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key financial
highlights

	The Group			The Bank		
	2000	1999	% Inc/(Dec)	2000	1999	% Inc/(Dec)
Profit & Loss (\$ millions)						
Operating profit	790.0	772.1	2.3	643.2	570.7	12.7
Net profit attributable to members	545.0	450.1	21.1	412.8	294.3	40.3
Balance Sheet (\$ millions)						
Shareholders' funds	5,160.5	4,720.9	9.3	4,268.1	3,991.1	6.9
Non-bank deposits	26,899.5	24,564.4	9.5	23,569.6	21,644.8	8.9
Non-bank loans & bills	28,575.0	25,003.8	14.3	24,716.2	21,811.9	13.3
Total assets	46,603.4	39,372.0	18.4	41,955.7	35,031.9	19.8
Other Information						
Return on weighted average shareholders' funds (%)	11.0	9.9	11.1	9.9	7.5	32.0
Earnings per share (cts)	54.90	45.81	19.8	41.58	29.95	38.8
Net tangible assets per share (\$)	5.19	4.76	9.0	4.30	4.03	6.7
Operating expenses to income (%)	38.1	36.2	5.2	38.6	37.7	2.4
Gross dividend per share (\$)	0.20	0.17	17.6	0.20	0.17	17.6
Non-bank loans to non-bank deposits (%)	106.2	101.8	4.3	104.9	100.8	4.1
Group capital adequacy ratio (%)	16.4	18.0	(8.9)			

chairman's statement

On behalf of the Board of Directors, I present the Annual Report and Financial Statements of the Bank and Group for the year ended 31 December 2000.



Chairman, Mr Lee Hee Seng (right)
and President & CEO,
Mr Peter Seah Lim Huat.

Operating Environment and 2000 Performance

As the new millennium opened, there was optimism on the growth prospects for the world economy. Led by a robust US economy, world output surged 4.7%, the fastest in more than a decade.

The Singapore economy grew a stronger-than-expected 9.9% as booming exports helped fuel domestic private sector consumption and a recovery in investments. East Asia's cyclical recovery has also been robust, with the strong global demand for electronics products playing an important role in boosting industrial output and exports in the region. China's strong economy and imminent entry into the World Trade Organisation have stimulated growth in Hong Kong as well as created a favourable environment for other countries in the region.

Against this favourable macroeconomic backdrop, the Bank and its Group of Companies were able to build on the strong performance in 1999, to achieve another record set of results.

After-tax profit of the Group and the Bank registered significant growth of 21.1% and 40.3%, to reach \$545.0 million and \$412.8 million respectively. The improved performance is largely attributed to higher interest income as well as lower provisions for non-performing loans (NPLs). Strong loan growth helped to bring about a rise of 17.3% in net interest income to \$998.9 million, while a 5.4% decline in NPLs was accompanied by a reduction in provision by 41.6% to \$123.3 million.

The Group's return on equity improved to 11.0% from 9.9%, earnings per share to 55 cents from 46 cents and net tangible assets per share to \$5.2 from \$4.8. Shareholders' funds and total assets of the Group grew 9.3% to \$5.2 billion and 18.4% to \$46.6 billion respectively. Capital adequacy ratio of the Group under the BIS guidelines was 16.4%.

The Group's Malaysian banking subsidiary, Overseas Union Bank (Malaysia) Bhd, registered strong after-tax profit growth of 46.5% to RM147.0 million, due mainly to higher interest and dividend income as well as lower loan provision. Overseas Union Trust Ltd, our listed finance company, and OUB Securities Pte Ltd, our stockbroking arm, however, showed after-tax profit of \$32.6 million and \$16.6 million respectively, compared to \$53.7 million and \$31.1 million respectively in 1999. Other contributions were from OUB Asset Management Ltd (\$4.4 million), Overseas Union Holdings (Australia) Pty Ltd (\$3.2 million) and OUB Bullion & Futures Ltd (\$3.1 million).

The Group's share of the associated companies' after-tax profits rose 12.2% to \$38.5 million. The main contributions were from Overseas Union Enterprise Ltd (\$18.6 million), Overseas Union Insurance Ltd (\$12.5 million), Vertex Asia Ltd (\$6.5 million) and Overseas Union Facilities Pte Ltd (\$2.3 million).

Dividends

The Board of Directors is recommending the payment of a special final dividend of 4% in addition to the final dividend of 7%, both less income tax. This, together with the 9% interim dividend (including a special interim dividend of 4%) already paid, brings total dividend distribution in 2000 to 20% compared to 17% (including a special dividend of 5% for 1999) in the previous year.

Major Achievements in 2000

Over the past year, the Bank made significant progress in advancing its twin objectives of becoming a premier consumer bank in Singapore and a leading bank in the region. Based on the consistent track record of achievements in the consumer banking arena over the past few years, we believe the Bank is now positioned as a premier consumer bank in Singapore. This was a goal we had set for ourselves in the 1990s and which we had envisaged to be accomplished by the year 2000.

In 2000, we continued to introduce many initiatives that were industry "firsts" in Singapore. The highly distinctive One Card, the first credit card in Singapore that consolidates daily expenses into one card and rewards the customer with cash for paying his bills, was one such first. MobileNet, a WAP-based wireless Internet banking service, was another industry forerunner. We were the first bank to introduce such a service not only in Singapore but also in Asia.

Our Customer Relationship Management Programme (CRM) which was implemented through 1999 gave its full benefit in 2000. Our mobile sales force of more than 200 sales specialists, armed with sophisticated sales force automation tools, combined well with our 24-hour Contact Centre, Internet channel and service centres to produce an effective multi-channel sales and delivery system.

Besides consumer banking, we have strengthened our traditional core businesses in corporate lending and treasury activities, while continuing to enhance new revenue streams from international banking, investment banking and fund management. Our capabilities in debt securities were significantly enhanced, and we completed the market's first securitisation transaction involving a residential property development in Singapore.

Regionally and internationally, we continued to build on our standing in the markets where we operate. We opened a new branch in Shanghai in October 2000. The establishment of the branch in this key financial hub will spearhead the expansion of our business in China, a market we view to be of long-term strategic importance. Our involvement in the structured finance markets in Australia and New Zealand continued to grow as we clinched more new deals in the privatization market. For Malaysia, we have been actively expanding our middle market and small and medium enterprise (SME) businesses, and this has led to significantly improved earnings from our Malaysian subsidiary, Overseas Union Bank (Malaysia) Bhd.

We continued to place great emphasis on strengthening risk management and have put in place a variety of tools and methods to enhance our capabilities and standards in credit risk, market risk and operational risk management. Arising from lessons learnt from the regional financial crisis, we initiated a comprehensive Credit Transformation Programme within the Bank. A key outcome has been that a portfolio approach to credit management was successfully operationalised in our corporate lending portfolio, together with the implementation of a decision-support customised risk-rating tool for the rating of all corporate borrowing accounts. We expect the bulk of our domestic loan portfolio could be risk-rated by the middle of 2001. In market risk, a new high performance bank-wide market risk management system is being implemented in phases. When fully installed, the system will enable the Bank to quantify the market risk of all assets and liabilities for daily monitoring and review. In the area of operational risk, we have taken a proactive stance by introducing Risk and Control Self-Assessment, a methodology and approach to operational risk management that is drawing the attention of the industry.

We have also embarked on an important strategic project to re-define and strengthen the creation of economic value and shareholder wealth. Aptly referred to as the Value Management Programme or VMP, it will enable better planning and execution of the Bank's strategic and operational goals through the provision of highly reliable, timely, and enriched management information. It will also drive value creation through information tools and techniques to measure relative performance and assist with capital allocation decisions.

Human resource development remains a key priority for the Bank. We continued to strengthen our human resource base by bringing in the right level of skills and talent to meet current and future business needs. In recognition of our strong commitment to, and investment in human resource development, and the comprehensive system put in place in the area of people development, the Bank was awarded the People Developer Standard by the Singapore Productivity & Standards Board. This makes OUB the only bank to have achieved the standard on an organisation-wide basis, and comes shortly after we attained the National Training Award for the second time in 1999.

The above are some of the many initiatives undertaken by the Bank in 2000. Details of these and other initiatives and a review of the Bank's business operations are given in the Operations Review.

Prospects for 2001

Going into 2001, the global economic outlook has turned uncertain with the US economy in the midst of a major slowdown.

Non-Japan Asia is highly exposed to the downside risks of the world trade cycle and in particular, the IT cycle. Accordingly, except for China which is expected to record

another year of strong growth, weaker growth rates are projected for countries within the region, ranging from 3.5% for the Philippines to 5.9% for Taiwan.

For Singapore, the Ministry of Trade and Industry has forecast GDP growth of 5% to 7% in 2001. Among measures to deregulate the banking industry, the proposed removal of the 40% aggregate limit on banks' portfolio investments to be replaced by a single security limit of 2% of the bank's capital funds, or 10% of the investees' capital, whichever is lower, will give banks the flexibility to build up quality assets as well as improve returns on capital.

Given the deterioration in the world economic environment and the uncertainties surrounding the region, the year ahead will be a challenging one for the Bank and the Group. However, with our focused approach and barring unforeseen circumstances, the Board of Directors is cautiously optimistic regarding prospects for the Bank and the Group.

Acknowledgements

Mr Lim Boon Kheng, a Board member since May 1968 resigned on 5 May 2000, after having served the Bank for 32 years. Dr Cheong Siew Keong, a Board member and member of the Executive Committee of the Board and three other Board Committees, has decided to retire from the Board at the Bank's 2001 Annual General Meeting, after having served the Bank for 13 years. On behalf of fellow members of the Board, I would like to express our appreciation and gratitude for their wise counsel and support over the years and their contributions towards the development and growth of the OUB Group.

I welcome our new Board member, Mr Ng Boon Yew who joined the Board on 2 October 2000, and look forward to his contributions. I also take this opportunity to express my appreciation for the support and counsel of fellow Board members during the year.

On behalf of the Board, I thank our clients and shareholders for their continued support and the management and staff for their commitment, hard work and contributions.



LEE HEE SENG
Chairman

Dr Lien Ying Chow
Hon D Litt, PJG
Founder & Honorary Life Counsellor

BOARD OF DIRECTORS

Lee Hee Seng
DUBC, PJG, JP
Chairman

Peter Seah Lim Huat
PBM, BBM
President & Chief Executive Officer

Dr Cheong Siew Keong
Hon D Litt, BBM (L)

Tan Kok Quan
PBM

Professor Lim Pin
DUBC, PJG, PPA (E)

Dr Andrew Chew Guan Khuan
PJG, PPA (E)

Mrs Margaret Lien Wen Hsien

Ngiam Tong Dow
DUBC, PJG, PPA (E)

Ng Boon Yew

**EXECUTIVE COMMITTEE
OF THE BOARD**

Lee Hee Seng
DUBC, PJG, JP
Chairman

Peter Seah Lim Huat
PBM, BBM

Dr Cheong Siew Keong
Hon D Litt, BBM (L)

Ngiam Tong Dow
DUBC, PJG, PPA (E)

NOMINATING COMMITTEE

Tan Kok Quan
PBM
Chairman

Lee Hee Seng
DUBC, PJG, JP

Peter Seah Lim Huat
PBM, BBM

Dr Cheong Siew Keong
Hon D Litt, BBM (L)

Dr Andrew Chew Guan Khuan
PJG, PPA (E)

AUDIT COMMITTEE

Tan Kok Quan
PBM
Chairman

Lee Hee Seng
DUBC, PJG, JP

Professor Lim Pin
DUBC, PJG, PPA (E)

Dr Andrew Chew Guan Khuan
PJG, PPA (E)

Ng Boon Yew

COMPENSATION COMMITTEE

Dr Cheong Siew Keong
Hon D Litt, BBM (L)
Chairman

Lee Hee Seng
DUBC, PJG, JP

Dr Andrew Chew Guan Khuan
PJG, PPA (E)

GROUP CORPORATE SECRETARY

Mrs Jeannie Tng

MANAGEMENT

Peter Seah Lim Huat
PBM, BBM
President & Chief Executive Officer

Nicholas Chong Tjee Teng
*Executive Vice President
Information & Systems Services Division*

Mrs Gracy Choo
*Executive Vice President
National Banking Division*

Kung Beng Hong
*Executive Vice President
Director & Chief Executive Officer
Overseas Union Bank (Malaysia) Berhad*

Victor Liew Cheng San
BBM
*Executive Vice President
Treasury Division*

Alfred Shee Ping Fatt
*Executive Vice President
Group Audit & Inspection Division*

Dr Tan Ng Chee
*Executive Vice President
International Banking Division*

Richard Tan Tew Han
*Executive Vice President
Investment Banking & Corporate
Finance Division*

Philip Tan Yuen Fah
*Executive Vice President
Corporate Services Division*

Wee Joo Yeow
*Executive Vice President
Corporate Banking Division*

Bill Chua Teck Huat
*Senior Vice President & Head
Operations Division*

SENIOR VICE PRESIDENTS

Chew Eng Hwa
Goh-Tan Mui Hong

Koh Chye Seng
Kwik Sam Aik
John Liau Chuan Mout
Loo Heng Sun

Ng Kwan Meng
Soon Boon Siong
David Tan Guan Huat
Yong Siow Ying
Glen Yuen Yuet Fai

AUDITORS

PricewaterhouseCoopers
Partner-in-charge of the audit:
Ms Ooi Chee Kar

**REGISTRARS & SHARE
REGISTRATION OFFICE**

KPMG
138 Robinson Road #17-00
Hong Leong Centre
Singapore 068906
Tel: 2233036 / 2233048

REGISTERED OFFICE

1 Raffles Place, OUB Centre
Singapore 048616
Tel: 5338686

CABLE ADDRESS

OVERSUNION
Singapore

TELEX NUMBER

RS 24475 OVERSBK
RS 23060 OUBSING

SWIFT ADDRESS

OUBKSGSG

FACSIMILE NUMBER

5332293

WEBSITE

www.oub.com.sg

Board of Directors



Lee Hee Seng
DUBC, PJG, JP. Age 73.
*Chairman & Chairman,
Executive Committee
of the Board*



Peter Seah Lim Huat
PBM, BBM. Age 54.
*President &
Chief Executive Officer*

Director since 1972. Mr Lee's involvement with the OUB Group, initially in the management and subsequently in providing overall direction, spans over 29 years. He is a Fellow of the Chartered Institute of Bankers, Australian Society of Certified Practising Accountants, Institute of Certified Public Accountants of Singapore, Chartered Institute of Secretaries & Administrators and Companion of the Institute of Management. Mr Lee has a distinguished public service record, having served as Chairman of the Housing & Development Board, the Public Service Commission, the Presidential Elections Committee, the Police & Civil Defence Services Commission, the Education Service Commission and

the Lee Kuan Yew Exchange Fellowship. Mr Lee had also chaired the Asean Banking Council and Association of Banks in Singapore. In Malaysia, Mr Lee had served on the Boards of Malayan Banking Bhd and the National Electricity Board of Malaysia. Prior to joining OUB, Mr Lee was Director and General Manager of Malaysia Building Society Bhd, Malaysia's largest building society. Besides OUB, he is currently Chairman of several OUB Group companies including Overseas Union Trust Ltd and Overseas Union Insurance Ltd, and sits on the boards of Overseas Union Enterprise Ltd, OUB Centre Ltd, Singapore Mandarin International Hotels Pte Ltd and Singapore Press Holdings Ltd.

Director since 1991. Mr Seah graduated from the University of Singapore with a Bachelor of Business Administration (Honours). A career banker with over 32 years of experience, he joined OUB in 1977 and serves on the boards of several companies within the Group, including Overseas Union Trust Ltd and Overseas Union Securities Ltd. He is Chairman of SembCorp Industries Ltd and sits on the boards of Singapore Technologies Pte Ltd and Siam Commercial Bank Public Company Limited, as well as public institutions including

Government of Singapore Investment Corporation Pte Ltd and Civil Aviation Authority of Singapore. He is also a member of the Board of Commissioners of Currency. Mr Seah is the Chairman of the Sub-Committee on Banking of the Financial Centre Advisory Group, Monetary Authority of Singapore, and chaired the Sub-Committee on Finance and Banking of the Committee on Singapore's Competitiveness. He serves as Vice President of the Singapore Chinese Chamber of Commerce and Industry.



Dr Cheong Siew Keong
Hon D Litt, BBM (L). Age 76.

Director since 1988. Dr Cheong graduated from Hong Kong University with a B Sc (Eng) in Civil Engineering and is a Fellow of the Institution of Engineers, Malaysia, Institution of Engineers, Singapore, Institution of Electrical Engineers, UK and Institution of Mechanical Engineers, UK. Currently Pro-Chancellor of the National University of Singapore, Dr Cheong has held a number of senior-level appointments, including serving as Chairman of National University Hospital and Director of Singapore MRT Limited. He is a member of the Council of Presidential Advisers and serves on the board of the Land Transport Authority.



Tan Kok Quan
PBM. Age 62.

Director since 1989. Mr Tan graduated with LLB (Honours) from the University of Singapore. He is a Senior Counsel and Partner of Tan Kok Quan Partnership. Formerly Deputy Chairman of Public Utilities Board, Mr Tan is Chairman of Network Foods International Ltd. He also sits on the boards of Overseas Union Trust Ltd, Sumitomo Electric (Singapore) Pte Ltd, Singapore Technologies Telemedia Pte Ltd and SembCorp Parks Holdings Ltd, among other companies.



Professor Lim Pin
DUBC, PJG, PPA (E). Age 65.

Director since 1991. Prof Lim received his medical qualification, including his MA and MD, from the University of Cambridge. He is a Fellow of the Academy of Medicine of Singapore, FRCP (London) and FRACP. He recently stepped down as Vice-Chancellor, National University of Singapore (NUS) and is University Professor & Professor of Medicine at NUS, and Senior Consultant, National University Hospital. Prof Lim chairs the Bio-ethics Advisory Committee, the Genetic Modification Advisory Committee and the Tropical Marine Science Institute. He is a director of Raffles Medical Group Ltd, and is corporate adviser to Singapore Technologies Pte Ltd. Prof Lim also contributes to a number of government and non-profit organisations such as the National Wages Council and Institute of Policy Studies.



Dr Andrew Chew Guan Khuan
PJG, PPA (E). Age 71.

Director since 1997. Dr Chew received his medical qualification from the University of Malaya in Singapore and is a FRCP (London) and FRCP (Edinburgh). A top civil servant, Dr Chew is currently Chairman of the Public Service Commission. He was Permanent Secretary, Ministry of Finance, Chairman of the Central Provident Fund Board, and Head of the Civil Service. He is a director of Centrepont Properties Ltd, and currently holds senior-level appointments in government bodies such as the Institute of Defence and Strategic Studies and Presidential Council for Minority Rights.



**Mrs Margaret
Lien Wen Hsien**
Age 58.

Appointed director in 2000. Mrs Lien holds a LLB (Honours) from the London School of Economics & Political Science, University of London. She is a director of two holding companies, Lien Ying Chow Pte Ltd and Wah Hin & Co Pte Ltd and is a member of the National Parks Board and Governor of the Lien Foundation. She was formerly President of the Singapore Girl Guides Association and a member of the Ladies Committee, Singapore Symphony Orchestra.



Ngiam Tong Dow
DUBC, PJG, PPA (E). Age 63.

Appointed director in 2000. Mr Ngiam graduated from the University of Malaya in Singapore, with a Bachelor of Arts (Honours) in Economics and obtained a Master of Public Administration from Harvard University. Currently Chairman of both the Housing & Development Board and Central Provident Fund Board, Mr Ngiam was Permanent Secretary of the Ministry of Communications, Ministry of Finance, Ministry of Trade & Industry, Prime Minister's Office and Ministry of National Development. His past chairmanships include those of the Telecommunications Authority of Singapore, Economic Development Board and Development Bank of Singapore Ltd. He is currently also a director of Singapore Press Holdings Ltd and SLF Leisure Enterprises (Pte) Ltd.



Ng Boon Yew
Age 46.

Appointed director in 2000. Mr Ng is a Fellow of the Association of Chartered Certified Accountants and Associate Member of the Institute of Chartered Accountants in England and Wales, Chartered Institute of Management Accountants, Institute of Chartered Secretaries & Administrators and Institute of Taxation. He is also a Practising Member of the Institute of Certified Public Accountants of Singapore. Previously a partner in charge of corporate finance services and head of Singapore banking practice in KPMG, Mr Ng is a corporate adviser to Singapore Technologies Pte Ltd. He chairs the Disclosure and Accounting Standards Committee set up by the Ministry of Finance and is a member of the Public Accountants Board. He is also a director and Chairman, Audit Committee, of Royal Clicks Limited. He was a member of the Corporate Finance Committee, formed by the Financial Sector Review Group.

Principal Officers



Peter Seah
PBM, BBM
President & Chief Executive Officer, responsible for the overall management and growth of the Bank and Group.



Nicholas Chong Tjee Teng
Executive Vice President, Information & Systems Services Division, responsible for the application of information technology to support the Bank's business globally.

Mr Chong has headed Information & Systems Services since 1991. He holds a Bachelor of Science and a Master of Business Administration from the State University of New York. He has over 31 years of experience in information technology, 19 of which have been with OUB. Prior to joining OUB in 1982, he was Divisional Manager of a global IT firm. He currently serves as a director of several Group companies.



Mrs Gracy Choo
Executive Vice President, National Banking, responsible for the profitability and growth of the consumer and commercial banking business.

Mrs Choo has headed National Banking since 1998. She holds a Bachelor of Business Administration (Honours) from the University of Singapore and has over 30 years of banking experience. Prior to joining OUB in 1976, she was corporate banking manager at a global foreign bank. She has contributed in various areas such as corporate lending, credit administration and retail & consumer banking. She also spent seven years as Chief Operating Officer and Director of International Bank of Singapore, the then wholly-owned subsidiary of OUB. She currently serves as a director of several Group companies.



Kung Beng Hong
Executive Vice President and Director & Chief Executive Officer, Overseas Union Bank (Malaysia) Berhad, responsible for the overall management, profitability and growth of the Bank's wholly-owned Malaysian subsidiary.

Mr Kung joined as Head of Malaysia Division in 1992 and was appointed to his current position in 1994 when the Bank's Malaysia operations were locally incorporated as a separate entity in accordance with Malaysian regulatory requirements. He holds a Bachelor of Arts (Honours) in Economics from the University of Malaya and is a Fellow of the Institute of Bankers, Malaysia. A career banker with about 33 years of experience, Mr Kung worked with Citibank for 16 years including two years in New York and subsequently moved to a local bank as General Manager and Executive Director prior to joining OUB. He currently serves on the boards of several companies incorporated in Malaysia in the OUB Group.



Victor Liew Cheng San
BBM
Executive Vice President, Treasury, responsible for the profitability and growth of global treasury operations.

Mr Liew has headed Treasury since joining the Bank in 1980. He holds a Bachelor of Social Science (Honours) from the University of Singapore. Mr Liew has over 27 years of experience in banking and finance, 20 of which have been with OUB. Prior to joining OUB, he was manager at a major foreign bank. Mr Liew is Chairman of the Singapore Commodity Exchange, a director of the Singapore Exchange and alternate Chairman of the Singapore Foreign Exchange Market Committee. He was previously Chairman of the Singapore International Monetary Exchange.



Alfred Shee Ping Fatt
Executive Vice President, Group Audit & Inspection, responsible for the audit and inspection function of OUB and Group companies.

Mr Shee has headed Group Audit & Inspection since 1986. He is a Chartered Accountant (Australia), Certified Public Accountant and a Certified Internal Auditor, and a member of the Editorial Committee and Continuing Professional Education Committee of the Institute of Certified Public Accountants of Singapore. Mr Shee has spent 26 years in OUB, holding senior positions in varied areas such as finance and administration, corporate planning, and operations. Prior to joining OUB in 1975, Mr Shee was audit manager with a major public accounting firm.



Dr Tan Ng Chee
Executive Vice President, International Banking, responsible for the profitability and growth of the regional business and international banking operations.

Dr Tan has headed International Banking since joining the Bank in 1989. He holds a doctorate in law from Oxford University. He has substantial experience in wholesale/merchant banking, investment banking, project financing and advisory work, having worked for a major foreign bank for over 16 years in New York, London, Malaysia and Hong Kong. He currently serves as director of several overseas companies within the OUB Group.



Richard Tan Tew Han
Executive Vice President, Investment Banking & Corporate Finance, responsible for the profitability and growth of the fee income business in fund management, corporate finance and capital markets/loan syndications.

Mr Tan has headed Investment Banking & Corporate Finance since 1993. He holds a Bachelor of Science (Honours) from the University of Singapore and a Master of Business Administration, University of British Columbia. Mr Tan joined OUB in 1987 after spending a stint in the Administrative service and working for several years in major foreign banks. During the course of his career, he was seconded to the International Bank of Singapore where he headed its corporate and overseas banking functions. He is currently director of several Group companies.



Philip Tan Yuen Fah
Executive Vice President, Corporate Services, responsible for human resources, finance, secretariat/legal, public relations and administrative functions.

Mr Tan has headed Corporate Services since 1984. He holds a Bachelor of Accountancy from the University of Singapore and a Bachelor of Laws from the University of Wolverhampton, UK. He is a member of the Institute of Certified Public Accountants of Singapore (ICPAS), Chartered Institute of Management Accountants, UK and a Fellow of CPA (Australia). He serves as a member on the Accounting Standards and Banking & Finance Committees of ICPAS and the Skills Development Fund Technical Committee of the Singapore Productivity & Standards Board. Before joining OUB in 1979, he worked with various organisations in the commercial and industrial sectors.



Wee Joo Yeow
Executive Vice President, Corporate Banking, responsible for the profitability and growth of the domestic and corporate banking business.

Mr Wee has headed Corporate Banking since joining OUB in 1981. He holds a Bachelor of Business Administration (Honours) from the University of Singapore and a Master of Business Administration, New York University. A career banker with over 28 years of banking experience, Mr Wee was chief credit officer and head of business development at a major foreign bank before joining OUB. He currently serves as director in some Group companies.



Bill Chua Teck Huat
Senior Vice President & Head, Operations, responsible for the management of key operational areas including centralised backroom functions, credit operations, settlement, trade services, systems review, Internet and electronic banking and cash management.

Mr Chua joined OUB as Head of Operations in August 2000. He holds a Bachelor of Arts in Economics and a Bachelor of Engineering (Industrial, Honours) from the University of Newcastle. Mr Chua has over 20 years of corporate and consumer banking experience. Prior to joining OUB, he was head of franchise development and research, and concurrently Chief of Staff, Country Corporate Office, of a global foreign bank.

