

group financial review

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All variances in this report were computed from amounts stated in thousands and certain figures may not add up to the relevant totals due to rounding.

Certain comparative figures have been restated to conform with the current year's presentation.

Review Of Financial Performance

Highlights And Performance Indicators

	2001	2000		Increase/ Decrease (%)		Excluding OUB Group Increase/ Decrease (%)
Key Indicators						
Net interest income (NII) (\$ million)	1,429	1,198	+	19.3	+	0.9
Non-interest income (\$ million)	795	704	+	12.9	+	1.8
Total income (\$ million)	2,224	1,903	+	16.9	+	1.2
Total expenses (\$ million)	874	751	+	16.3	+	1.4
Operating profit before goodwill and provisions (\$ million)	1,350	1,151	+	17.3	+	1.1
Net profit after tax (NPAT) (\$ million)	925	913	+	1.3	-	8.4
NPAT (Cash)* (\$ million)	972	913	+	6.5	-	8.4
Income mix:						
Net interest income/Total income (%)	64.3	63.0	+	1.3% points	-	0.2% point
Non-interest income/Total income (%)	35.7	37.0	-	1.3% points	+	0.2% point
	100.0	100.0		-		-
Profit (before tax) contribution:						
Onshore (%)	69.6	84.0	-	14.4% points	-	23.5% points
Offshore including ACU (%)	30.4	16.0	+	14.4% points	+	23.5% points
	100.0	100.0		-		-
Return on average shareholders' funds (ROE) ⁺ (%)	10.8	13.5	-	2.7% points	-	2.0% points
Cash ROE* (%)	11.3	13.5	-	2.2% points	-	2.0% points
Earnings per share (EPS)						
Basic (cents)	77.3	86.8	-	10.9	-	8.5
Cash* (cents)	81.3	86.8	-	6.3	-	8.5
Return on average total assets (ROA) (%)	1.16	1.48	-	0.32% point	-	0.21% point
Cash ROA* (%)	1.22	1.48	-	0.26% point	-	0.21% point
NII/Average interest bearing assets (%)	2.06	2.22	-	0.16% point	-	0.21% point
Operating profit/Average assets (%)	1.7	1.9	-	0.2% point	-	0.1% point
Expense/Income ratio (%)	39.3	39.5	-	0.2% point		-

* Excluding goodwill amortisation charge.

⁺ Figures/ratios have been adjusted for impact of adopting Singapore Statement of Accounting Standard (SAS) 10: Events After Balance Sheet Date.

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	2001	2000		Increase/ Decrease (%)		Excluding OUB Group Increase/ Decrease (%)
Other Indicators						
Customer loans (net) (\$ million)	60,892	30,045	+	102.7	+	3.2
Customer deposits (\$ million)	74,452	43,406	+	71.5	+	7.6
Loans/Deposits ratio# (%)	81.8	69.2	+	12.6% points	-	2.8% points
Non-performing loans (NPLs) (\$ million)	5,968	2,462	+	142.4	-	3.5
Cumulative provisions (\$ million)	3,334	1,664	+	100.4	-	10.5
NPLs**/Gross customer loans (%)	9.3	7.8	+	1.5% points	-	0.5% point
Cumulative provisions/NPLs (%)	55.9	67.6	-	11.7% points	-	4.9% points
Total assets (\$ million)	113,310	66,324	+	70.8	+	8.3
Shareholders' funds+ (\$ million)	12,654	6,968	+	81.6	+	9.3
Unrealised surplus from revaluation++ (\$ million)	1,398	1,539	-	9.2	-	9.6
Net tangible asset (NTA) backing per share+ (\$)	5.65	6.62	-	14.7	+	9.3
Revalued NTA backing per share+ (\$)	6.54	8.08	-	19.1	+	5.8
Capital adequacy ratio (BIS) (%)						
Tier 1 capital	11.8	17.1	-	5.3% points	+	0.9% point
Total capital	18.5	19.8	-	1.3% points	+	0.9% point
Dividend rates (%)						
Interim	15	15		-		-
Final	25	25		-		-
Manpower (number)	12,142	9,228	+	2,914 number	-	1,029 number

+ Figures/ratios have been adjusted for impact of adopting Singapore Statement of Accounting Standard (SAS) 10: Events After Balance Sheet Date.

