

## Report of the Directors

for the financial year ended 31 December 2002

The Directors of the Bank, the holding company, herewith submit their report to the members together with the audited consolidated financial statements of the Group and of the Bank for the financial year ended 31 December 2002, which has been prepared in accordance with the provisions of the Companies Act, Cap. 50.

### DIRECTORS

The Directors of the Bank in office at the date of this report are as follows:

Lee Seng Wee	Chairman
Michael Wong Pakshong	Vice Chairman
Cheong Choong Kong	Vice Chairman
David Philbrick Conner	Chief Executive Officer (appointed on 15 April 2002)
Fong Weng Phak	
Nasruddin Bin Bahari	
Tsao Yuan, also known as Lee Tsao Yuan	(appointed on 3 April 2002)
David Wong Cheong Fook	
Wong Nang Jang	
Patrick Yeoh Khwai Hoh	

Tan Sri Dato Nasruddin Bin Bahari, Mr Wong Nang Jang and Mr Patrick Yeoh Khwai Hoh, retire by rotation under Articles 107 and 108 of the Articles of Association of the Bank and, being eligible, offer themselves for re-election.

Mr Lee Seng Wee and Mr Michael Wong Pakshong retire pursuant to section 153 of the Companies Act, Cap. 50. Resolutions will be proposed for their reappointment under section 153(6) of the said Act to hold office until the next annual general meeting of the Bank.

### PRINCIPAL ACTIVITIES

The principal activities of the Bank and of the Group consist of the business of banking and finance, investment banking, corporate finance, stockbroking, futures broking, asset management, venture capital, nominee and trustee services, e-financial services, bancassurance, property management, real estate investment and development and other investment activities and related financial services. There have been no significant changes in the nature of these activities during the financial year.

### GROUP RESTRUCTURING

- (a) During the financial year, the following subsidiaries were restructured and integrated under the Scheme of Arrangement and Amalgamation ("Scheme") pursuant to sections 210 and 212 of the Companies Act, Cap. 50:
- (i) KTF Limited (formerly Keppel TatLee Finance Limited)
- On 2 January 2002, the Bank's wholly-owned finance subsidiaries, Keppel TatLee Finance Limited ("KTF") and OCBC Finance Limited ("OFL"), integrated their operations pursuant to the Scheme which was sanctioned by the High Court. Under the Scheme, the following events took place:
- All of the assets, rights, property (real and personal), business, debts, liabilities and obligations of KTF (except for certain excluded assets as outlined in the Scheme) were transferred to OFL for a consideration of S\$316,161,407 based on KTF's unaudited net tangible asset value as at 30 September 2001. S\$37,400,000 of the total consideration was satisfied by the allotment and issue of 10,701,001 new OFL shares, credited as fully-paid, to the Bank at an issue price of approximately S\$3.495 per share. The balance of the total consideration, S\$278,761,407 was paid in cash by OFL to KTF.
  - As part of the Scheme, the capital of KTF was reduced from S\$83,897,165 to S\$52,277,165 by the cancellation of 126,480,000 ordinary shares of S\$0.25 each at a premium of S\$5,780,000, held by the Bank.
  - KTF ceased operations as a licensed finance company on 2 January 2002 and will remain inactive except for the holding of some properties and investments. Following the merger, KTF changed its name to KTF Limited on 3 January 2002.

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### GROUP RESTRUCTURING (continued)

- (ii) KBF Pte Ltd (formerly Keppel Bullion & Futures Pte Ltd)
- On 2 January 2002, the Bank's wholly-owned futures subsidiaries, Keppel Bullion & Futures Pte Ltd ("KBFPL") and OCBC Bullion & Futures Limited ("OBFL"), integrated their operations under the Scheme which was sanctioned by the High Court. Under the Scheme, the following events took place:
- All business undertakings, assets and liabilities (except for certain excluded assets and liabilities) were transferred to OBFL at their respective book values as at 2 January 2002. The consideration pursuant to the Scheme was satisfied wholly by a cash payment of S\$527,654 to Keppel Capital Holdings Ltd ("KCH"), its holding company.
  - As part of the Scheme, the capital of KBFPL was reduced from S\$8,500,000 to S\$1,000,000, by the cancellation of 7,500,000 ordinary shares of S\$1 each held by KCH.
  - KBFPL ceased operations as a licensed future broker on 2 January 2002 and will remain inactive. Following the merger, KBFPL changed its name to KBF Pte Ltd on 2 January 2002.
- (iii) KS Pte Ltd (formerly Keppel Securities Pte Ltd)
- On 28 January 2002, the Bank's wholly-owned stockbroking subsidiaries, Keppel Securities Pte Ltd ("KSPL") and OCBC Securities Private Limited ("OSPL"), integrated their operations under the Scheme which was sanctioned by the High Court. Under the Scheme, the following events took place:
- All business undertakings, assets and liabilities (except for certain excluded assets and liabilities) were transferred to OSPL at their respective book values as at 28 January 2002. The consideration pursuant to the Scheme was satisfied wholly by a cash payment of S\$39,736,951 to KSPL.
  - As part of the Scheme, the capital of KSPL was reduced from S\$72,000,000 to S\$3,000,000, by the cancellation of 69,000 ordinary shares of S\$1,000 each held by KCH.
  - KSPL ceased its stockbroking operations on 28 January 2002 and will remain inactive except for the holding of investment in a subsidiary company, Keppel Securities Nominees Pte Ltd. Following the merger, KSPL changed its name to KS Pte Ltd on 15 February 2002.
- (b) On 25 February 2002, the Bank's wholly-owned banking subsidiary, Keppel TatLee Bank Limited ("KTBL") merged with the Bank under a merger agreement pursuant to sections 14A to 14C and the Fifth Schedule of the Banking Act, Cap. 19.
- Under the merger, all business undertakings, assets (including investments in subsidiary companies), liabilities and contingent liabilities of KTBL were transferred to the Bank as of that date. Total assets, liabilities and off-balance sheet items of KTBL as at 24 February 2002 amounting to S\$17,479,555,431, S\$15,105,402,888 and S\$18,322,999,615 respectively were transferred to the Bank as of that date. The excess of the Bank's cost of investment over the net tangible assets of KTBL as at 24 February 2002 of S\$1,855,392,090 was recorded as goodwill on merger in the Bank.
- KTBL ceased operations as a licensed commercial bank and changed its name to KTB Limited on 25 February 2002.

### ACQUISITION OR DISPOSAL OF SUBSIDIARIES

#### (a) Acquisition of additional interests in subsidiaries

- (i) OCBC Square Private Limited, a subsidiary of the Bank, issued 20,000,000 Series 2 Redeemable Preference Shares of S\$0.01 each (the "Series 2 RPS") at a premium of S\$0.99 per Series 2 RPS on 15 January 2002 to the Bank. The issue is for the redemption of 20,000,000 Series 2 RPS on 29 January 2002 held by Associated Investments & Securities Private Limited, a wholly-owned subsidiary of the Bank, at the nominal amount of S\$0.01 and a premium of S\$0.99 per Series 2 RPS.
- (ii) Banking Computer Services Private Limited, a wholly-owned subsidiary of the Bank, increased its total paid-up capital from S\$300,000 to S\$340,000, by issuing 4,000,000 Redeemable Preference Shares of S\$0.01 each for cash at a premium of S\$0.99 to the Bank on 5 February 2002. The purpose of the issue is to provide additional working capital.
- (iii) Federal Securities Private Limited, a wholly-owned subsidiary of the Bank, increased its paid-up capital from S\$3,000,000 to S\$9,000,000, by issuing 6,000,000 ordinary shares of S\$1 each at par for cash to the Bank on 7 February 2002. The purpose of the issue is to provide additional working capital.

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### ACQUISITION OR DISPOSAL OF SUBSIDIARIES (continued)

#### (a) Acquisition of additional interests in subsidiaries (continued)

- (iv) On 4 March 2002 and 15 March 2002, the Bank acquired a total of 100,000 ordinary shares of HK\$1 each in Eastern Holdings Limited ("EHL"), from its wholly-owned subsidiary, Select Securities Limited for a cash consideration of HK\$100,000. The acquisition was part of the re-organisation of the investment holding companies in the Group. Consequently, the Bank holds 100% stake in EHL.
- (v) Associated Investments & Securities Private Limited (in voluntary liquidation) ("AIS"), a wholly-owned subsidiary of the Bank, made the following distribution in specie to the Bank in connection with its liquidation process on 15 March 2002 and 20 September 2002:
- S\$84,990,000 or 37,500,000 ordinary shares of RM1 each in the capital of OCBC Bank (Malaysia) Berhad ("OBMB"), a subsidiary of the Bank. Consequently, the Bank holds 100% stake in OBMB.
  - S\$722,057 or 8,515,520 ordinary shares of S\$0.50 each in the capital of Great Eastern Holdings Limited ("GEH"), an associated company of the Bank. Consequently, the Bank holds 46.79% stake in GEH.
  - S\$84,000 or 84,000 ordinary shares of S\$1 each in the capital of Specialists' Services (Private) Limited ("SSPL"), an associated company of the Bank. Consequently, the Bank holds 40% stake in SSPL.
  - S\$1,848,009 or 23,154,525 ordinary shares of RM1 each in the capital of PacificMas Berhad ("PMAS"), an associated company of the Bank. Consequently, the Bank holds 25% stake in PMAS.
- (vi) OCBC Trustee Limited, a subsidiary of the Bank, increased its paid-up capital from S\$984,000 to S\$1,009,056 by a call from S\$1.79 to S\$1.84 of its existing issued capital of Class A ordinary "A" shares of 584,000 shares of S\$10 each for cash on 28 June 2002. The purpose of the increase is to comply with the Securities & Futures Act 2002 whereby trust companies must have a paid-up capital of at least S\$1,000,000.
- (vii) On 30 August 2002, Asia Commercial Enterprise Pte Ltd (in voluntary liquidation) ("ACE"), a wholly-owned subsidiary of the Bank, distributed in specie 2,000,000 ordinary shares of S\$1 each or S\$2,000,000 in the capital of Asia Commercial Investment (Private) Limited ("ACI") to the Bank. The distribution is part of ACE's ongoing voluntary liquidation process. Consequently, the Bank holds 66.67% stake in ACI.
- (viii) On 30 August 2002, the Bank announced that it has signed a sale and purchase agreement ("S&P") with PT Bank Buana Indonesia ("PBBI") to acquire the latter's 15% stake in PT Bank Keppel TatLee Buana ("PTKTB"). On 5 September 2002, the Bank executed the S&P with PBBI and made a first payment of S\$4,046,052 to acquire 14% stake in PTKTB. Consequently, the Bank holds 99% stake in PTKTB.
- (ix) On 20 November 2002, the Bank announced that it has signed a sale and purchase agreement with PT Bank NISP to acquire its 13.7% stake in PT Bank OCBC-NISP ("PTON"). A consideration of S\$6,101,913 was paid for the additional interest acquired. Consequently, the Bank holds 98.7% stake in PTON.

#### (b) Disposal of interests in subsidiaries

- (i) On 31 January 2002, Keppel Capital Holdings Ltd ("KCH"), a wholly-owned subsidiary of the Bank, completed the sale (the "Sale") of its entire shareholding of 510,000 ordinary shares of par value S\$1 each fully paid up in the capital of Keppel American Express Foreign Exchange Services Pte Ltd ("KAEFES"). The stake of 51% was sold for a cash consideration of S\$725,000 to American Express International Inc ("AMEX"). In connection with the Sale, KCH and AMEX also entered into a termination and release agreement to terminate the joint venture agreement dated 30 June 1999 relating to KAEFES. Following the completion of the Sale, KAEFES ceased to be a subsidiary of the Bank.
- (ii) On 20 February 2002, K Investment Holdings Pte Ltd (in voluntary liquidation), a subsidiary of the Bank, was de-registered and ceased to be a subsidiary of the Bank.
- (iii) On 11 April 2002, Tat Lee Securities (Nominees) Pte Ltd, a subsidiary of the Bank, was de-registered and ceased to be a subsidiary of the Bank.
- (iv) On 17 June 2002, iPropertyNet Pte Ltd (in members' voluntary liquidation) ("iProp"), a subsidiary of the Bank, disposed of its 60% stake in Blitz Global Communications Pte Ltd ("Blitz") for a nominal cash consideration of S\$1. The disposal was part of iProp's ongoing winding-up process. Upon completion of the sale, Blitz ceased to be a subsidiary of the Bank.

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### ACQUISITION OR DISPOSAL OF SUBSIDIARIES (continued)

#### (b) Disposal of interests in subsidiaries (continued)

- (v) On 19 August 2002, iPropertyNet Pte Ltd (in members' voluntary liquidation) ("iProp"), a subsidiary of the Bank, disposed of its 100% stake in iProperty Media Lab Pte Ltd ("IPM"), for a nominal cash consideration of S\$1. The disposal was part of iProp's ongoing winding-up process. Upon completion of the sale, IPM ceased to be a subsidiary of the Bank.
- (vi) On 25 October 2002, iProperty Technology HK Ltd, a wholly-owned subsidiary of iPropertyNet Pte Ltd, was de-registered and ceased to be a subsidiary of the Bank.

Save as aforesaid, there have been no other acquisitions or disposals of subsidiaries during the financial year.

