>212,819</u>	<u>626,846</u>
1999			
Balance at 1 January	402,260	212,819	626,846
Exchange translation adjustments	382	(1,833)	330
Provision utilised	(99,077)	(14,655)	—
Net provision/(write-back) for the year (Note 8)	<u>248,091</u>	<u>147,691</u>	<u>(48,280)</u>
Balance at 31 December	<u>551,656</u>	<u>344,022</u>	<u>578,896</u>
2000			
Balance at 1 January	551,656	344,022	578,896
Exchange translation adjustments	3,935	5,760	1,395
Provision utilised	(146,058)	(24,276)	—
Net provision/(write-back) for the year (Note 8)	<u>87,435</u>	<u>(310)</u>	<u>(37,343)</u>
Balance at 31 December	<u>496,968</u>	<u>325,196</u>	<u>542,948</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

18 Total Non-Bank Loans and Bills (continued)

(c) Analysed by remaining maturity

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Within 1 year	12,093,046	10,753,093	11,743,217
Over 1 year but within 2 years	N.A.	2,709,804	3,487,911
Over 2 years but within 3 years	N.A.	2,813,830	1,990,281
Over 1 year but within 3 years	3,832,319	5,523,634	5,478,192
Over 3 years but within 5 years	3,086,217	2,518,923	3,151,252
Over 5 years	6,075,171	7,492,311	9,368,083
Gross loans and bills	<u>25,086,753</u>	<u>26,287,961</u>	<u>29,740,744</u>

(d) Analysed by industry

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Manufacturing	1,742,984	2,063,506	2,505,692
Building and Construction	7,070,205	5,854,259	5,749,336
Housing Loans	2,449,267	3,308,080	4,337,065
General Commerce	2,933,512	1,985,423	2,244,335
Transport, Storage and Communications	690,639	944,190	1,060,051
Financial Institutions	4,354,535	5,237,025	6,004,752
Professional and Private Individuals	3,340,422	3,733,398	4,278,013
Others	2,505,189	3,162,080	3,561,500
Gross loans and bills	<u>25,086,753</u>	<u>26,287,961</u>	<u>29,740,744</u>

(e) Analysed by country

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Singapore	N.A.	18,798,760	22,026,468
Malaysia	N.A.	2,290,396	2,909,041
Hong Kong	N.A.	1,202,813	1,016,048
Australia	N.A.	981,927	805,352
Other countries	N.A.	3,014,065	2,983,835
Gross loans and bills	<u>25,086,753</u>	<u>26,287,961</u>	<u>29,740,744</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

19 Other Assets

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Interest receivable (net of interest-in-suspense)	198,116	157,496	214,511
Revaluation gain on off-balance sheet financial instruments (Note 24)	17,638	18,439	27,421
Trade debtors	235,749	493,637	373,566
Sundry debtors	74,157	46,580	54,439
Others	199,965	27,007	106,497
Total	<u>725,625</u>	<u>743,159</u>	<u>776,434</u>

20 Associated Companies

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Quoted associated companies			
Cost and net book value	256,131	256,131	256,131
Market value	N.A.	493,569	591,138
Unquoted associated companies			
Cost and net book value	84,839	103,222	78,725
Total net book value	340,970	359,353	334,856
Add: Share of associated companies' reserves	183,939	226,908	277,992
Total	<u>524,909</u>	<u>586,261</u>	<u>612,848</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

20 Associated Companies (continued)

Details of the OUB Group's direct associated companies are as follows:

Associated Companies	Country of Incorporation/ Business	Principal Activities	1998 %	Interest 1999 %	2000 %
Quoted					
Hotel Negara Limited	Singapore	Hotel	45.33	45.33	45.33
Overseas Union Enterprise Limited	Singapore	Hotel	44.57	44.62	44.62
Overseas Union Securities Limited	Singapore	Investment holding	46.00	46.00	46.00
Unquoted					
Asian-American Merchant Bank Limited (in voluntary liquidation)	Singapore	Merchant banking	37.00	37.00	37.00
OUB Manulife Pte Ltd	Singapore	Life insurance	50.00	50.00	50.00
Overseas Union Insurance, Limited	Singapore	General insurance	47.86	47.85	47.84
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	—	20.00	20.00
first OUB Pte Ltd ^(a)	Singapore	Electronic banking	—	—	50.00
Singapore Consortium Investment Management Ltd	Singapore	Unit trust fund management	—	20.00	20.00
OUB Optimix Funds Management Ltd	Singapore	Unit trust fund management	—	—	50.00
PJB Pacific Securities Sdn Bhd	Malaysia	Stockbroking	—	49.00	—
Vertex Asia Limited	Singapore	Investment	20.55	20.55	20.55
Weslia Pty Limited	Australia	Investment	50.00	50.00	50.00
Meritco Development Pte Ltd	Singapore	Investment holding	25.00	25.00	25.00
Overseas Union Facilities (Private) Limited	Singapore	Investment holding	49.00	49.00	49.00
Overseas Union Garden Sdn Berhad	Malaysia	Investment holding and rental of properties	20.26	20.20	20.13
Overseas Union Land Pte Ltd	Singapore	Investment holding and rental of properties	49.50	49.50	49.50
Okemore Pty Ltd	Australia	Property development	40.00	40.00	40.00
85 Spring Street Properties Pty Limited	Australia	Property development	50.00	50.00	50.00

(a) Company has not commenced business operations

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

21 Subsidiaries

Details of the subsidiaries of OUB as at 31 December, are as follows:

	Country of Incorporation/ Business	Principal Activities	OUB Group's Interest		
			1998 %	1999 %	2000 %
Quoted subsidiaries					
Overseas Union Trust Limited	Singapore	Finance company	53.06	52.88	52.62
Unquoted subsidiaries					
Overseas Union Bank (Malaysia) Berhad ^(a)	Malaysia	Commercial banking	100.00	100.00	100.00
International Bank of Singapore Limited ^(b)	Singapore	Commercial banking	100.00	—	—
OUB Australia Ltd ^(a)	Australia	Merchant banking	100.00	100.00	100.00
OUB Factors Pte Ltd ^(d)	Singapore	Factoring	77.00	76.91	76.78
OUB Finance (H.K.) Limited ^(a)	Hong Kong	Finance company	100.00	100.00	100.00
OUB Credit Bhd ^{(a) (e)}	Malaysia	Leasing	100.00	100.00	100.00
OUL Sdn Bhd ^(a)	Malaysia	Leasing	100.00	100.00	100.00
OUB Bullion & Futures Ltd	Singapore	Bullion and futures dealing	100.00	100.00	100.00
OUB Securities Pte Ltd ^(e)	Singapore	Stockbroking	100.00	100.00	100.00
OUB Securities (H.K.) Limited ^{(a) (e)}	Hong Kong	Stockbroking	100.00	100.00	100.00
OUB Asset Management Ltd	Singapore	Asset management	100.00	100.00	100.00
OUB-TA Asset Management Sdn Bhd ^{(a) (e)}	Malaysia	Asset management	51.00	51.00	51.00
Overseas Union Management Services Pte Ltd	Singapore	Management services	100.00	100.00	100.00
Overseas Union Management Services Sdn Bhd ^(a)	Malaysia	Management services	100.00	100.00	100.00
Overseas Union Bank Trustees Ltd	Singapore	Trustee services	50.61	50.58	50.52
OUB Research Sdn Bhd ^{(a) (e)}	Malaysia	Research services	100.00	100.00	100.00
Overseas Union Holdings Private Limited	Singapore	Investment holding	100.00	100.00	100.00
Securities Investments Pte Ltd	Singapore	Investment holding	100.00	100.00	100.00
Overseas Union Garden (Private) Limited ^(e)	Singapore	Investment holding	100.00	100.00	100.00
Overseas Union Holdings (Aust) Pty Limited ^{(a) (e)}	Australia	Investment holding	100.00	100.00	100.00
OUB.com Pte Ltd	Singapore	Investment holding	—	—	100.00
OUB Investments Pte Ltd	Singapore	Investment dealing	100.00	100.00	100.00
Overseas Union Facilities (H.K.) Limited ^(a)	Hong Kong	Investment dealing	100.00	100.00	100.00
OUB (Australia) Securities Pty Ltd ^{(a) (e)}	Australia	Investment advisory	100.00	100.00	100.00
Overseas Union Holdings Sdn Bhd ^{(a) (e)}	Malaysia	Property investment	100.00	100.00	100.00
Overseas Union Facilities Sdn Bhd ^(a)	Malaysia	Property management	100.00	100.00	100.00
OUB Towers Pte Ltd	Singapore	Property management	100.00	100.00	100.00
Overseas Union Developments (Private) Limited	Singapore	Property management	100.00	100.00	100.00
Overseas Union Project Management Pte Ltd ^(e)	Singapore	Property management	100.00	100.00	100.00
Overseas Union Realty Services Pte Ltd ^(e)	Singapore	Property management	100.00	100.00	100.00
Overseas Union Developments Sdn Bhd ^{(a) (e)}	Malaysia	Property management	100.00	100.00	100.00
Overseas Union Bank Nominees (Private) Limited	Singapore	Nominee services	100.00	100.00	100.00
IBS Nominees (Private) Ltd ^(d)	Singapore	Nominee services	100.00	100.00	100.00
Mandarin Nominees Pte Ltd ^(e)	Singapore	Nominee services	100.00	100.00	100.00
Overseas Union Trust (Nominees) Pte Ltd ^(e)	Singapore	Nominee services	53.06	52.88	52.62
OUB Nominees (Tempatan) Sdn Bhd ^{(a) (e)}	Malaysia	Nominee services	100.00	100.00	100.00
OUB Nominees (Asing) Sdn Bhd ^{(a) (e)}	Malaysia	Nominee services	100.00	100.00	100.00
Overseas Union Bank Nominees (H.K.) Limited ^(a)	Hong Kong	Nominee services	100.00	100.00	100.00
Overseas Union Bank Nominees (U.K.) Limited ^(c)	United Kingdom	Nominee services	100.00	100.00	100.00
OUB Australia Nominees Pty Ltd ^{(a) (e)}	Australia	Nominee services	100.00	100.00	100.00