Loans refer to net customer loans while deposits refer to customer deposits.

** Excluding debt securities.

++ Not incorporated into the accounts and excludes the revaluation surplus/deficit from investment in associates.

Acquisition Of Overseas Union Bank Limited And Its Subsidiary Companies

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

Group Profits

The Group recorded a profit growth of 1.3% for 2001, with net profit after tax reaching \$925 million. The growth was mainly due to higher net interest income resulting from an increased loan volume, higher dealing income from the sale of government securities, higher profit from foreign exchange dealing, as well as higher fee and commission income and lower taxation in 2001. These were partially offset by lower profit from associates, higher operating expenses as well as higher provision charge.

Included in the profit for the year was three months' profit contribution from OUB Group. Excluding profit from OUB Group as well as goodwill, restructuring and financing costs on the acquisition, Group profits would have been \$836 million, 8.4% lower than the figure recorded in 2000.

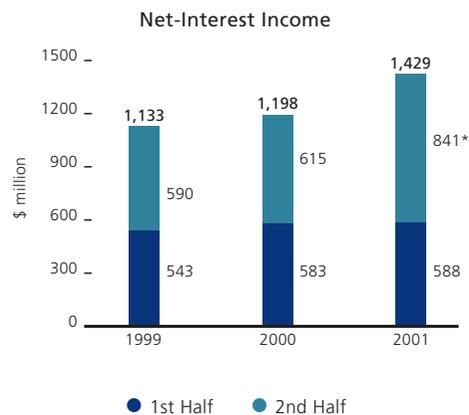
Financial Ratios

- Earnings per share (cash basis) decreased by 6.3%, from 86.8 cents to 81.3 cents in 2001. The price over earnings per share (P/E) ratio, based on the Bank's last done share price of \$14.10 on 7 March 2002, was 17.3.
- Return on average shareholders' funds (cash basis), at 11.3%, decreased by 2.2% points from 13.5% in 2000.
- Net tangible asset (NTA) backing per share decreased by \$0.97 or 14.7%, from \$6.62 in 2000 to \$5.65 in 2001.
- Total dividend of 40% (2000: 40%) was 2.2 times covered by net profit (2000: 2.9 times).

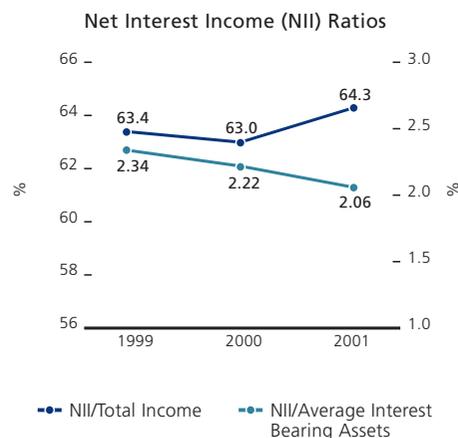
Net Interest Income

Net interest income for the Group rose 19.3%, from \$1,198 million in 2000 to \$1,429 million in 2001. Net interest income continued to be the major contributor of total income, accounting for about 64.3% (2000: 63.0%) of total income.

The increase in net interest income was largely due to the inclusion of OUB Group's net interest income, growth in loan volume and higher income from government and other debt securities. The average interest margin, however, decreased by 16 basis points, from 2.22% in 2000 to 2.06% in 2001, primarily due to a lower loan spread and the costs of subordinated notes issued.



* Includes OUB Group's net interest income of \$220 million.