### RESULTS FOR THE FINANCIAL YEAR

The consolidated profit after tax attributable to the members of the Bank for the financial year was S\$666.7 million (2001: S\$778.0 million). The profit after tax of the Bank for the financial year was S\$951.5 million (2001: S\$848.2 million).

### TRANSFERS TO OR FROM RESERVES AND PROVISIONS

Material transfers to or from reserves during the financial year were as follows:

	Group S\$'000	Bank S\$'000
Capital reserves		
Share premium		
Premium on issue of ordinary shares	23,718	23,718
Other capital reserves		
Transfer to unappropriated profit	262,668	–
Transfer to general reserves	167,025	–
Foreign currency translation reserve		
Net losses for the financial year	96,834	22,396
Statutory reserves		
Transfer from unappropriated profit	44,450	48,000
Transfer from general reserves	1,870	–
General reserves		
Adjustment in reserves of an associated company	(24,167)	–
Transfer to unappropriated profit	517,648	–
Transfer from capital reserves	167,025	–
Transfer to statutory reserves	1,870	–

Details of material movements in reserves during the financial year are set out in the Statements of Changes in Equity and notes to the financial statements.

There were no material transfers to or from provisions during the financial year except for normal amounts set aside for such items as provisions for possible loan losses and diminution in value of other assets, depreciation of non-current assets and provision for income tax as shown in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

#### (a) The Bank

##### Issue of shares pursuant to OCBC Executives' Share Option Scheme

During the financial year, the Bank issued the following ordinary shares of S\$1 each fully paid up in cash and converted into ordinary stock pursuant to the OCBC Executives' Share Option Scheme 1994 upon the exercise of options by officers of the Bank and OCBC Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, of the rank of Assistant Manager and above:

- (i) 164,743 ordinary shares of S\$1 each at a price of S\$7.810 per share for the 1995 Replacement Options;
- (ii) 418,389 ordinary shares of S\$1 each at a price of S\$8.150 per share for the 1996 Replacement Options;
- (iii) 46,384 ordinary shares of S\$1 each at a price of S\$7.603 per share for the 1997 Options;
- (iv) 567,525 ordinary shares of S\$1 each at a price of S\$7.603 per share for the 1997 Replacement Options;



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### DIVIDENDS

The Directors will at the Annual General Meeting recommend for approval the payment of a final dividend of 15 cents per S\$1 ordinary stock unit less Singapore income tax at 22.0% amounting to S\$151.0 million.

Dividends paid since the end of the Bank's previous financial year were as follows:

	S\$'000
In respect of the financial year ended 31 December 2001	
Final dividend of 13 cents per S\$1 ordinary stock unit less Singapore income tax at 22.0% paid on 13 June 2002	130,803
In respect of the financial year ended 31 December 2002	
Interim dividend of 5 cents per S\$1 ordinary stock unit less Singapore income tax at 22.0% paid on 3 September 2002	50,317
	181,120

### BAD AND DOUBTFUL DEBTS

In preparing the income statements and the balance sheets of the Bank, so far as debts owing to the Bank are concerned, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing-off of bad debts and the making of provisions for doubtful debts and have satisfied themselves that all known bad debts have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off or provided for bad and doubtful debts in the consolidated financial statements of the Group inadequate to any substantial extent.

### CURRENT ASSETS

In preparing the income statements and the balance sheets of the Bank, 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 had been written down to their estimated realisable values or that adequate provision had been made for the difference between the book values and estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the consolidated financial statements of the Group misleading.

### CHARGE ON ASSETS AND CONTINGENT LIABILITY

At the date of this report, there does not exist:

- (i) any charge on the assets of the Bank or any corporation in the Group which has arisen since the end of the financial year which secures the liabilities of any other person except for charges created by certain corporations in the Group over some of their assets in favour of the Bank which secure certain of their liabilities to the Bank; and
- (ii) any contingent liability of the Bank or any corporation in the Group which has arisen since the end of the financial year other than those normally undertaken in the course of the activities of the Bank or of the Group.

### ABILITY TO MEET OBLIGATIONS

In the opinion of the Directors, no contingent or other liability of the Bank or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which 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 THE FINANCIAL STATEMENTS

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

### UNUSUAL ITEMS

In the opinion of the Directors, the results of the operations of the Group or of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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### SUBSEQUENT EVENTS

In the opinion of the Directors, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made except for the following events.

Subsequent to the financial year end, the following events took place:

- (a) On 2 January 2003, a Scheme of Arrangement and Amalgamation pursuant to sections 210 and 212 of the Companies Act, Cap. 50 for the merger of OCBC Bullion & Futures Limited ("OBFL") and OCBC Securities Private Limited ("OSPL") which was sanctioned by the High Court became effective on that date. Pursuant to the Scheme, the business, assets and liabilities of OBFL, save and except for certain excluded assets and liabilities were by virtue of the Order of Court transferred to and vested in OSPL.
- (b) On 8 January 2003, the shareholders of the Bank approved the alterations to the Articles of Association of the Bank in connection with the establishment of a programme for the issuance of non-cumulative non-convertible preference shares eligible to qualify as Tier 1 capital of the Bank. Following the approval, the authorised share capital of the Bank has increased from S\$2,000,000,000 divided into 2,000,000,000 ordinary shares of par value S\$1 each ("Ordinary Shares") to S\$2,000,625,000 and US\$125,000 divided as follows:
  - (i) 2,000,000,000 Ordinary Shares;
  - (ii) 12,500,000 non-cumulative non-convertible Class A preference shares of par value S\$0.01 each;
  - (iii) 12,500,000 non-cumulative non-convertible Class B preference shares of par value S\$0.01 each;
  - (iv) 12,500,000 non-cumulative non-convertible Class C preference shares of par value S\$0.01 each;
  - (v) 12,500,000 non-cumulative non-convertible Class D preference shares of par value US\$0.01 each;
  - (vi) 12,500,000 non-cumulative non-convertible Class E preference shares of par value S\$0.01 each;
  - (vii) 12,500,000 non-cumulative non-convertible Class F preference shares of par value S\$0.01 each;

by the creation of 12,500,000 new Class A Preference Shares, 12,500,000 new Class B Preference Shares, 12,500,000 new Class C Preference Shares, 12,500,000 new Class D Preference Shares, 12,500,000 new Class E Preference Shares and 12,500,000 new Class F Preference Shares, respectively.

The Directors of the Bank were given the authority to allot and issue the Class A Preference Shares, the Class B Preference Shares, the Class C Preference Shares, the Class D Preference Shares, the Class E Preference Shares and the Class F Preference Shares at any time upon such terms and conditions and for such purposes as the Directors may deem fit and such authority shall continue in force until the conclusion of the next Annual General Meeting of OCBC Bank or the date by which the next Annual General Meeting of the Bank is required to be held, whichever is earlier.

On 28 January 2003, the Bank issued S\$500 million Class E non-cumulative non-convertible preference shares ("Class E Preference Shares"). These Class E Preference Shares qualify as Tier 1 capital for the purposes of computing the regulatory capital adequacy ratio. The Class E Preference Shares have a fixed dividend rate of 4.5 per cent per annum (net), payable semi-annually in arrears on 20 June and 20 December, subject to the terms and conditions of the Class E Preference Shares as set out in the Articles of Association of the Bank.

- (c) On 8 January 2003, the Bank announced that, Keppel TatLee Nominees (HK) Limited ("Company"), a wholly-owned subsidiary of the Bank, has passed a special resolution by circulation for members' voluntary winding-up of the Company. The statutory declaration of solvency in compliance with the Hong Kong Companies Ordinance was lodged with the Hong Kong Registrar of Companies.
- (d) On 22 January 2003, the Bank announced that PT OCBC Sikap Securities, a 70% owned subsidiary company, held through wholly-owned Provident Securities Private Limited, would cease its securities business activities from 23 January 2003.
- (e) On 29 January 2003, Tat Lee Securities Holdings Ltd and TLB Management Services Pte Ltd were liquidated and ceased to be subsidiaries of the Bank.
- (f) On 1 February 2003, Singapore Polyclinic Private Limited was liquidated and ceased to be a subsidiary of the Bank.

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### SUBSEQUENT EVENTS (continued)

- (g) On 18 February 2003, the Bank announced that its subsidiary, Keppel Capital Holdings Ltd (“KCH”), has completed the sale of 10,800,000 ordinary shares of par value S\$1 each in the capital of Keppel Insurance Pte Ltd (“KIPL”), representing its entire 40% equity interest in KIPL, to HSBC Insurance (Asia-Pacific) Holdings Limited. Following the disposal by KCH of its entire shareholding interest in KIPL, KIPL has ceased to be an associated company of the Group.

### DIRECTORS’ CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or has become entitled to receive benefits required to be disclosed by section 201(8) of the Companies Act, Cap. 50 save as disclosed in this report or in the financial statements of the Bank and the consolidated financial statements of the Group.

### SHARE OPTIONS

#### (a) The Bank – Share Options (1994 and 2001 Share Option Schemes)

##### (i) Share options issued in previous years

Particulars of the 1995 Replacement Options, 1996 Replacement Options, 1997 Options, 1997 Replacement Options, 1998 Options, 1998 Replacement Options, 1999 Options, 1999 Replacement Options, 2000 Options and 2001 Options under the 1994 OCBC Executives’ Share Option Scheme (“1994 Scheme”) have been set out in the directors’ reports for the financial years ended 31 December 1997 to 2001. The 1997 Options expired on 29 January 2002.

##### (ii) Share options issued during the financial year

During the financial year, in consideration of the payment of S\$1 for each option issued, options were granted pursuant to the OCBC Share Option Scheme 2001 (“2001 Scheme”), approved at the extraordinary general meeting of the Bank on 17 May 2001, in respect of 8,938,961 unissued ordinary shares of S\$1 each of the Bank to 2,008 officers of the Bank and OCBC Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, of the rank of Assistant Manager and above including an executive director of the Bank as follows:

Name	Designation at the time of granting the options	Number of shares under options	Offering price per S\$1 share	Exercise period
David Conner	Chief Executive Officer	300,000	S\$ 13.66	23.4.2003 to 22.4.2012

Statutory and other information regarding the Options issued in 2002 are as follows:

- Options issued on 26 April 2002 (“2002 Options”) will expire on 8 April 2012. The exercise period is 9 April 2003 to 8 April 2012, both dates inclusive. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the offering price, which is S\$13.78 per ordinary share of S\$1 each.
- Options issued to an executive director on 6 May 2002 (“2002A Options”) will expire on 22 April 2012. The exercise period is 23 April 2003 to 22 April 2012. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the offering price, which is S\$13.66 per ordinary share of S\$1 each.
- Options issued to a senior executive on 6 November 2002 (“2002B Options”) will expire on 23 October 2012. The exercise period is 24 October 2003 to 23 October 2012. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the offering price, which is S\$10.48 per ordinary share of S\$1 each.
- An option will cease by reason of Rule 7.3 of the 2001 Scheme relating to termination of employment of the grantee after the grant of an option where no approval has been granted by the committee appointed to administer the 2001 Scheme for the exercise of the options after such termination.
- The respective offering price was equal to the average of the last dealt price of the stock of the Bank on the Singapore Exchange Securities Trading Limited for five consecutive market days immediately prior to the date when an offer to grant an option was made to a grantee.

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### SHARE OPTIONS (continued)

#### (a) The Bank – Share Options (1994 and 2001 Share Option Schemes) (continued)

##### (ii) Share options issued during the financial year (continued)

- The number of shares which may be acquired by a grantee or the offering price or both are subject to adjustment, as confirmed by the auditors of the Bank that such adjustment is fair and reasonable, by reason of any issue of additional shares in the Bank by way of rights or capitalisation of profits or reserves made while an option remains unexercised.
- The persons to whom these options have been issued have no right to participate by virtue of these options in any share issue of any other company.

##### (iii) Unissued shares under options at the end of the financial year

During the financial year, changes in the number of unissued shares under options were as follows:

Name of participant	Options granted during the financial year	Aggregate options granted since commencement of Schemes to end of financial year	Aggregate options exercised since commencement of Schemes to end of financial year	Aggregate options outstanding as at end of financial year
Director: David Conner (appointed on 15 April 2002)	300,000 (2002A Options)	300,000	–	300,000

The Bank has offered share options under the Schemes to officers of the Bank and OCBC Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, of the rank of Assistant Manager and above. Movements in the number of unissued shares under options outstanding were as follows:

	Group and Bank	
	2002	2001
At beginning of year	23,463,919	19,944,675
Granted	8,938,961	7,395,270
Exercised	(3,692,988)	(3,179,723)
Lapsed	(1,373,443)	(696,303)
At end of year	27,336,449	23,463,919

At the end of the financial year, unissued shares of the Bank under the options were as follows:

	Number of unissued ordinary shares	Offering price per S\$1 share	Date of expiration of the options
1995 Replacement Options	365,997	S\$7.810	1 February 2005
1996 Replacement Options	838,017	S\$8.150	29 January 2006
1997 Replacement Options	1,451,881	S\$7.603	29 January 2007
1998 Options	33,700	S\$6.419	21 January 2003
1998 Replacement Options	1,543,458	S\$6.419	21 January 2008
1999 Options	29,240	S\$7.533	9 December 2003
1999 Replacement Options	2,705,862	S\$7.533	9 December 2008
2000 Options	5,170,450	S\$10.900	5 December 2009
2001 Options	6,586,411	S\$12.880	4 December 2010
2002 Options	8,211,433	S\$13.780	8 April 2012
2002A Options	300,000	S\$13.660	22 April 2012
2002B Options	100,000	S\$10.480	23 October 2012
	27,336,449		

Note: 1997 Options expired on 29 January 2002

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### SHARE OPTIONS (continued)

#### (b) Issue of shares under options

Save as disclosed in this report under paragraphs (a) and (b) 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.