The Bank is committed to good standards of corporate governance and to developing procedures and policies in accordance with best practice. For effective corporate governance, the Bank has put in place various self-regulatory and monitoring mechanisms in addition to compliance with statutory requirements.

Board of Directors

The Board comprises nine directors. Other than Mr Lee Hee Seng (Chairman) and Mr Peter Seah Lim Huat (President/Chief Executive Officer), the rest are non-executive directors.

The Board supervises the management of the business and affairs of the Bank and Group. Apart from its statutory responsibilities, the Board approves the Bank's strategic plans, key operational initiatives, investments, major credit and funding proposals, identifies principal risks of the Bank's business, ensures that appropriate systems are in place to manage these risks and reviews the financial performance of the Bank and Group. Certain functions have been delegated by the Board to the various Board Committees to facilitate effective management of the Bank.

Executive Committee

The Executive Committee has four members comprising Chairman of the Board Mr Lee Hee Seng, as Chairman, President/Chief Executive Officer Mr Peter Seah Lim Huat, and non-executive directors, Dr Cheong Siew Keong and Mr Ngiam Tong Dow. As part of its key responsibilities, the Committee provides overall direction to the management and operations of the Bank, formulates and approves corporate objectives, policies and strategies for the Bank. In addition, the Committee establishes policies for investments, credit, liability management, treasury operations, finance and approves delegation of discretionary authority and powers to the Corporate Office, Senior Management and other officers and staff. It also reviews reports and other submissions for monitoring the performance and progress of the Bank and initiates such special reviews and actions as are appropriate for the prudential management of the Bank.

Nominating Committee

The Nominating Committee comprises five members of the Board of Directors and is chaired by Mr Tan Kok Quan, an independent director. Apart from Mr Lee Hee Seng and Mr Peter Seah Lim Huat, the other two members, Dr Cheong Siew Keong and Dr Andrew Chew Guan Khuan, are independent directors. The primary function of the Committee is to identify candidates and review all nominations for appointment of:

- members of the Board of Directors and alternate directors including their reappointments,
- members of the Executive Committee,
- members of the Compensation Committee,
- members of the Audit Committee, and
- Chief Executive Officer, Deputy Chief Executive Officer, President, Deputy President and Chief Financial Officer including any other officer by whatever name called who has responsibilities and functions similar to any of these officers.

Audit Committee

The Directors of the Bank have adopted the principles of corporate governance under the Best Practices Guide with respect to Audit Committees as formulated by the Singapore Exchange (“SGX”).

The Bank’s Audit Committee is chaired by Mr Tan Kok Quan, an independent director, and comprises five members. Apart from Mr Lee Hee Seng, the other members, namely Professor Lim Pin, Dr Andrew Chew Guan Khuan and Mr Ng Boon Yew, are independent directors. The Committee’s main functions are to:

- review the annual audit plans of the external and internal auditors,
- review the external and internal auditors’ findings on their evaluation of the system of internal controls including accounting controls,
- review the reports of the inspectors of banking authorities including their evaluation of the system of internal accounting controls, where applicable,
- review the scope and results of the internal audit procedures,
- review the half-year and full-year balance sheets and income statements of the Bank and the Group,
- review the assistance given by the Bank’s officers to the Audit Committee, external auditors and internal auditors, where applicable,
- review interested person transactions when required under Chapter 9A of the SGX Listing Manual, and
- nominate the Bank’s external auditors and approve their fees.

Compensation Committee

The Compensation Committee comprises three members, namely its Chairman Dr Cheong Siew Keong, Mr Lee Hee Seng and Dr Andrew Chew Guan Khuan. Dr Cheong and Dr Chew are non-executive directors. The Committee’s main functions are to approve the compensation of all executive directors of the Bank, and all fees and allowances to be paid to the directors of the Board, review and approve bank-wide organisation structure and senior appointments, and formulate policies in respect of staff recruitment, promotions, training and compensation. On the dissolution of the Share Option Scheme Committee, the Compensation Committee also took over the function of administering the Bank’s share option scheme in accordance with the objectives and regulations thereof and determining participation eligibility, option offers, share allocations and attending to such other matters as may be required.

Remuneration and Benefits

In order to attract, retain and reward well-qualified people to serve in the Bank, remuneration and benefits are pegged at competitive market rates. From time to time, directors’ fees and the base salaries of staff are reviewed to ensure they are at

sufficiently competitive levels. A compensation system is in place to reward staff based on their merit and performance through annual merit service increments and variable bonuses. The variable bonus component form a central part of the Bank's flexible wage system and applies to all levels of staff up to top management executives. At the higher executive levels, the variable pay or "at risk pay" constitutes a significant portion of total compensation. The Bank's share option scheme for officers serves as a long-term incentive plan for more senior-level staff where participation is also based on individual performance.

Summary of Directors' Remuneration for Year Ending 31 December 2000 (Group)

Remuneration Band & Name of Director	Salary*	Bonus*	Directors' Fees [#]	Total	Share Options Granted [^]
	%	%	%	%	No. of Shares
\$1,000,000 and above					
Lee Hee Seng	28	65	7	100	400,000
Peter Seah Lim Huat	29	66	5	100	300,000
Below \$250,000					
Dr Cheong Siew Keong			100	100	
Tan Kok Quan			100	100	
Professor Lim Pin			100	100	
Dr Andrew Chew Guan Khuan			100	100	
Margaret Lien Wen Hsien ^(a)			100	100	
Ngiam Tong Dow ^(a)			100	100	
Ng Boon Yew ^(b)			100	100	
Tan Puay Hee ^(c)			100	100	
Tan Sri Dato Tan Teck Khim ^(c)			100	100	
Teo Soo Chuan ^(c)			100	100	
Lim Boon Kheng ^(d)			100	100	

* The salary and bonus are inclusive of allowances and CPF

Directors' Fees is inclusive of fees for directorship in subsidiaries

[^] Relates to options granted during the year under OUB Share Option Scheme at an offering price of \$8.68, exercisable from 1 September 2001 to 31 August 2010

(a) Appointed on 1 February 2000

(b) Appointed on 2 October 2000

(c) Retired on 4 May 2000

(d) Resigned on 5 May 2000

Credit Facilities to Related Parties

Credit facilities granted by the Bank to its related parties are at normal commercial terms. The aggregate amount of the credit facilities utilised by the related parties are as follows:

	As at 31 December 2000 \$'000	As at 31 December 1999 \$'000
• Bank directors and their related entities, and companies of which they are directors	84,245	134,727
• Bank's subsidiaries and associated companies	912,364	625,240

Interested Person Transactions

To ensure compliance with regulations on interested person transactions, the Bank has implemented internal guidelines and detailed procedures to monitor transactions that fall within the ambit of Chapter 9A of the SGX Listing Manual. The SGX Listing Manual does not regard the provision of financial assistance or services by the Bank or its subsidiaries upon normal commercial terms and in the ordinary course of business as an interested person transaction and most transactions involving the Bank were of this nature. Apart from these, all other transactions falling within Chapter 9A were aggregated pursuant to the prescribed guidelines.

Dealings in Bank's Securities

The Bank has adopted internal codes pursuant to the SGX Best Practices Guide applicable to the Directors of the Bank and its subsidiaries as well as employees of the Bank in relation to dealings in the Bank's securities.

Our Risk Philosophy and Approach

Sound risk management lies at the heart of OUB's business, and forms an integral part of the Bank's overall strategic agenda. Our risk philosophy is grounded in internationally accepted risk governance standards and practices, and is guided by several key risk management principles. These are:

- A firm-wide commitment to risk management encompassing board level risk management responsibility, senior management involvement in bank-wide risk management, and operational level ownership of risks by the business and operational units.
- Risk oversight that is independent of the business units through an independent risk management function overseeing aggregated risks across divisions and business segments.
- There must be recognition and understanding of the risks associated with the Bank's activities and the need to effectively manage these risks for the creation, protection, and enhancement of shareholder value.
- Systematic and disciplined risk identification, assessment, and measurement processes and systems must be in place to manage the Bank's quantifiable risks and to control the unquantifiable risks.
- Risk management objectives and policies must be linked to the Bank's overall business strategy.

These core principles underpin OUB's risk philosophy and outlook, and are embedded into an organisational structure and system to reflect their importance in helping the Bank effectively manage the entire range of risks it faces. These risks include credit risk, market risk, liquidity risk and operational risk.

A Dedicated and Integrated Risk Management Structure

With its clear reporting lines and integrated framework across divisions and business lines, OUB's risk management structure lends itself to bank-wide participation and co-operation in risk management. Risk management activities are coordinated across the Bank through a structure that comprises a board level risk committee (Board Risk Committee), three senior management risk committees (Credit Risk Committee, Market Risk Committee and Operational Risk Committee) and an independent risk management function (Risk Management Unit).

Board Risk Committee

At the highest level, OUB recognises the responsibilities of the Board of Directors in the risk management process of the Bank. A specific board level committee, the Board Risk Committee (BRC), provides continued board level oversight of risk. The BRC sets strategic risk objectives and standards and ensures that long-term business strategies

Board Level Committee

Board Risk Committee

- continued board oversight of risk
- determines risk tolerance and appetite
- sets risk strategy

Senior Management Level Group

Credit Risk Committee

- facilitates effective management of credit risk bank-wide
- ensures business and operational plans are aligned to credit risk policies

Market Risk Committee

- facilitates effective management of market, funding and liquidity risk
- ensures business and operational plans are aligned to market risk policies

Operational Risk Committee

- serves as a focal point for a bank-wide approach to operational risk management

Dedicated Risk Management Function

Risk Management Unit

- independent risk monitoring, measurement, evaluation and reporting
- provides complete risk information to all risk committees
- participates in the Credit Risk, Market Risk and Operational Risk Committees

are aligned to risk policies and procedures. The BRC meets monthly and comprises the Chairman of the Board, the President & CEO, and two non-executive directors.

The BRC has delegated operational authority to three senior management committees, the Credit Risk Committee (CRC), Market Risk Committee (MRC) and Operational Risk Committee (ORC) for risk management in their respective areas. Together, the senior management risk committees of the Bank address credit risk management, market risk management, balance sheet management, funding strategies, liquidity management and operational risk management.

Credit Risk Committee

The CRC oversees credit risk management in the Bank and meets monthly to address specific issues and review reports which include capital requirements for credit risk, counterparty risk exposures, industry exposures, country exposures, composition and management of the portfolio, exposures by loan gradings, large exposures by consolidated counterparties, provisioning requirements, and comparative peer positions. Members of the CRC include the President & CEO, the Division Head in charge of Finance, the Heads of all Divisions that create credit risk, and the Head of the Risk Management Unit.

Market Risk Committee

The MRC meets monthly to ensure the effective management of market, funding and liquidity risk in the Bank. The membership of the MRC includes the President & CEO, the Division Head in charge of Finance, the Heads of Divisions whose activities contribute to market risk, and the Head of the Risk Management Unit.

Operational Risk Committee

The ORC serves as a focal point for a bank-wide approach to operational risk. The ORC meets at least bi-monthly and comprises the Division Heads involved in areas that address specific operational risks (including legal, finance, operations, human resources and technology), the Head of Group Audit & Inspection Division, and the Head of the Risk Management Unit.

Risk Management Unit and Line Responsibility Risk Management

The Bank's business units are primarily responsible for the day-to-day management of the risks they generate. Risk management is a line responsibility of the business units, which identify the risks inherent in their business activities and implement the appropriate measures and controls to mitigate the risks.

At the same time, the Risk Management Unit (RMU) of the Bank, which supports the BRC and senior management risk committees, provides an independent view of the Bank's risk profile. The RMU measures, monitors and reports consolidated risk information to all the risk committees on a regular basis. This independent risk

management function reports directly to the President & CEO and has direct access to the BRC.

Managing Our Specific Risks

Collectively, the risk committees, RMU and business units form an integrated framework for risk management and control.

OUB recognises that effective measurement, reporting and control of risk is vital to ensure that its business activities are managed in accordance with overall strategic and risk management objectives. In line with this, the Bank's risk reporting and control framework has measures for market and credit risk, the capability to aggregate exposures, a comprehensive set of limits to ensure that exposures remain within determined boundaries, and a mechanism for evaluating risk. At the same time, the Bank has put into place robust and secure operational controls in the front, middle and back offices and complemented these with firm-wide support and control functions in legal, compliance, tax, regulatory reporting and human resources.

Credit Risk Management

Credit risk is the main element of risk in the Bank.

Credit risk is the risk to the Bank's capital or earnings associated with a counterparty's, issuer's or borrower's inability or unwillingness to fulfil the actual or implied contract for whatever reason, whether the exposure is on- or off-balance sheet.

Exposure to credit risk arises primarily from the Bank's lending activities. However, with increasing advances in finance, the nature of credit risk is becoming more complex, involving issues beyond those that accompany traditional lending operations. Not only are risks becoming more diverse, but distinct risks are also overlapping each other as in counterparty risk in market and credit operations.

In lending, credit risk is the inherent risk of possible loan losses when customers default, that is, when they fail to comply with their obligation to service and/or repay their debt. Default triggers a total or partial loss of the amount lent to such customers. The management of credit risk is crucial as the default of even a small number of major customers can lead to large losses for the Bank.

Managing Credit Risk

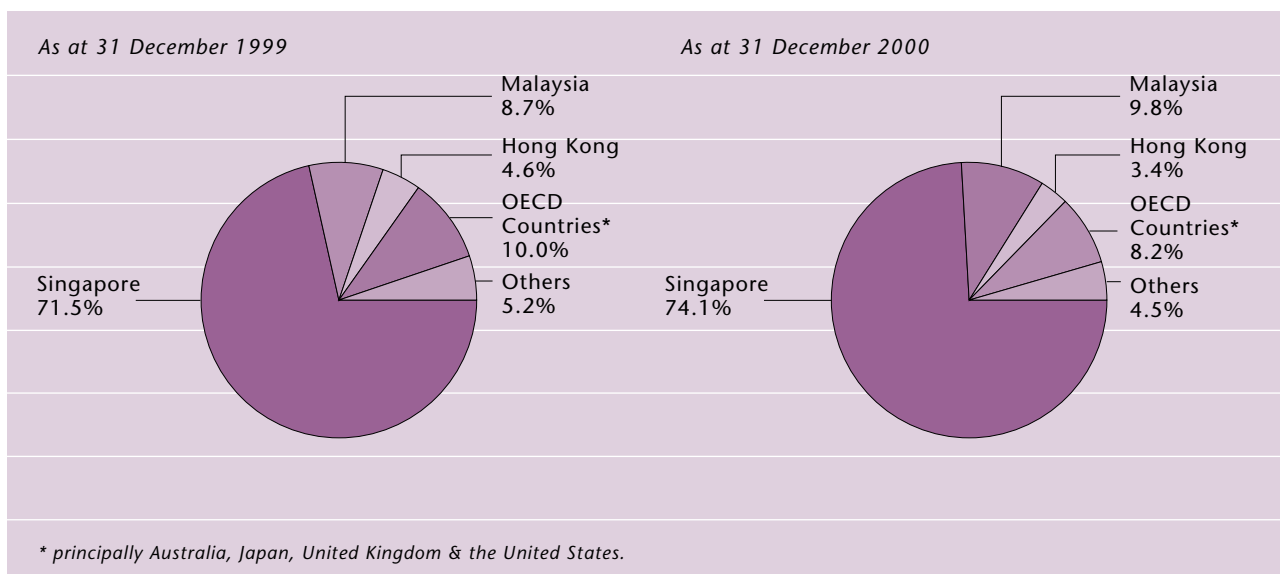
For the management of credit risk, the Bank has a well-established credit process involving delegated approving authorities, and credit procedures for proper credit screening and monitoring of credit risk. The credit evaluation and screening process of the Bank involves not only an analysis of the financial standing of the borrower, but also a full understanding of the underlying business and of industry prospects, all of which enable the approving authorities to make well-informed credit decisions.

Whilst each line of business is responsible for the on-going quality of its credit portfolio, the Bank has procedures which require credit facilities to be reviewed at least once annually, and more frequently in case of a deteriorating situation. The procedures are designed to promote early identification of problem loans. During such reviews, facilities may be re-structured and additional security taken, if necessary. In addition, audit reviews are performed regularly to ensure that credit policies and procedures are complied with, and to ascertain the effectiveness of credit risk management. Special attention is paid to the management of problem loans. The Bank has specialised units, which are set up to provide intensive management and control, and to maximise recoveries of doubtful debts.

Country Risk

Country risk is risk which results from the act or acts of governments that are beyond the control of borrowers, and which thus adds another dimension of risk to conventional credit risk. To mitigate such risk, the Bank has in place country limits. Cross-border loans, which fall under such limits, would have as their country exposure the country where the ultimate source of repayment of the loans would come from.

Breakdown of Group Non-bank Loans and Bills by Country



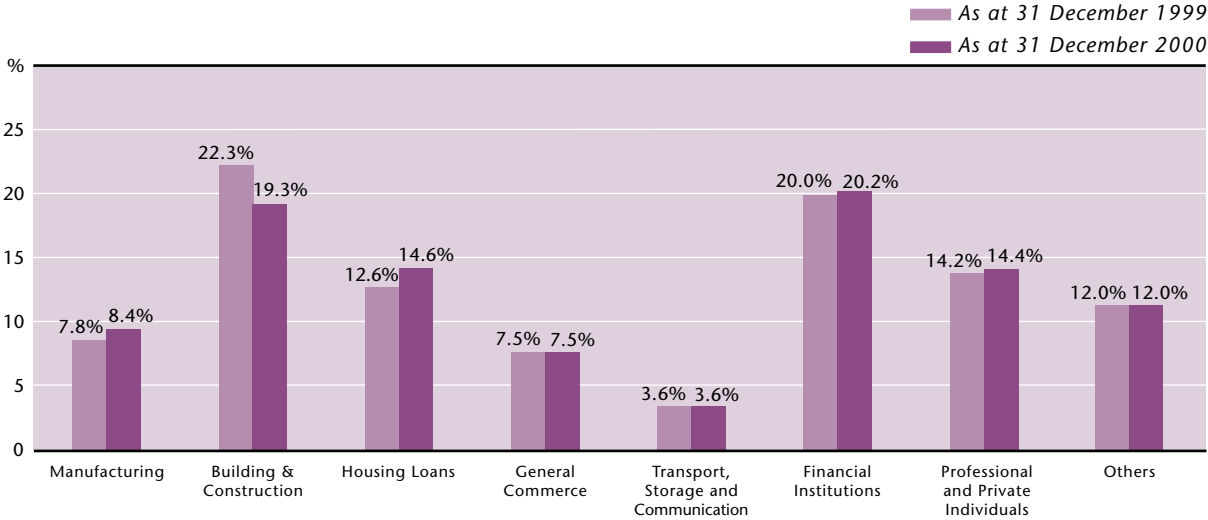
In OUB, country limits which are controlled and managed on a group basis, are continually monitored and regularly reviewed by specialist staff with regard to the size and structure of credit ceilings and maximum tenor for the facilities. Country limits are determined taking into account the potential of business for the Bank,

the equity of the Bank, and regular assessment of the country’s risk factors including its economic outlook, political risks and external agency ratings.

Credit Concentrations

When changes in economic, industry or geographic factors affect groups of counterparties whose aggregate credit exposure is material, credit concentrations become particularly risky. An example of this would be the recent 1997-1998 regional financial crisis in Asia. To prevent excessive credit concentrations, there are a number of policies in place including single borrower policies which impact the customer’s aggregate facilities, portfolio concentration limits in relation to industry sectors and geographic areas, and credit risk limits to financial institutions and other counterparties in the financial sector.

Composition of Group Non-bank Loans and Bills by Industry



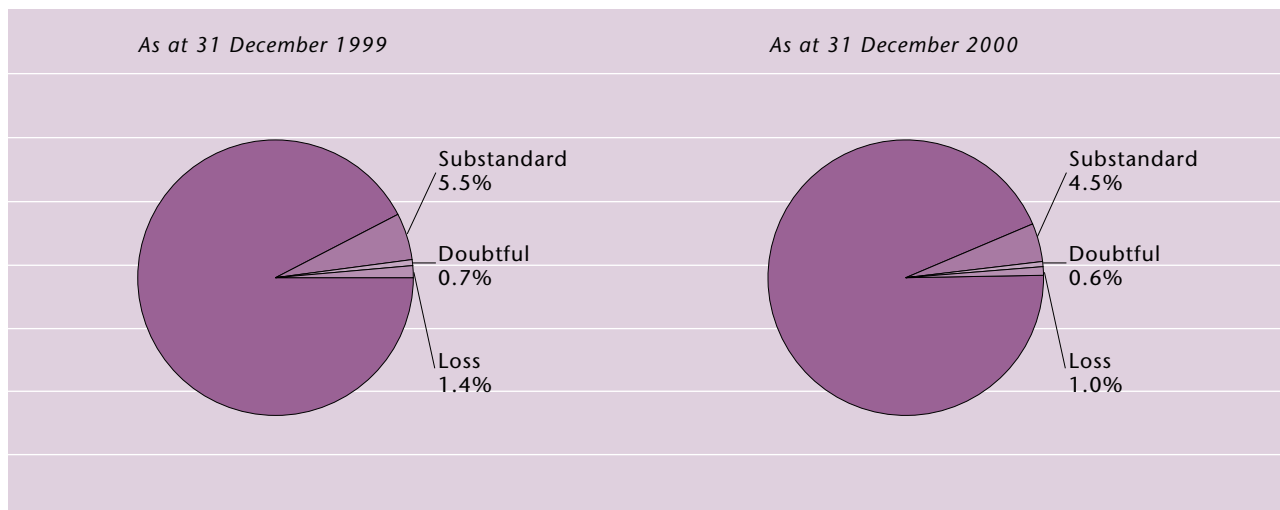
The ratio of large exposures in the Bank is measured and subject to regular monitoring. Total exposure for loans to any single borrower or any business group is also monitored for regulatory compliance.

Classification of Loans; Provisioning

Adversely classified loans are those where it is probable that the Bank will not be able to collect all amounts due according to the contractual terms of the loan.

Adverse classifications fall under one of the following three categories, namely, “substandard”, “doubtful” and “loss” as defined in accordance with MAS Notice to Banks 612. The Bank in its approach to loan classification, will amongst other considerations, look at the potential for default by a borrower. The Bank can therefore grade certain performing loans as non-performing “substandard” for closer monitoring. For example, accounts in which the borrower is in negative networth or under a major re-structuring exercise, could be adversely classified even though interest is still being serviced and such loans are technically performing loans in all other respects. In the case of housing loans, loans not serviced for three months or more have a minimum classification of “substandard”.

Breakdown of Group Global Non-performing Loans as Percentage of Group Global Assets

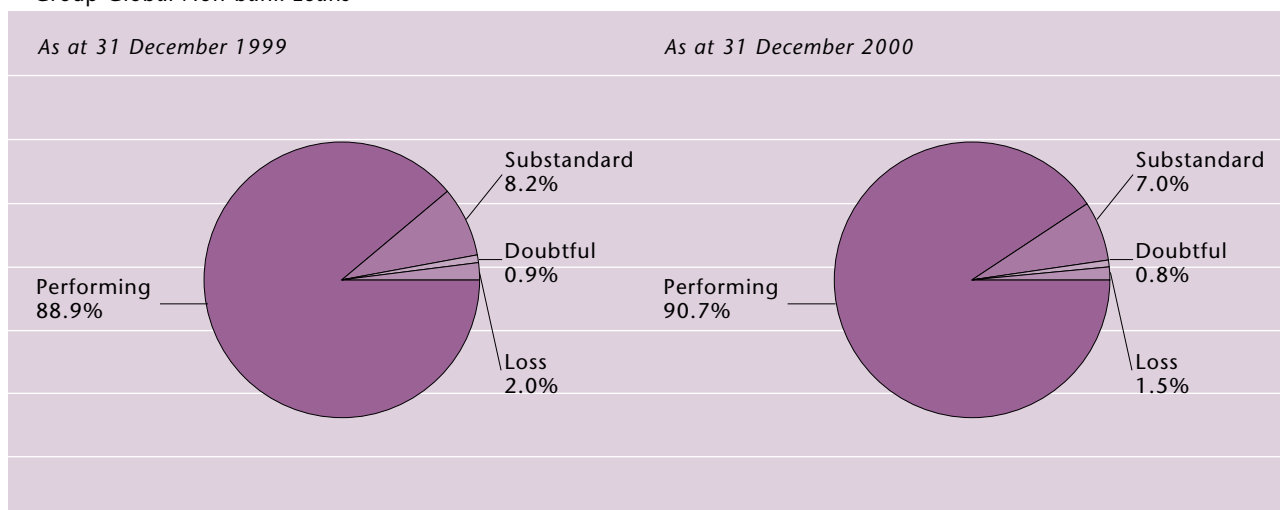


Upon classification to any adverse loan grade, the borrower would still be charged interest, although from an accounting perspective, the interest would be credited into a suspense account.

Provisioning for credit risks principally covers adversely classified non-performing loans. When a loan is adversely classified, the Bank makes a specific provision against the exposure. The level of provision will depend on the Bank’s assessment of the forced sale value of the security held. Specific provisions are 10% or more on all unsecured outstandings in the “substandard” category, 50% or more for

those classified “doubtful”, and 100% in the case of “loss” accounts. When all measures to recover the debt have been exhausted, any outstanding debt considered irrecoverable and which had previously been provided for, would be written off.

Breakdown of Group Global Non-bank Performing & Non-performing Loans as Percentage of Group Global Non-bank Loans



Independent Oversight of Credit Risk

A credit risk team within the independent Risk Management Unit is responsible for monthly reporting of all elements of credit risk to the Credit Risk Committee. It reports to the Committee on the Bank’s asset concentrations, industry exposures, cross-border risk exposures, credit exposures by loan gradings, performing and non-performing loans by main lending units, specific provisions against substandard, doubtful and loss categories of non-performing loans, and large credit exposure by consolidated counterparties.

Major Initiative in Credit Risk Management

The Bank places great emphasis on continuously strengthening its risk management. Arising from lessons learnt from the regional financial crisis, the Bank initiated a comprehensive Credit Transformation Programme in 2000. Under this initiative, the Bank successfully implemented a customised decision-support risk-rating tool for the objective quantitative rating of all corporate borrowing accounts. A key outcome is that a portfolio approach to credit management has now been successfully operationalised, which enables a more systematic and disciplined approach to be taken in the accumulation of loan assets. It is expected that the bulk of the Bank’s domestic loan portfolio could be risk-rated by the middle of 2001.