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Group Average Interest And Non-Interest Bearing Assets And Liabilities

	2001			2000		
	Average Balance * \$ million	Interest \$ million	Average Interest Rate %	Average Balance * \$ million	Interest \$ million	Average Interest Rate %
Assets						
Interest bearing						
Customer loans	38,378	2,184	5.69	28,745	1,857	6.46
Inter-bank balances	22,816	952	4.17	18,605	996	5.35
Government securities	6,711	195	2.90	5,681	167	2.94
Dealing and investment securities	1,433	79	5.57	928	33	3.56
Total interest bearing assets	69,338	3,410	4.92	53,959	3,053	5.66
Non-interest bearing						
Cash and balances with central banks	2,268			1,741		
Investments in associates	1,717			1,270		
Fixed assets	1,301			1,229		
Goodwill	791			–		
Other assets	2,411			1,310		
Total non-interest bearing assets	8,488			5,550		
Total assets	77,826			59,509		
Liabilities						
Interest bearing						
Customer deposits	49,315	1,319	2.67	38,536	1,257	3.26
Inter-bank balances	16,120	612	3.80	11,993	598	4.99
Subordinated notes	1,094	50	4.60	–	–	–
Total interest bearing liabilities	66,529	1,981	2.98	50,529	1,855	3.67
Non-interest bearing liabilities	2,764			2,246		
Total liabilities	69,293			52,775		
Net interest income		1,429			1,198	
Group average interest margin ⁺			2.06			2.22

* Computed based on monthly average.

⁺ Interest margin represents net interest income as a percentage of average interest bearing assets.

Analysis Of Changes In Net Interest Income

	2001			2000		
	Volume Change \$ million	Rate Change \$ million	Net Change \$ million	Volume Change \$ million	Rate Change \$ million	Net Change \$ million
Interest bearing assets						
Customer loans	622	(295)	327	81	45	126
Inter-bank balances	226	(270)	(44)	204	186	390
Government securities	30	(2)	28	(10)	66	56
Dealing and investment securities	18	28	46	4	18	22
Total interest bearing assets	896	(539)	357	279	315	594
Interest bearing liabilities						
Customer deposits	352	(290)	62	(2)	201	199
Inter-bank balances	206	(192)	14	242	88	330
Subordinated notes	50	–	50	–	–	–
Total interest bearing liabilities	608	(482)	126	240	289	529

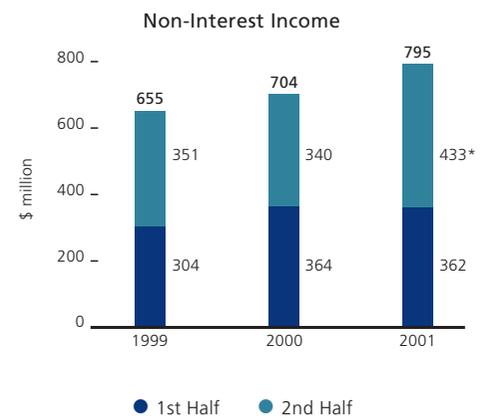
Non-Interest Income

The Group's non-interest income for 2001 accounted for 35.7% of total income. Total non-interest income increased by \$91 million or 12.9% to \$795 million in 2001.

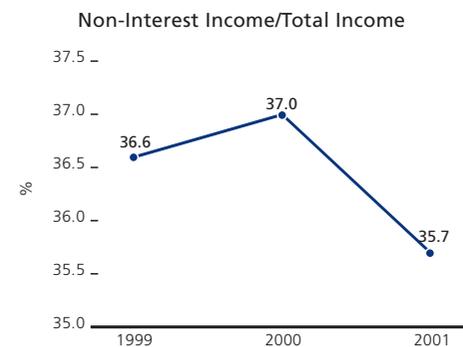
The increase primarily came from higher dealing income from the sale of government securities, higher profit from foreign exchange dealing, higher fee and commission income, as well as higher dividend and rental income in 2001.