#### (c) Rights to participate in other share issues

The persons to whom these options have been issued have no right to participate by virtue of these options in any share issue of any other company.

#### (d) Any other unissued shares under options

Save as disclosed above there were no other unissued shares of the Bank or any corporation in the Group under options as at the end of the financial year to which this report relates.

#### (e) Executives' Share Option – Other information

The Schemes are administered by a committee of Directors comprising Dr Cheong Choong Kong, Chairman of the committee, Mr Lee Seng Wee, Dr Tsao Yuan and Mr Michael Wong Pakshong who are not participants in the Scheme.

No options have been granted to controlling shareholders of the Bank and their associates. No participant has received 5% or more of the total number of options available under the Schemes.

### AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Mr Michael Wong Pakshong, Chairman

Datuk Fong Weng Phak

Col (NS) David Wong Cheong Fook

The Audit Committee performs the functions specified in the Companies Act, Cap. 50. It meets with the Bank's external auditors and the internal auditors, and reviews the audit plans, the internal audit programme, the results of their examination and findings on their evaluation of the system of internal controls, the scope and results of the internal audit procedures and the response from the Bank's management and the assistance given by the officers of the Bank to the auditors. It also reviews interested person transactions and the Bank's relationship with the external auditors, including their independence and objectivity. The Audit Committee reviews the financial statements of the Bank and the consolidated financial statements of the Group and the auditors' report thereon and submits them to the Board of Directors. The Audit Committee has full access to and the cooperation of the management and has been given the resources required for it to discharge its functions. The Audit Committee has full discretion to invite any Director and executive officer to attend its meetings.

The Audit Committee has nominated PricewaterhouseCoopers for reappointment as auditors of the Bank at the Annual General Meeting.

### AUDITORS

The auditors, PricewaterhouseCoopers have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

**Lee Seng Wee**

Director

**David Philbrick Conner**

Director

Singapore

25 February 2003

## Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 77 to 148 are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group at 31 December 2002 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 financial year then ended, and that 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 of Directors,

**Lee Seng Wee**

Director

**David Philbrick Conner**

Director

Singapore

25 February 2003

## Auditors' report to the members of Oversea-Chinese Banking Corporation Limited

We have audited the financial statements of Oversea-Chinese Banking Corporation Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2002 set out on pages 77 to 148. 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 statements 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 Group and of the Bank at 31 December 2002, the profit and changes in equity of the Group and of the Bank, 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 the subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The subsidiaries audited by other member firms of the PricewaterhouseCoopers Global Organisation and another firm are indicated in Note 35 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 purposes 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  
25 February 2003

## Income Statements

for the financial year ended 31 December 2002

	Note	Group		Bank	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest income	3	2,746,046	3,040,364	1,926,036	2,027,681
Less: Interest expense	4	1,236,559	1,648,463	906,093	1,214,242
<b>Net interest income</b>		<b>1,509,487</b>	1,391,901	<b>1,019,943</b>	813,439
Fees and commissions	5	374,022	292,347	242,465	166,789
Dividends	6	33,684	36,229	425,980	863,749
Rental income	7	76,605	80,839	8,797	7,591
Other income	8	227,833	412,319	434,995	103,317
<b>Income before operating expenses</b>		<b>2,221,631</b>	2,213,635	<b>2,132,180</b>	1,954,885
Less: Staff costs	9	464,765	475,925	306,670	279,602
Other operating expenses	9	384,493	390,641	247,554	208,375
		<b>849,258</b>	866,566	<b>554,224</b>	487,977
<b>Operating profit before provisions and amortisation of goodwill</b>		<b>1,372,373</b>	1,347,069	<b>1,577,956</b>	1,466,908
Less: Amortisation of goodwill	37	126,995	51,486	80,255	–
Provisions for possible loan losses and diminution in value of other assets	10	500,608	517,530	365,849	352,298
<b>Operating profit after provisions and amortisation of goodwill</b>		<b>744,770</b>	778,053	<b>1,131,852</b>	1,114,610
<b>Share of profits less losses of associated companies</b>		<b>160,822</b>	198,472	–	–
<b>Profit before tax</b>		<b>905,592</b>	976,525	<b>1,131,852</b>	1,114,610
Less: Tax	11	199,726	155,909	180,356	266,388
Share of tax of associated companies		37,028	39,351	–	–
		<b>236,754</b>	195,260	<b>180,356</b>	266,388
<b>Profit after tax</b>		<b>668,838</b>	781,265	<b>951,496</b>	848,222
Less: Minority interests		2,130	3,265	–	–
<b>Profit attributable to stockholders of the Bank</b>	12	<b>666,708</b>	778,000	<b>951,496</b>	848,222
<b>Earnings per ordinary share of \$1.00 each</b>					
Basic (cents)	13	52	60		
Diluted (cents)	13	52	60		

The accompanying notes form an integral part of these financial statements.

## Balance Sheets

as at 31 December 2002

	Note	Group		Bank	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Shareholders' Equity</b>					
<b>Share Capital</b>					
Authorised	14	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid	14	1,290,299	1,286,606	1,290,299	1,286,606
<b>Reserves</b>					
Capital reserves	15	1,505,515	1,911,490	1,395,457	1,371,739
Statutory reserves	16	1,936,244	1,889,924	1,464,200	1,416,200
Revenue reserves	17	4,492,164	3,744,204	2,865,742	2,165,762
<b>Total shareholders' equity</b>		<b>9,224,222</b>	<b>8,832,224</b>	<b>7,015,698</b>	<b>6,240,307</b>
<b>Minority Interests</b>		<b>18,928</b>	<b>28,082</b>	<b>–</b>	<b>–</b>
<b>Liabilities</b>					
Deposits of non-bank customers	18	53,947,536	54,675,125	43,944,085	32,078,928
Deposits and balances of banks	18	12,621,149	14,050,998	12,076,240	11,493,725
Deposits of subsidiary companies		–	–	1,168,228	3,439,692
Deposits of associated companies		1,454,366	1,011,814	976,602	615,939
Bills payable		177,164	123,068	115,698	45,892
Current tax	19	321,765	315,404	244,671	102,730
Deferred tax	19	133,498	164,453	106,206	27,603
Other liabilities	20	2,140,546	2,111,597	1,758,904	1,116,760
Debt securities	21	4,012,214	4,104,212	3,879,214	3,875,341
<b>Total liabilities and shareholders' equity</b>		<b>84,051,388</b>	<b>85,416,977</b>	<b>71,285,546</b>	<b>59,036,917</b>
<b>Assets</b>					
Cash and placements with central banks	22	2,858,403	2,014,096	1,453,919	847,503
Singapore Government treasury bills and securities	23	5,966,732	6,308,646	5,636,843	4,122,313
Other government treasury bills and securities	24	984,145	1,001,792	131,026	82,628
Dealing securities	25	173,076	399,958	147,950	178,925
Placements with and loans to banks	26	14,458,968	14,427,268	13,875,891	11,806,652
Bills receivable	27–30	296,562	305,739	119,762	90,535
Loans to customers	27–30	46,972,453	49,303,636	38,006,482	27,674,278
Investment securities	31	5,310,085	4,714,498	4,489,327	3,232,055
Deferred tax	19	70,416	65,804	–	–
Other assets	32	2,142,778	1,819,966	1,767,475	979,999
		<b>79,233,618</b>	<b>80,361,403</b>	<b>65,628,675</b>	<b>49,014,888</b>
Associated companies	34	1,047,441	1,049,789	101,238	99,709
Subsidiary companies	35	–	–	2,957,443	9,696,440
Property, plant and equipment	36	1,571,646	1,681,262	823,053	225,880
Goodwill	37	2,198,683	2,324,523	1,775,137	–
<b>Total assets</b>		<b>84,051,388</b>	<b>85,416,977</b>	<b>71,285,546</b>	<b>59,036,917</b>
<b>Off-Balance Sheet Items</b>					
Contingent liabilities	41	–	–	–	–
Contingent liabilities	42	5,848,394	6,368,741	4,968,375	4,255,702
Commitments	43	28,288,944	25,751,617	24,174,734	15,421,379
Financial derivatives	44	178,008,937	73,814,953	177,078,721	53,457,636
		<b>212,146,275</b>	<b>105,935,311</b>	<b>206,221,830</b>	<b>73,134,717</b>

The accompanying notes form an integral part of these financial statements.

## Statement of Changes in Shareholders' Equity – Group

for the financial year ended 31 December 2002

	Note	Share capital \$'000	Capital reserves \$'000	Statutory reserves \$'000	Revenue reserves \$'000	Total \$'000
<b>Balance at 1 January 2002</b>						
– as previously reported		1,286,606	1,911,490	1,889,924	3,674,841	8,762,861
– effect of adopting SAS 12		–	–	–	69,363	69,363
– as restated		1,286,606	1,911,490	1,889,924	3,744,204	8,832,224
Profit attributable to stockholders of the Bank	12	–	–	–	666,708	666,708
Foreign currency translation losses not recognised in the income statements	17	–	–	–	(96,834)	(96,834)
<b>Total recognised gains for the financial year</b>		–	–	–	569,874	569,874
Transfers	12,15–17	–	(429,693)	46,320	383,373	–
Dividends	12	–	–	–	(181,120)	(181,120)
Adjustment in reserves of an associated company	17	–	–	–	(24,167)	(24,167)
Shares issued under Executives' Share Option Scheme	14–15	3,693	23,718	–	–	27,411
<b>Balance at 31 December 2002</b>		1,290,299	1,505,515	1,936,244	4,492,164	9,224,222
Comprise:						
Share of reserves of associated companies		–	19,232	–	877,250	896,482
<b>Balance at 1 January 2001</b>						
– as previously reported		1,285,968	1,802,348	1,835,826	3,231,074	8,155,216
– effect of adopting SAS 12		–	–	–	74,741	74,741
– as restated		1,285,968	1,802,348	1,835,826	3,305,815	8,229,957
Profit attributable to stockholders of the Bank						
– as previously reported	12	–	–	–	785,022	785,022
– effect of adopting SAS 12		–	–	–	(7,022)	(7,022)
– as restated		–	–	–	778,000	778,000
Foreign currency translation gains not recognised in the income statements	17	–	–	–	101,343	101,343
<b>Total recognised gains for the financial year</b>		–	–	–	879,343	879,343
Transfers	12,15–17	–	88,601	54,098	(142,699)	–
Dividends	12	–	–	–	(271,711)	(271,711)
Buy-back of shares	12,14–15	(2,541)	2,541	–	(26,544)	(26,544)
Shares issued under Executives' Share Option Scheme	14–15	3,179	18,000	–	–	21,179
<b>Balance at 31 December 2001</b>		1,286,606	1,911,490	1,889,924	3,744,204	8,832,224
Comprise:						
Share of reserves of associated companies		–	18,743	22,026	803,277	844,046

Analysis of the movements in each component within 'Share capital', 'Capital reserves', 'Statutory reserves' and 'Revenue reserves' is presented in Notes 12, 14, 15, 16 and 17 respectively.

The accompanying notes form an integral part of these financial statements.

## Statement of Changes in Shareholders' Equity – Bank

for the financial year ended 31 December 2002

	Note	Share capital \$'000	Capital reserves \$'000	Statutory reserves \$'000	Revenue reserves \$'000	Total \$'000
<b>Balance at 1 January 2002</b>		<b>1,286,606</b>	<b>1,371,739</b>	<b>1,416,200</b>	<b>2,165,762</b>	<b>6,240,307</b>
Profit attributable to stockholders of the Bank	12	–	–	–	951,496	951,496
Foreign currency translation losses not recognised in the income statements	17	–	–	–	(22,396)	(22,396)
<b>Total recognised gains for the financial year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>929,100</b>	<b>929,100</b>
Transfers	12,16	–	–	48,000	(48,000)	–
Dividends	12	–	–	–	(181,120)	(181,120)
Shares issued under Executives' Share Option Scheme	14–15	3,693	23,718	–	–	27,411
<b>Balance at 31 December 2002</b>		<b>1,290,299</b>	<b>1,395,457</b>	<b>1,464,200</b>	<b>2,865,742</b>	<b>7,015,698</b>
<b>Balance at 1 January 2001</b>						
– as previously reported		1,285,968	1,351,198	1,372,700	1,624,856	5,634,722
– effect of adopting SAS 12		–	–	–	2,572	2,572
– as restated		1,285,968	1,351,198	1,372,700	1,627,428	5,637,294
Profit attributable to stockholders of the Bank						
– as previously reported	12	–	–	–	850,794	850,794
– effect of adopting SAS 12		–	–	–	(2,572)	(2,572)
– as restated		–	–	–	848,222	848,222
Foreign currency translation gains not recognised in the income statements	17	–	–	–	31,867	31,867
<b>Total recognised gains for the financial year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>880,089</b>	<b>880,089</b>
Transfers	12,16	–	–	43,500	(43,500)	–
Dividends	12	–	–	–	(271,711)	(271,711)
Buy-back of shares	12,14–15	(2,541)	2,541	–	(26,544)	(26,544)
Shares issued under Executives' Share Option Scheme	14–15	3,179	18,000	–	–	21,179
<b>Balance at 31 December 2001</b>		<b>1,286,606</b>	<b>1,371,739</b>	<b>1,416,200</b>	<b>2,165,762</b>	<b>6,240,307</b>

Analysis of the movements in each component within 'Share capital', 'Capital reserves', 'Statutory reserves' and 'Revenue reserves' is presented in Notes 12, 14, 15, 16 and 17 respectively.