(a) Audited by other members of PricewaterhouseCoopers

(b) Merged into OUB on 1 August 1998 and audited by a firm other than a member of PricewaterhouseCoopers

(c) Corporation is dormant and its financial statements are not subject to statutory audit in the U.K.

(d) Company is under voluntary liquidation

(e) Subsidiaries held indirectly by OUB

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

22 Fixed Assets

	The OUB Group		
	Properties \$'000	Others \$'000	Total \$'000
1998			
<u>Cost</u>			
Balance at 1 January	255,852	224,700	480,552
Exchange translation adjustments	(28)	188	160
Reclassifications	(8,638)	8,638	—
Additions	39,420	43,982	83,402
Disposals	(248)	(17,578)	(17,826)
Balance at 31 December	286,358	259,930	546,288
<u>Accumulated depreciation</u>			
Balance at 1 January	17,642	147,197	164,839
Exchange translation adjustments	6	137	143
Charge to income statement [Note 7(a)]	4,072	29,308	33,380
Disposals	(229)	(14,778)	(15,007)
Balance at 31 December	21,491	161,864	183,355
Net book value at 31 December	264,867	98,066	362,933
1999			
<u>Cost</u>			
Balance at 1 January	286,358	259,930	546,288
Exchange translation adjustments	(10)	254	244
Reclassifications	(176)	176	—
Additions	14,014	40,766	54,780
Disposals	(270)	(17,875)	(18,145)
Balance at 31 December	299,916	283,251	583,167
<u>Accumulated depreciation</u>			
Balance at 1 January	21,491	161,864	183,355
Exchange translation adjustments	—	185	185
Charge to income statement [Note 7(a)]	4,632	34,453	39,085
Disposals	—	(14,304)	(14,304)
Balance at 31 December	26,123	182,198	208,321
Less: Provision for diminution in value of properties	4,485	—	4,485
Net book value at 31 December	269,308	101,053	370,361