Composition Of Non-Interest Income

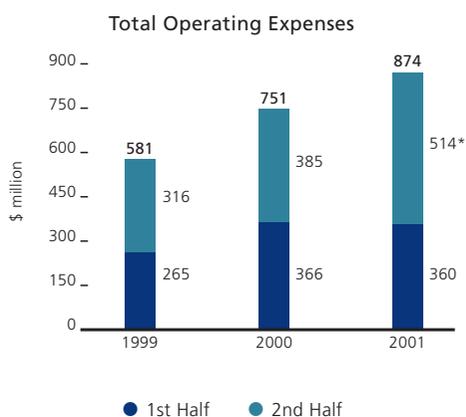
	2001 \$ million	2000 \$ million	Increase/ (Decrease) %
Fee and commission income			
Credit card	64	50	28.4
Fund management	53	61	(13.2)
Investment-related	14	25	(44.8)
Loan-related	61	39	55.0
Stockbroking	7	39	(81.0)
Trade-related	80	67	19.2
Others	76	49	54.2
	355	330	7.5
Dividend and rental income	110	79	39.4
Other operating income	330	295	11.8
Total non-interest income	795	704	12.9



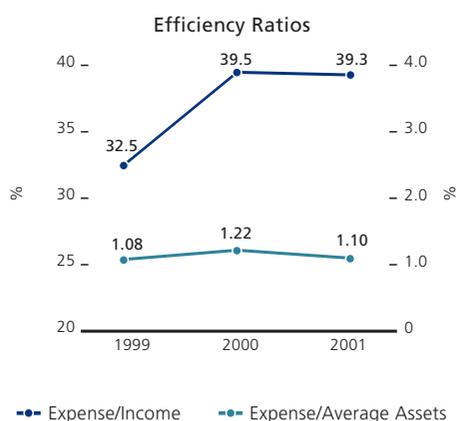
* Includes OUB Group's non-interest income of \$78 million.



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* Includes OUB Group's operating expenses of \$112 million.



Other Operating Income

	2001 \$ million	2000 \$ million	Increase/ (Decrease) %
Gains/(Losses) from:			
Dealing in securities, government treasury bills and securities and derivatives	80	72	10.6
Dealing in foreign exchange	137	77	78.9
Dealing income	217	149	45.7
Sale of investment securities	16	4	276.2
Sale of subsidiaries	(7)	2	(383.6)
Sale of properties and other fixed assets	40	74	(46.0)
Others	64	66	(3.1)
Others	113	146	(22.7)
Total	330	295	11.8

Operating Expenses

Total operating expenses for 2001 rose by \$123 million or 16.3% over 2000. The increase was largely attributable to higher staff expenses and a rise in other operating expenses, as a result of the inclusion of OUB Group. Excluding OUB Group, total operating expenses for 2001 would have been 1.4% higher than 2000.

Operating Expenses

	2001 \$ million	2000 \$ million	Increase/ (Decrease) %
Staff expenses	443	381	16.0
Other operating expenses	431	370	16.6
Total operating expenses	874	751	16.3

Efficiency Ratios

- Expense to income ratio improved to 39.3% in 2001 (2000: 39.5%); while
- Expense to average assets decreased to 1.10% in the same year (2000: 1.22%).