Market Risk Management

Market risk is the risk of loss from exposure to changes in the value of market variables, such as interest rates, foreign exchange rates, equity or commodity prices.

Although OUB is not a major trading bank, it recognizes that market risk can impact the Bank's financial performance, and needs to be prudently managed.

The Bank also recognizes that there is a need to continuously enhance its market risk management capabilities. It has taken steps in 2000 to install a high performance market risk management system to align itself more closely with what is best practice internationally. The system would enable daily quantification of the market risk that is generated by all trading activities, and it would thus complement the trading, concentration risk, and liquidity risk limits that are now in place to manage market risk.

The Bank's market risk from trading activities is concentrated mainly in Singapore.

Capital Requirement for Market Risk

Like other domestic banks in Singapore, OUB is required to provide capital for market risk arising from trading activities. The Bank's capital requirement is computed based on the standardised approach recommended by the Bank of International Settlements.

Typically, the bulk of capital provided for market risk is tied to foreign exchange risk on a bank-wide basis, which includes foreign exchange risk arising from regional loans and advances, equity investments in its foreign bank subsidiaries, and properties used for the Bank's foreign branch operations, as well as bank-wide interest rate risk. In comparison, capital for market risk arising from proprietary trading is relatively small, for instance, capital requirement for proprietary trading forex risk and proprietary trading equity risk was 2% and 6% of market risk capital respectively as at end December 2000.

Interest Rate Risk Management

The largest proprietary trading risk is from interest rate risk. The Bank derives significant revenues from its consumer, commercial and corporate banking business, and from its expanding portfolio of debt securities. It is natural that the Bank assumes interest rate risk arising from the differences between repricing or maturity of these assets and the funding liabilities.

Interest rate risk is managed and mitigated through tactical and strategic adjustment of the timing and magnitude of the mismatched asset-liability repricing position. The objective is to capitalize on potential market opportunities, while minimizing the vulnerability of net interest income to changes in interest rates.

Bank Repricing/Maturity Profile of Assets & Liabilities as at 31 December 2000

\$ Billion

	Less than 7 days	> 7 days - 3 mths	> 3 mths - 1 yr	> 1 yr - 3 yrs	Over 3 yrs	Non-int bearing	Total
Assets							
• Loans	3.15	24.36	5.19	0.39	1.09	0.19	34.37
• Securities	–	2.59	1.55	0.38	0.92	–	5.44
• Other Assets	0.01	0.58	0.02	–	–	1.54	2.15
Total Assets	3.16	27.53	6.76	0.77	2.01	1.73	41.96
Liabilities							
• Deposits	(3.77)	(25.06)	(5.59)	(0.22)	–	(2.20)	(36.84)
• Shareholders' Funds	–	–	–	–	–	(4.27)	(4.27)
• Other Liabilities	(0.01)	(0.04)	(0.01)	–	–	(0.79)	(0.85)
Total Liabilities	(3.78)	(25.10)	(5.60)	(0.22)	–	(7.26)	(41.96)
Asset/Liability Gap	(0.62)	2.43	1.16	0.55	2.01	(5.53)	
Derivatives Affecting Interest Rates:							
• Interest Rate Swaps	(0.12)	0.19	0.23	0.08	(0.38)		
• Others	–	(0.06)	0.04	0.02	–		
Interest Rate Sensitivity Gap	(0.74)	2.56	1.43	0.65	1.63	(5.53)	
Cumulative Interest Rate Sensitivity Gap	(0.74)	1.82	3.25	3.90	5.53		

Liquidity Risk Management

The Bank actively pursues sound and prudent liquidity policies that include broadening and diversifying the sources of deposits, and maintaining an adequate pool of liquid assets. This is to ensure that liquidity is adequate at all times for efficient operations and to meet regulatory requirements. These policies essentially address the effective management of the maturity profiles of assets and liabilities. They provide the assurance that the Bank is well positioned to meet its daily operating liquidity requirements as well as its strategic business expansion goals.

Head Office Treasury is responsible for monitoring the Bank's global liquidity risk, besides co-ordinating and ensuring the effective implementation of liquidity management and other treasury operations, policies and strategies. For overseas operations, each branch or agency is responsible for the effective management of its own liquidity structure of assets, liabilities and commitments, subject to the prudential guidelines, policies and procedures laid down by Head Office.

The Group's main sources of funds were core retail deposits consisting of fixed deposits, savings and current account balances, and interbank borrowings. The Bank views the stability and growth of its core retail deposit base to be of great importance.

Sources Of Funds Of OUB Group

Sources of Funds	31 December 2000 \$'Billion	31 December 1999 \$'Billion
Retail Deposits		
• Savings	2.67	2.56
• Current	2.32	2.30
• Fixed (by remaining maturity)		
- Up to 6 months	18.46	16.14
- > 6 months to 1 year	2.93	3.16
- > 1 year	0.28	0.16
Interbank Deposits (by remaining maturity)		
- Up to 6 months	12.37	7.81
- > 6 months to 1 year	0.15	0.37
- > 1 year	-	-
Others*	0.67	0.43
Total	39.85	32.93

* Including other deposits, NCDs and debt securities issued.

Foreign Exchange Risk Management

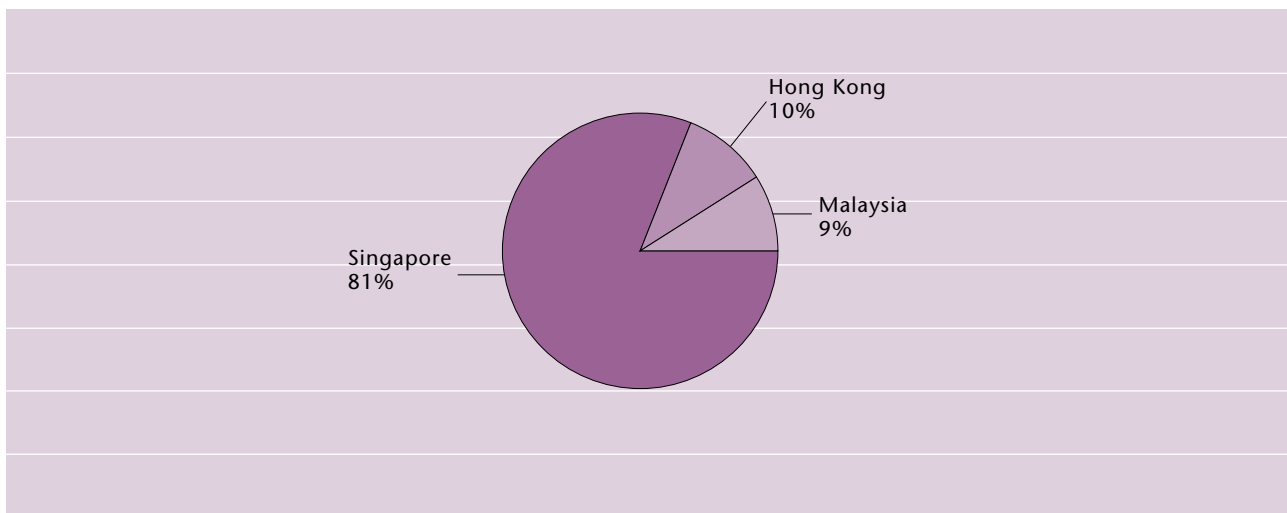
The regional financial crisis revealed that although banks may not be major players in foreign exchange markets, they could still be exposed to foreign exchange risk through their traditional banking business in regional markets.

OUB does not hold large speculative foreign exchange positions. Trading positions in foreign currencies generally support commercial and corporate customer requirements.

Equity Risk Management

In the area of equity risk, most of the Bank's proprietary equity trading was in Singapore stocks with the rest of the risk capital almost equally divided between Hong Kong and Malaysia.

Composition of Equity Risk Capital as at 31 December 2000



Operational Risk Management

In line with the Basel Capital Accord of January 2001, OUB defines operational risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Like all corporations, the Bank is exposed to various operational risks, including the risk of loss arising from human error, systems failure, fraud and natural disaster. To mitigate these risks, the Bank has in place established processes and safeguards, systems, controls and procedures to monitor transactions and positions, and regulatory compliance review. It also has in place business contingency plans to ensure ongoing service delivery under adverse conditions.

In the area of business continuity planning, the Bank has formulated disaster recovery plans for each business and operational unit in Singapore as well as established back-up sites for key operations. A back-up site for the Bank's Computer Operations Centre also provides the Bank with the capability to respond to unforeseen circumstances that could delay or interrupt service.

Primary responsibility for managing operational risks rests with the business units. The Bank's business units are responsible for identifying the risks inherent in their business activities and implementing the measures and mitigating controls appropriate for their operating environments. The approach applied is a bottom-up one where operational risk management is a line responsibility of the business units. Consistent with this approach, the Bank has committed itself to employing Risk and Control Self-Assessment as a tool to facilitate the identification, assessment and management of operational risk.

The Risk and Control Self-Assessment or Control Self-Assessment (CSA) tool makes use of a methodology to review key business objectives, risks involved in achieving the objectives, internal controls designed to mitigate these risks, and the alignment of business objectives, risks and controls. With CSA, business and operational units are directly involved in risk and control assessment on an on-going basis. Consequently, CSA is a methodology that not only identifies risk but it also raises awareness and reinforces responsibility within the business and operational units.

Implementing Best Practices in Risk Management - Our Major Risk Management Initiatives in 2000

The Bank has, in recent years, made significant investments to enhance its risk management systems and practices, which in turn have led to vast improvements in its ability to respond to changing risk situations and its business decision-making.

In 2000, the Bank has driven forward several risk management initiatives to further align itself with international best practices. Various tools and methods were developed and put into place to enhance the Bank's risk management capabilities and standards in credit risk, market risk and operational risk. These have enabled the Bank to manage its quantifiable risks more effectively, and to have better control over its unquantifiable risks.

A very important initiative to enhance the Bank's credit risk management was the roll-out of a Credit Transformation Programme, initially undertaken by the Corporate Banking Division. The programme entailed a thorough overhaul of credit processes, and the introduction of new credit risk management capabilities, with the objective of bringing the Bank in line with international standards of best practice.

By June 2000, the Bank had fully developed and operationalized a customer risk-rating tool and a portfolio approach to credit management. It is envisaged that most of the Bank's domestic loan portfolio could be risk-rated by mid-2001 if development takes place as planned. These new credit risk management capabilities will enable the Bank to achieve better pricing for risk and provide a more disciplined approach to the accumulation and management of its loan assets.

In 2000, in order to align its market risk management capabilities with the fast increasing business volumes and sophistication of its treasury business, the Bank began implementing a bank-wide market risk management system with advanced capabilities.

To be implemented in phases, the new high performance market risk management system delivered its first capabilities in January 2001 - system valuation of all trading instruments based on widely accepted best practice. When fully implemented by mid-2001, it will enable the Bank to quantify the market risk of all assets and liabilities for daily monitoring and review.

The Bank has taken a forward-looking stance in embracing the most current approaches in the development of its operational risk management framework. Since the second half of 2000, the Bank has moved to put into place a set of tools and methodology for the better management of operational risk. In this regard, the Bank embarked on a project on Control Self-Assessment (CSA), a methodology for operational risk management that is drawing the attention of the industry.

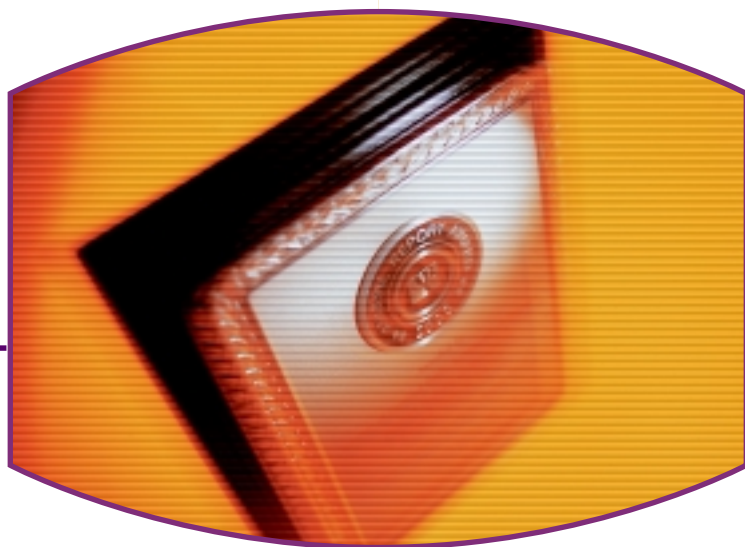
CSA, broadly speaking, entails the business and operational units being involved on their own, or jointly with internal audit, in assessing the inherent risks and controls in their business and operational activities on a regular basis, to ensure that all significant risks have been identified and adequately controlled and managed. This bottom-up approach to operational risk management is consistent with what many leading financial institutions are practising or moving towards. Since its launch in mid-2000, most of the Bank's senior officers have been instructed on CSA concepts, tools and methodology, and over a period of time, commencing with several pilot projects, the Bank intends to roll-out CSA across the entire organisation.

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36	corporate news
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48	corporate banking
52	investment banking and corporate finance
54	treasury
56	information & systems services
58	operations
60	group audit & inspection
62	human resource & staff welfare

OUB began the year 2000 on a positive note. We experienced a smooth transition into the new millennium, and unveiled yet another record set of financial results. The Bank forged ahead to build on its areas of strength and garnered accolades for its quality performance and expertise in a wide range of areas. To help the Bank gear up for change, three new members were appointed to the Board of Directors.



The Bank was 2nd runner-up in the 'Best Corporate Governance Report' category in the 27th Annual Report Award 2000 competition.

Several consumer banking "firsts" were introduced with great success, as the Bank continued to aggressively grow its share of the competitive housing loans market. Despite the closure of seven service centres over the past year, we were able to offer our customers more choices and customised service by optimising all offline and online banking channels.

We were a leading player in the Initial Public Offer (IPO) market and made headlines by completing Singapore's first securitisation transaction of a residential property. A dedicated investment holding company for e-commerce ventures, OUB.com Pte Ltd, was set up to exploit investment opportunities in quality technology-based enterprises as an additional revenue stream for the Bank.

Beyond Singapore, OUB continued to advance its position in the markets it operates. In line with its intensified push into the consumer and retail banking business, wholly-owned subsidiary OUB (Malaysia) Bhd relocated four of its branches to more strategic locations and converted them to more contemporary "lifestyle" branches with décor and service features modelled on the service centres in Singapore. In October, we celebrated the official opening of our Shanghai branch with guest-of-honour Brigadier-General (BG) Lee Hsien Loong, Deputy Prime Minister and Chairman of the Monetary Authority of Singapore.

In November, OUB, together with three other local banks, announced the formation of a joint venture company, Ace Net Financial Services Pte Ltd (Ace Net), to manage and market the consolidated offsite Automated Teller Machine (ATM) network of its four shareholder banks. As Chairman of the Steering Committee, OUB led the discussions on this cooperative effort which aims to reap substantial benefits for shareholder banks and consumers in terms of cost savings and enhanced product offerings.

OUB President & CEO Mr Peter Seah, UOB Deputy Chairman and President Mr Wee Ee Cheong, OCBC Vice Chairman and CEO Mr Alex Au and Keppel TatLee MD and CEO Mr Benedict Kwek at the launch of Ace Net, the joint venture company formed to market and manage the ATM services of the four banks.



The new "lifestyle" branch at OUB (Malaysia) Bhd's Johor Bahru branch provides a range of different products and services to suit consumers' ever-changing lifestyles.

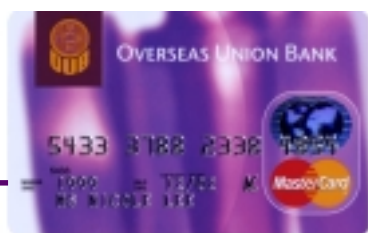
Last year also marked the retirement of four long serving members of OUB's Board of Directors. Mr Tan Puay Hee, Tan Sri Dato Tan Teck Khim and Mr Teo Soo Chuan left OUB on 4 May 2000, while Mr Lim Boon Kheng stepped down on 5 May 2000. Between them, the four men had devoted more than 100 years of service to the Bank. A farewell lunch hosted by Chairman Mr Lee Hee Seng was held in their honour to thank them for their contributions and guidance over the years.

The Bank also welcomed three new Directors to its fold. Mrs Margaret Lien Wen Hsien and Mr Ngiam Tong Dow joined the Board on 1 February 2000, while Mr Ng Boon Yew was appointed on 2 October 2000.

Accolades, Rankings & Ratings

OUB's dynamism, creativity and pioneering spirit have been widely acknowledged. We were the only Singapore bank among the winners at the *Asian Banking Awards 2000*, where the OUB Global Debit MasterCard won for Pioneering Product or Service, and OUB2000 was named best Marketing, PR or Brand Management Project. For the Customer Relationship Management Project, the Bank was awarded the Andersen Consulting Financial Services – Client Excellence Award, in competition with all Andersen Consulting (now Accenture) clients globally.

Our unit trusts received top honours at two separate award competitions. At the *Standard & Poor's Investment Funds Performance Awards 2001 – Singapore*, the Optimix Affluence Fund was the winner of the one-year and three-year awards in the global equity category, while the Union Asian Equity Fund was the winner of the 10-year award in the Far East & Pacific excluding Japan category. The Optimix Affluence Fund repeated its success at the *Investment Fund Awards* organised by The Business Times,



The Bank's Global Debit Mastercard won in the Pioneering Product or Service category in the *Asian Banking Awards 2000*.



The Optimix E-Commerce Fund, Singapore's first e-commerce unit trust, and the Optimix Asian Bond Fund were introduced to mark the official launch of Optimix.

Standard Chartered Bank and Reuters when it received the top prize for its performance in global equity over a three-year period. And in recognition of our strengths in corporate finance services, trade magazine *Euromoney* named OUB the best domestic M&A house in Singapore in its *Excellence 2000 Awards*.

Also emerging tops was our Internet banking services. London-based *Lafferty Internet Ratings* ranked OUB Securities' online trading service top Asian online brokerage outside Australia, while OUB Internet Banking was judged best of its class in a comparison of 50 Asian banks' Internet retail sites by *Asian Banker Journal*.

At the *27th Annual Report Award 2000* competition, OUB's 1999 Annual Report was 2nd runner-up in the Best Corporate Governance Report category. We also received a certificate of commendation for having achieved a high standard of financial reporting.

Worldwide, the Bank improved on its rankings. In *The Banker's* annual survey of the world's top banks, OUB was ranked 128th, up from 142nd the previous year. In *Euromoney's* annual ranking of the world's top 250 banks by shareholder equity, OUB came in 137th, up from 143rd the previous year. And *IFR Asia* named OUB Singapore's top arranger of syndicated loans, with nine deals worth USD550 million in 2000.



Academic Week, one of the many educational events sponsored by the Bank, serves as a medium of exchange for OUB and tertiary students.



Sporting purple caps and bags, the participants, including OUB's Club 55plus members, were a dazzling sight at the People's Association Sports Fiesta.

Community Service

OUB continued to strengthen its ties with the community-at-large through a meaningful and targeted community relations programme geared towards our traditional support for education and the elderly. Apart from sponsorship of the annual National University of Singapore Academic Week, and People's Association Senior Citizens Mass Outing, we also donated to the Lim Kim San Professorship in Business Policy and the Nanyang Technological University Alumni Fund Raising Golf Tournament. Goodwill contributions were made to activities organised by various community groups as well as to charitable organisations such as the Dover Park Hospice, Metta Welfare Association and Breast Cancer Foundation.

Driven by the Bank's philosophy to provide seamless banking services and wider financial choices for our customers and backed by a commitment to deliver consistent quality service, National Banking Division continued to introduce innovative and hassle-free financial products through a variety of online and offline channels, whichever preferred by customers, anytime, anywhere.



The One Card took the credit card market by storm, being the first credit card to consolidate customers' bills and expenses onto one statement, whilst rewarding cardmembers with cash.

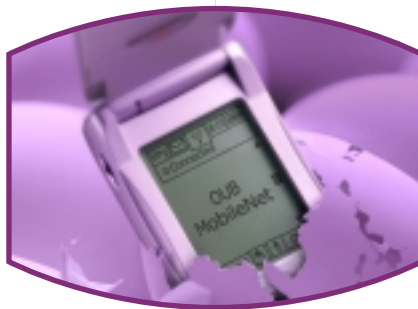


Banking-on-the-go made its debut with the launch of OUB MobileNet, Asia's first WAP-enabled wireless Internet Banking service. The result of a successful collaboration with Oracle Singapore, this pioneering initiative draws on Oracle's new Portal-To-Go technology enabling customers to use mobile phones or palm tops equipped with WAP capability to access the Bank's wide variety of Net-based banking and information services.

Another service enabling anywhere, anytime banking was launched in April. OUB Mobile Banking allows customers using StarHub mobile phones to transact with the Bank using their phones. They can check their account balances, pay bills, inquire cheque status, and transfer funds.

Our vision to provide customers with customised financial solutions was translated in a new, flexible fixed deposit scheme offering deposit tenures in days. Unlike conventional fixed-deposit schemes with the usual tenures of 1 to 12, 18, 24 or 36 months, customers can customise their fixed deposits under the flexi-scheme and specify their preferred deposit period – from 30 to 1,080 days – to maximise interest returns and fit their financial plans.

We carried our mission to allow wider choices by letting customers choose their lucky draw prizes with a campaign which kicked off in May. The OUB Name Your Prize Draw rewarded five winners every month up to October with \$10,000 each to select the prize they wanted, be it a dream holiday, an all-expenses-paid shopping spree, a designer watch, state-of-the-art home-entertainment system or jewellery. Topping it all was a grand prize – a car of the winner's choice – worth \$150,000. Customers got a chance to win by charging expenses to their OUB credit or debit cards or utilising CreditLink.



OUB MobileNet, Asia's first WAP-enabled wireless Internet Banking service, enables customers to use hand-held devices to access the Bank's wide variety of Net-based banking and information services.

OUB Platinum Circle Credit Cardmember Mr Henry Tan experienced first-hand the exceptional benefits of belonging to OUB's exclusive Platinum Circle, which offers its high net-worth members access to a world of priceless experiences specially tailored for them in collaboration with MasterCard. He won a friendly golf competition and was rewarded with an all-expenses-paid trip and VIP spectator tickets for himself and his wife to watch the prestigious British Open at St. Andrews, Scotland in July, as well as the opportunity to play in the Pro-Am of the Senior British Open at Royal County Down in Northern Ireland with defending champion, Christy O'Connor Jr.

Seventeen handicapper Mr Tan also enjoyed the priceless opportunity of a private lesson by golf legend Gary Player. Mr Tan was the envy of many avid golfers in Singapore and enhanced membership of our platinum circle.

With a sophisticated customer base, we realise the importance of assisting our customers to create wealth. The team of financial planners has been expanded to take care of customers' needs with customisation as the key driver. New products and services will continue to be introduced to meet the demands of this discerning group of investors. Efforts to increase product offerings in our range of unit trusts and mutual funds will benefit our customers.

Making headlines in September was the launch of the One Card, the first credit card that consolidates daily expenses into one card, whilst rewarding its cardmembers with cash.



With the bank's new flexible fixed deposit scheme, customers can customise their fixed deposits and specify their preferred deposit period to maximise interest returns.

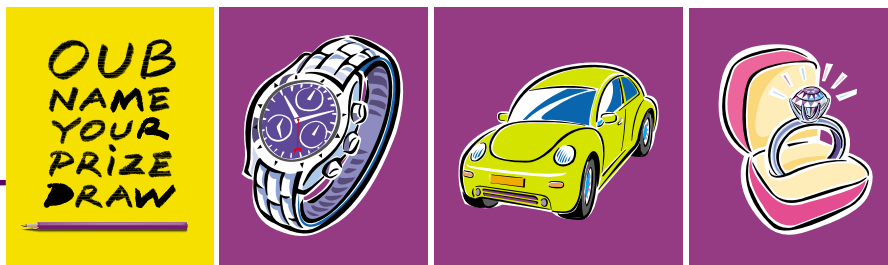


Launched in April, OUB Mobile Banking allows customers to use their StarHub mobile phones to perform an array of banking services, including checking their account balances and transferring funds.

By bringing together strategic partners like StarHub and Power Supply, the One Card takes care of cardmembers' total spending needs as it consolidates the payment of daily expenses, such as telecommunication services, petrol, insurance and investments. And for the first time, Singaporeans are able to pay their utility bills using a credit card.

After the launch of the One Card, a mega roadshow was held in Suntec City Tropics Atrium followed by a series of roadshows at high traffic venues such as Orchard Road and shopping malls. Not surprisingly, the One Card attracted tremendous interest with over 10,000 applications received within one month of its launch.

In recognition of the critical role small- and medium-sized enterprises (SMEs) play in Singapore's economic development, OUB is an active sponsor and participant of events and business workshops promoting the interests of SMEs, such as those endorsed by key bodies like the Singapore Productivity & Standards Board and the Singapore Chinese Chamber of Commerce. OUB has a dedicated team of 50 commercial bankers who, armed with Customer Relationship Management tools, provide tailor-made solutions to each of our SME customers. They not only extend traditional financial services to meet the day-to-day needs of SMEs, but also assist SMEs to leverage on Internet technology to expand and grow.



The OUB Name Your Prize Draw allowed customers to choose their lucky draw prizes, be it a dream holiday or an all-expenses-paid shopping spree, and included the grand prize of a car of the winner's choice.

SMEs banking with OUB also enjoy the convenience of performing business transactions online with Business Internet Banking. They can make inquiries on their accounts, and conduct financial transactions such as bill payment, fund transfer and telegraphic transfer. Rich in functionality and relevant contents, this service received joint top ranking of all business Internet banking sites by *Asian Banker Journal*.

The operating efficiency of our service centres has been enhanced with more centralisation of functions which impacts customer service over the counters. We were able to merge seven service centres and provide better alternatives at new centres which were renovated with customers in mind, by providing larger customer waiting areas for comfort and convenience. This brought our total number of service centres to 33.

For our successful completion of the Customer Relationship Management Project, we were awarded the Andersen Consulting Financial Services – Client Excellence Award, a global award given in competition with all Andersen Consulting (now Accenture) clients worldwide. We will continue to upgrade and improve customer relationship capabilities to achieve customer centricity in our endeavours.

international international banking banking

OUB's international operations made significant contributions to the Bank's growth, with strong profits recorded in Malaysia, Australia and China/Hong Kong. Efforts were taken to build upon our strengths in fund-raising, loan syndications, structured and project finance, with our overseas offices participating in major loan facilities for a diverse host of companies.