The accompanying notes form an integral part of these financial statements.

## Consolidated Cash Flow Statement

for the financial year ended 31 December 2002

	Note	2002 \$'000	2001 \$'000
<b>Cash flows from operating activities</b>			
Operating profit before provisions and amortisation of goodwill		1,372,373	1,347,069
<b>Adjustments for non-cash items</b>			
Amortisation of computer software costs		10,863	10,028
Depreciation of property, plant and equipment		72,890	71,031
Gains on disposal of interests in associated companies		(9,677)	–
Losses on disposal of property, plant and equipment		991	2,734
Gains on disposal of investment securities		(46,709)	(255,886)
Gains on disposal of a subsidiary company		(305)	(115)
Operating profit before changes in operating assets and liabilities		1,400,426	1,174,861
<b>Increase/(decrease) in operating liabilities</b>			
Deposits of non-bank customers		(513,908)	500,120
Deposits and balances of banks		(1,429,849)	(2,114,505)
Bills payable and other liabilities		94,722	41,211
<b>(Increase)/decrease in operating assets</b>			
Dealing securities		180,451	180,397
Placements with and loans to banks		(31,700)	6,375,150
Loans to customers and bills receivable		2,091,226	(2,648,895)
Other assets		(249,067)	(101,795)
Cash provided by operating activities		1,542,301	3,406,544
Income tax paid		(226,991)	(262,011)
<b>Net cash provided by operating activities</b>		<b>1,315,310</b>	<b>3,144,533</b>
<b>Cash flows from investing activities</b>			
Acquisition of additional interest in subsidiary companies		(10,148)	(50,430)
Acquisition of new subsidiary companies		–	(1,281,510)
Capital return from an associated company		9,000	68,192
Dividends from associated companies		35,837	50,511
Decrease/(increase) in associated companies		5,173	(27,109)
Purchase of investment securities		(2,064,132)	(3,527,952)
Purchase of property, plant and equipment		(67,053)	(152,021)
Net cash (outflow)/inflow from disposal of subsidiary companies		(1,980)	4,259
Proceeds from disposal of interests in associated companies		2,806	–
Proceeds from disposal of investment securities		1,370,992	1,477,029
Proceeds from disposal of property, plant and equipment		8,143	27,122
<b>Net cash used in investing activities</b>		<b>(711,362)</b>	<b>(3,411,909)</b>
<b>Cash flows from financing activities</b>			
Debt securities		133,000	3,805,341
Proceeds from issue of shares		27,411	21,179
Buy-back of shares		–	(26,544)
Dividends paid		(181,120)	(271,711)
Change in minority interests in subsidiary companies		(1,659)	(771)
<b>Net cash (used in)/provided by financing activities</b>		<b>(22,368)</b>	<b>3,527,494</b>
<b>Net foreign currency translation adjustments</b>		<b>(96,834)</b>	<b>99,699</b>
<b>Net change in cash and cash equivalents</b>		<b>484,746</b>	<b>3,359,817</b>
<b>Cash and cash equivalents as at 1 January</b>	46	<b>9,324,534</b>	<b>5,964,717</b>
<b>Cash and cash equivalents as at 31 December</b>	46	<b>9,809,280</b>	<b>9,324,534</b>

The accompanying notes form an integral part of these financial statements.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

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

### 1. GENERAL

The Bank is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of its registered office is 65 Chulia Street #29-02/04, OCBC Centre, Singapore 049513.

The Bank is principally engaged in the business of banking including the operation of an Asian Currency Unit under the terms and conditions specified by the Monetary Authority of Singapore.

### 2. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies applied by the Bank and its subsidiary companies and are consistent with those applied in the previous financial year.

#### 2.1 Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain treasury instruments to market value, in accordance with and comply with the provisions of the Singapore Companies Act and Singapore Statements of Accounting Standard. The financial statements are expressed in Singapore dollars.

In 2002, the Group adopted the Singapore Statement of Accounting Standard 12 (2001) – Income Taxes (“SAS 12”). The effects of adopting SAS 12 are summarised in the Statements of Changes in Shareholders’ Equity and further information is discussed below:

- (a) Had the accounting policy for income taxes not been changed, the effects on the financial statements for the financial year ended 31 December 2002 would have been as follows:

Group	With the adoption of SAS 12 \$'000	Without the adoption of SAS 12 \$'000	Increase/ (decrease) \$'000
<b>Income statement</b>			
Amortisation of goodwill	126,995	120,800	(6,195)
Tax expense	236,754	267,892	31,138
Profit attributable to stockholders	666,708	641,765	(24,943)
Basic earnings per share (cents)	52	50	(2)
Diluted earnings per share (cents)	52	50	(2)
<b>Balance sheet</b>			
Foreign currency translation reserve	(240,089)	(241,556)	(1,467)
Unappropriated profit	2,609,635	2,517,117	(92,518)
Deferred tax liabilities	133,498	39,564	(93,934)
Deferred tax assets	70,416	–	(70,416)
Goodwill	2,198,683	2,079,272	(119,411)

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.1 Basis of accounting (continued)

- (b) Had the accounting policy for income taxes been adopted for the financial year ended 31 December 2001, the effects on the financial statements previously issued for that financial year are as follows:

Group	Previously reported \$'000	Restated \$'000	Increase/ (decrease) \$'000
<b>Income statement</b>			
Amortisation of goodwill	48,987	51,486	2,499
Tax expense	190,737	195,260	4,523
Profit attributable to stockholders	785,022	778,000	(7,022)
Basic earnings per share (cents)	61	60	(1)
Diluted earnings per share (cents)	61	60	(1)
<b>Balance sheet</b>			
Foreign currency translation reserve	(145,043)	(143,255)	1,788
Unappropriated profit	1,770,445	1,838,020	67,575
Deferred tax liabilities	46,614	164,453	117,839
Deferred tax assets	–	65,804	65,804
Goodwill	2,198,918	2,324,523	125,605

The effects of adopting SAS 12 on the Bank are shown in the Statement of Changes in Shareholders’ Equity, Note 12 and Note 19.

#### 2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies. Subsidiary companies are entities in which the Group has an equity interest of more than 50% in the issued share capital at the balance sheet date or has power to exercise control over the operations. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Intercompany balances, transactions and unrealised gains on transactions are eliminated on consolidation; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

Special purpose entities (“SPEs”) are consolidated when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE, in accordance with Interpretation of Statement of Accounting Standard (“INT”) 5 on “Consolidation – Special Purpose Entities”. The details of an SPE included in the consolidated financial statements are disclosed in Note 35.

#### 2.3 Foreign currencies

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date. The assets and liabilities of foreign subsidiary companies and branch operations are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date whilst the income and expense items are translated at the average rates for the year. Exchange differences arising from the translation of profit and loss items are taken to income statements except for translation differences on net investments in foreign subsidiary companies and unremitted profits of branch operations, which are taken directly to reserves. Similarly, the net assets of foreign associated companies are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date whilst the share of the results of the associated companies are translated at the average rates for the year. Exchange differences arising from such translation are taken directly to reserves.

#### 2.4 Financial derivatives

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

#### Offsetting financial instruments

Financial assets and liabilities are offset and stated on a net basis on the balance sheet when there is a legally enforceable right to set off the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.5 Basis of valuation of assets

##### 2.5.1 Loans

Loans are stated after deduction of provisions for possible losses. These provisions comprise specific provision against certain loans and interest-in-suspense. Specific provision and suspension of interest are based on the borrower's debt servicing ability and adequacy of security. Known bad debts are written off. In addition, a general provision is made in respect of possible losses which, although not specifically identified, is known from experience to be present in the portfolio of loans.

##### 2.5.2 Dealing and government securities

Dealing and government securities are stated at the lower of cost and market value on a portfolio basis.

##### 2.5.3 Investment securities

Investment securities include equity and debt securities intended to be held for long term or to maturity. Equity securities are stated at cost and a provision is made for any diminution in value considered to be other than temporary on a line-by-line basis. Debt securities are stated at cost adjusted for the amortisation of premiums or discounts, less any provision for diminution in value considered to be other than temporary on a line-by-line basis.

##### 2.5.4 Other assets

Specific provisions are made against other assets not covered above so as to reduce them to their estimated net realisable values. In addition, a general provision is made for possible diminution in value of other assets.

#### 2.6 Amortisation of computer software costs

Computer software costs are capitalised where material for amortisation on a straight-line basis over the estimated useful lives of the software ranging from 3 to 5 years.

#### 2.7 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

#### 2.8 Depreciation of property, plant and equipment

Property, plant and equipment are depreciated or amortised on the straight-line basis over their estimated useful lives. Freehold land and leasehold land, with leases of more than 100 years to expiry, are not amortised. Other leasehold land are amortised over 50 years or the period of the lease, whichever is shorter. The estimated useful lives of property, plant and equipment are:

• Freehold and leasehold buildings	–	50 years or less
• Furniture and fixtures	–	5 to 10 years
• Office equipment	–	5 to 10 years
• Computer equipment	–	3 to 5 years
• Renovation	–	3 to 5 years
• Motor vehicles	–	5 years

Gains and losses on disposal of property, plant and equipment are dealt with through the income statement.

#### 2.9 Recognition of income

**2.9.1** Interest income is recognised on an accrual basis.

**2.9.2** Fee income relating to loans and guarantees is recognised over the period during which the related service is provided or credit risk is undertaken. Where a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised.

**2.9.3** Dividends from dealing securities are recognised when received. Dividends from investment securities are recognised when the right to receive dividends is established.

**2.9.4** Interest on hire purchase agreements is brought into the income statements as earned when instalments are received. The unearned interest is deducted in arriving at the net balance of hire purchase loan.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.10 Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from foreign income not yet remitted to Singapore, depreciation on property, plant and equipment, revaluations of certain non-current assets, provisions for loan losses, provisions for pensions and other post retirement benefits and tax losses carried forward; and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiary companies, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

#### 2.11 Subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost less provisions for diminution in value that is other than temporary.

Associated companies are entities in which the Group generally has between 20% and 50% of the voting rights, and over which the Group has significant influence, but which it does not control.

Investments in associated companies are accounted for using equity method whereby the Group's share of results of its associated companies is included in the consolidated income statements. The Group's share of post acquisition reserves is included in the net book values in the consolidated balance sheet. Equity accounting for associated companies is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has assumed obligations or guaranteed obligations in respect of the associated company.

The results of the associated companies are taken from the most recent audited financial statements or unaudited management accounts of the companies concerned, made up to dates not more than six months prior to the end of the financial year of the Group. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the accounting policies of associated companies do not conform with those of the Group, adjustments are made where the amounts involved are considered significant to the Group.

#### 2.12 Goodwill

Goodwill represents the excess of acquisition consideration over the fair value of the identifiable net assets of business, subsidiaries or associated companies at the date of acquisition. Goodwill is amortised on a straight-line basis, through the income statement (in the case of acquisition of business) and consolidated income statement (in the case of acquisition of subsidiaries and associated companies), over its useful economic life up to a maximum of 20 years. Goodwill assessed as having no continuing economic value is written off to the income statement.

In the consolidated income statement, the gain or loss on disposal of a subsidiary or associated company is determined by comparing the proceeds with the carrying value of net assets of the subsidiary or associated company disposed of. The carrying value includes the unamortised balance of goodwill relating to the subsidiary or associated company disposed of and, for pre 1 January 2001 acquisitions, it includes the goodwill previously offset directly against reserves.

#### 2.13 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received.

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

These provisions do not include provisions for possible loan losses and diminution in value of other assets which, despite the use of the term "provisions", are in the nature of adjustments to the carrying values of assets.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.14 Employee benefits

Share options are granted to executive directors and to officers of the rank of Assistant Manager and above, of the Bank and OCBC Bank (Malaysia) Berhad (a wholly-owned subsidiary of the Bank), with more than one year of service. If the options granted are exercisable at the market price of the shares at the date of the grant, no compensation cost is recognised. If the options granted are exercisable at a price reflecting a discount to the market price at the date of the grant, a compensation cost is recognised in the income statement based on that discount. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and share premium accounts.

#### 2.15 Repurchase and reverse repurchase agreements (“Repos” and “reverse repos”)

Repos are treated as collateralised borrowing and the amount borrowed is shown as a liability, included in deposits and balances of banks (Note 18). The securities sold under repos are treated as pledged assets and continue to be recognised as an asset, included in Singapore Government treasury bills and securities (Note 23), other government treasury bills and securities (Note 24), placements with and loans to banks (Note 26) and investment securities (Note 31). Reverse repos are treated as collateralised lending and the amount lent is shown as an asset, included in placements with and loans to banks. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

#### 2.16 Comparatives

Where necessary, comparative figures have been adjusted to conform with the current presentation where there are changes in presentation in these financial statements. Where applicable, the comparatives have been adjusted or extended to take into account the requirements of the revised or new Singapore Statements of Accounting Standard, which the Group adopted in 2002.