Staff Expenses

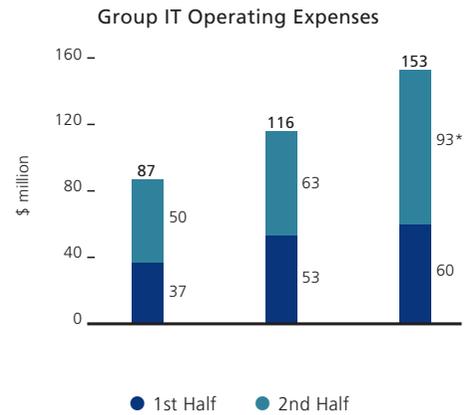
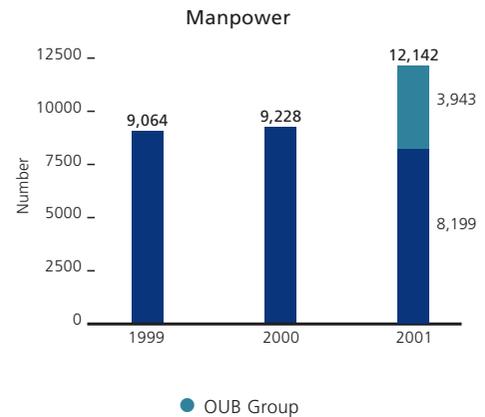
Staff expenses rose by \$62 million, from \$381 million in 2000 to \$443 million in 2001. The inclusion of OUB Group's staff expenses in 2001 largely contributed to the increase in staff costs. Excluding OUB Group, staff expenses would have increased only marginally in 2001, by \$8 million or 1.9%, primarily attributable to the yearly increment and increase in employer's CPF contribution rate.

Manpower (excluding OUB Group) decreased by 1,029, from 9,228 as at end-2000 to 8,199 as at end-2001. Including 3,943 staff from OUB Group, Group manpower stood at 12,142 as at end-2001.

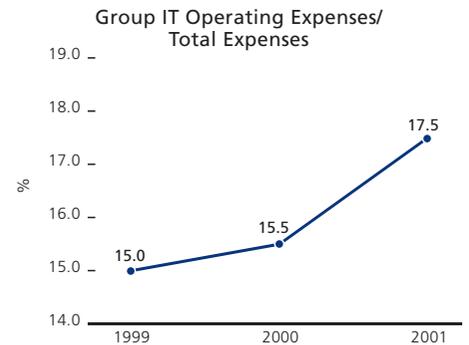
Other Operating Expenses

Other operating expenses were up by \$61 million to \$431 million in 2001. Excluding OUB Group's other operating expenses of \$58 million, other operating expenses would have shown only a marginal increase of \$3 million or 0.9% to \$373 million, driven by higher depreciation expenses on application software and computer equipment.

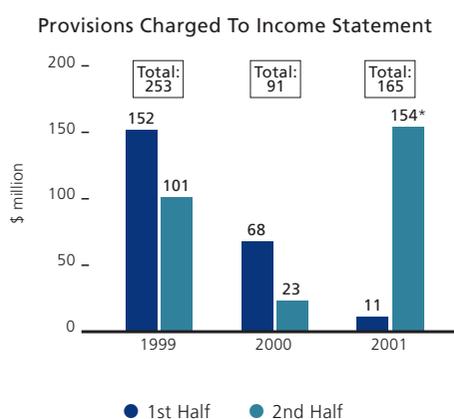
IT operating expenses for 2001 increased by \$37 million from 2000 to reach \$153 million, and accounted for 17.5% of total Group expenses.



* Includes OUB Group's IT operating expenses of \$28 million.



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* Includes OUB Group's provision charge of \$2 million.

Provisions Charged To Income Statement

Total provision charge increased by \$74 million, from \$91 million in 2000 to \$165 million in 2001, reflecting higher specific provisions made on loans.

	First Half 2001 \$ million	Second Half 2001 \$ million	Full Year 2001 \$ million	First Half 2000 \$ million	Second Half 2000 \$ million	Full Year 2000 \$ million
The Group						
Specific provision for loans	22	143	165	62	8	70
General provision for loans	(16)	(54)	(70)	–	(53)	(53)
Specific provision for diminution in value of other assets	5	65	70	6	68	74
Total provisions	11	154	165	68	23	91
Provisions charged by major region:						
Specific provision						
Five Regional Countries*	12	(29)	(17)	39	(6)	33
Greater China [†]	(14)	(6)	(20)	(2)	(2)	(4)
Singapore and other countries	24	178	202	25	16	41
	22	143	165	62	8	70
General provision						
Five Regional Countries*	(22)	(52)	(74)	–	(52)	(52)
Greater China [†]	5	–	5	–	–	–
Singapore and other countries	1	(2)	(1)	–	(1)	(1)
	(16)	(54)	(70)	–	(53)	(53)
Specific provisions for diminution in value of other assets	5	65	70	6	68	74
Total provisions	11	154	165	68	23	91

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

[†] Greater China comprises China, Hong Kong S.A.R. and Taiwan.