With a selective and targeted network of 64 offices across 16 countries, OUB is well-positioned to maximise the opportunities in Asia Pacific's financial and capital markets for its clients.

The main business focus of our overseas operations was on commercial lending, structured and project finance, syndications and trade finance. The Hong Kong and Australian operations remained the most profitable, while offices in United States, London and Brunei achieved creditable results.

OUB Hong Kong was arranger and underwriter for a USD150 million senior secured credit facility to finance the leveraged buyout of the multi-layer printed circuit board manufacturing business of Wong's Circuits (Holdings) Ltd by Wong's Circuits (HK) Ltd and Pacific Circuits Ltd. The co-borrowers are owned by an international equity investor group formed and lead managed by UBS Capital Asia and CVC Pacific.

OUB Hong Kong was also one of the arrangers of a HKD3.3 billion secured credit facility to finance the development and construction of the Hong Kong Disneyland theme park and resort facilities. The resort facilities, which are jointly owned by the Hong Kong government and The Walt Disney Company, will form an integral part of the Hong Kong government's plan to develop the tourism industry in Hong Kong.

In addition, the Bank provided a USD65 million term loan facility to Sinonet Holdings Ltd to finance the acquisition of the Amanresort hotel chain comprising 11 international resort/lifestyle hotels.

OUB was the only Asian bank in a consortium of seven lead arrangers and underwriters for a AUD1.15 billion project finance facility for Australia's third most recognised telecommunications company after Telstra and Optus. One.Tel Limited, which is backed by media giants Rupert Murdoch's News Corp Ltd and Kerry Packer's Publishing and Broadcasting Ltd, will use the proceeds to finance the roll-out of a GSM 1800 MHz

One.Tel)))
100% Telephone Co.



OUB was the Asian Syndication Agent and the only Asian bank in a consortium of seven lead arrangers and underwriters in a AUD1.15 billion project finance facility for One.Tel Limited.

cellular phone network system covering Sydney, Melbourne, Brisbane, Adelaide and Perth. Lucent Technologies Inc, the supplier of the network equipment, will operate the network for the initial two years after project completion.

As Asian syndication agent, OUB played a pivotal role in the successful completion of the syndication of the Facility, which attracted strong participation from a large number of Singapore and Hong Kong based banks.

Apart from One.Tel Limited, the Bank also provided financing for two other Australian companies. OUB Sydney Branch extended a AUD110 million five-year term loan to HSH (Australia) Ltd as trustee for the HSH (Australia) Trust to finance the acquisition of three hotels in Australia, namely, The Sheraton Sydney Airport Hotel, The Ritz Carlton Hotel, Sydney and The Heritage Hotel, Brisbane.

Australian property developer CPL (Surry Hills) Pty Ltd raised AUD36 million through a three-year construction loan facility provided by OUB Sydney to finance the land acquisition and construction of Blackwattle Studios, a 45-unit residential development in Glebe, Sydney.

The Bank was also active in the property sector in London. Our London office participated in a GBP65 million secured four-year term loan facility to finance the development of the West End Quay project in Paddington Basin, close to Hyde Park and Marble Arch in Central London. Upon completion, the project will consist of three blocks of 453 apartments and a commercial area of more than 40,000 sq ft.



The Bank celebrated the official opening of its branch in Shanghai, which will provide OUB with a strategic centre for its activities in the greater China region.

Closer to home, OUB Labuan Branch was a Senior Co-Arranger in a USD350 million syndicated term loan facility to Telekom Malaysia Bhd, which will use the proceeds for its corporate funding needs as well as to refinance its foreign currency borrowings.

OUB's Malaysian subsidiary, OUB (Malaysia) Bhd (OUBM) continued to be a major contributor to overseas earnings. Its record profits were achieved through higher net interest income, higher recovery of delinquent debts and through the government's tax incentive for loans growth.

OUBM has been actively expanding its middle market and consumer business even as it continues to enhance its relationship business with existing corporate clients. New products and services were introduced during the year and branches were relocated to more strategic locations. Reflecting its sound financial condition, the Rating Agency Malaysia reaffirmed OUBM's long-term rating of AA3 and short-term rating of P1 in May 2000.

As part of the Bank's long-term strategy to develop its structured and project finance business in Asia and build strategic relationships with key financial institutions in China, a six-member delegation, comprising officers from the Singapore and Sydney structured/project finance teams, visited Bank of Communications, a major Chinese bank, to share our experience in limited and non-recourse financing.

Highlights of the four-day visit included a one-and-a-half day formal presentation on structured and project finance to more than 60 key management staff and a round table discussion and exchange of views on possible areas of cooperation between the two banks within the vast Chinese market.

In October, OUB celebrated the official opening of Shanghai Branch, which began operations in December 1999. The Branch will provide OUB with a strategic centre for its activities in China and help spearhead the Bank's expansion of its China business, a critical growth area.

The Corporate Banking Division registered good growth in its loan portfolio through greater diversification in industrial sector exposure and customer base. We were active in the local loan syndication and corporate debt market, and ventured into asset securitisation as a new capital structure for our valued clients. We also lead arranged and participated in multi-million dollar facilities to major firms involved in chemical and petrochemical activities on Jurong Island, fueling the Government's push to grow Jurong Island into a world-class chemical hub.

The Division played a critical role in helping its longstanding client, the Tan Chong Group, to securitise its Wilby Residence last year. The transaction was the first such securitisation of a residential property in Singapore.

Working with four other mandated banks, OUB successfully lead arranged a SGD460 million Syndicated Financing Package for SembCorp Cogen Pte Ltd (SembCorp Cogen), believed to be the first merchant power plant project financing arranged in Asia. The financing comprises a SGD300 million 14-year term loan facility, a USD40 million 14-year fuel inventory facility and a SGD90 million 8-year Economic Development Board (EDB) guarantee facility. Proceeds will be used by SembCorp Cogen to develop its 815MW natural gas-fired combined cycle co-generation plant in Jurong Island.

SembCorp Cogen is owned by an international consortium comprising SembCorp Engineering Pte Ltd, Tractebel S. A., a leading Belgium-based group listed on the Brussels Exchange, and EDB Investments Pte Ltd. OUB enjoys a longstanding working relationship with the SembCorp group of companies.

We also arranged a SGD40 million financing package for mainboard-listed Poh Tiong Choon Logistics Limited (PTCL). Fully underwritten by OUB, the financing comprises a SGD25 million transferable loan facility and a SGD15 million revolving credit facility, both of which have a tenor of five years and are unsecured. The proceeds will go towards financing PTCL's capital investment in its new chemical logistics complex on Jurong Island, and for acquisition funding and general working capital requirements.



The Division continued to strengthen long-standing relationships and expand its network of ties with businesses from a wide cross-section of industries.

The chemical logistics complex is the first of its kind on Jurong Island and represents an important development in the chemical logistics industry in Singapore. When completed, the complex will provide specialized services such as supply chain management, warehousing, drumming and related value-added services to the growing chemical industry.

Leveraging on its strong business ties with the Chartered group, OUB was one of four lead arrangers and underwriters in a syndicated USD820 million term loan cum guarantee facility to Chartered Silicon Partners Ltd, whose shareholders comprise Chartered Semiconductor Manufacturing Ltd, Agilent Technologies Europe B.V. and EDB Investments. The six-year Facility comprises a USD680 million term loan facility and a SGD240 million guarantee facility and is regarded as one of the largest debt financing to-date for an industrial project in Singapore. Proceeds will be used to finance the construction and operation of a wafer fabrication plant at Woodlands Industrial Park.



OUB arranged a multi-million dollar financing package for Poh Tiong Choon Logistics, for the financing of its capital investment in its new chemical logistics complex on Jurong Island.

The Division also secured mandates to manage and arrange Medium Term Note (MTN) programmes for a number of corporates. The Bank lead managed the first tranche of SGD250 million notes issued under SembCorp's recently established SGD500 million MTN programme, which was also jointly arranged by OUB. This marked SembCorp's maiden debt capital market issue and was met with great interest from both the bank market and institutional and sophisticated investors.

OUB was sole arranger for the SGD168 million Secured MTN Programme for shopping cum commercial complex Junction 8 Limited, a wholly-owned subsidiary of The Ascott Limited. The facility includes a SGD50 million revolving credit facility provided by OUB.

During the year, in line with the blueprint of a credit transaction programme completed in 1999, the portfolio management approach was operationalised to ensure a more disciplined approach to the growth and accumulation of loan assets. Central to the portfolio management approach was the implementation of a customised credit risk-rating system for the rating of all corporate borrowing entities. This adoption of the credit risk rating capability and related management practices have enabled greater standardisation in credit assessment, portfolio transparency and application of risk-based pricing.



The Bank successfully lead arranged a SGD460 million Syndicated Financing Package for SembCorp Cogen, believed to be the first merchant plant project financing in Asia.

On the organisation front, the Division was restructured to enhance customer-centricity and provide greater focus to its sales and marketing efforts. Five distinct business units were created, along with the introduction of several key initiatives to foster a superior credit culture.

investment banking & corporate finance

The Bank reaffirmed its reputation as a leading player in the Initial Public Offer (IPO) market by handling 22 issues out of 82 in 2000, and was named Best Domestic M&A House in Singapore by *Euromoney* magazine in its *Excellence 2000 Awards*. Private Trust services were introduced and new kid on the block, OUB Optimix Funds Management (Optimix), got off to a good start with the launch of four new funds.



OUB remained the choice partner for many companies going public, including that of New Zealand-based Brierley Investments Limited, which moved its primary listing from the New Zealand Stock Exchange to the SGX.

It was another busy year for IPOs, with OUB emerging as a choice partner for many companies going public. In addition, the Bank distinguished itself as a leader among the local banks in the area of concurrent dual listings. The Bank helped list the first life sciences company Genemedix, which was dual listed on the Singapore Exchange (SGX) and the London Stock Exchange, and was involved in the dual listing of ST Assembly Test Services on SGX and Nasdaq.

In addition, we worked hard to woo overseas companies to list in Singapore. We sponsored the migration of New Zealand company Brierley Investments Limited's primary listing from the New Zealand Stock Exchange to the SGX, making it the first NZ company to be admitted to the SGX.

Besides its work on IPOs, the Division also provided secondary fund raising exercises and advisory services to various corporations. Improvements in economic sentiments fuelled fund raising activities in the loan and debt capital markets and consequently, the Capital Markets/Syndications Department was actively involved in lead arranging four major loan syndications which raised over SGD2.4 billion for clients in Singapore. This effort earned the Bank the distinction of being ranked the top local bank in arranging Singapore syndicated loans for 2000 by *International Financial Review*.

Working in collaboration with Corporate Banking and Treasury Divisions, the department also helped to structure and execute financing packages for SembCorp Industries Ltd, Junction 8 Limited and Chartered Silicon Partners Ltd. It also played a key role in arranging the securitisation of Wilby Residence.

OUB Optimix Funds Management Ltd was officially launched in March. The joint venture is a 50:50 partnership between our wholly owned subsidiary, OUB Asset Management Ltd



The Bank scored a double first when it lead managed the first concurrent dual listing on both the SGX and the London Stock Exchange with the listing of Singapore's first life sciences company, Genemedix PLC.



The OUB Optimix Continuous Click Funds give investors a chance to participate in the US stock market whilst shielding them from market declines.

(OUBAM) and ING Investment Management, which is one of the leading unit trust managers in Europe.

Set up to penetrate the retail unit trust market, Optimix took over the management of a number of funds previously managed by OUBAM. In addition, it introduced four new innovative unit trusts during the year – the Optimix E-Commerce Fund, the Optimix Asian Bond Fund, the Optimix Continuous Click Fund S&P 500 (SGD) and Optimix Continuous Click Fund S&P 500 (USD).

Also launched were Private Trust services by Overseas Union Bank Trustees Ltd, a member of the OUB Group. A private trust allows customers to plan for the seamless transfer of their assets to loved ones while providing asset protection and minimising estate duties and income tax. Introduced during the SGX Investment Fair, our private trust services have been well received and have created greater market awareness of the benefits of such an instrument.

Our unit trusts were singled out for several accolades in 2000. The Optimix Affluence Fund (formerly Global Affluence Fund) was first in the three-year global equity category at the *Investment Fund Awards* organised by The Business Times, Standard Chartered Bank and Reuters, making it the second time our unit trust has topped this category. The Optimix Contrarian Fund (formerly Global Contrarian Fund) also won in the one-year global equity category for its performance in 1999.

The Optimix Affluence Fund was a double winner at the *Standard & Poor's Investment Funds Performance Awards 2001 – Singapore*, clinching awards for its one-year and three-year performance in global equity. The Union Asian Equity Fund (formerly Union Investment Fund) was similarly recognised for its good performance in managing Far East & Pacific excluding Japan equities over a 10-year period at the same event.

treasury

Despite less favourable market conditions, the Treasury Division turned in a creditable performance. This was made possible by three key strategic factors: broadening and deepening the institutional and retail client business, more active use of a broad range of instruments for trading and hedging, and leveraging on our expertise in the domestic debt securities market to diversify into new and higher value-added activities.



Keeping one step ahead of the market has enabled the Division to do well despite the depressed market sentiments.

In 2000, market conditions were less favourable for treasury operations. The generally flat yield curves in a low inflationary environment in the United States and Europe resulted in fewer opportunities in the money and capital markets for strategic yield curve positioning.

The financial landscape, particularly for currency trading, had also changed dramatically over the past few years, resulting in declining market liquidity as inter-bank market participants withdrew from the market. This was mainly in response to the Asian economic crisis, the subsequent partial closure of some regional currency markets and the diminished participation of hedge funds.

With the ongoing consolidation in the financial markets, the number of banks and firms operating as major dealers and market makers had also declined. In addition, the introduction of the Euro had curtailed foreign exchange trading in the G7 currencies and the convergence of interest rate levels in Europe had drastically reduced opportunities for inter-market yield curve trading strategies.

Nonetheless, the Bank's treasury team turned in a creditable performance. The Division took great strides towards enhancing OUB's capability in the origination, distribution and placement, underwriting, secondary trading and market making of debt securities. This was manifest in the Bank's move from participating roles to arranging and lead-management roles, with Treasury spearheading the Bank's efforts to clinch some highly successful Medium Term Note programmes as sole or joint arrangers.

The Wilby Residence

The securitisation of Wilby Residence handled by OUB for the Tan Chong Group was the first such securitisation of a residential property in Singapore.

The Treasury Division was instrumental in structuring the securitisation of Wilby Residence. This transaction involved the sale of 180 units of the condominium project to Brizay Property Pte Ltd, a special purpose company incorporated in Singapore and wholly owned by Brizay Holdings Ltd (BHL). The purchase was funded by an issue of SGD173 million bonds by BHL. Both the securitisation and the bond issue were arranged and managed solely by OUB.

Innovative credit enhancement techniques were used to ensure that BHL has sufficient resources to service the interest due under the bonds, which were well received by investors.

Revenues were enhanced by a reconfiguration of assets mix, particularly with diversification into credit market activities to include building up a diversified proprietary portfolio of good-quality, attractive yielding debt papers and asset swaps. The Division also commenced use of credit derivatives and credit structures for product structuring.

As clients become more receptive to yield enhancement products and to risk management solutions in the wake of the recent economic turbulence, we expanded the role of financial engineering. This reflected a much more extensive and integrated value chain – idea generation, product structuring and customisation, marketing, sales, client advisory service and support, and risk management.

information & systems services

The dreaded millennium bug was a no-show during the cross-over to year 2000, thanks to months of preparations, excellent teamwork, and strong management support to address the Y2K issue. The ISS Division continued to leverage on cutting-edge technology to create innovative information technology (IT) solutions and to support the Bank's strategic projects and e-business initiatives.



In harnessing technology for strategic advantage, the Division was able to deliver numerous initiatives and business capabilities that created value for the Bank as a whole.

Year 2000 got off to a good start with all bank operations and information systems making a smooth and glitch-free cross-over.

To meet the challenges of the new economy, particularly developments such as e-exchanges and the integrated supply chain and to meet the payment challenges presented by the new economy, the Division has been taking steps to progressively transform the Bank's IT infrastructure into an e-IT infrastructure.

The e-IT infrastructure, which is based on open, scalable enterprise application integration architecture, entails integrating the Internet and Internet technologies into an end-to-end business process chain. The e-IT infrastructure has been designed to enable both the Bank to extend its services outward with interoperability capability and extend inward to facilitate straight-through-processing.

When fully implemented, the e-IT infrastructure will enable the Bank's secured e-payment system to plug in to the industry-level e-payment system quickly, reliably and securely. At the same time, it will support the Bank's strategic projects and e-business initiatives.

The Division also supported the introduction of a number of business IT "firsts" for the Bank. These included the launch of wireless e-banking services, web-enabled trade finance, business Internet banking, customer relationship management and sales force automation. We were also the first local bank to connect our Internet banking and Internet access to the Singapore One network backbone, ensuring high performance and reliability.



During the year, the Division took steps to progressively transform the Bank's IT infrastructure into an e-IT infrastructure, cutting down on paper documentation and boosting efficiency.

A feature-rich and user-friendly version of the Intranet rolled out last year where a large number of paper-based procedure manuals, internal circulars and other documents converted to electronic form, helped cut down paper documentation, boost work effectiveness and sped up information flow.

To further leverage on the Intranet, a number of knowledge bases were created, some for common information sharing and others for closed user groups to share confidential or privileged information. Web-enabled workflow applications were also implemented to increase staff productivity and operational efficiency.

Internally, the Business Solutions Delivery and Development Technology & Support Services departments were reorganised into eight and five sections respectively. The changes were aimed at improving the Division's delivery of new and enhanced computer application systems; fostering closer and better coordination between business units and the Division; promoting more effective resource and knowledge sharing amongst the IT application staff; and boosting efficiency in the execution of business IT projects.

operations

The Operations Division initiated several projects aimed at greater centralisation of backroom activities in line with the Bank's thrust to forge a stronger sales and service culture through streamlined operations. It undertook a comprehensive overhaul of OUB's award-winning website and launched strategic projects to boost operational efficiency and effectiveness across the Bank.



OUB's award-winning website was revamped to focus on greater customer-centricity and now sports a wider array of personalised features geared towards the specific needs of different customers.

The Division drove critical system enhancements during the year as part of its ongoing efforts to boost customer service. The existing computer telephony interface supporting the Bank's 24-hour Phonebanking Centre was replaced with a more function-rich, robust system with full Internet capabilities, enabling speedier and more efficient monitoring and management of calls.

Also improved was OUB's award-winning website. Revamped to focus on greater customer-centricity, it now sports a wider array of personalised features geared towards the specific needs of three main groups of customers – individuals, small businesses and large corporations. This new user-friendly format departs from the usual arrangement of segregating content according to bank divisions and allows customers to hone in easily on the information they need. Fresh items include a Resource Centre containing financial calculators and reports and news on the Bank.

An e-payment gateway system with local and foreign currency e-payment capabilities was also initiated to address payment processing for B2B portal SESAMi.NET. As a major partner in SESAMi.com Pte Ltd, the SingTel-backed company which operates the portal, OUB is the preferred payment and settlements gateway for transactions conducted on SESAMi.NET.

As part of its drive to lower costs and improve overall operational efficiency, the Operations team embarked on a bank-wide project aimed at enhancing value and wealth for OUB's shareholders. The Value Management Programme (VMP) seeks to instil a value-based approach and philosophy throughout OUB by building an organisation structure and operating business model more strongly focused on managing for value.



The Value Management Programme, spearheaded by the Operations Division, is a major bank-wide project aimed at enhancing value and wealth for the Bank's shareholders.

The programme will put in place the technical infrastructure for a management information system incorporating an enterprise-wide performance reporting capability. This will enable better pricing of banking products and improve the management of capital and assets/liabilities on a bank-wide and risk-adjusted basis.

Upon full deployment, the VMP will result in a significant transformation of the culture of the Bank by orientating all levels of management to focus on and plan for activities that will add economic value over and above the operating and capital costs absorbed in the process of generating such revenue.

The year also saw greater centralisation of backroom activities. A new department, the Payment Centre, was set up to consolidate all settlement of funds in and out of the Bank and provide straight-through-processing for both inward and outward SGD and foreign currency payments currently undertaken by various departments.

Credit-related functions were streamlined and centralised under the Credit Operations Department. It now assumes responsibility for all credit-related activities such as loan activation and disbursement and credit control.

The Division also played a key role in managing OUB's alliance with three other local banks to establish Ace Net, to operate, manage and market ATM services with a dedicated focus on quality service and operational efficiency. In time, lower operating costs from economies of scale will enable Ace Net to improve the range of services offered to customers while continuing to provide easy access to ATMs at the most convenient locations.

group audit & inspection

The Group Audit & Inspection Division provides timely and professional internal audit services to OUB and the Group, underpinned by a commitment to uphold the highest standards of competence, integrity and service quality. Since 1997, the internal audit function of OUB has been certified under the ISO 9002 Standard by the Singapore Productivity and Standards Board.



The Division is responsible for evaluating every aspect of the Bank's operations with a goal towards improving the effectiveness of risk management, control and governance processes.

The Division conducts independent, objective internal auditing and consulting activities designed to improve the operations of the Bank and Group and aims to bring a systematic, disciplined approach to evaluating the effectiveness of risk management, internal control and governance processes.

Its responsibilities include operations and financial audits, information technology audits and reviews of loan portfolios and credit management processes of OUB and Group companies. In addition, the Division participates actively in systems development life cycle activities and various project committees to advise on risk management and internal control measures.

Organisational and Reporting Structure

The internal audit function of OUB and the Group is headed by Mr Alfred Shee Ping Fatt, Executive Vice President (Group Audit & Inspection). He reports directly to the Chairman of the Board and has a reporting line to Chairman of the Audit Committee, with full and direct access to Members of the Audit Committee at all times. This reporting structure enhances the functional independence of the Division and ensures it carries out its duties effectively and objectively. In line with international best practices, the role, objective, responsibilities, authority, functional independence and reporting relationship of the Division are embodied in its Audit Charter which had been approved by the Audit Committee and endorsed by the Board of Directors.

Currently, the Division has an establishment of about 60 Officers, many of whom are professionally qualified. They are organised into units of specialisation – Branches and Bills Audit, Computer Audit, Credit Review, Head Office & Treasury Audit, Group Companies & Investment Banking Audit and Project Unit.



Talks on the Risk and Control Self-Assessment (CSA) programme were held to acquaint officers with the concepts, tools and principles of CSA methodology.

Major Initiatives Undertaken in Year 2000

Apart from internal auditing and consulting activities, the Division also initiated two major projects.

It launched the Risk and Control Self-Assessment (CSA) Project, aimed at improving OUB's operational risk management by fostering greater awareness, accountability and ownership of risk management and internal control system amongst staff bank-wide.

The CSA process is a methodology used to review key business objectives, the risks involved in achieving these objectives, internal controls designed to mitigate those risks and the alignment of business objectives, processes, risks and controls. It emphasises the continuous assessment of risks and controls by employees and leverages on the collective knowledge, insight and experience of staff bank-wide.

With the assistance of external consultants from New York, training sessions and workshops were held to train over 200 senior managers on the CSA methodology. An awareness seminar was also held for more than 400 senior officers.

The second major initiative was the introduction of the ROCA rating system. Under this system, business and operational units audited by the Division are rated on the effectiveness of Risk Management ("R"), adequacy and effectiveness of Operational Controls ("O"), extent of Compliance with Applicable Laws and Regulations ("C") and Asset Quality ("A"). The adoption of this rating system reflects the importance OUB places on managing risks effectively and underscores its commitment to conduct its business in a sound and prudent manner.

human resource & staff welfare

Human resource development is a key priority for the Bank. OUB continued to build on its human resource base with the right level of skills and talent to meet current and future business needs. Beyond the confines of the office, teamwork and staff camaraderie were strengthened through a series of social and recreational activities.



OUB was the first bank to achieve the People Developer Standard on an organisation-wide basis.

Staff strength grew by 6.2% in 2000, bringing the total number of employees to 3,100. This significant increase over the previous year was consistent with the Bank's strategic thrusts as the higher manpower requirements were for IT and the expansion of our retail and consumer banking operations.

To enhance workflow efficiency and facilitate decision making, the Bank successfully embarked on an enterprise-wide Human Resource Management System to automate work processes in the areas of personnel administration, recruitment, leave management and training administration.

An integral part of the Bank's human resource programme is the ongoing training and development of its people. Last year, the number of training places increased by 35%. Apart from regular courses and those related to new product and system launches, staff benefited from a number of new course offerings in areas like change management, sales and service excellence and performance management.

The Bank's Sponsorship Scheme helped 54 staff realise their self-development goals. They achieved certificate and diploma qualifications ranging from Financial Services and Information Security to Multimedia Development. Another 159 staff are currently pursuing various programmes under the scheme.

In recognition of the Bank's strong commitment to and investment in human resource development, as well as its consistent efforts and comprehensive system put in place in the area of people development, the Singapore Productivity & Standards Board awarded OUB the People Developer Standard in 2000. This makes OUB the only bank to have attained the standard on an organisation-wide basis, and follows our achievement of the National Training Award for a second time in 1999.



The ever-popular Children's Christmas Fair, organised by the OUB Recreation Club, attracted more than 3,600 OUB staff and their families.



Graduates of the Institute of Banking and Finance diploma course, one of the many courses sponsored by the Bank, were from a cross-section of departments.