The effects of the adoption of SAS 12 on the Group's 2001 comparative figures are shown under Note 2.1.

### 3. INTEREST INCOME

Interest income comprises interest arising from various types of lending and investment activities:

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest income received/receivable from:				
Subsidiary companies	–	–	15,994	26,467
Associated companies	200	105	–	–
Other	2,745,846	3,040,259	1,910,042	2,001,214
	<b>2,746,046</b>	<b>3,040,364</b>	<b>1,926,036</b>	<b>2,027,681</b>
Analysed by major sources:				
Loans to customers	2,054,710	2,138,140	1,399,757	1,332,036
Placements with and loans to banks	312,142	569,214	245,368	480,809
Other interest-earning assets	379,194	333,010	280,911	214,836
	<b>2,746,046</b>	<b>3,040,364</b>	<b>1,926,036</b>	<b>2,027,681</b>

### 4. INTEREST EXPENSE

Interest expense comprises interest incurred on deposits, debt securities and other interest-bearing liabilities:

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest expense paid/payable to:				
Subsidiary companies	–	–	15,638	40,753
Associated companies	9,640	19,294	5,764	13,467
Other	1,226,919	1,629,169	884,691	1,160,022
	<b>1,236,559</b>	<b>1,648,463</b>	<b>906,093</b>	<b>1,214,242</b>
Analysed by major sources:				
Deposits of non-bank customers	895,500	1,183,327	591,225	811,273
Deposits and balances of banks	226,355	378,351	199,785	317,519
Other borrowings	114,704	86,785	115,083	85,450
	<b>1,236,559</b>	<b>1,648,463</b>	<b>906,093</b>	<b>1,214,242</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 5. FEES AND COMMISSIONS

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Fee and commission income	385,523	308,290	246,432	170,380
Fee and commission expense	(11,501)	(15,943)	(3,967)	(3,591)
Net	<b>374,022</b>	<b>292,347</b>	<b>242,465</b>	<b>166,789</b>
Analysed by major sources:				
Brokerage	61,319	52,011	153	292
Investment banking	13,341	16,254	13,030	15,180
Trade-related	31,704	23,246	24,144	14,618
Loans-related	68,014	43,731	51,304	25,713
Service charges	50,087	34,220	44,582	26,866
Guarantees	18,219	13,607	14,665	9,241
Credit card	26,774	21,825	21,776	16,600
Fund management	16,853	14,840	66	328
Unit trust distribution	44,236	32,088	39,291	27,685
Bancassurance	35,177	30,444	31,269	28,862
Other	8,298	10,081	2,185	1,404
	<b>374,022</b>	<b>292,347</b>	<b>242,465</b>	<b>166,789</b>

### 6. DIVIDENDS

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unquoted subsidiary companies	–	–	366,431	803,235
Quoted associated companies	–	–	38,446	46,095
Unquoted associated companies	–	–	276	136
Other quoted investments	29,041	29,591	19,074	12,846
Other unquoted investments	4,643	6,638	1,753	1,437
	<b>33,684</b>	<b>36,229</b>	<b>425,980</b>	<b>863,749</b>

### 7. RENTAL INCOME

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

### 8. OTHER INCOME

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Net gains/(losses) arising from:				
Dealing in securities/derivatives				
– Net proceeds less cost	55,384	75,742	54,974	44,748
– Writeback/(provisions) made for the year (Note 33)	5,716	(7,274)	2,705	(9,025)
	<b>61,100</b>	<b>68,468</b>	<b>57,679</b>	<b>35,723</b>
Dealing in foreign exchange	48,030	33,486	34,785	21,135
Disposal of investment securities	46,709	255,886	11,189	30,340
Disposal of interests in associated companies	9,677	–	1,903	–
Disposal of a subsidiary company	305	115	–	–
Liquidation of subsidiary companies	–	–	318,319	–
Disposal of property	155	7,670	–	7,670
Disposal of plant and equipment	(1,146)	(10,404)	(648)	(931)
Computer-related services income	31,528	24,256	–	–
Property-related income	11,422	14,043	1,236	1,468
Hotel-related income	3,233	3,309	–	–
Other	16,820	15,490	10,532	7,912
	<b>227,833</b>	<b>412,319</b>	<b>434,995</b>	<b>103,317</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 9. STAFF COSTS AND OTHER OPERATING EXPENSES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>9.1 Staff costs</b>				
Salaries and other costs	412,282	416,099	274,396	246,671
Provident fund contributions	42,386	49,224	26,905	28,987
	<b>454,668</b>	<b>465,323</b>	<b>301,301</b>	<b>275,658</b>
Directors' emoluments:				
Remuneration of Bank's directors	4,861	3,440	4,810	3,377
Remuneration of directors of subsidiaries	4,537	6,381	–	–
Fees of Bank's directors	630	637	559	567
Fees of directors of subsidiaries	69	144	–	–
	<b>10,097</b>	<b>10,602</b>	<b>5,369</b>	<b>3,944</b>
Total staff costs	<b>464,765</b>	<b>475,925</b>	<b>306,670</b>	<b>279,602</b>

Employee benefits under the OCBC Executives' Share Option Scheme is set out in Note 14.3. The Group and the Bank do not recognise share options issued under this Scheme as a charge to the income statements.

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>9.2 Other operating expenses</b>				
Property, plant and equipment:				
Depreciation				
– Bank premises and other property	23,219	17,815	10,435	2,288
– Computer and office equipment, furniture and fixtures	49,671	53,216	22,877	17,332
	<b>72,890</b>	<b>71,031</b>	<b>33,312</b>	<b>19,620</b>
Amortisation of computer software costs	10,863	10,028	9,357	6,338
Maintenance and hire of property, plant and equipment	24,360	24,203	15,516	12,652
Rental expenses	22,023	28,224	29,147	29,284
Other	62,158	60,831	26,920	16,805
	<b>192,294</b>	<b>194,317</b>	<b>114,252</b>	<b>84,699</b>
Auditors' remuneration:				
– Payable to PwC@ Singapore	1,344	1,187	680	470
– Payable to other member firms of the PwC Global Organisation	1,039	1,069	485	703
– Payable to non-PwC firm	3	5	–	4
	<b>2,386</b>	<b>2,261</b>	<b>1,165</b>	<b>1,177</b>
Other fees				
– Payable to PwC Singapore	202	1,650	146	1,533
– Payable to other member firms of the PwC Global Organisation	–	199	–	135
	<b>202</b>	<b>1,849</b>	<b>146</b>	<b>1,668</b>
Restructuring costs	–	21,040	–	19,544
Other integration costs	14,068	11,256	12,363	10,550
Other	175,543	159,918	119,628	90,737
Total other operating expenses	<b>384,493</b>	<b>390,641</b>	<b>247,554</b>	<b>208,375</b>
<b>Staff costs and other operating expenses</b>	<b>849,258</b>	<b>866,566</b>	<b>554,224</b>	<b>487,977</b>

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## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 9. STAFF COSTS AND OTHER OPERATING EXPENSES (continued)

9.3 The number of persons employed is as follows:

	Group		Bank	
	2002	2001	2002	2001
Average for the year	7,777	7,519	4,198	3,288
End of the year	7,477	8,567	4,241	3,198

### 10. PROVISIONS FOR POSSIBLE LOAN LOSSES AND DIMINUTION IN VALUE OF OTHER ASSETS

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Specific provision for loan losses (Note 29)	364,699	448,105	231,564	301,126
General provision for loan losses (Note 30)	(27,627)	2,154	(29,029)	(9,743)
Specific provision for diminution in value of investment securities and other assets (Note 33)	163,536	67,271	163,314	60,915
Charge to income statements	<b>500,608</b>	<b>517,530</b>	<b>365,849</b>	<b>352,298</b>

### 11. TAX

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current tax (Note 19)	242,042	127,406	206,067	233,451
Deferred tax (Note 19)	(36,753)	33,096	(24,597)	30,175
	<b>205,289</b>	<b>160,502</b>	<b>181,470</b>	<b>263,626</b>
Under/(over) provision in prior years (Note 19)	(5,563)	(4,593)	(1,114)	2,762
Charge to income statements	<b>199,726</b>	<b>155,909</b>	<b>180,356</b>	<b>266,388</b>

The tax on the operating profit for the financial year differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating profit after provisions and amortisation of goodwill	744,770	778,053	1,131,852	1,114,610
Prima facie tax calculated at a tax rate of 22.0% (2001: 24.5%)	163,849	190,623	249,007	273,079
Effect of different tax rates in other countries	11,016	6,295	3,631	6,271
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	19,057	24,422	8,385	19,041
Income not assessable for tax	(25,245)	(84,498)	(107,627)	(45,892)
Income taxed at concessionary rate	(13,760)	(14,281)	(13,760)	(14,281)
Tax rebates (off-budget)	–	(14,730)	–	(13,424)
Non-deductible expenses				
– Amortisation of goodwill	27,737	12,614	17,657	–
– Restructuring cost	–	10,235	–	7,217
– Non-deductible provision	19,371	4,306	20,913	6,099
Tax on foreign income to be remitted to Singapore	3,264	25,516	3,264	25,516
Charge to income statements	<b>205,289</b>	<b>160,502</b>	<b>181,470</b>	<b>263,626</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 12. UNAPPROPRIATED PROFIT

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Profit attributable to stockholders of the Bank				
– as previously reported	666,708	785,022	951,496	850,794
– effect of adopting SAS 12	–	(7,022)	–	(2,572)
– as restated	666,708	778,000	951,496	848,222
Add: Unappropriated profit				
At 1 January				
– as previously reported	1,770,445	1,444,973	1,244,007	734,968
– effect of adopting SAS 12	67,575	74,597	–	2,572
– as restated	1,838,020	1,519,570	1,244,007	737,540
Total amount available for appropriation	2,504,728	2,297,570	2,195,503	1,585,762
Dealt with as follows:				
In respect of the financial year ended 31 December 2001:				
– Final dividend of 13 cents (2000: 13 cents) for every \$1 stock less Singapore income tax at 22.0% (2000: 24.5%)	(130,803)	(126,147)	(130,803)	(126,147)
– Special final dividend of Nil (2000: 10 cents) for every \$1 stock less Singapore income tax at 22.0% (2000: 24.5%)	–	(97,036)	–	(97,036)
In respect of the financial year ended 31 December 2002:*				
– Interim dividend of 5 cents (2001: 5 cents) for every \$1 stock less Singapore income tax at 22.0% (2000: 24.5%)	(50,317)	(48,528)	(50,317)	(48,528)
Buy-back of shares (Note 14)	–	(26,544)	–	(26,544)
Transfer from/(to) -				
Capital reserves (Note 15)	262,668	(88,601)	–	–
Statutory reserves (Note 16)	(44,450)	(54,098)	(48,000)	(43,500)
General reserves (Note 17)	517,648	(18,596)	–	–
	554,746	(459,550)	(229,120)	(341,755)
At 31 December	3,059,474	1,838,020	1,966,383	1,244,007

\* At the Annual General Meeting to be held, a final dividend of 15 cents per \$1 ordinary stock unit less Singapore income tax at 22% in respect of 2002, amounting to a total dividend of \$151.0 million will be proposed. These financial statements do not reflect these dividends payable, which will be accounted for in shareholders' equity as a distribution of unappropriated profit in the year ending 31 December 2003.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 13. EARNINGS PER ORDINARY SHARE

	Group	
	2002	2001
Profit attributable to stockholders of the Bank (\$'000)	666,708	778,000
Weighted average number of ordinary shares in issue ('000)		
For basic earnings per share	1,289,331	1,286,012
Adjustment for assumed conversion of share options	2,873	3,789
For diluted earnings per share	1,292,204	1,289,801
Basic earnings per ordinary share (cents)	52	60
Diluted earnings per ordinary share (cents)	52	60

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

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the financial year). The difference between the number of shares to be issued at the exercise prices under the options and the number of shares that would have been issued at the fair value based on the assumed proceeds from the issue of these shares is treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per share.

No adjustment is made to profit after tax attributable to stockholders of the Bank.

### 14. SHARE CAPITAL OF OVERSEA-CHINESE BANKING CORPORATION LIMITED

#### 14.1 Authorised ordinary share capital

The total authorised number of ordinary shares is 2,000,000,000 shares (2001: 2,000,000,000 shares) with a par value of \$1 per share (2001: \$1 per share).

#### 14.2 Issued ordinary share capital

	Group and Bank	
	Number of shares '000	\$'000
<b>2002</b>		
At 1 January	1,286,606	1,286,606
Shares issued under Executives' Share Option Scheme	3,693	3,693
At 31 December	1,290,299	1,290,299
<b>2001</b>		
At 1 January	1,285,968	1,285,968
Shares issued under Executives' Share Option Scheme	3,179	3,179
Buy-back of shares	(2,541)	(2,541)
At 31 December	1,286,606	1,286,606

All issued shares are fully paid and newly issued shares rank pari passu in all respects with the previously issued shares.