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

22 Fixed Assets (continued)

	The OUB Group		
	Properties \$'000	Others \$'000	Total \$'000
2000			
<u>Cost</u>			
Balance at 1 January	299,916	283,251	583,167
Exchange translation adjustments	(5,479)	919	(4,560)
Reclassifications	(131)	131	—
Additions	17,373	72,114	89,487
Disposals	(3,174)	(21,913)	(25,087)
Balance at 31 December	308,505	334,502	643,007
<u>Accumulated depreciation</u>			
Balance at 1 January	26,123	182,198	208,321
Exchange translation adjustments	107	626	733
Charge to income statement [Note 7(a)]	4,379	38,549	42,928
Disposals	(3,174)	(20,505)	(23,679)
Balance at 31 December	27,435	200,868	228,303
Less: Provision for diminution in value of properties	4,820	—	4,820
Net book value at 31 December	276,250	133,634	409,884

Included in the properties of \$276.3 million (1999: \$269.3 million; 1998: \$264.9 million) were leasehold properties of \$151.7 million (1999: \$150.7 million; 1998: \$154.4 million).

Market value of the properties as at 31 December 2000 was estimated to be \$581.4 million (1999: \$570.8 million; 1998: \$522.0 million) by the Directors of the OUB Group. Provision for diminution in value was made for properties with estimated market value below their net book value. Excess of estimated market value over net book value of properties is not recognised in the financial information.

23 Contingent Liabilities

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Direct credit substitutes	1,203,273	1,444,618	1,673,256
Transaction-related contingencies	656,954	568,054	457,513
Trade-related contingencies	191,737	231,193	310,172
Other contingent liabilities	311,293	99,722	60,357
Total	2,363,257	2,343,587	2,501,298

The contingent liabilities include acceptances, guarantees, performance bonds and indemnities, the majority of which are offset by corresponding obligations of third parties.

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

24 Financial Instruments

	The OUB Group		
	Underlying Principal \$'000	Year-End Positive Fair Value \$'000	Year-End Negative Fair Value \$'000
1998			
Foreign exchange			
Spot and forward	819,047	9,319	7,016
Swaps	10,864,908	—	—
Futures	10,485	13	72
Options purchased	22,237	—	223
Options written	32,561	30	—
Subtotal	11,749,238	9,362	7,311
Interest rate			
Forward rate agreements	24,374	9	—
Swaps	471,564	3,702	327
Futures	157,870	—	324
Subtotal	653,808	3,711	651
Equity			
Futures	1,036	10	—
Others	107,940	4,555	669
Total	<u>12,512,022</u>	<u>17,638</u>	<u>8,631</u>
		(Note 19)	(Note 14)
Financial instruments contracted with:			
Associated companies	N.A.	N.A.	N.A.
Others	N.A.	N.A.	N.A.
Total	<u>12,512,022</u>	<u>17,638</u>	<u>8,631</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

24 Financial Instruments (continued)

	The OUB Group		
	Underlying Principal \$'000	Year-End Positive Fair Value \$'000	Year-End Negative Fair Value \$'000
1999			
Foreign exchange			
Spot and forward	542,487	9,685	2,802
Swaps	10,192,466	506	51
Futures	35,910	34	38
Options purchased	40,239	—	306
Options written	64,680	56	—
Subtotal	10,875,782	10,281	3,197
Interest rate			
Forward rate agreements	20,000	2	—
Swaps	2,264,561	4,945	1,673
Futures	153,447	—	82
Subtotal	2,438,008	4,947	1,755
Equity			
Futures	7,261	—	123
Options purchased	1,980	—	—
Options written	561	61	—
Subtotal	9,802	61	123
Others	45,769	3,150	279
Total	<u>13,369,361</u>	<u>18,439</u>	<u>5,354</u>
		(Note 19)	(Note 14)
Financial instruments contracted with:			
Associated companies	107,900	465	72
Others	13,261,461	17,974	5,282
Total	<u>13,369,361</u>	<u>18,439</u>	<u>5,354</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