Overview Of Balance Sheet

Total Assets

Total assets of the Group grew by 70.8%, from \$66,324 million as at 31 December 2000 to \$113,310 million as at 31 December 2001. The increase came primarily from the consolidation of OUB Group's balances. Excluding OUB Group's balances, the Group's total assets would have recorded a growth of 8.3%.

Assets Mix

	2001		2000	
	\$ million	%	\$ million	%
Cash and balances with central banks	3,330	2.9	1,715	2.6
Securities*	14,167	12.5	6,357	9.6
Inter-bank balances	24,687	21.8	23,609	35.6
Customer loans	60,892	53.7	30,045	45.3
Other assets	6,458	5.8	4,598	6.9
Goodwill	3,776	3.3	–	–
Total assets	113,310	100.0	66,324	100.0

* Comprising Singapore and other government treasury bills and securities, dealing and investment securities.

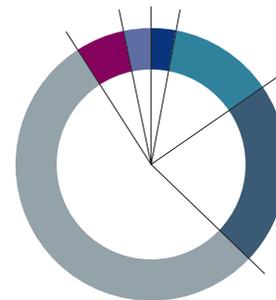
Securities

Total Group securities rose by \$7,810 million or 122.9% to \$14,167 million as at 31 December 2001. The increase was mainly attributable to the consolidation of OUB Group's balances.

Total Securities

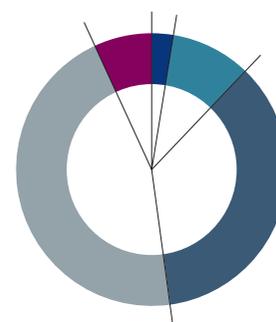
	2001	2000
	\$ million	\$ million
Cost		
Dealing	1,129	1,353
Non-dealing	13,213	5,041
	14,342	6,394
Less: Provision for diminution in value	(175)	(37)
Net book value	14,167	6,357

Assets Mix – 2001



- Cash And Balances With Central Banks
- Securities
- Inter-Bank Balances
- Customer Loans
- Other Assets
- Goodwill

Assets Mix – 2000



- Cash And Balances With Central Banks
- Securities
- Inter-Bank Balances
- Customer Loans
- Other Assets

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Securities Analysed By Issuer Type

	2001		2000	
	\$ million	%	\$ million	%
Government	10,561	73.5	5,342	83.5
Public sector	52	0.4	121	1.9
Bank	712	5.0	257	4.0
Corporate	2,891	20.2	575	9.0
Others	126	0.9	99	1.6
Total	14,342	100.0	6,394	100.0

Securities Analysed By Industry

	2001		2000	
	\$ million	%	\$ million	%
Transport, storage and communication	486	3.7	6	0.1
Building and construction	348	2.6	189	3.8
Manufacturing	187	1.4	12	0.2
Financial institutions	1,126	8.5	228	4.5
General commerce	90	0.7	–	–
Others	10,976	83.1	4,606	91.4
Non-dealing	13,213	100.0	5,041	100.0
Dealing	1,129		1,353	
Total securities	14,342		6,394	

Customer Loans

The Group's net loans and advances to customers increased by \$30,847 million or 102.7% to \$60,892 million as at 31 December 2001, primarily as a result of the first-time consolidation of OUB Group's loan balances. Excluding OUB Group's balances, the growth in loans and advances would have been 3.2%.