At 31 December 2002, 85,701,610 (2001: 85,701,610) issued ordinary shares of \$1 each were held by the Group's associated companies.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 14. SHARE CAPITAL OF OVERSEA-CHINESE BANKING CORPORATION LIMITED (continued)

#### 14.3 Outstanding options

The Bank offers share options under the OCBC Executives' Share Option Scheme 1994 and 2001 to officers of the Bank and OCBC Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, of the rank of Assistant Manager and above. Movements in the number of options to subscribe for ordinary shares of \$1 each exercisable at any time up to their respective expiration dates were as follows:

	Number of unissued ordinary shares				At 31 December	Offering price per \$1 share	Date of expiration
	At 1 January	Granted	Exercised	Lapsed			
1995 Replacement Options	534,334	–	(164,743)	(3,594)	365,997	\$7.810	1 February 2005
1996 Replacement Options	1,256,406	–	(418,389)	–	838,017	\$8.150	29 January 2006
1997 Options	46,384	–	(46,384)	–	–	\$7.603	29 January 2002
1997 Replacement Options	2,019,686	–	(567,525)	(280)	1,451,881	\$7.603	29 January 2007
1998 Options	53,500	–	(19,800)	–	33,700	\$6.419	21 January 2003
1998 Replacement Options	2,202,887	–	(659,429)	–	1,543,458	\$6.419	21 January 2008
1999 Options	49,715	–	(20,475)	–	29,240	\$7.533	9 December 2003
1999 Replacement Options	4,509,765	–	(1,796,243)	(7,660)	2,705,862	\$7.533	9 December 2008
2000 Options	5,629,850	–	–	(459,400)	5,170,450	\$10.900	5 December 2009
2001 Options	7,161,392	–	–	(574,981)	6,586,411	\$12.880	4 December 2010
2002 Options	–	8,538,961	–	(327,528)	8,211,433	\$13.780	8 April 2012
2002A Options	–	300,000	–	–	300,000	\$13.660	22 April 2012
2002B Options	–	100,000	–	–	100,000	\$10.480	23 October 2012
	23,463,919	8,938,961	(3,692,988)	(1,373,443)	27,336,449		

Note: 1997 Options expired on 29 January 2002.

### 15. CAPITAL RESERVES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Share premium	1,350,906	1,327,188	1,350,906	1,327,188
Capital redemption reserve	3,721	3,721	3,721	3,721
Other capital reserves	150,888	580,581	40,830	40,830
	1,505,515	1,911,490	1,395,457	1,371,739

#### 15.1 Share premium

	Group and Bank	
	2002 \$'000	2001 \$'000
At 1 January	1,327,188	1,309,188
Arising from issue of shares	23,718	18,000
At 31 December	1,350,906	1,327,188

#### 15.2 Capital redemption reserves

	Group and Bank	
	2002 \$'000	2001 \$'000
At 1 January	3,721	1,180
Arising from buy-back of shares	–	2,541
At 31 December	3,721	3,721

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 15. CAPITAL RESERVES (continued)

#### 15.3 Other capital reserves

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At 1 January	580,581	491,980	40,830	40,830
Transfer (to)/from unappropriated profit (Note 12)	(262,668)	88,601	–	–
Transfer to general reserves (Note 17)	(167,025)	–	–	–
At 31 December	150,888	580,581	40,830	40,830

### 16. STATUTORY RESERVES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At 1 January	1,889,924	1,835,826	1,416,200	1,372,700
Transfer from unappropriated profit (Note 12)	44,450	54,098	48,000	43,500
Transfer from general reserves (Note 17)	1,870	–	–	–
At 31 December	1,936,244	1,889,924	1,464,200	1,416,200

The statutory reserves represent reserves, which are required by laws and regulations to be set aside by the banking, finance and stockbroking corporations within the Group. These reserves are non-distributable.

### 17. REVENUE RESERVES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unappropriated profit (Note 12)	3,059,474	1,838,020	1,966,383	1,244,007
General reserves	1,672,779	2,049,439	976,000	976,000
Foreign currency translation reserves	(240,089)	(143,255)	(76,641)	(54,245)
	4,492,164	3,744,204	2,865,742	2,165,762

#### 17.1 General reserves

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At 1 January	2,049,439	2,030,843	976,000	976,000
Transfer (to)/from unappropriated profit (Note 12)	–	–	–	–
– reclassification in reserves of associated companies	(368,749)	–	–	–
– others	(148,899)	18,596	–	–
Transfer from capital reserves (Note 15)	167,025	–	–	–
Transfer to statutory reserves (Note 16)	(1,870)	–	–	–
Adjustment in reserves of an associated company	(24,167)	–	–	–
At 31 December	1,672,779	2,049,439	976,000	976,000

**Notes to the Financial Statements**  
for the financial year ended 31 December 2002

**17. REVENUE RESERVES (continued)**

**17.2 Foreign currency translation reserves**

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At 1 January				
– as previously reported	(145,043)	(244,742)	(54,245)	(86,112)
– effect of adopting SAS 12	1,788	144	–	–
– as restated	(143,255)	(244,598)	(54,245)	(86,112)
Net adjustment during the year	(96,834)	101,343	(22,396)	31,867
At 31 December	(240,089)	(143,255)	(76,641)	(54,245)

The foreign currency translation reserves relate to translation differences arising from the use of year-end exchange rates versus historical rates in translating the net assets of overseas branches, subsidiaries and associated companies.

**18. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS AND BANKS**

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Deposits of non-bank customers</b>				
Current accounts	5,293,790	5,057,250	4,602,311	3,156,150
Savings deposits	10,801,597	10,836,739	10,151,654	7,825,743
Term deposits	36,175,794	37,440,849	28,173,672	20,922,581
Certificate of deposits issued	553,090	439,988	534,141	124,865
Other deposits	1,123,265	900,299	482,307	49,589
	53,947,536	54,675,125	43,944,085	32,078,928
<b>Deposits and balances of banks</b>	12,621,149	14,050,998	12,076,240	11,493,725
	66,568,685	68,726,123	56,020,325	43,572,653

**18.1 Analysed by remaining maturity**

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Less than 7 days	25,715,233	27,718,238	23,136,087	18,890,844
1 week to 1 month	18,326,666	17,705,104	15,181,600	12,752,487
Over 1 month to 3 months	11,779,132	9,859,093	10,240,235	5,599,347
Over 3 months to 12 months	9,597,686	11,881,224	7,084,929	5,874,530
Over 1 year to 3 years	714,291	846,983	372,225	437,164
Over 3 years	435,677	715,481	5,249	18,281
	66,568,685	68,726,123	56,020,325	43,572,653

**18.2 Analysed by currency**

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore dollar	39,200,854	38,990,548	36,622,994	25,772,372
US dollar	14,316,706	15,762,065	13,736,526	12,067,618
Malaysian ringgit	7,223,767	7,728,305	–	1,182
Japanese yen	260,550	982,895	200,192	892,404
Hong Kong dollar	914,130	1,024,145	912,575	994,744
British pound	1,319,574	1,314,977	1,313,160	1,238,943
Australian dollar	1,739,781	1,388,482	1,719,608	1,261,878
Euro	748,768	953,341	744,860	837,807
Other	844,555	581,365	770,410	505,705
	66,568,685	68,726,123	56,020,325	43,572,653

**Notes to the Financial Statements**  
for the financial year ended 31 December 2002

**19. CURRENT TAX AND DEFERRED TAX**

**19.1 Current tax**

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At 1 January	315,404	297,378	102,730	192,752
Foreign currency translation adjustments	(3,127)	4,322	1,210	536
Arising from merger with KTB [Note 35.3 (d)]	–	–	105,206	–
Arising from new subsidiary companies	–	152,902	–	–
Income tax paid	(226,991)	(262,011)	(169,428)	(326,771)
Charge to income statements (Note 11)	242,042	127,406	206,067	233,451
(Over)/under provision in prior years (Note 11)	(5,563)	(4,593)	(1,114)	2,762
At 31 December	321,765	315,404	244,671	102,730

**19.2 Deferred tax**

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At 1 January				
– as previously reported	46,614	15,365	27,603	–
– effect of adopting SAS 12	52,035	(74,741)	–	(2,572)
– as restated	98,649	(59,376)	27,603	(2,572)
Foreign currency translation adjustments	1,186	(1,426)	–	–
Arising from merger with KTB [Note 35.3 (d)]	–	–	103,200	–
Arising from new subsidiary companies	–	126,355	–	–
(Credit)/charge to income statements (Note 11)	(36,753)	33,096	(24,597)	30,175
At 31 December	63,082	98,649	106,206	27,603

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets. The deferred tax assets and liabilities are to be recovered and settled after one year.

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Deferred tax liabilities	133,498	164,453	106,206	27,603
Deferred tax assets	(70,416)	(65,804)	–	–
	63,082	98,649	106,206	27,603

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 19. CURRENT TAX AND DEFERRED TAX (continued)

#### 19.3 Analysis of deferred tax balance

The movements in the Group's and Bank's deferred tax assets and liabilities (prior to offsetting within the same tax jurisdiction) during the financial year are attributable to the following items:

Group	Accelerated tax depreciation \$'000	Unremitted income \$'000	Other \$'000	Total \$'000
<b>Deferred tax liabilities</b>				
At 1 January 2002				
– as previously reported	33,296	25,516	2,781	61,593
– effect of adopting SAS 12	128,271	–	(806)	127,465
– as restated	161,567	25,516	1,975	189,058
Effect of changes in tax rates	(14,938)	(2,086)	(151)	(17,175)
(Credit)/charge to income statement	(11,169)	833	(3,012)	(13,348)
Foreign currency translation adjustments	(2,185)	–	3,910	1,725
At 31 December 2002	133,275	24,263	2,722	160,260

Group	Provisions for assets \$'000	Pension and other post retirement benefits \$'000	Other \$'000	Total \$'000
<b>Deferred tax assets</b>				
At 1 January 2002				
– as previously reported	(14,977)	(2)	–	(14,979)
– effect of adopting SAS 12	(75,062)	–	(368)	(75,430)
– as restated	(90,039)	(2)	(368)	(90,409)
Effect of changes in tax rates	2,248	–	–	2,248
(Credit)/charge to income statement	(8,771)	(16)	309	(8,478)
Foreign currency translation adjustments	(531)	(8)	–	(539)
At 31 December 2002	(97,093)	(26)	(59)	(97,178)

Bank	Accelerated tax depreciation \$'000	Unremitted income \$'000	Total \$'000
<b>Deferred tax liabilities</b>			
At 1 January 2002	15,952	25,516	41,468
Arising from merger with KTB [Note 35.3 (d)]	112,546	–	112,546
Effect of changes in tax rates	(1,618)	(2,086)	(3,704)
(Credit)/charge to income statement	(23,851)	833	(23,018)
At 31 December 2002	103,029	24,263	127,292

Bank	Provisions for assets \$'000	Other \$'000	Total \$'000
<b>Deferred tax assets</b>			
At 1 January 2002	(13,857)	(8)	(13,865)
Arising from merger with KTB [Note 35.3 (d)]	(9,346)	–	(9,346)
Effect of changes in tax rates	1,414	(66)	1,348
(Credit)/charge to income statement	772	5	777
At 31 December 2002	(21,017)	(69)	(21,086)

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. Unutilised tax losses carried forward for which no deferred income tax has been recognised as at 31 December 2002 of the Group amounted to \$156.6 million (2001: \$137.2 million) and that for the Bank amounted to \$134.6 million (2001: \$115.5 million).

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 19. CURRENT TAX AND DEFERRED TAX (continued)

#### 19.3 Analysis of deferred tax balance (continued)

Deferred income tax liabilities are not established for the withholding tax and other taxes that would be payable on the remittance of earnings retained at certain overseas entities as such amounts are permanently reinvested. Such unremitted earnings including amounts permanently reinvested totalled \$1,305.8 million for the Group (2001: \$1,132.4 million) and \$807.9 million for the Bank (2001: \$654.4 million) as at 31 December 2002.

### 20. OTHER LIABILITIES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial derivatives at fair value (Note 44)	1,008,212	620,213	1,006,945	448,426
Interest payable	434,233	623,043	372,124	443,551
Sundry creditors	486,467	718,085	184,044	121,541
Other	211,634	150,256	195,791	103,242
	2,140,546	2,111,597	1,758,904	1,116,760

### 21. DEBT SECURITIES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Subordinated term notes (unsecured)	3,879,214	3,875,341	3,879,214	3,875,341
Collateralised debt securities (secured)	133,000	–	–	–
Floating rate negotiable certificates of deposit ("FRCDs")				
– US\$100 million FRCDs due 2002 (unsecured)	–	182,206	–	–
– HK\$200 million FRCDs due 2002 (unsecured)	–	46,665	–	–
	4,012,214	4,104,212	3,879,214	3,875,341

#### 21.1 Subordinated term notes (unsecured)

Subordinated term notes are long-term debts that have a lower priority claim over the Group's assets in the event of default or liquidation. These notes were issued on 6 July 2001 and mature on 6 September 2011. Interest is payable semi-annually in arrears at the fixed interest rates for the SGD and USD notes and annually in arrears at the fixed interest rate for the EUR notes. For the purpose of capital adequacy ratio computation, these notes are included as Tier 2 capital. Details of the subordinated term notes are as follows:

	Group and Bank	
	2002 \$'000	2001 \$'000
EUR 400 million 7.25% fixed rate note 2011	614,428	613,525
SGD 1 billion 5.00% fixed rate note 2011	994,311	993,606
USD 1.25 billion 7.75% fixed rate note 2011	2,270,475	2,268,210
	3,879,214	3,875,341

The Bank has entered into interest rate and currency swaps to manage the interest rate and currency exchange rate risks of the subordinated term notes. The average interest rate for the notes incorporating the effects of these derivative instruments was 2.94% (2001: 3.85%).