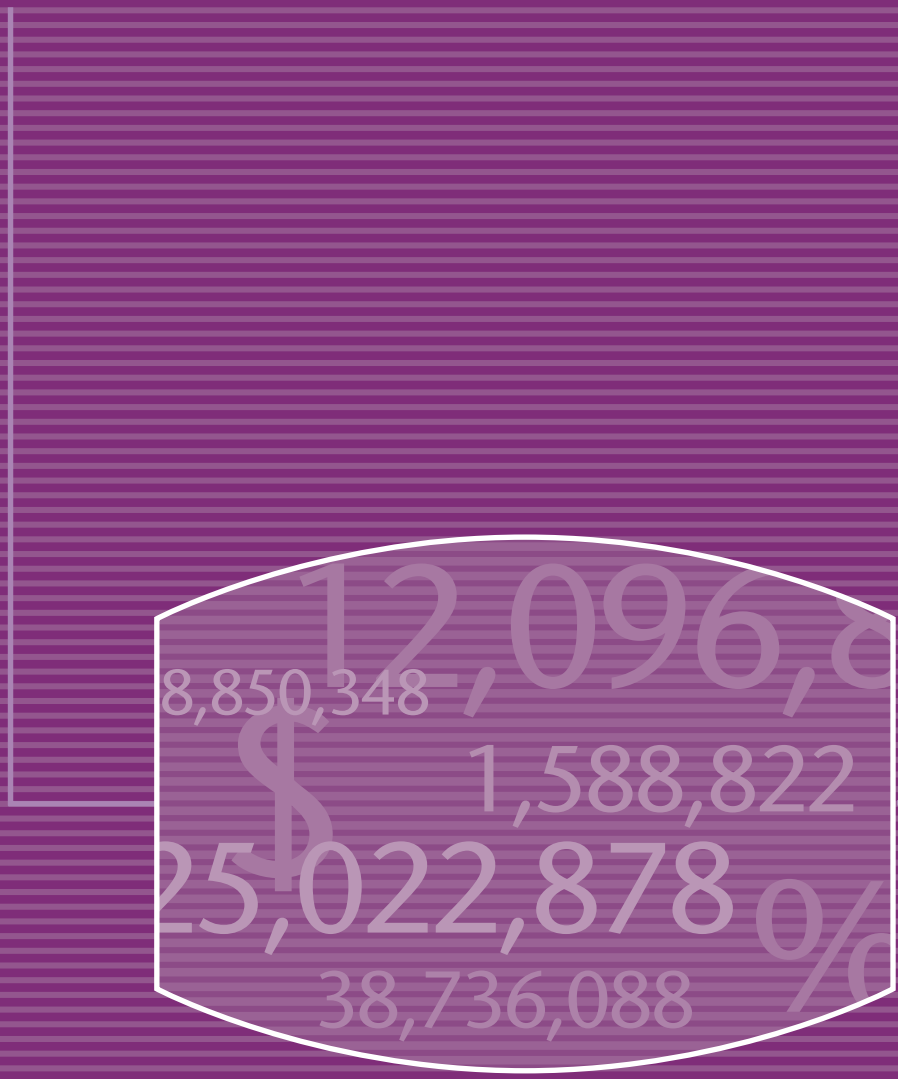
To reinforce the importance of continuous learning in a knowledge-based economy and to inculcate in staff the importance of sharing their experiences and expertise, the Learning & Sharing Programme was launched. This programme, which was implemented under the umbrella of the Customer Service Committee, saw the formation of 38 Learning & Sharing Teams. Staff shared useful information and ideas on wide-ranging topics like product knowledge, service delivery and sales techniques.

Staff were also active in Quality Service Team projects to enhance work productivity and efficiency. CASH, a joint Work Improvement Team (WIT) formed by representatives from the Bank together with the Board of Commissioners of Currency Singapore and Commercial & Industrial Security Corporation, presented a project at the 2000 PS21 WITS Convention which won a Silver Award.

Away from work, the bonds of friendship and camaraderie between our people remained strong. A wide range of social activities was organised last year for staff and their families, ranging from bank-wide functions like the annual New Year's Day party, the Children's Christmas Fair and OUB's Dinner & Dance, to smaller sports and special activity outings and holidays abroad led by the OUB Recreation Club.

These included a wine-tasting session, a golf tournament, the annual OUB Group Cross-Country Run and trips to Hong Kong and London.

financial
financial review



Group Profit

After-tax profit of the OUB Group for 2000 surged 21.1% to a record high of \$545.0 million, surpassing last year's all time high results. For proper comparison, if non-recurring exceptional gain from restructuring of an associated company in 1999 is excluded, the year-on-year growth in net profit would have been an even higher 31.5%.

Profit growth was largely driven by a robust increase in net interest income. This was supplemented by a drop in provisions which was in line with declining non-performing loans (NPLs).

Operating profit of the Group grew by 2.3% to \$790 million. If non-recurring exceptional gain from restructuring of an associated company in 1999 is excluded, the year-on-year growth in operating profit would have been significantly higher at 9.1%.

Net interest income rose by 17.3% to \$999 million as a result of strong loan growth and an improved loan portfolio. Net interest margin also improved from 2.19% for 1999 to 2.34% in 2000.

Fee and commission income fell by 21.2% to \$182.7 million as stockbroking commission declined sharply by 52.8% to \$41.0 million, a reflection of weak stock market conditions which affected the whole industry. This fall was partially cushioned by increased contributions from the Group's burgeoning unit trust and fund management activities, up 15.7% and its investment banking business, up 14.1%.

Operating Expenses

Total operating expenses increased by \$49 million or 11.2% to \$486.4 million. The expense to income ratio increased from 36.2% to 38.1%.

The cost increase was mainly attributable to higher staff cost, up 15.9% to \$263.9 million whilst other operating expenses rose by 6.1% to \$222.5 million. The higher staff cost reflected the tight labour conditions in the industry throughout 2000 as well as additional staff hiring for new businesses. Increase in other operating expenses was mainly due to sustained spending on information technology infrastructure to achieve better business competitiveness.

Key Indicators

Return on equity of the Group improved from 9.9% to 11.0%. Earnings per share were up from 46 cents to 55 cents. Net tangible assets per share increased by 9% from \$4.76 to \$5.19.

Segmental Contribution

The business segment analysis was based on the Group's internal management reporting structure. The classification was based on the nature of the products and services provided and the type of customers served, which reflected the management of business within the Group.

The Group is organised into seven business segments, namely Consumer & Commercial Banking, Corporate Banking, Investment & Fund Management, Treasury, Others, Malaysia Operations and International 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 focuses on the provision of credit and marketing of financial products and services to large corporate clients. Investment & Fund Management is involved in investment activities including investment holding, corporate finance and advisory services, asset management, trustee and custodian services and stockbroking operations. Treasury provides a comprehensive range of treasury-related products and services which encompass foreign exchange, futures, other financial derivatives and money market operations. Others comprises mainly Head Office functions, hotel and property management. Malaysia Operations covers the operations of the Group's subsidiaries in Malaysia, in particular, Overseas Union Bank (Malaysia) Bhd. International Banking comprises the Group's operations outside Singapore and Malaysia.

Pre-tax profit of the Consumer & Commercial Banking and Corporate Banking segments rose by 14.1% and 86.4% to \$299 million and \$169 million respectively due to strong loan growth and lower specific loan provision required. Treasury's pre-tax profit declined 31.2% to \$75 million attributed mainly to fewer gapping opportunities. Pre-tax profit of Investment & Fund Management segment decreased by 44.2% to \$42 million due mainly to the steep fall in contributions from stockbroking business as a result of lower market turnover, deregulation of brokerage rates as well as higher provisioning for diminution in value of securities due to poor market sentiment. Pre-tax profit of Malaysia Operations jumped 61.2% to \$72 million due to healthy loan growth and lower specific loan provision required. International Banking's pre-tax profit leaped 227.7% to \$74 million mainly on account of lower specific loan provision.

Contributions by geographic segments were based on the locations where the transactions or assets were booked. Operations in Singapore contributed to the bulk of the Group's pre-tax profit (76.5%), followed by Other Asia Pacific (10.5%), Other ASEAN (8.6%) and Rest of the World (4.4%).

Loans and Advances

Gross loans to non-bank customers increased by an impressive 13.1% or \$3.5 billion to \$29.7 billion with loan growth sustained throughout the year.

Loan growth was propelled mainly by a \$1 billion or 31.1% increase in the housing loans portfolio to \$4.3 billion. Over the year, OUB's market share of the Singapore housing loans market grew 25%, to approximately 10% at the end of 2000. Loans to professionals & private individuals also grew strongly by 14.6% to reach \$4.3 billion. These growth are a good reflection of OUB's strengthening domestic consumer banking franchise.

Loan growth was achieved notwithstanding the Bank's active management of its exposure to the "Building & Construction" sector, in line with a deliberate policy to further diversify and strengthen its loan portfolio. As a consequence, loans to the "Building & Construction" sector was managed down to 19% of total loans in 2000, compared with 22% for 1999 and 28% for 1998.

At the same time, the proportion of lending to "Housing Loans", "Professionals & Private Individuals" and "Manufacturing" has increased measurably. The Bank's ability to diversify its loan portfolio has been facilitated by a fully operationalised portfolio management and customer risk-rating capability for its corporate lending business.

The Group's consistent loan growth momentum over the last couple of years, achieved in spite of a somewhat sluggish lending environment, is partly a result of continued goodwill arising from its commitment to maintain long-term relationships with its customers. It is also the tangible result of a successful consumer banking strategy, epitomised by a 24-hour fully integrated phone and Internet Contact Centre, mobile bankers, a comprehensive customer relationship management system and a user-friendly OUB.com website.

Regional Exposure

The Group's net exposure to the five regional countries namely Malaysia, Indonesia, Thailand, South Korea and the Philippines, stood at \$3.57 billion, an increase of 13.4% from net exposure of \$3.15 billion at end 1999. The net exposure as at end 2000 represented 7.7% of Group total assets. On a country basis, 90.6% of the regional net exposure was to Malaysia, representing 6.9% of Group total assets. Exposure to the remaining regional countries accounted for 0.8% of Group total assets.

	Loans						Net Exposure		\$m
	Non-Bank	Central Banks & Govt Securities	Bank	Investments	Total Exposure	Less: Loans To/ Investments In Financial Subsidiaries	Amount	% of Total Assets	
Malaysia									
31 Dec 2000	2,663	467	537	230	3,897	667	3,230	6.9	
30 Jun 2000	2,249	323	424	255	3,251	568	2,683	5.8	
31 Dec 1999	2,216	364	394	255	3,229	598	2,631	6.7	
Indonesia									
31 Dec 2000	116	–	41	–	157	–	157	0.3	
30 Jun 2000	114	–	42	–	156	–	156	0.3	
31 Dec 1999	147	–	40	–	187	–	187	0.5	
Thailand									
31 Dec 2000	87	–	97	1	185	61	124	0.3	
30 Jun 2000	99	–	135	–	234	71	163	0.4	
31 Dec 1999	103	–	141	1	245	70	175	0.4	
South Korea									
31 Dec 2000	22	6	25	–	53	15	38	0.1	
30 Jun 2000	54	8	31	–	93	23	70	0.2	
31 Dec 1999	121	–	29	–	150	13	137	0.4	
Philippines									
31 Dec 2000	–	18	17	–	35	17	18	0.1	
30 Jun 2000	–	18	17	–	35	17	18	–	
31 Dec 1999	–	17	15	–	32	15	17	–	
Total									
31 Dec 2000	2,888	491	717	231	4,327	760	3,567	7.7	
30 Jun 2000	2,516	349	649	255	3,769	679	3,090	6.7	
31 Dec 1999	2,587	381	619	256	3,843	696	3,147	8.0	

Hong Kong & China Exposure

The Group's net exposure to Hong Kong fell 5.1% to \$1.4 billion, while net exposure to China rose 12.1% to \$382 million. In aggregate, the Group's net exposure to both Hong Kong and China fell to 3.8% of Group total assets as at end 2000 from 4.6% as at end 1999.

Provisioning

Global provision for the year amounted to \$123.3 million of which specific loan provision for the regional countries declined to \$43 million from \$78 million in 1999. Specific loan provision for Singapore and the other countries also dropped to \$82 million from \$190 million the previous year. During the year, a write-back of \$37 million for general provision was made. This lower provisioning requirement was in line with the marked improvement in the region's economies and financial market.

In writing back the general provision, the Bank has adopted a cautious and conservative approach, and views it prudent to continue to maintain additional buffer as a precaution against a somewhat uncertain outlook for 2001.

Non-Performing Loans (NPLs) & Cumulative Provisions

The Group's global NPLs decreased from \$2.99 billion to \$2.83 billion of which 23% or \$664 million (1999: \$806 million) was from the region. Global NPLs constituted 6.1% of global assets with 74.6% in the substandard category and 68% fully secured. A loan is automatically classified as non-performing once the interest or principal payments are three months or more in arrears.

Total global cumulative specific and general provisions decreased by \$137 million to \$1.19 billion as at 31 December 2000. This represented coverage of 42.2% (1999: 44.6%) of global NPLs and 132.0% (1999: 123.3%) of global unsecured NPLs. Cumulative provision for the region also fell by \$130 million to \$476 million which provided coverage of 71.7% (1999: 75.2%) of regional NPLs and 135.1% (1999: 136.8%) of regional unsecured NPLs.

Total Assets & Total Deposits

The Group's total assets and total deposits registered significant growth of 18.4% and 21.1% to \$46.6 billion and \$39.8 billion respectively.

Subsidiary & Associated Companies

Subsidiaries of the Group showed a drop in total after-tax profit from \$150.1 million last year to \$130.5 million, a decrease of 13.0%. Excluding the non-recurring exceptional gain from restructuring of an associated company in 1999, profit growth from subsidiaries would have been a positive 9.4%.

The Group's share of the associated companies' after-tax profits amounted to \$38.5 million as compared to \$34.3 million last year.

Capital Adequacy Ratio (CAR)

During the year, the Group continued to judiciously employ its surplus capital to achieve meaningful returns through strong organic growth, in particular through robust loan growth.

As a result, the Group managed its CAR, based on Bank of International Settlements (BIS) guidelines to 16.4% at end 2000 compared to 18.0% at end 1999. Overall capital increased by \$296 million or 5.6%.

The Monetary Authority of Singapore (MAS) required Singapore incorporated banks to maintain CAR of 12% of which 8% must be Tier 1 capital. The Group's CAR is well above the regulatory requirements.

	31 Dec 2000 \$m	31 Dec 1999 \$m	+ / (-) %
Capital			
Tier 1	5,192	4,733	9.7
Tier 2	402	565	(28.9)
Total	5,594	5,298	5.6
Risk weighted assets (including market risk)	34,094	29,379	16.0
Capital adequacy ratio			
Tier 1	15.2%	16.1%	(5.6)
Total (Tier 1 & Tier 2)	16.4%	18.0%	(8.9)

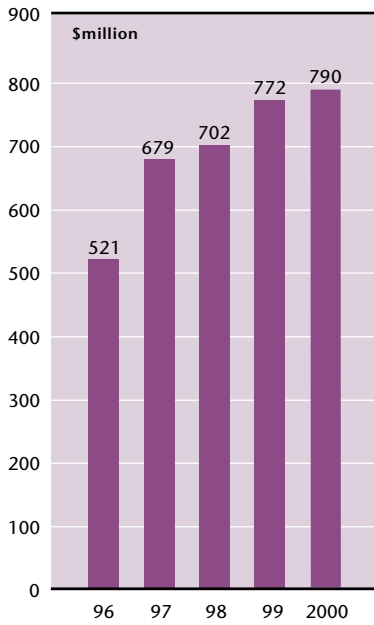
Capital Resources

Total shareholders' funds of the Group rose by \$0.4 billion or 9.3% to reach \$5.2 billion as at 31 December 2000. Unrealised surplus on revaluation of properties and securities amounted to \$0.9 billion, an increase of 22.5% over last year.

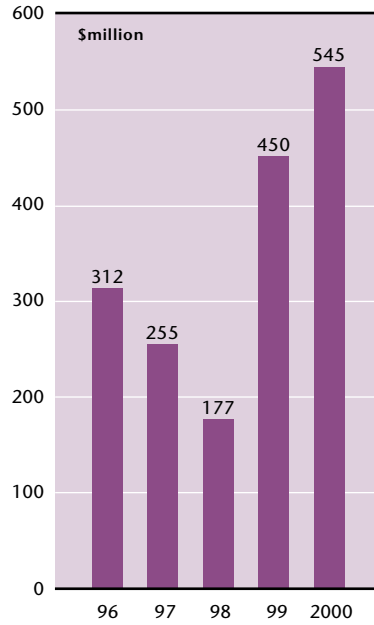
five year group financial summary

	2000	1999	1998	1997	1996
Profit & Loss (\$'000)					
Operating profit	789,979	772,104	701,487	678,443	520,899
Net profit before tax	720,030	606,160	242,725	361,480	437,687
Net profit attributable to members	545,040	450,069	176,615	255,005	311,900
Balance Sheet (\$'000)					
Assets					
Total assets	46,603,421	39,372,025	43,472,048	38,860,666	33,519,337
Non-bank loans & bills	28,575,024	25,003,797	23,966,225	22,938,238	18,905,822
Securities held	5,765,579	4,696,060	4,010,827	2,789,554	2,202,350
Liabilities					
Non-bank deposits	26,899,471	24,564,360	25,790,596	22,350,987	18,062,412
Total deposits	39,799,069	32,876,375	37,608,012	33,577,325	29,140,702
Debt securities issued	50,000	50,000	50,000	50,000	50,000
Capital and Reserves					
Issued and paid-up capital	993,535	990,790	816,988	816,949	680,056
Shareholders' funds	5,160,518	4,720,935	4,306,501	4,041,758	3,188,325
Financial Ratios					
Dividend cover (number of times)	3.7	3.7	1.9	3.5	5.3
Return on weighted average shareholders' funds (%)	11.0	9.9	4.0	7.0	10.1
Earnings per share (cts)	54.90	45.81	18.09	27.44	34.94
Net tangible assets per share (\$)	5.19	4.76	4.41	4.12	3.90
Operating expenses to income (%)	38.1	36.2	35.5	35.8	40.3
Capital adequacy ratio (%)	16.4	18.0	16.3	16.1	15.6

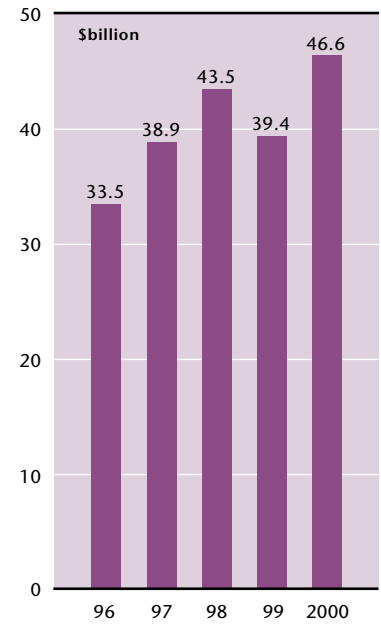
Group Operating Profit



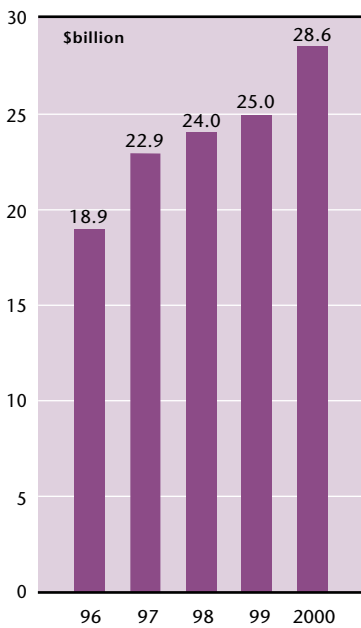
Group Net Profit Attributable to Members



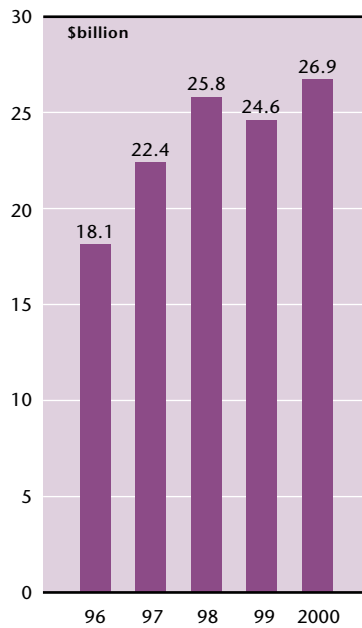
Group Total Assets



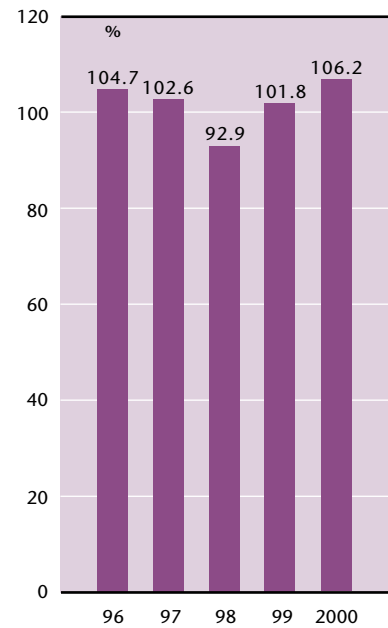
Group Non-Bank Loans & Bills



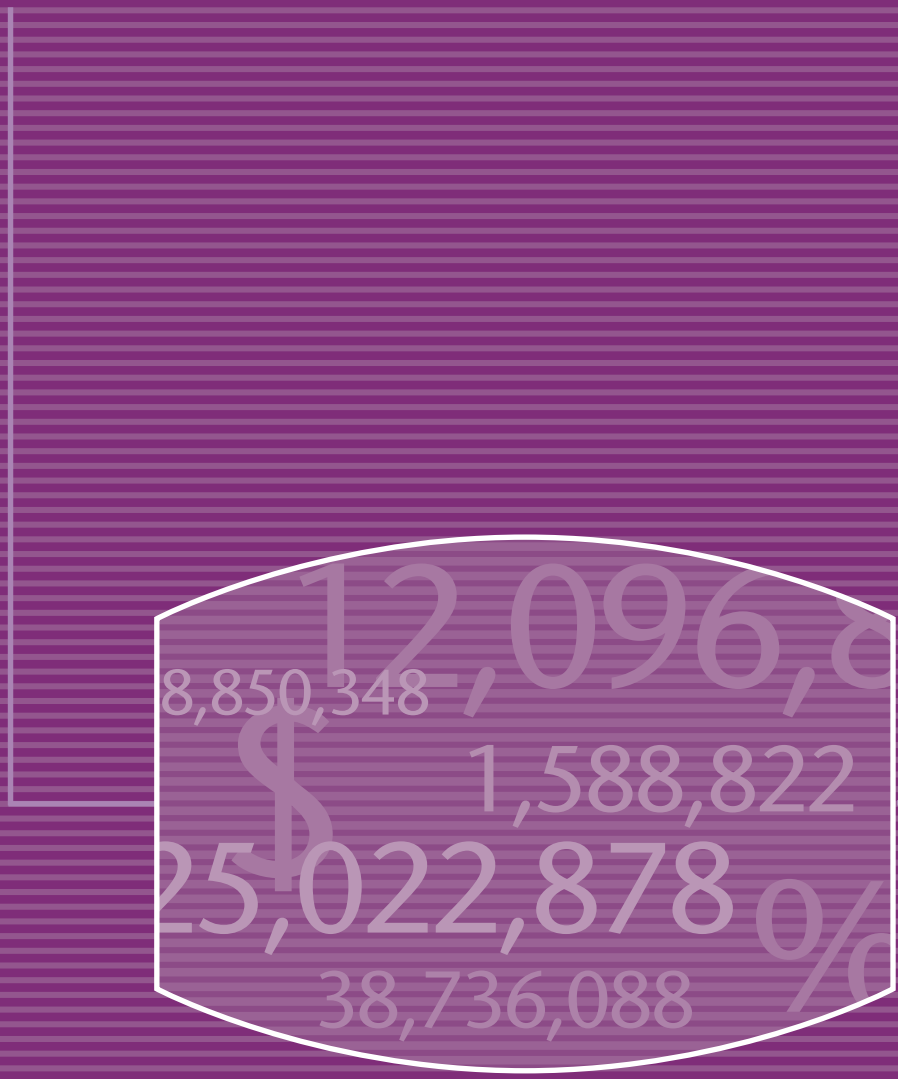
Group Non-Bank Deposits



Group Non-Bank Loans to Non-Bank Deposits Ratio



financial statements
2000 000



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report of the directors

for the year ended 31 December 2000

The Directors of the Bank present their report to the members together with the audited financial statements of the Bank and of the Group for the financial year ended 31 December 2000 which have been prepared in accordance with the provisions of the Companies Act, Cap. 50.

Directors

(a) The Directors holding office at the date of this report are:

Lee Hee Seng
Peter Seah Lim Huat
Dr Cheong Siew Keong
Tan Kok Quan
Professor Lim Pin
Dr Andrew Chew Guan Khuan
Margaret Lien Wen Hsien
Ngiam Tong Dow
Ng Boon Yew (*Appointed on 2 October 2000*)

(b) Mr Lee Hee Seng and Dr Andrew Chew Guan Khuan retire pursuant to Section 153(2) of the Companies Act, Cap. 50 at the Annual General Meeting of the Bank and resolutions will be proposed for their re-appointment as Directors under Section 153(6) of the Act, to hold office until the next Annual General Meeting.

(c) In accordance with Article 93 of the Articles of Association, Mr Ng Boon Yew retires from the Board at the Annual General Meeting of the Bank and, being eligible, offers himself for re-election.

(d) In accordance with Article 102 of the Articles of Association, Mr Tan Kok Quan and Professor Lim Pin retire by rotation from the Board at the Annual General Meeting of the Bank and, being eligible, offer themselves for re-election.

(e) Dr Cheong Siew Keong retires as a Director of the Bank pursuant to Section 153(2) of the Companies Act, Cap. 50 at the Annual General Meeting of the Bank and will not be seeking re-appointment.

(f) Mr Lim Boon Kheng resigned as a Director of the Bank with effect from 5 May 2000.

Principal Activities

The Bank carries on all the normal activities of a commercial bank whilst the principal activities of its subsidiaries are listed in Note 21. There has been no significant change in the nature of these activities during the financial year.

Acquisition and Disposal of Subsidiaries

On 24 May 2000, OUB.com Pte Ltd was incorporated as a wholly-owned subsidiary of the Bank with an authorised share capital of \$100 million and an initial issued and paid-up capital of \$2 comprising 2 shares of \$1.00 each, which was increased to \$50 million on 15 June 2000.