24 Financial Instruments (continued)

	The OUB Group		
	Underlying Principal \$'000	Year-End Positive Fair Value \$'000	Year-End Negative Fair Value \$'000
2000			
Foreign exchange			
Spot and forward	766,339	6,980	6,099
Swaps	10,851,713	2,757	2,644
Futures	25,841	11	206
Options purchased	16,433	—	—
Options written	16,433	—	109
Subtotal	11,676,759	9,748	9,058
Interest rate			
Swaps	3,383,132	15,647	6,435
Futures	242,592	42	—
Subtotal	3,625,724	15,689	6,435
Equity			
Futures	6,815	18	5
Options purchased	164	—	10
Options written	476	—	44
Subtotal	7,455	18	59
Others	114,158	1,966	330
Total	<u>15,424,096</u>	<u>27,421</u>	<u>15,882</u>
		(Note 19)	(Note 14)
Financial instruments contracted with:			
Associated companies	117,400	1,003	—
Others	15,306,696	26,418	15,882
Total	<u>15,424,096</u>	<u>27,421</u>	<u>15,882</u>

25 Commitments

The OUB Group had the following commitments as at 31 December:

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Lease commitments	46,728	19,449	28,353
Capital commitments	42,371	38,386	49,880
Forward asset purchases/sales and forward deposits placed	48,546	86,709	1,743,083
Undrawn credit facilities	12,184,067	13,034,589	14,698,374
Undrawn note issuance facilities and revolving underwriting facilities	5,464	12,933	5,195
Total	<u>12,327,176</u>	<u>13,192,066</u>	<u>16,524,885</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

26 Other Contingent Liabilities

As at 31 December, the OUB Group had unsecured contingent liabilities as follows:

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Letters of credit to an exchange	14,644	24,650	N.A.

27 Exposures to Regional Countries

As at 31 December 2000, the OUB Group's total net exposure to the region, covering Malaysia, Indonesia, Thailand, South Korea and The Philippines, stood at \$3.57 billion (1999: \$3.15 billion; 1998: \$3.68 billion), of which 90.6% (1999: 83.6%; 1998: N.A.) was to Malaysia.

28 Non-Performing Loans (NPL) and Cumulative Provisions

(a) Non-performing loans

	The OUB Group					
	Regional			Global		
	1998 \$'000	1999 \$'000	2000 \$'000	1998 \$'000	1999 \$'000	2000 \$'000
Analysed by loan grading:						
Substandard	N.A.	375,914	322,725	N.A.	2,181,916	2,110,808
Doubtful	N.A.	136,214	122,961	N.A.	266,020	255,589
Loss	N.A.	294,145	218,420	N.A.	543,009	462,205
Total	819,000	806,273	664,106	2,890,000	2,990,945	2,828,602
Analysed by security coverage:						
Secured	N.A.	363,371	311,848	N.A.	1,909,886	1,923,907
Unsecured	N.A.	442,902	352,258	N.A.	1,081,059	904,695
Total	819,000	806,273	664,106	2,890,000	2,990,945	2,828,602
Analysed by country:						
Malaysia				N.A.	508,653	471,584
Indonesia				N.A.	138,176	94,545
Thailand				N.A.	86,459	79,773
South Korea				N.A.	72,677	17,940
The Philippines				N.A.	308	264
Regional Countries				819,000	806,273	664,106
Singapore				N.A.	1,953,867	1,892,651
Other countries				N.A.	230,805	271,845
Global				2,890,000	2,990,945	2,828,602
NPL as % of global assets	N.A.	2.0	1.4	N.A.	7.6	6.1
Non-bank NPL as % of non- bank loans	N.A.	28.6	20.4	N.A.	11.1	9.3

Non-performing loans are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612. A loan is automatically classified as non-performing once the interest or principal payments are three months or more in arrears. Foreseeable losses relating to these non-performing loans have been provided for in the financial statements.