#### 21.2 Collateralised debt securities (secured)

The collateralised debt securities issued of \$133 million are short-dated fixed rate notes issued by Pioneer Funding Ltd, a special purpose entity (details are disclosed in Note 35). The notes issued comprise:

- 1.3% \$50 million commercial mortgaged backed series 1 notes, issued on 22 November 2002 and maturing 24 February 2003;
- 1.3% \$4.5 million commercial mortgaged backed series 1 notes, issued on 5 December 2002 and maturing 24 February 2003;
- 1.375% \$23.25 million commercial mortgaged backed series 1 notes, issued on 23 December 2002 and maturing 22 January 2003;
- 1.25% \$10 million commercial mortgaged backed series 2 notes, issued on 23 November 2002 and maturing 25 February 2003;
- 1.35% \$5 million commercial mortgaged backed series 2 notes, issued on 3 December 2002 and maturing 25 February 2003;

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 21. DEBT SECURITIES (continued)

#### 21.2 Collateralised debt securities (secured) (continued)

- (f) 1% \$14.5 million premium series 1 notes, issued on 9 December 2002 and maturing 10 March 2003;  
 (g) 1.55% \$6.5 million premium series 3 notes, issued on 27 December 2002 and maturing 27 March 2003;  
 (h) 1.42% \$8 million premium series 3 notes, issued on 27 December 2002 and maturing 27 January 2003; and  
 (i) 1.55% \$11.25 million premium series 6 notes, issued on 27 December 2002 and maturing 27 March 2003.

#### 21.3 Floating rate negotiable certificates of deposit ("FRCDs")

- (a) The US\$100 million FRCDs were issued in 1997. Interest is fixed semi-annually at 0.5% below the 6-month Singapore Interbank Offered Rate for US dollar deposits. The FRCDs were redeemed on 11 August 2002.  
 (b) The HK\$200 million FRCDs were issued in 1997. Interest is fixed semi-annually at 0.5% below the 6-month Singapore Interbank Offered Rate for Hong Kong dollar deposits. The FRCDs were redeemed on 11 August 2002.

### 22. CASH AND PLACEMENTS WITH CENTRAL BANKS

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash in hand	262,823	265,949	216,569	154,780
Balances with central banks	1,635,395	1,438,112	1,237,350	692,723
Money market placements	960,185	310,035	–	–
	<b>2,858,403</b>	2,014,096	<b>1,453,919</b>	847,503

Balances with central banks include mandatory reserve deposits of \$1,390.1 million (2001: S\$1,341.8 million) and \$1,079.7 million (2001: S\$679.4 million) for the Group and Bank respectively. These funds are not available to finance the day-to-day operations of the Group and Bank.

### 23. SINGAPORE GOVERNMENT TREASURY BILLS AND SECURITIES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cost, adjusted for premium and discount	5,966,732	6,315,794	5,636,843	4,122,313
Less: Provision for diminution in value (Note 33)	–	(7,148)	–	–
Net book value	<b>5,966,732</b>	6,308,646	<b>5,636,843</b>	4,122,313
Market value	<b>6,056,152</b>	6,334,305	<b>5,710,950</b>	4,139,599

### 24. OTHER GOVERNMENT TREASURY BILLS AND SECURITIES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cost, adjusted for premium and discount	984,240	1,001,850	131,121	82,686
Less: Provision for diminution in value (Note 33)	(95)	(58)	(95)	(58)
Net book value	<b>984,145</b>	1,001,792	<b>131,026</b>	82,628
Market value	<b>1,020,418</b>	1,041,214	<b>145,038</b>	86,209

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 25. DEALING SECURITIES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Equity	13,292	71,164	626	53,007
Debt	166,347	354,541	154,011	145,415
	<b>179,639</b>	425,705	<b>154,637</b>	198,422
Less: Provision for diminution in value (Note 33)	(6,563)	(25,747)	(6,687)	(19,497)
Net book value	<b>173,076</b>	399,958	<b>147,950</b>	178,925
Market value	<b>173,298</b>	401,381	<b>147,950</b>	179,033
<b>Analysed by issuer</b>				
Public sector	35,600	42,863	35,600	9,081
Banks	7,122	54,051	7,122	2,358
Corporations	136,917	328,791	111,915	186,983
	<b>179,639</b>	425,705	<b>154,637</b>	198,422

Dealing securities comprise securities which are listed on stock exchanges and those quoted over the counter.

### 26. PLACEMENTS WITH AND LOANS TO BANKS

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Placements with and loans to banks	11,660,400	12,234,588	11,281,843	10,271,871
Negotiable certificates of deposit purchased	1,365,779	1,017,837	1,273,601	1,016,472
Market bills purchased	112,714	280,343	372	35,871
Reverse repos	1,320,075	894,500	1,320,075	482,438
	<b>14,458,968</b>	14,427,268	<b>13,875,891</b>	11,806,652

#### 26.1 Analysed by remaining maturity

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Less than 7 days	2,129,127	4,603,117	1,931,804	3,737,266
1 week to 1 month	3,108,384	3,929,965	2,934,471	3,418,649
Over 1 month to 3 months	4,006,086	3,205,834	3,901,090	2,646,870
Over 3 months to 12 months	4,819,122	2,382,080	4,714,278	1,945,474
Over 1 year to 3 years	355,177	254,894	355,177	58,393
Over 3 years	41,072	51,378	39,071	–
	<b>14,458,968</b>	14,427,268	<b>13,875,891</b>	11,806,652

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 26. PLACEMENTS WITH AND LOANS TO BANKS (continued)

#### 26.2 Analysed by currency

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore dollar	3,318,135	5,012,560	3,301,203	3,856,364
US dollar	7,973,713	6,192,324	7,779,417	5,240,148
Malaysian ringgit	248,104	332,152	250	101
Japanese yen	757,851	236,087	706,662	178,507
Hong Kong dollar	118,643	133,424	111,834	79,052
British pound	665,498	835,813	664,806	798,587
Australian dollar	546,084	607,562	542,048	600,004
Euro	364,359	637,470	307,806	634,077
Other	466,581	439,876	461,865	419,812
	<b>14,458,968</b>	<b>14,427,268</b>	<b>13,875,891</b>	<b>11,806,652</b>

### 27. LOANS TO AND BILLS RECEIVABLE FROM CUSTOMERS

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Gross loans	49,781,736	52,848,854	39,990,481	29,366,196
Less: Specific provision (Note 29)	(1,306,271)	(1,993,273)	(940,383)	(998,582)
General provision (Note 30)	(1,206,450)	(1,246,206)	(923,854)	(602,801)
Net loans	<b>47,269,015</b>	<b>49,609,375</b>	<b>38,126,244</b>	<b>27,764,813</b>
Net loans comprise:				
Bills receivable	296,562	305,739	119,762	90,535
Loans	46,972,453	49,303,636	38,006,482	27,674,278
	<b>47,269,015</b>	<b>49,609,375</b>	<b>38,126,244</b>	<b>27,764,813</b>

Included in loans is an amount of \$1.14 billion (2001: \$1.53 billion) pledged as collateral for credit default swaps where the Bank acts as the protection seller. The obligations arising from such credit default swaps are included in Note 42.

#### 27.1 Analysed by remaining maturity

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Less than 7 days	9,190,112	11,615,326	6,811,376	6,042,165
1 week to 1 month	3,630,475	4,039,225	3,181,028	2,374,819
Over 1 month to 3 months	3,077,181	3,834,728	2,677,494	2,753,660
Over 3 months to 12 months	5,025,758	4,394,621	4,103,345	2,968,146
Over 1 year to 3 years	8,206,125	5,520,411	7,031,529	3,097,540
Over 3 years	20,652,085	23,444,543	16,185,709	12,129,866
	<b>49,781,736</b>	<b>52,848,854</b>	<b>39,990,481</b>	<b>29,366,196</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 27. LOANS TO AND BILLS RECEIVABLE FROM CUSTOMERS (continued)

#### 27.2 Analysed by currency

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore dollar	32,363,131	34,369,204	29,424,667	20,144,506
US dollar	7,255,041	8,326,906	6,433,181	5,956,141
Malaysian ringgit	5,984,153	6,184,219	30	61
Japanese yen	789,500	684,117	777,630	440,968
Hong Kong dollar	948,110	1,173,601	947,489	977,090
British pound	617,050	678,359	616,896	461,379
Australian dollar	1,177,808	1,053,930	1,161,867	1,048,882
Euro	278,333	149,749	276,522	124,655
Other	368,610	228,769	352,199	212,514
	<b>49,781,736</b>	<b>52,848,854</b>	<b>39,990,481</b>	<b>29,366,196</b>

#### 27.3 Analysed by industry

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Agriculture, mining and quarrying	437,235	502,968	139,152	78,239
Manufacturing	3,454,693	3,697,151	1,949,148	1,389,126
Building and construction	7,452,586	9,099,481	6,523,120	5,954,995
Housing	12,312,729	11,173,584	9,841,655	5,350,611
General commerce	3,208,119	3,575,714	2,525,088	1,741,512
Transport, storage and communication	1,753,468	2,786,156	1,604,263	1,839,942
Financial institutions, investment and holding companies	9,047,463	9,797,857	8,144,913	7,707,013
Professionals and individuals	7,510,268	7,543,982	6,146,900	3,260,693
Other	4,605,175	4,671,961	3,116,242	2,044,065
	<b>49,781,736</b>	<b>52,848,854</b>	<b>39,990,481</b>	<b>29,366,196</b>

#### 27.4 Analysed by product

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Overdrafts	6,994,335	8,569,046	5,132,963	4,260,835
Short term loans	3,837,045	5,074,536	3,779,257	4,136,351
Revolving credit	3,522,714	3,891,146	2,855,629	2,291,074
Long term loans	12,649,834	13,853,653	10,511,252	8,297,670
Housing loans	12,380,022	11,328,152	9,781,727	5,275,677
Commercial property loans	2,459,365	2,533,538	2,091,841	1,212,836
Car loans	2,220,962	1,623,041	1,263,356	527,196
Syndicated loans	2,240,890	2,685,909	2,039,486	1,765,355
Trade finance	889,183	1,088,995	662,895	406,994
Credit card receivables	384,233	314,344	308,196	163,458
Transferable loan certificates	979,395	755,854	979,395	755,854
Loans under government loan schemes	264,172	298,588	81,236	42,960
Block discounting, leasing and factoring receivables	199,457	256,750	-	-
Hire purchase loans (exclude car loans)	72,426	111,275	-	-
Staff loans	115,205	124,881	66,417	58,539
Other	572,498	339,146	436,831	171,397
	<b>49,781,736</b>	<b>52,848,854</b>	<b>39,990,481</b>	<b>29,366,196</b>

27. LOANS TO AND BILLS RECEIVABLE FROM CUSTOMERS (continued)

27.5 Analysed by geographical sector

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore	35,995,470	39,004,067	33,035,715	23,223,217
Malaysia	7,001,332	7,047,869	295,214	312,775
Other ASEAN	493,411	657,985	368,029	373,198
Greater China	2,100,623	2,521,450	2,100,623	2,110,564
Other Asia Pacific	1,520,924	1,287,301	1,520,924	1,249,424
North America	1,502,340	1,477,720	1,502,340	1,244,555
Rest of the World	1,167,636	852,462	1,167,636	852,463
	49,781,736	52,848,854	39,990,481	29,366,196

27.6 Analysed by interest rate sensitivity

Group	2002		2001	
	Fixed \$'000	Variable \$'000	Fixed \$'000	Variable \$'000
Singapore	13,735,091	24,657,532	16,381,619	24,624,232
Malaysia	610,831	6,283,650	830,270	6,410,999
Other ASEAN	1,452	208,016	24,332	245,922
Greater China	967	1,722,501	250,595	1,804,309
Other Asia Pacific	212,524	1,025,397	203,145	846,647
North America	–	803,326	11	663,654
Rest of the World	3,474	516,975	8,727	554,392
	14,564,339	35,217,397	17,698,699	35,150,155

Bank	2002		2001	
	Fixed \$'000	Variable \$'000	Fixed \$'000	Variable \$'000
Singapore	11,699,943	23,725,388	6,551,076	18,399,702
Malaysia	30	195,823	61	245,511
Other ASEAN	1,233	82,900	16,911	99,910
Greater China	967	1,722,501	1,718	1,774,730
Other Asia Pacific	212,524	1,025,397	203,145	846,647
North America	–	803,326	11	663,654
Rest of the World	3,474	516,975	8,727	554,393
	11,918,171	28,072,310	6,781,649	22,584,547

Loans to and bills receivable from customers by geographic sector risk concentration are determined based on where the credit risk resides regardless of where the transactions are booked. The analysis by interest rate sensitivity is based on where the loans and bills receivable are booked.