Results for the Year

	2000	
	The Group \$'000	The Bank \$'000
Net profit after tax	561,104	412,765
Less: Minority interests	16,064	–
Net profit attributable to members of the Bank	545,040	412,765
Less: Transfer to share of associated companies' reserves	28,721	–
Unappropriated profit brought forward from previous year	789,040	467,370
Less: Net dividends paid after previous year end in respect of shares issued under OUB Share Option Scheme	168	168
	788,872	467,202
Amount available for appropriation	1,305,191	879,967
Less: Transfer to capital reserves	636	–
Transfer to general reserves	120,057	103,193
Interim dividend of 5 cents per share less Singapore income tax at 25.5%	36,987	36,987
Special interim dividend of 4 cents per share less Singapore income tax at 25.5%	29,590	29,590
Proposed final dividend of 7 cents per share less Singapore income tax at 24.5%	52,508	52,508
Proposed special final dividend of 4 cents per share less Singapore income tax at 24.5%	30,005	30,005
	269,783	252,283
Unappropriated profit carried forward to next year	1,035,408	627,684

Movements in Reserves during the Year

	2000		
	The Group \$'000	The Bank \$'000	
(a) Capital Reserves			
At 1 January 2000	40,677	107	
Net exchange translation adjustments	14	–	
Transfer from unappropriated profit	636	–	
At 31 December 2000	41,327	107	
(b) Share Premium			
At 1 January 2000	1,757,116	1,757,116	
Premium on shares exercised under OUB Share Option Scheme	7,319	7,319	
At 31 December 2000	1,764,435	1,764,435	
(c) General Reserves			
At 1 January 2000	916,404	775,715	
Net exchange translation adjustments	11,750	3,435	
Adjustment for decrease in shareholdings in a subsidiary arising from warrants and employee share options exercised	(390)	–	
Transfer from unappropriated profit	120,057	103,193	
At 31 December 2000	1,047,821	882,343	
(d) Share of Associated Companies' Reserves			
	The Group		
	Distributable \$'000	Non-Distributable \$'000	Total \$'000
At 1 January 2000	63,235	163,673	226,908
Net exchange translation adjustments	(284)	3,949	3,665
Capital reduction	(6)	–	(6)
Transfer from income statement	28,721	–	28,721
Transfer to non-distributable reserves	(1,585)	–	(1,585)
Transfer from distributable reserves	–	1,585	1,585
Goodwill on disposal of an associated company	–	10,669	10,669
Revaluation surplus on properties	–	12,822	12,822
Revaluation deficit on securities	–	(11,756)	(11,756)
Gains on sale of investments	–	7,023	7,023
Others	(54)	–	(54)
At 31 December 2000	90,027	187,965	277,992

Issue of Shares and Debentures

The Bank

During the financial year, the Bank issued the following ordinary shares of \$1.00 each, fully paid up in cash, pursuant to the OUB Share Option Scheme upon the exercise of options by eligible officers under the Scheme:

- (i) 65,588 ordinary shares of \$1.00 each at the price of \$5.28 for the 1995 Options and 265,268 ordinary shares of \$1.00 each at the price of \$5.28 for the Replacement Options granted in substitution thereof;
- (ii) 23,769 ordinary shares of \$1.00 each at the price of \$5.31 for the 1996 Options and 435,151 ordinary shares of \$1.00 each at the price of \$5.31 for the Replacement Options granted in substitution thereof;
- (iii) 2,520 ordinary shares of \$1.00 each at the price of \$5.04 for the 1997 Options and 293,810 ordinary shares of \$1.00 each at the price of \$5.04 for the Replacement Options granted in substitution thereof;
- (iv) 40,410 ordinary shares of \$1.00 each at the price of \$1.89 for the 1998 Options and 1,402,927 ordinary shares of \$1.00 each at the price of \$1.89 for the Replacement Options granted in substitution thereof; and
- (v) 214,833 ordinary shares of \$1.00 each at the price of \$7.88 for the 1999 Options.

Subsidiaries

During the financial year:

- (a) Overseas Union Trust Limited issued:
 - (i) 300,748 ordinary shares of \$1.00 each at the price of \$1.33 arising from the conversion of warrants in accordance with the Deed Poll; and
 - (ii) 7,000 ordinary shares of \$1.00 each at the price of \$2.27 for the 1999 Options upon the exercise of options by eligible officers under the OUT Share Option Scheme.
- (b) OUB.com Pte Ltd issued 50,000,000 ordinary shares of \$1.00 each at par for cash to fund the company's investments.

Arrangements to Enable Directors to Acquire Benefits

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the Directors of the Bank to acquire benefits through the acquisition of shares in, or debentures of, the Bank or any other body corporate, except as disclosed in this Report under the heading "Share Options".

Directors' Interests in Shares or Debentures

- (a) The Directors holding office at 31 December 2000 and their interests in the share capital of the Bank, as recorded in the Register of Directors' Shareholdings, were as follows:

	No. of Ordinary Shares of \$1.00 each			
	Shares held by Directors and their immediate families		Shares in which Directors are deemed to have an interest	
	At 31 December 2000	At 1 January 2000 (or date of appointment, if later)	At 31 December 2000	At 1 January 2000 (or date of appointment, if later)
Lee Hee Seng	1,081,426	1,081,426	429,429	429,429
Peter Seah Lim Huat	166,220	166,220	–	–
Dr Cheong Siew Keong	–	–	–	–
Tan Kok Quan	30,000	30,000	12,705	12,705
Professor Lim Pin	–	–	–	–
Dr Andrew Chew Guan Khuan	–	–	–	–
Margaret Lien Wen Hsien	711,480	711,480	156,195,715	156,195,715
Ngiam Tong Dow	4,000	2,000	–	–
Ng Boon Yew	–	–	–	–

OUB Share Option Scheme No. of Unissued Ordinary Shares of \$1.00 each under Options held by Directors

	At 31 December 2000	At 1 January 2000
Lee Hee Seng	1,435,114	1,035,114
Peter Seah Lim Huat	1,112,090	812,090

- (b) According to the Register of Directors' Shareholdings, other than certain directors' interests in the share capital of a partly-owned subsidiary company, Overseas Union Trust Limited, which are shown below, the Directors did not hold any beneficial interest in the share capital or debentures of any of the subsidiaries at the beginning and end of the financial year:

	No. of Ordinary Shares of \$1.00 each	
	Shares held by Directors and their immediate families	
	At 31 December 2000	At 1 January 2000 (or date of appointment, if later)
Lee Hee Seng	66,000	66,000
Margaret Lien Wen Hsien	170,500	170,500

**No. of Warrants expiring in 2001 to
subscribe for Ordinary Shares of \$1.00 each**

	Warrants held by Directors and their immediate families	
	At 31 December 2000	At 1 January 2000 (or date of appointment, if later)
Lee Hee Seng	8,000	8,000
Margaret Lien Wen Hsien	20,000	20,000

- (c) There was no change in any of the interests set out in sub paragraphs (a) and (b) above between the end of the financial year and 21 January 2001.

Dividends

Dividends paid, declared or proposed since the end of the Bank's last financial year were as follows:

	\$
(a) In respect of the year ended 31 December 1999, as proposed in the Directors' Report for that year, a final dividend of 7 cents per share and a special dividend of 5 cents per share, less Singapore income tax at 25.5%, paid on 29 May 2000	88,745,248
(b) In respect of the year ended 31 December 2000:	
An interim dividend of 5 cents per share and a special interim dividend of 4 cents per share, less Singapore income tax at 25.5%, paid on 8 September 2000	66,577,086
A proposed final dividend of 7 cents per share and a special final dividend of 4 cents per share, less Singapore income tax at 24.5%	82,513,058

Bad and Doubtful Debts

- (a) Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and provision for doubtful debts and have caused all known bad debts to be written off and adequate provision to be made for doubtful debts; and
- (b) At the date of this Report, the Directors are not aware of any circumstance which would render the amounts written off for bad debts or provision for doubtful debts in the Group inadequate to any substantial extent.

Current Assets

- (a) Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets of the Bank which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values, or that adequate provision has been made for the diminution in values of such current assets.
- (b) At the date of this Report, the Directors are not aware of any circumstance not otherwise dealt with in this Report, which would render the values attributed to current assets in the consolidated financial statements misleading.

Charges and Contingent Liabilities

At the date of this Report, no charge on the assets of the Bank or any corporation in the Group which secures the liability of any other person and no contingent liability has arisen since the end of the financial year of the Bank or any corporation in the Group other than those normally undertaken in the course of the activities and those disclosed in the notes to the financial statements of the Bank and the Group.

Ability to Meet Obligations

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

Other Circumstances Affecting Financial Statements

At the date of this Report, the Directors are not aware of any circumstance not otherwise dealt with in this Report or the consolidated financial statements which would render any amount stated in the financial statements of the Bank and the consolidated financial statements misleading.

Unusual Items

- (a) In the opinion of the Directors, the results of the operations of the Bank and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.
- (b) In the interval between the end of the financial year and the date of this Report, no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Bank and of the Group for the financial year in which this Report is made.

Directors' Contractual Benefits

Since the end of the previous financial year except for an outstanding housing loan granted by the Bank to Mr Peter Seah Lim Huat in accordance with the Staff Loan Scheme, no Director has received or become entitled to receive a benefit (other than as disclosed in this Report or in the consolidated financial statements) by reason of contracts made by the Bank or by a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share Options

1. OUB Share Option Scheme 1995

- (a) The OUB Share Option Scheme 1995 (the "1995 Scheme") was approved by the members of the Bank at an Extraordinary General Meeting held on 11 May 1995 and amendments to the 1995 Scheme were approved by the members of the Bank at an Extraordinary General Meeting held on 6 May 1999.
- (b) Particulars of and statutory information regarding the options granted in 1995, 1996, 1997, 1998 and 1999 under the 1995 Scheme (herein called "the 1995 Options", "the 1996 Options", "the 1997 Options", "the 1998 Options" and "the 1999 Options" respectively) have been set out in the Reports of the Directors for the years ended 31 December 1995, 1996, 1997, 1998 and 1999 respectively.
- (c) During the year, options were granted pursuant to the 1995 Scheme in respect of 9,755,000 unissued ordinary shares of \$1.00 each of the Bank (hereinafter called "the 2000 Options") to officers of the Bank and certain of its subsidiaries in the corporate grade of or equivalent to Assistant Vice President and above including executive directors of the Bank and certain of its subsidiaries.

- (d) Statutory information regarding the 2000 Options is as follows:
- (i) The date of expiration of the 2000 Options is 31 August 2010 unless any such option has ceased prior thereto by reason of Regulation 21 of the Regulations of the Scheme (relating to the resignation or the termination of employment or appointment of the grantee, or where the grantee is adjudged a bankrupt or enters into composition with his creditors, after the grant of the option).
 - (ii) The grantee may exercise a 2000 Option during the option period relating thereto by notice in writing accompanied by a remittance for the full amount of the offering price.
 - (iii) The offering price was equal to the market value of the Bank's shares based on the average of the last dealt price per share of the Bank on the Singapore Exchange Securities Trading Limited ("SGX") as determined by reference to the daily official list published by the SGX for a period of three market days, on each of which there was trading of the Bank's shares, immediately prior to the offering date on 1 September 2000.
 - (iv) The number of shares which may be acquired on the exercise of a 2000 Option, par value, class and/or the offering price shall, in accordance with the Regulations of the 1995 Scheme, be adjusted in such manner as the Committee appointed to administer the 1995 Scheme, on the written confirmation of the auditors of the Bank for the time being that such adjustment is fair and reasonable (except in relation to a capitalisation issue), shall determine to be appropriate, in the event of any variation in the issued share capital of the Bank (whether by way of capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or otherwise howsoever).
 - (v) The persons to whom the 2000 Options have been granted have no right to participate by virtue of such options in any share issue of any other company.
- (e) On 1 November 1999, replacement options were granted pursuant to the 1995 Scheme (as amended) in respect of 12,327,653 unissued ordinary shares of \$1.00 each of the Bank (hereinafter called "the Replacement Options") to holders of outstanding options granted under the 1995 Scheme and who, on that date, satisfied the eligibility criteria specified in Regulation 6 of the Regulations of the 1995 Scheme. Each Replacement Option comprises such number of shares, and can be exercisable into shares at such offering price, as was applicable to the outstanding option to which such Replacement Option relates. However, such Replacement Option has an option period equivalent to the aggregate of (i) the remaining option period of the outstanding option to which it relates and (ii) sixty months, after taking into account the remaining moratorium period (if any) in respect of such outstanding option. The grantee can exercise the Replacement Option during the option period by notice in writing accompanied by a remittance for the full amount of the offering price. Existing options held by grantees who elected not to accept Replacement Options in substitution thereof continue to have full force and effect in accordance with the terms of the 1995 Scheme. The persons to whom the Replacement Options have been granted have no right to participate by virtue of such options in any share issue of any other company.
- (f) Particulars of options granted to, and exercised by, the following Directors under the 1995 Scheme during the financial year are as follows:

Name of participant	Options granted during financial year	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options exercised since commencement of scheme to end of financial year	Aggregate options outstanding as at end of financial year
Lee Hee Seng	400,000	1,435,114	–	1,435,114
Peter Seah Lim Huat	300,000	1,112,090	–	1,112,090

Unissued Shares Under the 1995 Scheme

Statutory information regarding the unissued shares of the Bank under options which were granted pursuant to the 1995 Scheme as at 31 December 2000 is as follows:

	No. of unissued ordinary shares of \$1.00 each	Offering price (\$) per \$1.00 share	Option expiry date
1995 Replacement Options	1,384,250	5.28	1 October 2005
1996 Options	56,630	5.31	30 September 2001
1996 Replacement Options	2,487,121	5.31	30 September 2006
1997 Options	55,495	5.04	5 October 2002
1997 Replacement Options	2,325,384	5.04	5 October 2007
1998 Options	15,040	1.89	30 September 2003
1998 Replacement Options	2,226,923	1.89	30 September 2008
1999 Options	8,029,167	7.88	19 September 2009
2000 Options	9,595,000	8.68	31 August 2010

Note:

The 1995 Options not replaced, to the extent unexercised, expired on 1 October 2000.

2. OUT Share Option Scheme

- (a) The OUT Share Option Scheme (the scheme as amended or modified from time to time hereinafter called the "OUT Scheme") was approved by the members of Overseas Union Trust Limited ("OUT") at an Extraordinary General Meeting held on 11 May 1995.
- (b) Particulars of and statutory information regarding the options granted in 1995, 1996, 1997, 1998 and 1999 under the OUT Scheme (herein called "the OUT 1995 Options", "the OUT 1996 Options", "the OUT 1997 Options", "the OUT 1998 Options" and "the OUT 1999 Options" respectively) and adjustments made thereto pursuant to the Scheme have been set out in the Reports of the Directors for the financial years ended 31 December 1995, 1996, 1997, 1998 and 1999 respectively.
- (c) During the year, options were granted pursuant to the OUT Scheme in respect of 342,000 unissued ordinary shares of \$1.00 each of OUT (hereinafter called "the OUT 2000 Options") to officers of OUT in the corporate grade of or equivalent to Assistant Manager and above and an executive director of OUT.
- (d) Statutory information regarding the OUT 2000 Options is as follows:
 - (i) The date of expiration of the OUT 2000 Options is 21 September 2010 unless any such option has ceased prior thereto by reason of Regulation 21 of the Regulations of the OUT Scheme (relating to the resignation or the termination of employment or appointment of the grantee, or where the grantee is adjudged a bankrupt or enters into composition with his creditors, after the grant of option).
 - (ii) The grantee may exercise an OUT 2000 Option during the option period relating thereto by notice in writing accompanied by a remittance for the full amount of the offering price.
 - (iii) The offering price was equal to the market value of OUT's shares based on the average of the last dealt price per share of OUT on the SGX as determined by reference to the daily official list published by the SGX for a period of three market days, on each of which there was trading of OUT's shares, immediately prior to the offering date on 22 September 2000.

- (iv) The number of shares of which may be acquired on the exercise of an OUT 2000 Option, par value, class and/or the offering price shall, in accordance with the Regulations of the OUT Scheme, be adjusted in such manner as the Committee appointed to administer the OUT Scheme, on the written confirmation of the auditors of OUT for the time being that such adjustment is fair and reasonable (except in relation to a capitalisation issue), shall determine to be appropriate, in the event of any variation in the issued share capital of OUT (whether by way of capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or otherwise howsoever).
- (v) The persons to whom the OUT 2000 Options have been granted have no right to participate by virtue of such options in any share issue of any other company.
- (e) On 1 April 2000, replacement options were granted pursuant to the OUT Scheme (as amended) in respect of 380,494 unissued ordinary shares of \$1.00 each of OUT (hereinafter called the "Replacement Options") to holders of outstanding options granted under the Scheme and who, on that date, satisfied the eligibility criteria specified in Regulation 6 of the Regulations of the OUT Scheme. Each Replacement Option comprises such number of shares, and can be exercisable into shares at such offering price, as was applicable to the outstanding option to which such Replacement Option relates. However, such Replacement Option has an option period equivalent to the aggregate of (i) the remaining option period of the outstanding option to which it relates and (ii) sixty months, after taking into account the remaining moratorium period (if any) in respect of such outstanding option. The grantee can exercise the Replacement Option during the option period by notice in writing accompanied by a remittance for the full amount of the offering price. The persons to whom the Replacement Options have been granted have no right to participate by virtue of such options in any share issue of any other company.
- (f) Statutory information regarding the unissued shares of OUT under options which were granted pursuant to the OUT Scheme as at 31 December 2000 is as follows:

	No. of unissued ordinary shares of \$1.00 each	Offering price (\$) per \$1.00 share	Option expiry date
1995 Replacement Options	142,494	2.49	1 October 2005
1996 Replacement Options	100,000	2.61	2 October 2006
1997 Replacement Options	63,000	2.14	30 September 2007
1998 Replacement Options	75,000	1.00	4 October 2008
1999 Options	158,000	2.27	30 September 2009
2000 Options	342,000	2.52	21 September 2010

The persons to whom the above options have been granted have no right to participate by virtue of such options in any share issue of any other company.

Note:

The 1995 Options not replaced, to the extent unexercised, expired on 1 October 2000.

3. OUT Warrants

- (a) Particulars of and statutory information regarding the warrants issued by OUT pursuant to a Prospectus dated 30 September 1996 (the "Warrant Issue") have been set out in the Report of the Directors for the year ended 31 December 1996.
- (b) Statutory information regarding the unissued shares of OUT under warrants which were issued pursuant to the Warrant Issue as at 31 December 2000 is as follows:
 - (i) Ordinary shares of \$1.00 each 6,715,277
 - (ii) Exercise price per \$1.00 share \$1.33
 - (iii) Exercise period 5 November 1996 to 3 October 2001

Issue of Shares Under Options

Save as disclosed in this Report under the heading "Issue of Shares and Debentures", no shares of the Bank or any corporation in the Group were issued during the financial year to which this Report relates by virtue of the exercise of options (including warrants) to take up unissued shares of the Bank or corporations in the Group, whether granted before or during the financial year.

Share Options - Others

Except as disclosed in this Report, there were no outstanding options granted by the Bank or any corporation in the Group.

Audit Committee

- (a) The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 and the requirements of the SGX Listing Manual, including a review of the financial statements of the Bank and of the Group for the financial year and the auditors' report thereon.
- (b) The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Bank at the forthcoming Annual General Meeting.

Auditors

The auditors, PricewaterhouseCoopers, being eligible, have expressed their willingness to accept re-appointment at the Annual General Meeting.

On behalf of the Board

LEE HEE SENG
Chairman

PETER SEAH LIM HUAT
Director

Signed on 28 February 2001

statement by directors

We state that, in the opinion of the Directors:

- (a) the financial statements set out on pages 89 to 126 are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2000, and of the results of the business and changes in equity, of the Bank and of the Group and the cash flows of the Group for the year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board

LEE HEE SENG
Chairman

PETER SEAH LIM HUAT
Director

Signed on 28 February 2001

auditors' report to the members of Overseas Union Bank Limited

We have audited the financial statements of Overseas Union Bank Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2000 set out on pages 89 to 126. These financial statements are the responsibility of the Bank's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the accompanying financial statements of the Bank and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Bank and of the Group at 31 December 2000, the profit and changes in equity of the Bank and of the Group, and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements of the Bank and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in note 21 to the financial statements.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 28 February 2001

income statements

for the year ended 31 December 2000

	Note	The Group		The Bank	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Interest income	3.1	2,339,123	1,979,337	2,077,668	1,715,506
Less: Interest expense	3.2	1,340,211	1,128,010	1,247,152	1,005,561
Net interest income		998,912	851,327	830,516	709,945
Fees and commissions	4	182,714	231,984	122,034	122,686
Dividends	5	6,032	4,355	22,038	18,969
Rental		4,905	3,755	4,868	3,840
Other income	6	83,801	118,033	67,433	61,042
Operating income		1,276,364	1,209,454	1,046,889	916,482
Less: Staff costs		263,851	227,631	197,472	170,933
Other operating expenses		222,534	209,719	206,223	174,810
Total operating expenses	7	486,385	437,350	403,695	345,743
Operating profit		789,979	772,104	643,194	570,739
Less: Provision for possible loan losses and diminution in value of other assets	8	123,324	211,218	107,600	186,144
Net profit before share of associated companies' results		666,655	560,886	535,594	384,595
Share of associated companies' results		53,375	45,274	–	–
Net profit before tax		720,030	606,160	535,594	384,595
Less: Tax	9	158,926	130,096	122,829	90,327
Net profit after tax		561,104	476,064	412,765	294,268
Less: Minority interests		16,064	25,995	–	–
Net profit attributable to members		545,040	450,069	412,765	294,268
Transfer to:					
Unappropriated profit		516,319	424,635	412,765	294,268
Share of associated companies' reserves		28,721	25,434	–	–
		545,040	450,069	412,765	294,268
Earnings per share (cents)	10				
Basic		54.90	45.81		
Diluted		54.65	45.57		

The accompanying notes form an integral part of the financial statements.
Auditors' report - Page 88

balance sheets

as at 31 December 2000

	Note	The Group		The Bank	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Share Capital and Reserves					
Share capital	11.1	993,535	990,790	993,535	990,790
Reserves					
Share premium		1,764,435	1,757,116	1,764,435	1,757,116
Capital	11.2	41,327	40,677	107	107
General	11.3	1,047,821	916,404	882,343	775,715
Unappropriated profit		1,035,408	789,040	627,684	467,370
Share of associated companies' reserves		277,992	226,908	–	–
Total reserves		4,166,983	3,730,145	3,274,569	3,000,308
Total Shareholders' Funds		5,160,518	4,720,935	4,268,104	3,991,098
Minority Interests		139,898	126,137	–	–
Liabilities					
Deposits					
Certificates of deposit issued		381,597	136,757	298,573	114,843
Deposits and balances of banks		12,518,001	8,175,258	12,377,654	7,980,045
Deposits of non-bank customers		26,899,471	24,564,360	23,569,642	21,644,842
Deposits of subsidiaries		–	–	586,224	486,239
Total deposits	12	39,799,069	32,876,375	36,832,093	30,225,969
Bills payable		52,281	106,148	32,150	89,958
Provision for tax	13	175,110	160,221	141,544	126,950
Other liabilities	14	1,144,032	1,243,632	599,295	509,396
Proposed dividend		82,513	88,577	82,513	88,577
Debt securities	15	50,000	50,000	–	–
Total Shareholders' Funds & Liabilities		46,603,421	39,372,025	41,955,699	35,031,948
Off-Balance Sheet Items					
Contingent liabilities	23	2,501,298	2,343,587	1,917,711	1,780,329
Financial instruments	24	15,424,096	13,369,361	15,350,064	13,277,448
Commitments	25	16,524,885	13,192,066	15,248,266	12,277,419

The accompanying notes form an integral part of the financial statements.
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	Note	The Group		The Bank	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Assets					
Balances with central banks		800,866	729,996	701,244	638,128
Cash, bullion and balances with banks and agents		248,371	281,571	174,595	199,877
Certificates of deposit held		633,370	504,424	633,370	504,424
Singapore government securities	16.2	3,502,454	3,411,550	3,319,738	3,255,961
Other government securities	16.3	204,060	198,573	99,213	63,240
Dealing securities	16.4	577,189	290,068	568,481	181,229
Placements with and loans to banks	17	9,393,893	7,042,657	9,319,668	6,993,617
Bills receivable		474,090	213,909	249,885	169,195
Loans to non-bank customers		28,100,934	24,789,888	24,466,356	21,642,677
Total non-bank loans and bills	18	28,575,024	25,003,797	24,716,241	21,811,872
Investment securities	16.5	869,028	209,608	791,398	180,713
Other assets	19	776,434	743,159	390,884	186,158
Associated companies	20	612,848	586,261	209,106	217,192
Subsidiaries	21	–	–	771,819	560,197
Fixed assets	22	409,884	370,361	259,942	239,340
Total Assets		46,603,421	39,372,025	41,955,699	35,031,948

The accompanying notes form an integral part of the financial statements.
Auditors' report - Page 88

statements of changes in equity

for the year ended 31 December 2000

	Note	The Group		The Bank	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Share Capital	11.1				
At 1 January		990,790	816,988	990,790	816,988
Shares issued under OUB Share Option Scheme		2,745	13,581	2,745	13,581
Bonus issues		–	160,221	–	160,221
At 31 December		993,535	990,790	993,535	990,790
Share Premium					
At 1 January		1,757,116	1,867,984	1,757,116	1,867,984
Premium on shares exercised under OUB Share Option Scheme		7,319	50,668	7,319	50,668
Premium utilised for bonus issues		–	(160,221)	–	(160,221)
Expenses in connection with bonus issues		–	(1,315)	–	(1,315)
At 31 December		1,764,435	1,757,116	1,764,435	1,757,116
Capital Reserves (Non-distributable)	11.2				
At 1 January		40,677	40,679	107	107
Net exchange translation adjustments		14	(1)	–	–
Transfer from/(to) unappropriated profit		636	(1)	–	–
At 31 December		41,327	40,677	107	107

The accompanying notes form an integral part of the financial statements.
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	Note	The Group		The Bank	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
General Reserves (Non-distributable)	11.3				
Statutory Reserves					
At 1 January		910,251	803,276	680,656	607,088
Net exchange translation adjustments		3,414	166	–	–
Adjustment for decrease in shareholdings in a subsidiary arising from warrants and employee share options exercised		(390)	(179)	–	–
Transfer from unappropriated profit		120,055	106,988	103,191	73,568
At 31 December		1,033,330	910,251	783,847	680,656
Exchange Translation Reserves					
At 1 January		(104,489)	(110,464)	(35,146)	(38,156)
Net exchange translation adjustments		8,483	5,975	3,582	3,010
At 31 December		(96,006)	(104,489)	(31,564)	(35,146)
Other Reserves					
At 1 January		110,642	110,464	130,205	130,027
Net exchange translation adjustments		(147)	158	(147)	158
Transfer from unappropriated profit		2	20	2	20
At 31 December		110,497	110,642	130,060	130,205
Total General Reserves		1,047,821	916,404	882,343	775,715
Unappropriated Profit					
At 1 January		789,040	593,635	467,370	368,913
Transfer from income statement		516,319	424,635	412,765	294,268
Net dividends paid after previous year end in respect of shares issued under OUB Share Option Scheme		(168)	(90)	(168)	(90)
Profit available for appropriation		1,305,191	1,018,180	879,967	663,091
Transfer from/(to) capital reserves		(636)	1	–	–
Transfer to general reserves		(120,057)	(107,008)	(103,193)	(73,588)
Dividends	11.4	(149,090)	(122,133)	(149,090)	(122,133)
At 31 December		1,035,408	789,040	627,684	467,370