Global non-performing loans (covering loans, bills, debt securities and contingent assets) of the OUB Group was \$2.83 billion as at 31 December 2000 (1999: \$2.99 billion; 1998: \$2.89 billion), of which, \$664 million (1999: \$806 million; 1998: \$819 million) was from the region. The global non-performing loans constituted 6.1% (1999: 7.6%; 1998: N.A.) of OUB Group's global assets with 74.6% (1999: 73.0%; 1998: N.A.) in the substandard category and 68.0% (1999: 63.9%; 1998: N.A.) secured.

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

28 Non-Performing Loans (NPL) and Cumulative Provisions (continued)

(b) Cumulative provisions

	Regional			Global		
	1998 \$'000	1999 \$'000	2000 \$'000	1998 \$'000	1999 \$'000	2000 \$'000
Specific	N.A.	316,406	250,164	N.A.	753,553	651,517
General	N.A.	289,700	225,700	N.A.	578,896	542,948
Total	<u>598,000</u>	<u>606,106</u>	<u>475,864</u>	<u>1,150,000</u>	<u>1,332,449</u>	<u>1,194,465</u>
Total provision as % of						
NPL	73.0	75.2	71.7	39.9	44.6	42.2
Unsecured NPL	122.0	136.8	135.1	104.9	123.3	132.0
Gross exposure	N.A.	15.8	11.0	N.A.	3.0	2.4

As at 31 December 2000, the OUB Group's global provision for possible loan losses (covering loans, bills, debt securities, and contingent assets) amounted to \$1.19 billion (1999: \$1.33 billion; 1998: \$1.15 billion) which covered 42.2% (1999: 44.6%; 1998: 39.9%) of the global non-performing loans and 132.0% (1999: 123.3%; 1998: 104.9%) of the global unsecured non-performing loans. Loan provision for the region was \$476 million (1999: \$606 million; 1998: \$598 million) which formed 71.7% (1999: 75.2%; 1998: 73.0%) of regional non-performing loans and 135.1% (1999: 136.8%; 1998: 122.0%) of regional unsecured non-performing loans.

29 Segmental Analysis

(a) Analysed by business segment

1998

N.A.

1999

	The OUB Group								
	Consumer & Commercial Banking \$'000	Corporate Banking \$'000	Treasury \$'000	Investment & Fund Management \$'000	Others \$'000	Total Singapore \$'000	Malaysian Operations \$'000	Inter- national Banking \$'000	Group Total \$'000
Operating income									
Operating income from external customers	442,135	168,588	136,363	129,848	4,915	881,849	127,636	199,969	1,209,454
Inter-segment income	7,121	1,865	4,244	1,942	106,571	121,743	(18,986)	(39,484)	63,273
	<u>449,256</u>	<u>170,453</u>	<u>140,607</u>	<u>131,790</u>	<u>111,486</u>	<u>1,003,592</u>	<u>108,650</u>	<u>160,485</u>	<u>1,272,727</u>
Elimination									(63,273)
Total									<u>1,209,454</u>
Net profit before tax									
Net profit before tax	262,404	90,651	108,776	67,685	84,669	614,185	44,278	21,956	680,419
Share of associated companies' results	—	—	—	7,183	37,175	44,358	334	582	45,274
	<u>262,404</u>	<u>90,651</u>	<u>108,776</u>	<u>74,868</u>	<u>121,844</u>	<u>658,543</u>	<u>44,612</u>	<u>22,538</u>	<u>725,693</u>
Unallocated expenses									(119,533)
Total									<u>606,160</u>
Total assets									
Segment assets	9,271,919	9,043,455	10,781,973	360,004	213,724	29,671,075	2,216,021	6,715,577	38,602,673
Investment in associated companies	—	—	—	99,075	461,132	560,207	13,904	12,150	586,261
	<u>9,271,919</u>	<u>9,043,455</u>	<u>10,781,973</u>	<u>459,079</u>	<u>674,856</u>	<u>30,231,282</u>	<u>2,229,925</u>	<u>6,727,727</u>	<u>39,188,934</u>
Unallocated assets									183,091
Total									<u>39,372,025</u>
Total liabilities									
Segment liabilities	15,031,572	3,710,346	9,329,266	213,751	12,519	28,297,454	1,864,913	4,199,344	34,361,711
Unallocated liabilities									289,379
Total									<u>34,651,090</u>
Capital expenditure	17,707	77	3,996	2,031	18,694	42,505	10,861	1,414	54,780
Depreciation	13,638	1,330	1,365	1,558	15,280	33,171	3,755	2,159	39,085