Customer Loans By Type

	2001		2000	
	\$ million	%	\$ million	%
Housing loans	13,298	20.7	7,541	23.8
Term loans	36,940	57.5	15,076	47.5
Trade financing	2,825	4.4	1,750	5.5
Overdrafts	11,148	17.4	7,343	23.2
Total gross customer loans	64,211	100.0	31,710	100.0
<i>Less: General provision</i>	(1,435)		(768)	
Specific provision and interest-in-suspense	(1,884)		(896)	
Net customer loans	60,892		30,045	

Gross Customer Loans Analysed By Currency And Fixed/Variable Rates

	2001		Total \$ million
	Fixed Rate \$ million	Variable Rate \$ million	
Singapore Dollars	12,584	29,149	41,733
US Dollars	1,538	7,902	9,440
Malaysian Ringgit	79	6,167	6,246
Hong Kong Dollars	20	1,726	1,746
Thai Baht	573	294	867
Others	582	3,597	4,179
Group Total	15,376	48,835	64,211

For a breakdown of Group loans and advances by remaining maturity and industry, please refer to Notes 28(b) and 28(c) to the Financial Statements respectively.

Credit Facilities To Related Parties

The Group has granted credit facilities to the following related parties in the ordinary course of business on normal terms and conditions. The outstanding amounts of these credit facilities at 31 December 2001 were as follows:

	2001		2000	
	Loans And Advances \$ million	Off-Balance Sheet Credit Facilities* \$ million	Loans And Advances \$ million	Off-Balance Sheet Credit Facilities* \$ million
Associates of the Group	958	59	865	58
Directors of the Bank and director-related parties ⁺	594	173	698	223
Corporations where the directors of the Bank are also directors [#]	1,988	147	1,290	40

* Off-balance sheet credit facilities comprise direct credit substitutes, transaction-related contingencies and trade-related contingencies.

⁺ Director-related parties include the immediate family members of the directors of the Bank, entities in which a director of the Bank or his family members have a substantial shareholding, and credit facilities guaranteed by the directors of the Bank.

[#] This excludes credit facilities already included in the first two categories. However, it includes credit facilities granted to the subsidiaries of the corporations in this category.

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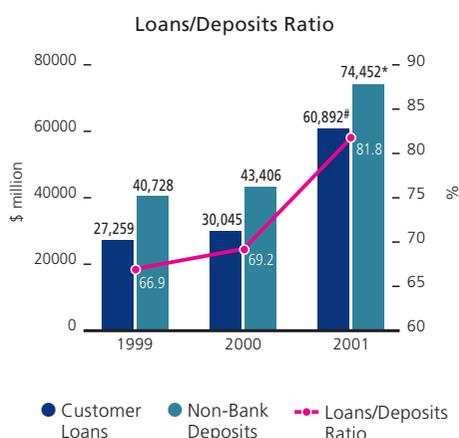
Deposits

Total Group deposits grew by 62.8%, from \$56,837 million as at 31 December 2000 to \$92,545 million as at 31 December 2001. Customer deposits accounted for 80.4% of total Group deposits. Excluding OUB Group's deposit balances, the growth in total deposits would have been 4.8%.

Deposits By Type

	2001		2000	
	\$ million	%	\$ million	%
Bankers' deposits	18,093	19.6	13,431	23.6
Customer deposits				
Fixed deposits	54,419	58.8	32,421	57.1
Savings and others	20,033	21.6	10,985	19.3
	74,452	80.4	43,406	76.4
Total deposits	92,545	100.0	56,837	100.0

For a breakdown of deposits by remaining maturity, please refer to Note 21(a) to the Financial Statements.



Includes OUB Group's non-bank loans of \$29,880 million.
 * Includes OUB Group's non-bank deposits of \$27,754 million.

Loans/Deposits Ratio

With the 102.7% growth in net customer loans outpacing the 71.5% growth in customer deposits, the customer loans-to-deposits ratio increased from 69.2% as at 31 December 2000 to 81.8% as at 31 December 2001.