The accompanying notes form an integral part of the financial statements.
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statements of changes in equity

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Share of Associated Companies' Reserves				
Distributable Reserves				
At 1 January	63,235	47,682	–	–
Net exchange translation adjustments	(284)	500	–	–
Capital reduction	(6)	(4,826)	–	–
Transfer from income statement	28,721	25,434	–	–
Transfer to non-distributable reserves	(1,585)	(5,366)	–	–
Others	(54)	(189)	–	–
At 31 December	90,027	63,235	–	–
Non-distributable Reserves				
At 1 January	163,673	136,257	–	–
Net exchange translation adjustments	3,949	1,563	–	–
Goodwill on (acquisition)/disposal of associated companies	10,669	(8,731)	–	–
Transfer from distributable reserves	1,585	5,366	–	–
Revaluation surplus on properties	12,822	5,374	–	–
Revaluation surplus/(deficit) on securities	(11,756)	23,734	–	–
Gains on sale of investments	7,023	–	–	–
Others	–	110	–	–
At 31 December	187,965	163,673	–	–
Total Share of Associated Companies' Reserves	277,992	226,908	–	–
Total Shareholders' Funds	5,160,518	4,720,935	4,268,104	3,991,098
Summary of net gains not recognised in the income statement				
Revaluation surplus on properties	12,822	5,374	–	–
Revaluation surplus/(deficit) on securities	(11,756)	23,734	–	–
Goodwill on (acquisition)/disposal of associated companies	10,669	(8,731)	–	–
Capital reduction	(6)	(4,826)	–	–
Gains on sale of investments	7,023	–	–	–
Net exchange translation adjustments	15,429	8,361	3,435	3,168
Total	34,181	23,912	3,435	3,168

The accompanying notes form an integral part of the financial statements.
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consolidated cash flow statement

for the year ended 31 December 2000

	The Group	
	2000 \$'000	1999 \$'000
Cash flows from operating activities		
Profit before tax and share of associated companies' results	666,655	560,886
Adjustments for:		
Depreciation	42,928	39,085
Provision for possible loan losses and diminution in value of other assets	123,324	211,218
Operating profit before working capital changes	832,907	811,189
Increase/(Decrease) in:		
Certificates of deposit issued	244,840	(88,522)
Deposits of non-bank customers	2,335,111	(1,226,236)
Deposits and balances of banks	4,342,743	(3,416,879)
Bills payable and other liabilities	(153,465)	100,560
(Increase)/Decrease in:		
Government and dealing securities	(414,515)	(549,323)
Bills receivable and loans to non-bank customers	(3,658,628)	(1,257,491)
Placements with and loans to banks	(2,351,291)	6,085,712
Other assets	(31,417)	(27,786)
Cash provided by/(used in) operating activities	1,146,285	431,224
Tax paid	(128,949)	(56,583)
Net cash provided by/(used in) operating activities	1,017,336	374,641
Cash flows from investing activities		
Net (increase)/decrease in investment securities	(665,808)	(55,633)
Net (increase)/decrease in investments in associated companies	24,498	(18,385)
Dividends received from associated companies	9,296	9,010
Change in minority interests	(438)	533
Net increase in fixed assets	(82,785)	(46,514)
Net cash provided by/(used in) investing activities	(715,237)	(110,989)
Cash flows from financing activities		
Net proceeds from issue of shares	10,064	62,934
Dividends paid	(157,311)	(94,992)
Net cash provided by/(used in) financing activities	(147,247)	(32,058)
Net foreign exchange translation adjustment	11,764	6,298
Net change in cash and cash equivalents	166,616	237,892
Cash and cash equivalents at 1 January	1,515,991	1,278,099
Cash and cash equivalents at 31 December	1,682,607	1,515,991
Cash and cash equivalents		
Balances with central banks	800,866	729,996
Cash, bullion and balances with banks and agents	248,371	281,571
Certificates of deposit held	633,370	504,424
	1,682,607	1,515,991

The accompanying notes form an integral part of the financial statements.
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notes to the financial statements 31 December 2000

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

1. General

The Bank is domiciled and incorporated 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.

The Bank 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 statements are expressed in Singapore dollars.

2. Principal Accounting Policies

2.1 Basis of Accounting

The financial statements of the Bank 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.

2.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated financial statements from the date of their acquisition or disposal. All internal profits have been eliminated on consolidation and the 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.

2.3 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 the Singapore incorporated subsidiaries and of the Bank'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 the Bank'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.

2.4 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.

2.5 Basis of Valuation of Assets

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) Associated Companies

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

The Group's share of results of associated companies is included in the consolidated income statement and the 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 Group's financial year.

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

2.6 Depreciation of Fixed Assets

The basis of depreciation is as follows:

(a) 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.

(b) 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

2.7 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 on a cash basis.

2.8 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.

2.9 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 Group		The Bank	
2000	1999	2000	1999
\$'000	\$'000	\$'000	\$'000

3.1 Interest Income

Interest income from:

Subsidiaries	–	–	18,333	25,215
Associated companies	12,675	16,008	12,567	16,008
Others	2,326,448	1,963,329	2,046,768	1,674,283
Total	2,339,123	1,979,337	2,077,668	1,715,506

3.2 Interest Expense

Interest expense to:

Subsidiaries	–	–	18,534	6,916
Associated companies	3,143	2,260	2,939	2,097
Others	1,337,068	1,125,750	1,225,679	996,548
Total	1,340,211	1,128,010	1,247,152	1,005,561

4. Fees and Commissions

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Fees and commissions from:				
Subsidiaries	–	–	13,249	10,883
Associated companies	3,195	2,756	2,747	2,324
Others	179,519	229,228	106,038	109,479
Total	182,714	231,984	122,034	122,686

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

5. Dividends

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Dividends from:				
Quoted subsidiaries	–	–	4,597	2,955
Unquoted subsidiaries	–	–	6,757	7,118
Quoted associated companies	–	–	7,081	7,003
Unquoted associated companies	–	–	1,209	1,368
Other quoted investments	4,015	4,272	554	525
Other unquoted investments	2,017	83	1,840	–
Total	6,032	4,355	22,038	18,969

6. Other Income

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Net gains/(losses) from:				
Dealing				
Foreign exchange	26,263	20,479	21,159	15,101
Securities	16,845	18,872	15,207	14,884
Others	16,993	9,348	15,459	6,304
Disposal of investment securities	1,225	48,960	200	6,784
Disposal of fixed assets	(177)	(37)	(192)	159
Others	22,652	20,411	15,600	17,810
Total	83,801	118,033	67,433	61,042

Included in the gains from disposal of investment securities for 1999 at the Group and Bank were gains of \$48.2 million and \$6.5 million respectively from disposal of shares received from a capital reduction exercise of an associated company.

7. Total Operating Expenses

7.1 Total operating expenses comprise the following:

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Directors' fees and remuneration				
Remuneration of Bank's directors	4,083	3,012	4,083	3,012
Remuneration of other directors	2,415	2,086	–	–
Fees of Bank's directors	974	474	782	333
Fees of other directors	265	185	–	–
	7,737	5,757	4,865	3,345
Remuneration of auditors				
Bank auditors				
Audit work	791	733	526	487
Non-audit work	523	478	499	476
Other auditors	442	430	279	256
	1,756	1,641	1,304	1,219
Depreciation (Note 22)				
Bank premises and other properties	4,379	4,632	2,848	3,308
Other fixed assets	38,549	34,453	32,380	27,796
	42,928	39,085	35,228	31,104
Fee and commission expenses	24,652	38,798	8,257	6,364
Professional fees paid to a firm of which a director of the Bank is a member	–	34	–	34
Maintenance and hire of fixed assets including buildings	25,435	19,663	20,377	16,013
Rental of premises				
Subsidiaries	–	–	6,825	6,878
Associated companies	6,495	6,380	4,982	4,607
Others	21,390	19,792	13,515	12,088
	27,885	26,172	25,322	23,573
Staff retirement benefits (Note 14)	3,559	4,186	3,559	4,186
Other expenses	352,433	302,014	304,783	259,905
Total	486,385	437,350	403,695	345,743
7.2 Number of staff as at 31 December	4,331	4,119	3,100	2,919

7.3 The number of directors of the Bank, including those appointed, resigned and retired during the year in the respective remuneration bands is as follows:

	2000	1999
\$500,000 and above	2	2
\$250,000 to \$499,999	–	–
Below \$250,000	11	8
Total	13	10

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

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Specific provision for loan losses (Note 18.2)	87,435	248,091	71,543	212,233
Specific provision/(write-back) for diminution in value of securities and other assets (Note 16.6)	35,756	(8,681)	38,817	(6,715)
Bad debts written off	37,476	20,088	37,240	19,770
Write-back of general provision for possible loan losses, contingencies and other banking risks (Note 18.2)	(37,343)	(48,280)	(40,000)	(39,144)
Total	123,324	211,218	107,600	186,144

9. Tax

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Current tax (Note 13)	132,588	120,082	111,125	90,327
Deferred tax (Note 13)	11,707	(790)	11,704	–
	144,295	119,292	122,829	90,327
Share of associated companies' taxes	14,631	10,804	–	–
Total	158,926	130,096	122,829	90,327

The resulting tax rates of the Group and of the Bank for the year were lower than the Singapore corporate tax rate of 25.5% 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%.

10. Earnings Per Share

	The Group	
	2000	1999
Net profit attributable to members (\$'000)	545,040	450,069
Weighted average number of ordinary shares ('000)		
For basic earnings per share	992,748	982,383
Adjustment for assumed conversion of share options	4,504	5,249
For diluted earnings per share	997,252	987,632
Earnings per share (cents)		
Basic	54.90	45.81
Diluted	54.65	45.57

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

11.1 Share Capital

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

(a) During the year, the Bank issued 2,744,276 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 per share according to the terms of the options granted.

(b) At 31 December 2000, 26,175,010 (1999: 19,569,516) shares of the Bank 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) per share, with expiry dates ranging from 30 September 2001 to 31 August 2010.

11.2 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.

11.3 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.

11.4 Dividends

	The Group & The Bank	
	2000 \$'000	1999 \$'000
Interim dividend of 5 cents (1999: 5 cents) per share less income tax at 25.5% (1999: 26%) paid	36,987	33,556
Special interim dividend of 4 cents (1999: Nil) per share less income tax at 25.5% paid	29,590	–
Proposed final dividend of 7 cents (1999: 7 cents) per share less income tax at 24.5% (1999: 25.5%)	52,508	51,670
Proposed special final dividend of 4 cents (1999: 5 cents) per share less income tax at 24.5% (1999 : 25.5%)	30,005	36,907
Total	149,090	122,133

12. Total Deposits

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
12.1 Total Deposits analysed by remaining maturity:				
Within 1 year	39,515,937	32,714,921	36,612,164	30,096,079
Over 1 year but within 2 years	232,281	106,571	175,333	76,617
Over 2 years but within 3 years	50,760	38,321	44,596	38,273
Over 3 years but within 5 years	91	16,562	–	15,000
Total	39,799,069	32,876,375	36,832,093	30,225,969
Deposits of associated companies (included in total deposits)	108,157	116,714	99,457	111,114
12.2 Deposits of Non-Bank Customers analysed by product:				
Savings deposits	2,667,447	2,563,484	2,583,297	2,480,991
Current accounts	2,316,499	2,301,634	2,060,516	2,157,293
Fixed deposits	21,667,582	19,458,536	18,733,723	16,843,871
Other deposits	247,943	240,706	192,106	162,687
Total	26,899,471	24,564,360	23,569,642	21,644,842

13. Provision for Tax

	The Group					
	2000			1999		
	Current Tax	Deferred Tax	Total	Current Tax	Deferred Tax	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January	155,537	4,684	160,221	91,834	5,474	97,308
Exchange translation adjustments	(457)	–	(457)	204	–	204
Tax paid	(128,912)	(37)	(128,949)	(56,583)	–	(56,583)
Tax charge for the year (Note 9)	132,588	–	132,588	120,082	–	120,082
Transfer to income statement (Note 9)	–	11,707	11,707	–	(790)	(790)
At 31 December	158,756	16,354	175,110	155,537	4,684	160,221

	The Bank					
	2000			1999		
	Current Tax	Deferred Tax	Total	Current Tax	Deferred Tax	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January	121,954	4,996	126,950	75,137	4,996	80,133
Exchange translation adjustments	(476)	–	(476)	173	–	173
Tax paid	(107,759)	–	(107,759)	(43,683)	–	(43,683)
Tax charge for the year (Note 9)	111,125	–	111,125	90,327	–	90,327
Transfer to income statement (Note 9)	–	11,704	11,704	–	–	–
At 31 December	124,844	16,700	141,544	121,954	4,996	126,950

14. Other Liabilities

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Revaluation loss on off-balance sheet financial instruments (Note 24)	15,882	5,354	14,667	5,178
Interest payable	205,749	192,227	182,806	168,831
Trade creditors	435,784	612,193	–	–
Sundry creditors	330,322	209,939	309,859	179,746
Provision for staff retirement benefits				
At 1 January	11,235	7,327	11,073	7,165
Exchange translation adjustments	(86)	90	(86)	90
Provision utilised	(110)	(368)	(110)	(368)
Transfer to income statement (Note 7.1)	3,559	4,186	3,559	4,186
At 31 December	14,598	11,235	14,436	11,073
Provision for contingent assets				
At 1 January	3,465	280	1,569	–
Exchange translation adjustments	77	1	–	–
Provision utilised	(1,632)	(11)	–	–
Net provision for the year	56	3,195	52	1,569
At 31 December	1,966	3,465	1,621	1,569
Others	139,731	209,219	75,906	142,999
Total	1,144,032	1,243,632	599,295	509,396

15. Debt Securities

	The Group	
	2000 \$'000	1999 \$'000
\$50 million bonds due 2001	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 ("SAS32") 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 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 SAS32 been applied in preparing these financial statements, profit before tax would have been reduced by approximately \$1,403,000 (1999: \$1,336,000) for the Group. The net tangible assets of the Group would have been increased by approximately \$1,124,000 (1999: \$2,527,000) 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.

16. Total Securities

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
16.1 Total Securities*				
Cost	5,220,393	4,161,488	4,834,282	3,730,310
Less: Provision for diminution in value	67,662	51,689	55,452	49,167
Net book value	5,152,731	4,109,799	4,778,830	3,681,143
* Cover Notes 16.2 to 16.5				
16.2 Singapore Government Securities				
Cost	3,502,469	3,411,732	3,319,738	3,255,961
Less: Provision for diminution in value	15	182	–	–
Net book value	3,502,454	3,411,550	3,319,738	3,255,961
Market value	3,513,948	3,425,001	3,329,730	3,268,063
16.3 Other Government Securities				
Cost	204,381	199,116	99,390	63,643
Less: Provision for diminution in value	321	543	177	403
Net book value	204,060	198,573	99,213	63,240
Market value	205,239	200,980	99,374	63,389
16.4 Dealing Securities				
Quoted equity securities				
Cost	75,907	59,556	63,893	25,743
Less: Provision for diminution in value	32,684	2,665	29,378	2,242
Net book value	43,223	56,891	34,515	23,501
Market value	43,250	65,042	34,515	31,480
Quoted debt securities				
Cost	532,303	213,959	532,301	138,471
Less: Provision for diminution in value	4,837	12,951	4,835	12,912
Net book value	527,466	201,008	527,466	125,559
Market value	531,002	201,823	531,002	125,559
Unquoted debt securities				
Cost	6,541	48,863	6,541	48,863
Less: Provision for diminution in value	41	16,694	41	16,694
Net book value	6,500	32,169	6,500	32,169
Total net book value	577,189	290,068	568,481	181,229

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
16.5 Investment Securities				
Quoted equity securities				
Cost	32,086	25,233	9,991	8,320
Less: Provision for diminution in value	3,684	2,294	2,261	745
Net book value	28,402	22,939	7,730	7,575
Market value	80,239	80,310	10,630	12,147
Unquoted equity securities				
Cost	81,977	47,767	48,792	42,838
Less: Provision for diminution in value	4,759	2,149	2,045	2,000
Net book value	77,218	45,618	46,747	40,838
Quoted debt securities				
Cost	538,558	87,488	511,545	78,736
Less: Provision for diminution in value	5,582	40	3,737	–
Net book value	532,976	87,448	507,808	78,736
Market value	552,450	89,723	527,044	80,627
Unquoted debt securities				
Cost	246,171	67,774	242,091	67,735
Less: Provision for diminution in value	15,739	14,171	12,978	14,171
Net book value	230,432	53,603	229,113	53,564
Total net book value	869,028	209,608	791,398	180,713
16.6 Specific Provision for Diminution in Value of Securities and Other Assets				
At 1 January	68,581	80,132	70,104	78,223
Exchange translation adjustments	125	–	–	–
Provision utilised	(24,232)	(2,870)	(25,893)	(1,404)
Charge/(write-back) for the year (Note 8)	35,756	(8,681)	38,817	(6,715)
At 31 December	80,230	68,581	83,028	70,104

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
16.7 Total securities analysed by issuer:				
Government	3,706,850	3,610,848	3,419,128	3,319,604
Public sector	304,781	38,924	304,781	38,924
Banks	439,516	13,000	435,785	9,573
Corporations	769,246	498,716	674,588	362,209
Total (at cost)	5,220,393	4,161,488	4,834,282	3,730,310

16.8 Total securities analysed by country:

Singapore	4,107,102	3,655,161	3,873,976	3,455,281
United States	380,091	99,542	380,091	99,542
Malaysia	227,898	240,330	97,113	25,447
United Kingdom	125,813	–	125,813	–
Hong Kong	71,843	43,785	60,251	42,380
Belgium	63,430	88	63,430	88
Australia	54,152	43,064	44,089	31,488
Other countries	190,064	79,518	189,519	76,084
Total (at cost)	5,220,393	4,161,488	4,834,282	3,730,310

17. Placements with and Loans to Banks

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Analysed by remaining maturity:				
Within 1 year	9,355,757	6,987,343	9,281,532	6,938,303
Over 1 year but within 2 years	1,734	9,993	1,734	9,993
Over 2 years but within 3 years	16,035	1,665	16,035	1,665
Over 3 years but within 5 years	16,623	38,288	16,623	38,288
Over 5 years	3,744	5,368	3,744	5,368
Total	9,393,893	7,042,657	9,319,668	6,993,617

18. Total Non-Bank Loans and Bills

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
18.1 Gross loans and bills	29,740,744	26,287,961	25,597,045	22,840,615
Less: Provision	1,165,720	1,284,164	880,804	1,028,743
Net loans and bills	28,575,024	25,003,797	24,716,241	21,811,872
Net loans and bills to associated companies (included in total net loans and bills)	349,081	318,613	346,511	317,894

18.2 Provision for Possible Loan Losses and Interest-in-Suspense

	The Group					
	2000			1999		
	Specific Provision	Interest-in-Suspense	General Provision	Specific Provision	Interest-in-Suspense	General Provision
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January	551,656	344,022	578,896	402,260	212,819	626,846
Exchange translation adjustments	3,935	5,760	1,395	382	(1,833)	330
Provision utilised	(146,058)	(24,276)	–	(99,077)	(14,655)	–
Net provision for the year (Note 8)	87,435	(310)	(37,343)	248,091	147,691	(48,280)
At 31 December	496,968	325,196	542,948	551,656	344,022	578,896

	The Bank					
	2000			1999		
	Specific Provision	Interest-in-Suspense	General Provision	Specific Provision	Interest-in-Suspense	General Provision
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January	439,921	283,765	495,467	303,093	178,136	534,368
Exchange translation adjustments	269	4,150	159	183	(1,900)	243
Provision utilised	(141,007)	(20,656)	–	(75,588)	(9,847)	–
Net provision for the year (Note 8)	71,543	(13,415)	(40,000)	212,233	117,376	(39,144)
At 31 December	370,726	253,844	455,626	439,921	283,765	495,467

18.3 Analysed by remaining maturity:

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Within 1 year	11,743,217	10,753,093	10,705,445	10,040,888
Over 1 year but within 2 years	3,487,911	2,709,804	2,576,091	1,822,036
Over 2 years but within 3 years	1,990,281	2,813,830	1,528,269	2,558,119
Over 3 years but within 5 years	3,151,252	2,518,923	2,788,695	2,145,091
Over 5 years	9,368,083	7,492,311	7,998,545	6,274,481
Gross loans and bills	29,740,744	26,287,961	25,597,045	22,840,615

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
18.4 Analysed by industry:				
Manufacturing	2,505,692	2,063,506	1,905,181	1,584,842
Building & construction	5,749,336	5,854,259	4,821,404	4,967,931
Housing loans	4,337,065	3,308,080	3,934,608	2,934,898
General commerce	2,244,335	1,985,423	1,696,061	1,560,725
Transport, storage and communication	1,060,051	944,190	929,188	794,227
Financial institutions	6,004,752	5,237,025	5,611,361	4,973,333
Professional and private individuals	4,278,013	3,733,398	3,739,631	3,318,809
Others	3,561,500	3,162,080	2,959,611	2,705,850
Gross loans and bills	29,740,744	26,287,961	25,597,045	22,840,615

18.5 Analysed by country:

Singapore	22,026,468	18,798,760	20,468,811	17,389,731
Malaysia	2,909,041	2,290,396	325,569	252,800
Hong Kong	1,016,048	1,202,813	1,016,048	1,202,813
Australia	805,352	981,927	802,782	973,809
Other countries	2,983,835	3,014,065	2,983,835	3,021,462
Gross loans and bills	29,740,744	26,287,961	25,597,045	22,840,615

19. Other Assets

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Interest receivable (<i>net of interest-in-suspense</i>)	214,511	157,496	212,792	156,237
Revaluation gain on off-balance sheet financial instruments (Note 24)	27,421	18,439	24,342	9,316
Trade debtors	373,566	493,637	–	–
Sundry debtors	54,439	46,580	53,972	7,272
Others	106,497	27,007	99,778	13,333
Total	776,434	743,159	390,884	186,158

20. Associated Companies

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Quoted associated companies				
Cost and net book value	256,131	256,131	152,971	152,971
Market value	591,138	493,569	397,869	328,624
Unquoted associated companies				
Cost	78,725	103,222	71,574	76,461
Less: Provision for diminution in value	–	–	15,439	12,240
Net book value	78,725	103,222	56,135	64,221
Total net book value	334,856	359,353	209,106	217,192
Share of associated companies' reserves	277,992	226,908	–	–
Total	612,848	586,261	209,106	217,192

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

	Principal Activity	Country of Incorporation/ Business	Interest	
			2000 %	1999 %
Quoted associated companies				
Hotel Negara Limited	Hotel	Singapore	45.33	45.33
Overseas Union Enterprise Limited	Hotel	Singapore	44.62	44.62
Overseas Union Securities Limited	Investment holding	Singapore	46.00	46.00

20. Associated Companies (cont'd)

	Principal Activity	Country of Incorporation/ Business	Interest	
			2000 %	1999 %
Unquoted associated companies				
¹ Asian-American Merchant Bank Limited	Merchant banking	Singapore	37.00	37.00
OUB Manulife Pte Ltd	Life insurance	Singapore	50.00	50.00
Overseas Union Insurance, Limited	General insurance	Singapore	47.84	47.85
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	20.00	20.00
² first OUB Pte Ltd	Electronic banking	Singapore	50.00	–
Singapore Consortium Investment Management Ltd	Unit trust fund management	Singapore	20.00	20.00
OUB Optimix Funds Management Ltd	Unit trust fund management	Singapore	50.00	–
Vertex Asia Limited	Investment	Singapore	20.55	20.55
Weslia Pty Limited	Investment	Australia	50.00	50.00
Meritco Development Pte Ltd	Investment holding	Singapore	25.00	25.00
Overseas Union Facilities (Private) Limited	Investment holding	Singapore	49.00	49.00
Overseas Union Garden Sdn Berhad	Investment holding and rental of properties	Malaysia	20.13	20.20
Overseas Union Land Pte Ltd	Investment holding and rental of properties	Singapore	49.50	49.50
Okemore Pty Limited	Property development	Australia	40.00	40.00
85 Spring Street Properties Pty Limited	Property development	Australia	50.00	50.00

Notes:

¹ Company is under voluntary liquidation

² Company has not commenced business operations

21. Subsidiaries

	The Bank	
	2000 \$'000	1999 \$'000
Quoted subsidiaries		
Cost and net book value	54,413	54,413
Market value	91,190	96,404
Unquoted subsidiaries		
Cost	396,521	346,297
Less: Provision for diminution in value	5,696	2,641
Net book value	390,825	343,656
Total net book value	445,238	398,069
Amount due from subsidiaries	326,581	162,128
Total	771,819	560,197

Details of the subsidiaries are as follows:

	Principal Activity	Country of Incorporation / Business	Group Interest		Cost of Bank's Investment		
			2000 %	1999 %	2000 \$'000	1999 \$'000	
Quoted subsidiaries							
	Overseas Union Trust Limited	Finance company	Singapore	52.62	52.88	54,413	54,413
Unquoted subsidiaries							
¹	Overseas Union Bank (Malaysia) Berhad	Commercial banking	Malaysia	100.00	100.00	201,157	201,157
¹	OUB Australia Ltd	Merchant banking	Australia	100.00	100.00	14,670	14,670
⁴	OUB Factors Pte Ltd	Factoring	Singapore	76.78	76.91	2,550	2,550
¹	OUB Finance (H.K.) Limited	Finance company	Hong Kong	100.00	100.00	4,728	4,558
^{1,5}	OUB Credit Bhd	Leasing	Malaysia	100.00	100.00	–	–
¹	OUL Sdn Bhd	Leasing	Malaysia	100.00	100.00	907	907
	OUB Bullion & Futures Ltd	Bullion and futures dealing	Singapore	100.00	100.00	4,000	4,000
⁵	OUB Securities Pte Ltd	Stockbroking	Singapore	100.00	100.00	–	–
^{1,5}	OUB Securities (H.K.) Limited	Stockbroking	Hong Kong	100.00	100.00	–	–
	OUB Asset Management Ltd	Asset management	Singapore	100.00	100.00	10,913	10,913
^{1,5}	OUB-TA Asset Management Sdn Bhd	Asset management	Malaysia	51.00	51.00	–	–
	Overseas Union Management Services Pte Ltd	Management services	Singapore	100.00	100.00	10	10
¹	Overseas Union Management Services Sdn Bhd	Management services	Malaysia	100.00	100.00	10	10
	Overseas Union Bank Trustees Ltd	Trustee services	Singapore	50.52	50.58	30	30
^{1,5}	OUB Research Sdn Bhd	Research services	Malaysia	100.00	100.00	–	–
	Overseas Union Holdings Private Limited	Investment holding	Singapore	100.00	100.00	5,000	5,000
	Securities Investments Pte Ltd	Investment holding	Singapore	100.00	100.00	50,000	50,000
⁵	Overseas Union Garden (Private) Limited	Investment holding	Singapore	100.00	100.00	–	–
^{1,5}	Overseas Union Holdings (Aust) Pty Limited	Investment holding	Australia	100.00	100.00	–	–
	OUB.com Pte Ltd	Investment holding	Singapore	100.00	–	50,000	–
	OUB Investments Pte Ltd	Investment dealing	Singapore	100.00	100.00	21,521	21,521
¹	Overseas Union Facilities (H.K.) Limited	Investment dealing	Hong Kong	100.00	100.00	1,508	1,454
^{1,5}	OUB (Australia) Securities Pty Ltd	Investment advisory	Australia	100.00	100.00	–	–
^{1,5}	Overseas Union Holdings Sdn Bhd	Property investment	Malaysia	100.00	100.00	–	–
^{1,2}	Overseas Union Facilities Sdn Bhd	Property management	Malaysia	100.00	100.00	–	–
	OUB Towers Pte Ltd	Property management	Singapore	100.00	100.00	17,500	17,500
	Overseas Union Developments (Private) Limited	Property management	Singapore	100.00	100.00	12,000	12,000
⁵	Overseas Union Project Management Pte Ltd	Property management	Singapore	100.00	100.00	–	–
⁵	Overseas Union Realty Services Pte Ltd	Property management	Singapore	100.00	100.00	–	–
^{1,5}	Overseas Union Developments Sdn Bhd	Property management	Malaysia	100.00	100.00	–	–
	Overseas Union Bank Nominees (Private) Limited	Nominee services	Singapore	100.00	100.00	10	10
^{2,4}	IBS Nominees (Private) Ltd	Nominee services	Singapore	100.00	100.00	–	–
⁵	Mandarin Nominees Pte Ltd	Nominee services	Singapore	100.00	100.00	–	–
⁵	Overseas Union Trust (Nominees) Pte Ltd	Nominee services	Singapore	52.62	52.88	–	–
^{1,5}	OUB Nominees (Tempatan) Sdn Bhd	Nominee services	Malaysia	100.00	100.00	–	–
^{1,5}	OUB Nominees (Asing) Sdn Bhd	Nominee services	Malaysia	100.00	100.00	–	–
¹	Overseas Union Bank Nominees (H.K.) Limited	Nominee services	Hong Kong	100.00	100.00	4	4
³	Overseas Union Bank Nominees (U.K.) Limited	Nominee services	United Kingdom	100.00	100.00	3	3
^{1,5}	OUB Australia Nominees Pty Ltd	Nominee services	Australia	100.00	100.00	–	–

Notes:

¹ Audited by other members of PricewaterhouseCoopers

² Cost of investment is below \$500

³ Corporation is dormant and its financial statements are not subject to statutory audit in U.K.