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

29 Segmental Analysis (continued)

(a) Analysed by business segment (continued)

2000

	The OUB Group								
	Consumer & Commercial Banking \$'000	Corporate Banking \$'000	Treasury \$'000	Investment & Fund Management \$'000	Others \$'000	Total Singapore \$'000	Malaysian Operations \$'000	Inter-national Banking \$'000	Group Total \$'000
Operating income									
Operating income from external customers	496,642	214,133	141,208	93,301	(3,324)	941,960	135,974	198,430	1,276,364
Inter-segment income	3,179	(1,889)	(26,320)	4,324	141,810	121,104	(11,891)	(40,451)	68,762
	<u>499,821</u>	<u>212,244</u>	<u>114,888</u>	<u>97,625</u>	<u>138,486</u>	<u>1,063,064</u>	<u>124,083</u>	<u>157,979</u>	<u>1,345,126</u>
Elimination									(68,762)
Total									<u>1,276,364</u>
Net profit before tax									
Net profit before tax	299,287	168,956	74,826	30,716	88,012	661,797	70,916	73,224	805,937
Share of associated companies' results	—	—	—	11,054	40,704	51,758	985	632	53,375
	<u>299,287</u>	<u>168,956</u>	<u>74,826</u>	<u>41,770</u>	<u>128,716</u>	<u>713,555</u>	<u>71,901</u>	<u>73,856</u>	<u>859,312</u>
Unallocated expenses									(139,282)
Total									<u>720,030</u>
Total assets									
Segment assets	10,916,381	10,813,585	14,353,847	231,855	214,511	36,530,179	2,674,719	6,582,104	45,787,002
Investment in associated companies	—	—	—	84,361	512,682	597,043	4,593	11,212	612,848
	<u>10,916,381</u>	<u>10,813,585</u>	<u>14,353,847</u>	<u>316,216</u>	<u>727,193</u>	<u>37,127,222</u>	<u>2,679,312</u>	<u>6,593,316</u>	<u>46,399,850</u>
Unallocated assets									203,571
Total									<u>46,603,421</u>
Total liabilities									
Segment liabilities	17,057,091	4,246,844	12,462,958	77,129	17,877	33,861,899	2,081,523	5,170,779	41,114,201
Unallocated liabilities									328,702
Total									<u>41,442,903</u>
Capital expenditure	14,520	2,956	3,563	1,229	50,649	72,917	12,213	4,357	89,487
Depreciation	13,692	1,372	1,285	1,233	19,250	36,832	3,805	2,291	42,928

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

29 Segmental Analysis (continued)

(a) Analysed by business segment (continued)

The business segment analysis is based on the OUB Group's internal management reporting structure. The classification is based on the nature of the products and services provided and type of customers served. It reflects the management of business within the OUB Group.

Segment results, assets and liabilities include items that can be directly associated with the respective business segments as well as those that can be allocated on a reasonable basis. Expenses, assets and liabilities which are common and cannot be meaningfully allocated to the business segments are presented under unallocated expenses, unallocated assets and unallocated liabilities respectively.

The share of associated companies' results is allocated to the respective business segments that closely represent their principal line of business.

Segment capital expenditure comprises costs incurred during the year on acquisition of fixed assets.

The OUB Group's business is divided into the following segments:

Consumer & Commercial Banking

Consumer & Commercial Banking engages mainly in the provision of credit facilities and investment services to individuals and retail businesses as well as collection of deposits.

Corporate Banking

Corporate Banking focuses on the provision of credit and marketing of financial products and services to corporate clients.

Treasury

Treasury provides a comprehensive range of treasury-related products and services, which encompass foreign exchange, futures, other financial derivatives and money market operations.

Investment and Fund Management

Investment and Fund Management is involved in investment activities including investment holding, corporate finance and advisory services, asset management, trustee & custodian services and stockbroking operations.