Goodwill

Arising from the acquisition of OUB Group, a goodwill of \$3,824 million will be amortised on a straight line basis over 20 years.

	\$ million
Deemed value of shares issued	4,950
Cash consideration paid	4,077
Total purchase consideration	9,027
Acquisition expenses capitalised	25
Cost of investment	9,052
Fair value of net assets acquired	(5,228)
Goodwill	3,824
Goodwill amortised during 2001	(48)
Balance as at 31 December 2001	3,776

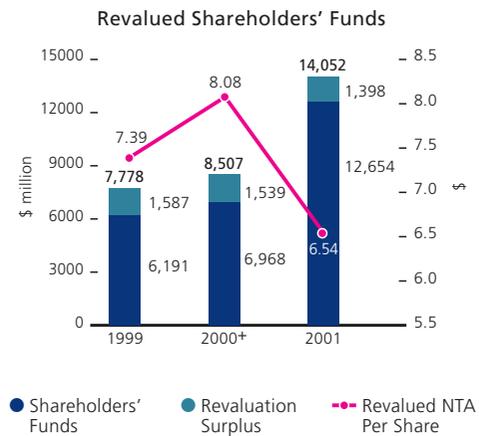
Shareholders' Funds

Group shareholders' funds stood at \$12,654 million as at 31 December 2001 against \$6,968 million as at 31 December 2000. The increase of 81.6% was largely due to the issue of new UOB shares in connection with the acquisition of OUB Group.

Unrealised revaluation surpluses in long-term investments and properties, amounting to \$1,398 million as at 31 December 2001, were not incorporated into the Group's accounts.

	2001 \$ million	2000 \$ million
Shareholders' funds per book	12,654	6,968
Add: Surplus on revaluation		
Properties	1,308	1,485
Long-term investments*	90	54
Total surplus on revaluation	1,398	1,539
Shareholders' funds including revaluation surplus	14,052	8,507
Net tangible asset (NTA) backing per share (in \$)		
NTA per book	5.65	6.62
Revaluation surplus	0.89	1.46
Total revalued NTA	6.54	8.08

* Excluding the revaluation surplus/deficit from investment in associates.



+ Figure and ratio have been adjusted for impact of adopting Singapore Statement of Accounting Standard (SAS) 10: Events After Balance Sheet Date.

Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) of the Group was computed in accordance with the guidelines issued by the Basle Committee on Banking Supervision.

Tier-1 capital comprises share capital, disclosed reserves and minority interests, while the Tier-2 supplementary capital consists primarily of general loan loss reserve and revaluation reserves on investments and properties held for investment purposes. The general loan loss reserve excludes specific and earmarked provisions, while the revaluation reserves, being the difference between the book value and market value, are discounted at 55%.

It is the Group's policy to maintain a strong capital position to support growth of the Group both organically and through acquisitions. As at 31 December 2001, the Group maintained a strong CAR of 18.5%, which is more than twice the minimum of 8% set by the Bank for International Settlements (BIS) and well above the minimum of 12% required by the Monetary Authority of Singapore.

	2001 \$ million	2000 \$ million
Capital		
Tier 1 – Core capital		
Share capital	1,571	1,052
Disclosed reserves	10,765	5,400
Minority interests	399	207
	12,735	6,659
Tier 2 – Supplementary capital		
Revaluation reserves	671	735
General loan loss reserve	948	333
Subordinated notes	3,638	–
	5,257	1,068
Less: Goodwill	(3,776)	–
Investment in collateralised bond obligations, private equity and venture capital	(161)	(23)
Overall capital	14,055	7,704
Risk-Weighted Assets		
Total risk-weighted assets adjusted to include market risk	75,897	39,003
Capital Adequacy Ratios		
Tier 1	11.8%	17.1%
Total capital	18.5%	19.8%