⁴ Company is under voluntary liquidation

⁵ Subsidiaries held indirectly by the Bank

22. Fixed Assets

	The Group					
	2000			1999		
	Properties	Others	Total	Properties	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation						
At 1 January	299,916	283,251	583,167	286,358	259,930	546,288
Exchange translation adjustments	(5,479)	919	(4,560)	(10)	254	244
Reclassification	(131)	131	–	(176)	176	–
Additions	17,373	72,114	89,487	14,014	40,766	54,780
Disposals	(3,174)	(21,913)	(25,087)	(270)	(17,875)	(18,145)
At 31 December	308,505	334,502	643,007	299,916	283,251	583,167
Accumulated depreciation						
At 1 January	26,123	182,198	208,321	21,491	161,864	183,355
Exchange translation adjustments	107	626	733	–	185	185
Charge to income statement (Note 7.1)	4,379	38,549	42,928	4,632	34,453	39,085
Disposals	(3,174)	(20,505)	(23,679)	–	(14,304)	(14,304)
At 31 December	27,435	200,868	228,303	26,123	182,198	208,321
Provision for diminution in value of properties	4,820	–	4,820	4,485	–	4,485
Net book value	276,250	133,634	409,884	269,308	101,053	370,361

Included in the properties of \$276.3 million were leasehold properties of \$151.7 million (1999: \$150.7 million).

Market value of the properties as at 31 December 2000 was estimated to be \$581.4 million (1999: \$570.8 million) by the Directors of the 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 statements.

	The Bank					
	2000			1999		
	Properties	Others	Total	Properties	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation						
At 1 January	183,587	232,453	416,040	183,631	209,981	393,612
Exchange translation adjustments	(6,280)	(120)	(6,400)	(38)	198	160
Additions	78	63,643	63,721	3	38,459	38,462
Disposals	(3,174)	(18,942)	(22,116)	(9)	(16,185)	(16,194)
At 31 December	174,211	277,034	451,245	183,587	232,453	416,040
Accumulated depreciation						
At 1 January	21,339	150,876	172,215	18,035	135,811	153,846
Exchange translation adjustments	44	(67)	(23)	(4)	144	140
Charge to income statement (Note 7.1)	2,848	32,380	35,228	3,308	27,796	31,104
Disposals	(3,174)	(17,763)	(20,937)	–	(12,875)	(12,875)
At 31 December	21,057	165,426	186,483	21,339	150,876	172,215
Provision for diminution in value of properties	4,820	–	4,820	4,485	–	4,485
Net book value	148,334	111,608	259,942	157,763	81,577	239,340

Included in the properties of \$148.3 million were leasehold properties of \$73.5 million (1999: \$75.3 million).

Market value of the properties as at 31 December 2000 was estimated to be \$375.6 million (1999: \$383.9 million) by the Directors of the Bank. 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 statements.

23. Contingent Liabilities

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Direct credit substitutes	1,673,256	1,444,618	1,291,164	1,123,107
Transaction-related contingencies	457,513	568,054	331,979	441,567
Trade-related contingencies	310,172	231,193	284,508	204,292
Other contingent liabilities	60,357	99,722	10,060	11,363
Total	2,501,298	2,343,587	1,917,711	1,780,329
Corresponding obligations from:				
Subsidiaries	–	–	37	511
Others	2,501,298	2,343,587	1,917,674	1,779,818
Total	2,501,298	2,343,587	1,917,711	1,780,329

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

24. Financial Instruments

Financial instruments outstanding as at 31 December were as follows:

	The Group					
	2000			1999		
	Principal Amount	Positive Fair Value	Negative Fair Value	Principal Amount	Positive Fair Value	Negative Fair Value
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Foreign exchange						
Spot and forward	766,339	6,980	6,099	542,487	9,685	2,802
Swaps	10,851,713	2,757	2,644	10,192,466	506	51
Futures	25,841	11	206	35,910	34	38
Options purchased	16,433	–	–	40,239	–	306
Options written	16,433	–	109	64,680	56	–
	11,676,759	9,748	9,058	10,875,782	10,281	3,197
Interest rate						
Forward rate agreements	–	–	–	20,000	2	–
Swaps	3,383,132	15,647	6,435	2,264,561	4,945	1,673
Futures	242,592	42	–	153,447	–	82
	3,625,724	15,689	6,435	2,438,008	4,947	1,755
Equity						
Futures	6,815	18	5	7,261	–	123
Options purchased	164	–	10	1,980	–	–
Options written	476	–	44	561	61	–
	7,455	18	59	9,802	61	123
Others	114,158	1,966	330	45,769	3,150	279
Total	15,424,096	27,421	15,882	13,369,361	18,439	5,354
		(Note 19)	(Note 14)		(Note 19)	(Note 14)
Financial instruments contracted with:						
Associated companies	117,400	1,003	–	107,900	465	72
Others	15,306,696	26,418	15,882	13,261,461	17,974	5,282
Total	15,424,096	27,421	15,882	13,369,361	18,439	5,354

24. Financial Instruments (cont'd)

	The Bank					
	2000			1999		
	Principal Amount	Positive Fair Value	Negative Fair Value	Principal Amount	Positive Fair Value	Negative Fair Value
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Foreign exchange						
Spot and forward	727,836	5,698	5,359	463,224	3,715	2,767
Swaps	10,876,802	2,757	2,644	10,234,095	506	51
Options purchased	16,433	–	–	40,239	–	306
Options written	16,433	–	109	64,680	56	–
	11,637,504	8,455	8,112	10,802,238	4,277	3,124
Interest rate						
Forward rate agreements	–	–	–	20,000	2	–
Swaps	3,410,532	15,827	6,435	2,291,961	4,976	1,849
Futures	242,592	42	–	153,447	–	82
	3,653,124	15,869	6,435	2,465,408	4,978	1,931
Equity						
Futures	6,815	18	5	7,261	–	123
Options purchased	140	–	–	1,980	–	–
Options written	476	–	44	561	61	–
	7,431	18	49	9,802	61	123
Others	52,005	–	71	–	–	–
Total	15,350,064	24,342	14,667	13,277,448	9,316	5,178
		(Note 19)	(Note 14)		(Note 19)	(Note 14)
Financial instruments contracted with:						
Subsidiaries	112,479	238	61	95,510	68	238
Associated companies	117,400	1,003	–	107,900	465	72
Others	15,120,185	23,101	14,606	13,074,038	8,783	4,868
Total	15,350,064	24,342	14,667	13,277,448	9,316	5,178

25. Commitments

The Group and the Bank had the following commitments as at 31 December:

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Lease commitments	28,353	19,449	23,194	17,629
Capital commitments	49,880	38,386	44,368	17,784
Forward asset purchases/sales and forward deposits placed	1,743,083	86,709	1,743,083	86,709
Undrawn credit facilities	14,698,374	13,034,589	13,432,426	12,150,297
Undrawn note issuance facilities and revolving underwriting facilities	5,195	12,933	5,195	5,000
Total	16,524,885	13,192,066	15,248,266	12,277,419

26. Exposures to Regional Countries

As at 31 December 2000, the 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), of which 90.6% (1999: 83.6%) was to Malaysia.

27. Non-Performing Loans (NPL) and Cumulative Provision

27.1 Non-performing Loans

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

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 Group was \$2.83 billion as at 31 December 2000 (1999: \$2.99 billion), of which, \$664 million (1999: \$806 million) was from the region. The global non-performing loans constituted 6.1% of Group's global assets with 74.6% in the substandard category and 68.0% secured.

27.2 Cumulative Provision

	The Group			
	Regional		Global	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Specific	250,164	316,406	651,517	753,553
General	225,700	289,700	542,948	578,896
Total	475,864	606,106	1,194,465	1,332,449
Total provision as % of				
NPL	71.7	75.2	42.2	44.6
Unsecured NPL	135.1	136.8	132.0	123.3
Gross exposure	11.0	15.8	2.4	3.0

As at 31 December 2000, the 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) which covered 42.2% (1999: 44.6%) of the global non-performing loans and 132.0% (1999: 123.3%) of the global unsecured non-performing loans. Loan provision for the region was \$476 million (1999: \$606 million) which formed 71.7% (1999: 75.2%) of regional non-performing loans and 135.1% (1999: 136.8%) of regional unsecured non-performing loans.

The Group									
1999									
	Consumer & Commercial Banking	Corporate Banking	Treasury	Investment & Fund Manage- ment	Others	Total Singapore	Malaysia Opera- tions	Inter- national Banking	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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
	449,256	170,453	140,607	131,790	111,486	1,003,592	108,650	160,485	1,272,727
Elimination									(63,273)
Total									1,209,454
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
	262,404	90,651	108,776	74,868	121,844	658,543	44,612	22,538	725,693
Unallocated expenses									(119,533)
Total									606,160
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
	9,271,919	9,043,455	10,781,973	459,079	674,856	30,231,282	2,229,925	6,727,727	39,188,934
Unallocated assets									183,091
Total									39,372,025
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									34,651,090
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

28.1 Analysed by business segment (cont'd)

The business segment analysis is based on the 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 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, assets and 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 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.

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.

Treasury

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

Others

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

Malaysia Operations

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

International Banking

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

28.2 Analysed by geographical segment:

	The Group				Total
	Singapore	Other ASEAN	Other Asia Pacific	Rest of the World	
	\$'000	\$'000	\$'000	\$'000	
Operating income					
2000	964,733	133,941	135,122	42,568	1,276,364
1999	900,768	136,709	136,053	35,924	1,209,454
Net profit before tax					
2000	550,924	61,582	75,699	31,825	720,030
1999	495,980	14,470	69,007	26,703	606,160
Total assets					
2000	38,562,667	2,873,843	3,177,650	1,989,261	46,603,421
1999	30,581,747	2,699,997	4,110,869	1,979,412	39,372,025
Capital expenditure					
2000	73,145	12,484	3,222	636	89,487
1999	42,505	11,158	1,010	107	54,780

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).

29. Assets Pledged

	The Group		The Bank	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Securities pledged under repurchase agreements	30,342	–	30,342	–
Certificates of deposit pledged with other banks as required by overseas regulatory	19,069	26,648	19,069	26,648
Securities pledged with other banks for credit facilities granted (facilities utilised at 31 December: Nil)	38,142	38,142	–	–

30. Current Assets and Current Liabilities

In compliance with the Ninth Schedule of the Companies Act, the current assets and current liabilities of the Bank and Group are as follows:

	The Group		The Bank	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Current Assets				
Balance with central banks	800,866	729,996	701,244	638,128
Cash, bullion and balances with banks & agents	248,371	281,571	174,595	199,877
Certificates of deposit held	633,370	504,424	633,370	504,424
Singapore government securities	3,433,781	3,340,920	3,319,738	3,255,961
Other government securities	174,048	179,815	99,213	63,240
Dealing securities	577,189	290,068	568,481	181,229
Placements with and loans to banks	9,355,757	6,987,343	9,281,532	6,938,303
Bills receivable	474,090	213,909	249,885	169,195
Loans to non-bank customers	10,103,407	9,255,020	9,574,756	8,842,950
Investment securities	46,835	2,504	45,430	697
Other assets	776,434	743,159	390,884	186,158
Amount due from subsidiaries	-	-	265,374	123,378
Total current assets	26,624,148	22,528,729	25,304,502	21,103,540
Current Liabilities				
Certificates of deposit issued	381,597	136,757	298,573	114,843
Deposits and balances of banks	12,518,001	8,175,258	12,377,654	7,980,045
Deposits of non-bank customers	26,616,339	24,402,906	23,349,713	21,514,952
Deposits of subsidiaries	-	-	586,224	486,239
Bills payable	52,281	106,148	32,150	89,958
Provision for tax	158,756	155,537	124,844	121,954
Other liabilities	1,144,032	1,243,632	599,295	509,396
Proposed dividend	82,513	88,577	82,513	88,577
Debt securities	50,000	-	-	-
Total current liabilities	41,003,519	34,308,815	37,450,966	30,905,964
Net Current Liabilities	14,379,371	11,780,086	12,146,464	9,802,424

31. Comparative Figures

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

shareholdings

statistics as at 15 March 2001

Authorised Share Capital	–	\$2,000,000,000
Issued and Fully Paid-up Capital	–	\$993,576,420
Class of Shares	–	Ordinary Shares of \$1.00 each fully paid

Breakdown Of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 – 1,000	8,429	38.20	6,682,329	0.67
1,001 – 10,000	11,502	52.12	39,881,943	4.02
10,001 – 1,000,000	2,096	9.50	101,088,711	10.17
1,000,001 and above	40	0.18	845,923,437	85.14
Total	22,067	100.00	993,576,420	100.00

Twenty Largest Shareholders

	No. of Shares	% of Issued Share Capital
1. DBS Nominees Pte Ltd	135,325,519	13.62
2. Wah Hin & Company (Pte) Ltd	126,195,715	12.70
3. Overseas Union Enterprise Ltd	92,957,171	9.36
4. Raffles Nominees Pte Ltd	92,760,670	9.34
5. Citibank Nominees Singapore Pte Ltd	77,764,266	7.83
6. Oversea-Chinese Bank Nominees Pte Ltd	51,022,424	5.13
7. United Overseas Bank Nominees Pte Ltd	38,500,622	3.87
8. Overseas Union Bank Nominees Pte Ltd	38,144,284	3.84
9. HSBC (Singapore) Nominees Pte Ltd	34,965,950	3.52
10. DB Nominees (S) Pte Ltd	20,546,384	2.07
11. Tee Teh Sdn Bhd	16,590,298	1.67
12. Overseas Union Insurance, Ltd	13,459,214	1.35
13. Keppel Bank Nominees Pte Ltd	10,946,855	1.10
14. NTUC Income Insurance Co-operative Ltd	10,614,787	1.07
15. See Hoy Chan (S) Pte Ltd	9,184,791	0.92
16. Temasek Holdings (Pte) Ltd	9,183,715	0.92
17. Lo Kwang Pheng Deceased Estate of	8,327,279	0.84
18. Kota Trading Company Sdn Bhd	7,357,333	0.74
19. Tropical Produce Company Pte Ltd	6,726,503	0.68
20. Gan Teck Yeow Sdn Bhd	4,449,095	0.45
Total	805,022,875	81.02

Substantial Shareholders

as shown in the Company's Register of Substantial Shareholders

	Beneficial Interests		Deemed Interests	
	No. of Shares	% of Issued Share Capital	No. of Shares	% of Issued Share Capital
Dr Lien Ying Chow	711,480	0.07	156,195,715	15.72*
Lien Ying Chow (Pte) Ltd	–	–	156,195,715	15.72*
Wah Hin & Company (Pte) Ltd	156,195,715	15.72	–	–
Overseas Union Enterprise Ltd	92,957,171	9.36	–	–

* Comprises a deemed interest of 156,195,715 shares beneficially held by Wah Hin & Company (Pte) Ltd

Voting Rights Of Ordinary Shareholders

Every Member of the Company present in person or by proxy or represented by attorney shall have one vote on a show of hands and in case of a poll shall have one vote for every share of which he is the holder.

Singapore Service Centres

Raffles Place

Service:

Magdalene Lau Lee Hwa
VP & Area Service Manager,
Head Office Region

Shireen Wee Hui Ying
AVP & Manager

Admiralty

Sales:

June Lim Hui Ching
VP & Manager, Sales

Service:

Aw Ann Beng
AVP & Manager

Aljunied

Sales:

Lim Cheng Boon
VP & Manager, Sales

Service:

Irene Yeo Sok Choo
AVP & Manager

Ang Mo Kio

Sales:

Ho Lik Khui
VP & Manager, Sales

Service:

Chan Yoke Sim
AVP & Manager

Beach

Service:

Jackson Low Teo Chuah
AVP & Manager

Bedok

Sales:

Wong Bay Kwong
VP & Manager, Personal Banking

Service:

Michelle Koh Jiak Hoon
AVP & Manager

Bukit Merah

Sales:

Neo Siew Hong
AVP & Manager, Personal Banking

Service:

Alvin Ng Chin Suan
AVP & Manager

Bukit Timah

Sales:

Lawrence Lim Hin Teck
AVP & Manager, Personal Banking

Service:

Frances Puah Siok Lian
Manager

Clementi

Sales:

Francis Wong Poh Chong
VP & Manager, Sales

Service:

Yip Ho Moon
AVP & Manager

Geylang

Sales:

Wong Bay Kwong
VP & Manager, Personal Banking

Service:

Maureen Tan Pui Hong
AVP & Manager

Grange

Sales:

Tan Kia Meng
VP & Area Head, Sales, South Region

Lynn Chang
VP & Manager, Sales

Service:

Christine Tham Yock Ying
VP & Area Service Manager,
South Region

William Kee Chun Tang
AVP & Manager

Great World City

Sales:

Yap Phin Leong
VP & Manager, Sales

Service:

Ang Ah Bah
AVP & Manager

Hougang

Sales:

Koh Han Kek
VP & Manager, Sales

Service:

Lee Kim Yong
AVP & Manager

Jurong East

Sales:

Lawrence Lim Hin Teck
AVP & Manager, Personal Banking

Service:

Thomas Jen Kim Cheok
AVP & Manager

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Sales:

Tan Kay Song

VP & Area Head, Sales, West Region

Roland Yeo Pek Heng

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*VP & Area Service Manager,
West Region*

Sabrina Woo Wai Yee

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Service:

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AVP & Manager

Kallang

Sales:

Steven Ong Siong Chuan

VP & Manager, Sales

Service:

Peggy Khoo Chian Hiang

AVP & Manager

Katong

Service:

Ong Ah Tin

Manager

King George's

Sales:

Ko Seow Pin

VP & Manager, Sales

Service:

Tan Peng Peng

AVP & Manager

Lau Pa Sat

Service:

Ivan Kang Wee Khiang

Manager

MacPherson

Sales:

Ng Beng Kiong

VP & Manager, Sales

Service:

Por Haw Yik

VP & Manager

Marina

Sales:

Ho Cheng Seong

VP & Manager, Sales

Service:

Francis Wee Chin Hock

AVP & Manager

New Bridge

Service:

Tay Gek Lan

AVP & Manager

North Bridge

Sales:

Philip Tham Fook Foo

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Service:

Mary Lee

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Service:

Peter Lim Chee Huat

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Robinson

Sales:

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Service:

Cecilia Lim Meow Thoi

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Selegie

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James Chia Eng Kiat

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Sales:

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Sales:

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Sneah Thean Keng
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notice of meeting

NOTICE IS HEREBY GIVEN that the Fifty-Second Annual General Meeting of Overseas Union Bank Limited will be held at Mandarin Ballroom 3, 6th Floor, South Tower, Mandarin Singapore, 333 Orchard Road, Singapore 238867 on **Monday, 30 April 2001 at 11.00 a.m.** to transact the following business:

1. To receive and, if approved, to adopt the Report of the Directors and Financial Statements for the year ended 31 December 2000.
2. To declare a Final Dividend and a Special Final Dividend in respect of the year 2000.
3. To approve Directors' Fees for 2000.
4. To pass the following resolutions separately under Section 153(6) of the Companies Act, Cap. 50:
"That pursuant to Section 153(6) of the Companies Act, Cap. 50, _____ be and is hereby re-appointed a Director of the Company to hold such office until the next Annual General Meeting of the Company."

in respect of:

- (a) Mr Lee Hee Seng
- (b) Dr Andrew Chew Guan Khuan

5. To re-elect Directors:
 - (a) Mr Tan Kok Quan - retiring by rotation
 - (b) Professor Lim Pin - retiring by rotation
 - (c) Mr Ng Boon Yew - retiring under Article 93
6. To re-appoint Auditors and to authorise Directors to fix their remuneration.

7. **As Special Business**

To consider and, if thought fit, to pass the following Ordinary Resolutions:

- (a) "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20 per cent of the issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

(b) "That approval be and is hereby given to the Directors to offer and grant options in accordance with the Regulations of the OUB Share Option Scheme (1995) ("the 1995 Scheme") and to allot and issue such shares as may be required to be issued pursuant to the exercise of options under the 1995 Scheme, provided always that the aggregate number of shares to be issued pursuant to the 1995 Scheme shall not exceed 5 per cent of the issued share capital of the Company from time to time."

8. To transact any other business of an Annual General Meeting.

By Order of the Board

JEANNIE TNG
Group Corporate Secretary

Singapore, 5 April 2001

Note:

A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote in his stead and the proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Company's Registered Office, 1 Raffles Place, OUB Centre, Singapore 048616, at least 48 hours before the time fixed for the Meeting.

proxy form

Overseas Union Bank Limited
(Incorporated in the Republic of Singapore)

I/We _____

of _____

being a member/members of the abovenamed Company hereby appoint

of _____

or failing him/her _____

of _____
as my/our proxy, to attend and to vote for me/us and on my/our behalf, at the Annual General Meeting of the Company to be held on **Monday, 30 April 2001** and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 4) for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

No.	Resolutions	For	Against
1.	Adoption of the Report of the Directors and Financial Statements		
2.	Declaration of a Final Dividend and a Special Final Dividend		
3.	Approval of Directors' Fees for 2000		
4.	Re-appointment of Directors:		
	(a) Mr Lee Hee Seng		
	(b) Dr Andrew Chew Guan Khuan		
5.	Re-election of Directors:		
	(a) Mr Tan Kok Quan – retiring by rotation		
	(b) Professor Lim Pin – retiring by rotation		
	(c) Mr Ng Boon Yew – retiring under Article 93		
6.	Re-appointment of Auditors		
7.	(a) Approval for the Directors to issue shares (General)		
	(b) Approval for the Directors to grant options and to issue shares (OUB Share Option Scheme 1995)		

AS WITNESS my/our hand(s)/seal this _____ day of _____ Two thousand and one (2001).

Total Number of Shares Held:

* Signature(s) of Shareholder(s) or Common Seal

* Notes:

1. A member of the Company entitled to attend and vote at meetings is entitled to appoint not more than two proxies to attend and vote in his stead. Where a member appoints two proxies, he shall specify the proportion of his shareholding or the number of shares to be represented by each proxy, failing which the first-named proxy may be treated as representing 100% of the shareholding and the second-named proxy as an alternate to the first-named.
2. This Proxy Form shall be in writing under the hand of the appointor or his Attorney and if the appointor is a corporation, under its common seal or the hand of its Attorney.
3. To be effective, this proxy must be received at the Company's Registered Office, 1 Raffles Place, OUB Centre, Singapore 048616, not later than 48 hours before the time fixed for the Meeting, or, if the Meeting is adjourned, not later than 48 hours before the time fixed for the adjourned Meeting; otherwise the Proxy Form may be treated as invalid. A proxy or Attorney need not be a member of the Company.
4. Please indicate with an "x" in the appropriate box against each Resolution how you wish your proxy to vote. If this Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. In the case of joint holders, the signature of the first-named holder is sufficient.