Others

Others comprise mainly Head Office functions, hotel and property management.

Malaysian Operations

Malaysian operations covers the operations of the OUB Group's Malaysian subsidiaries, in particular, Overseas Union Bank (Malaysia) Berhad.

International Banking

International Banking comprises the OUB Group's operations outside Singapore and Malaysia.

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

B. FINANCIAL INFORMATION (continued)

Notes to the Financial Information

29 Segmental Analysis (continued)

(b) Analysed by geographical segment

	The OUB Group				
	Singapore \$'000	Other ASEAN \$'000	Other Asia Pacific \$'000	Rest of the World \$'000	Total \$'000
Operating income					
1998	N.A.	N.A.	N.A.	N.A.	1,088,073
1999	900,768	136,709	136,053	35,924	1,209,454
2000	964,733	133,941	135,122	42,568	1,276,364
Net profit before tax					
1998	141,386	21,148	54,715	25,476	242,725
1999	495,980	14,470	69,007	26,703	606,160
2000	550,924	61,582	75,699	31,825	720,030
Total assets					
1998	34,715,272	2,971,424	3,941,113	1,844,239	43,472,048
1999	30,581,747	2,699,997	4,110,869	1,979,412	39,372,025
2000	38,562,667	2,873,843	3,177,650	1,989,261	46,603,421
Capital expenditure					
1998	N.A.	N.A.	N.A.	N.A.	83,402
1999	42,505	11,158	1,010	107	54,780
2000	73,145	12,484	3,222	636	89,487

The analysis by geographical segment is based on the location where the transactions and assets are booked which is not materially different from where they are located. Apart from Singapore, other major countries of operations include Malaysia (under Other ASEAN); Hong Kong, Australia and China (under Other Asia Pacific); and United States and United Kingdom (under Rest of the World).

30 Assets Pledged

	The OUB Group		
	1998 \$'000	1999 \$'000	2000 \$'000
Securities pledged under repurchase agreements	N.A.	—	30,342
Certificates of deposit pledged with other banks as required by overseas regulators	N.A.	26,648	19,069
Securities pledged with other banks for credit facilities granted	N.A.	38,142	38,142
	<u>73,330</u>	<u>64,790</u>	<u>87,553</u>

IV. FINANCIAL INFORMATION RELATING TO THE OUB GROUP

C. DIVIDENDS

Based on OUB's audited financial statements and directors' reports for the three financial years ended 31 December 1998, 1999 and 2000, no dividends have been paid, declared or proposed by OUB for the period from 1 January 1998 to 31 December 2000, 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 10 September 1998	5	816,988	30,229
Final dividend, net of tax at 26%, paid on 28 May 1999	7	818,213	42,384
Special dividend, net of tax at 26%, paid on 28 May 1999	3	818,213	18,164
Year ended 31 December 1999			
Interim dividend, net of tax at 26%, paid on 10 September 1999	5	906,913	33,556
Final dividend, net of tax at 25.5%, paid on 29 May 2000	7	992,676	51,768
Special final dividend, net of tax at 25.5%, paid on 29 May 2000	5	992,676	36,977
Year ended 31 December 2000			
Interim dividend, net of tax at 25.5%, paid on 8 September 2000	5	992,947	36,987
Special interim dividend, net of tax at 25.5%, paid on 8 September 2000	4	992,947	29,590
Final dividend, net of tax at 24.5%, proposed	7	993,535 *	52,508
Special final dividend, net of tax at 24.5%, proposed	4	993,535 *	30,005

* The net final and special dividends in respect of the year ended 31 December 2000 are based on those proposed and included in OUB's audited financial statements for that year, and the issued ordinary share capital is that as at 31 December 2000. The actual amount of dividend paid and the issued ordinary share capital at the book closure date may be different from those stated above due to increases in the issued ordinary share capital as a result of the exercise of OUB share options subsequent to 31 December 2000 but before book closure date.

Yours faithfully

PricewaterhouseCoopers
Certified Public Accountants
Singapore

Partner : Ms Tay Heem Juay