28. NON-PERFORMING LOANS (“NPLS”) AND DEBT SECURITIES

Non-performing loans and debt securities are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Total classified loans to customers</b>				
Substandard	2,814,060	3,412,070	1,916,858	1,450,296
Doubtful	863,132	1,038,856	766,098	824,096
Loss	364,854	668,188	117,345	92,705
	4,042,046	5,119,114	2,800,301	2,367,097
<b>Total classified debt securities</b>				
Substandard	138,975	41,858	96,371	24,152
Doubtful	73,198	22,284	73,198	22,284
Loss	101,709	–	54,036	–
	313,882	64,142	223,605	46,436
<b>Total classified assets</b>	4,355,928	5,183,256	3,023,906	2,413,533
<b>Specific provision made for classified assets:</b>				
Substandard	166,972	258,558	151,618	90,156
Doubtful	795,449	1,030,424	718,751	829,456
Loss	484,446	691,109	183,615	95,909
	1,446,867	1,980,091	1,053,984	1,015,521

28.1 Analysed by period overdue

	Group		Bank	
	2002 \$ million	2001 \$ million	2002 \$ million	2001 \$ million
Over 180 days	2,339	3,168	1,585	1,769
Over 90 days to 180 days	567	582	439	213
30 days to 90 days	267	331	173	96
Less than 30 days	208	229	200	142
No overdue	975	873	627	194
	4,356	5,183	3,024	2,414

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for the financial year ended 31 December 2002

### 28. NON-PERFORMING LOANS (“NPLS”) AND DEBT SECURITIES (continued)

#### 28.2 Analysed by collateral type

	Group		Bank	
	2002 \$ million	2001 \$ million	2002 \$ million	2001 \$ million
Property				
– Residential	618	864	485	351
– Commercial/Industrial	1,599	1,692	922	588
– Hotel	163	196	149	116
– Budget Hotel/Boarding School	3	60	3	46
	<b>2,383</b>	2,812	<b>1,559</b>	1,101
Fixed deposit				
– In same currency as loan	37	31	33	17
– In different currency	1	10	1	10
	<b>38</b>	41	<b>34</b>	27
Stock and shares	309	320	219	216
Motor vehicles	33	49	13	2
Other	102	82	87	54
Unsecured				
– Clean	840	844	549	407
– Corporate and other guarantees	651	1,035	563	607
	<b>1,491</b>	1,879	<b>1,112</b>	1,014
	<b>4,356</b>	5,183	<b>3,024</b>	2,414

#### 28.3 Analysed by industry

	Group		Bank	
	2002 \$ million	2001 \$ million	2002 \$ million	2001 \$ million
Agriculture, mining and quarrying	39	38	21	3
Manufacturing	736	697	449	237
Building and construction	761	1,001	516	363
Housing	227	336	162	131
General commerce	539	666	432	308
Transport, storage and communication	92	143	81	71
Financial institutions, investment and holding companies	965	1,157	693	738
Professionals and individuals	581	618	491	333
Other	416	527	179	230
	<b>4,356</b>	5,183	<b>3,024</b>	2,414

#### 28.4 Analysed by geographical sector

Group \$ million	Singapore	Malaysia	Other ASEAN	Greater China	Rest of the World	Total
<b>2002</b>						
Substandard	1,952	831	23	97	50	2,953
Doubtful	502	183	156	72	23	936
Loss	192	186	28	7	54	467
	<b>2,646</b>	<b>1,200</b>	<b>207</b>	<b>176</b>	<b>127</b>	<b>4,356</b>
Specific provisions	(774)	(374)	(147)	(78)	(74)	(1,447)
	<b>1,872</b>	<b>826</b>	<b>60</b>	<b>98</b>	<b>53</b>	<b>2,909</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 28. NON-PERFORMING LOANS (“NPLS”) AND DEBT SECURITIES (continued)

#### 28.4 Analysed by geographical sector (continued)

Group \$ million	Singapore	Malaysia	Other ASEAN	Greater China	Rest of the World	Total
<b>2001</b>						
Substandard	2,349	856	102	128	19	3,454
Doubtful	619	168	130	87	57	1,061
Loss	472	152	36	4	4	668
	<b>3,440</b>	<b>1,176</b>	<b>268</b>	<b>219</b>	<b>80</b>	<b>5,183</b>
Specific provisions	(1,332)	(300)	(188)	(104)	(56)	(1,980)
	<b>2,108</b>	<b>876</b>	<b>80</b>	<b>115</b>	<b>24</b>	<b>3,203</b>

Non-performing loans (“NPLs”) and debts securities by geographic sector risk concentration are determined based on where the credit risk resides regardless of where the transactions are booked.

#### 28.5 Restructured loans

The table below is an analysis of restructured loans into loan classification and the related specific provisions. The restructured NPLs as a percentage of total NPLs is 18.8% (2001: 18.6%) and 23.3% (2001: 14.2%) for the Group and the Bank respectively.

	2002		2001	
	Amount \$ million	Provision \$ million	Amount \$ million	Provision \$ million
<b>Group</b>				
Substandard	507	78	718	123
Doubtful	256	135	213	180
Loss	56	57	35	35
	<b>819</b>	<b>270</b>	966	338
<b>Bank</b>				
Substandard	450	78	247	48
Doubtful	247	131	93	68
Loss	7	7	2	2
	<b>704</b>	<b>216</b>	342	118

### 29. SPECIFIC PROVISION FOR LOAN LOSSES AND INTEREST-IN-SUSPENSE

Movements in specific provision for loan losses and interest-in-suspense during the year are as follows:

	2002			2001		
	Specific provision \$'000	Interest-in- suspense \$'000	Total \$'000	Specific provision \$'000	Interest-in- suspense \$'000	Total \$'000
<b>Group</b>						
At 1 January	1,608,705	384,568	1,993,273	1,117,858	366,366	1,484,224
Foreign currency translation adjustments	(37,360)	(1,301)	(38,661)	34,817	5,823	40,640
Bad debts written off	(724,372)	(249,807)	(974,179)	(608,002)	(169,240)	(777,242)
Recovery of amounts previously provided	(19,804)	–	(19,804)	(20,674)	–	(20,674)
Provision made	384,503	–	384,503	468,779	–	468,779
Net charge for the year (Note 10)	364,699	–	364,699	448,105	–	448,105
Net interest suspended	–	88,408	88,408	–	106,773	106,773
Transfer to other assets	–	(41,379)	(41,379)	–	(22,788)	(22,788)
Transfer to provision for diminution in value of investment securities and other assets (Note 33)	(79,956)	(5,934)	(85,890)	(5,643)	–	(5,643)
Arising from new subsidiary companies	–	–	–	621,570	97,634	719,204
At 31 December (Note 27)	<b>1,131,716</b>	<b>174,555</b>	<b>1,306,271</b>	1,608,705	384,568	1,993,273

29. SPECIFIC PROVISION FOR LOAN LOSSES AND INTEREST-IN-SUSPENSE (continued)

	2002			2001		
	Specific provision \$'000	Interest-in-suspense \$'000	Total \$'000	Specific provision \$'000	Interest-in-suspense \$'000	Total \$'000
<b>Bank</b>						
At 1 January	787,503	211,079	998,582	889,071	241,426	1,130,497
Foreign currency translation adjustments	(19,260)	(81)	(19,341)	19,611	(965)	18,646
Bad debts written off	(574,053)	(205,231)	(779,284)	(416,662)	(89,515)	(506,177)
Recovery of amounts previously provided	(14,284)	–	(14,284)	(12,325)	–	(12,325)
Provision made	245,848	–	245,848	313,451	–	313,451
Net charge for the year (Note 10)	231,564	–	231,564	301,126	–	301,126
Net interest suspended	–	51,901	51,901	–	60,133	60,133
Transfer to other assets	–	(14,099)	(14,099)	–	–	–
Transfer to provision for diminution in value of investment securities and other assets (Note 33)	(70,882)	(5,117)	(75,999)	(5,643)	–	(5,643)
Arising from merger with KTB [Note 35.3 (d)]	472,362	74,697	547,059	–	–	–
At 31 December (Note 27)	827,234	113,149	940,383	787,503	211,079	998,582

Analysis of amounts written off and recovered by country of exposure:

	Amount written off for the year		Recovery of amounts previously provided	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Singapore	856,718	335,967	7,056	6,110
Malaysia	70,209	179,078	4,864	74
Other ASEAN	19,075	198,506	7,411	13,861
Greater China	24,760	62,030	248	522
Other Asia Pacific	3,417	1,581	194	107
Rest of the World	–	80	31	–
Total	974,179	777,242	19,804	20,674
<b>Bank</b>				
Singapore	736,143	271,462	6,400	5,136
Malaysia	–	10,612	–	73
Other ASEAN	14,964	162,609	7,411	6,487
Greater China	24,760	59,834	248	522
Other Asia Pacific	3,417	1,580	194	107
Rest of the World	–	80	31	–
Total	779,284	506,177	14,284	12,325

30. GENERAL PROVISIONS

Movements in general provisions including provisions for possible loan losses and other banking risks during the year are as follows:

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At 1 January	1,246,206	817,639	602,801	611,053
Foreign currency translation adjustments (Writeback)/provisions charged to income statements (Note 10)	(9,593)	10,185	(629)	1,491
Transfer to provision for diminution in value of investment securities and other assets (Note 33)	(2,536)	–	(2,536)	–
Arising from merger with KTB [Note 35.3 (d)]	–	–	353,247	–
Arising from new subsidiary companies	–	416,228	–	–
At 31 December (Note 27)	1,206,450	1,246,206	923,854	602,801

31. INVESTMENT SECURITIES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Quoted debt securities:</b>				
Cost, adjusted for premium and discount	2,714,372	2,125,733	2,059,299	1,422,971
Less: Provision for diminution in value	(33,460)	(4,238)	(33,460)	(2,667)
Net book value	2,680,912	2,121,495	2,025,839	1,420,304
<b>Quoted equity securities:</b>				
Cost	402,184	470,452	306,289	100,947
Less: Provision for diminution in value	(83,798)	(64,357)	(69,664)	(11,460)
Net book value	318,386	406,095	236,625	89,487
<b>Unquoted debt securities:</b>				
Cost, adjusted for premium and discount	2,424,622	2,170,119	2,313,262	1,741,883
Less: Provision for diminution in value	(166,643)	(100,256)	(111,547)	(35,700)
Net book value	2,257,979	2,069,863	2,201,715	1,706,183
<b>Unquoted equity securities:</b>				
Cost	151,505	169,684	38,436	29,595
Less: Provision for diminution in value	(98,697)	(52,639)	(13,288)	(13,514)
Net book value	52,808	117,045	25,148	16,081
<b>Total investment securities</b>				
Cost or cost, adjusted for premium and discount	5,692,683	4,935,988	4,717,286	3,295,396
Less: Provision for diminution in value (Note 33)	(382,598)	(221,490)	(227,959)	(63,341)
Net book value	5,310,085	4,714,498	4,489,327	3,232,055
<b>Market value of quoted securities</b>				
Debt securities	2,749,596	2,157,123	2,090,698	1,445,785
Equity securities	657,266	767,153	483,137	339,693
	3,406,862	2,924,276	2,573,835	1,785,478

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### 31. INVESTMENT SECURITIES (continued)

Included in unquoted debt securities is an amount of \$0.49 billion (2001: \$0.54 billion) relating to credit linked notes pledged as collateral for credit default swaps where the Bank acts as the protection seller. The obligations under the credit default swaps are included in Note 42.

Included in quoted debt securities is an amount of \$167.4 million relating to Pioneer Funding Ltd, a special purpose entity (see note 35.2). These investment securities are pledged as collaterals for the debt securities issued by Pioneer Funding Ltd (see note 21.2).

#### 31.1 Analysed by issuer

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Public sector	561,801	700,384	547,894	686,219
Banks	750,187	690,006	749,338	483,577
Corporations	4,380,695	3,545,598	3,420,054	2,125,600
	<b>5,692,683</b>	<b>4,935,988</b>	<b>4,717,286</b>	<b>3,295,396</b>

#### 31.2 Analysed by industry

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Agriculture, mining and quarrying	14,977	15,311	–	244
Manufacturing	535,669	351,805	516,348	282,086
Building and construction	670,057	698,787	482,337	363,004
General commerce	105,734	112,946	90,065	39,000
Transport, storage and communication	527,143	399,047	428,431	340,601
Financial institutions, investment and holding companies	2,596,582	2,326,897	2,129,160	1,432,647
Other	1,242,521	1,031,195	1,070,945	837,814
	<b>5,692,683</b>	<b>4,935,988</b>	<b>4,717,286</b>	<b>3,295,396</b>

#### 31.3 Analysed by geographical sector

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore	2,068,981	1,797,028	1,801,662	1,473,996
Malaysia	924,209	1,066,057	319,523	61,172
Other ASEAN	37,932	40,673	23,762	14,269
Greater China	215,388	328,403	215,136	271,534
Other Asia Pacific	453,296	179,372	453,296	159,619
North America	1,247,607	1,133,954	1,203,527	1,060,118
Rest of the World	745,270	390,501	700,380	254,688
	<b>5,692,683</b>	<b>4,935,988</b>	<b>4,717,286</b>	<b>3,295,396</b>

### 32. OTHER ASSETS

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial derivatives at fair value (Note 44)	1,148,523	652,549	1,148,523	436,169
Interest receivable (net of interest-in-suspense)	481,224	601,923	436,026	478,064
Sundry debtors (net)	346,084	458,299	61,502	41,239
Other	166,947	107,195	121,424	24,527
	<b>2,142,778</b>	<b>1,819,966</b>	<b>1,767,475</b>	<b>979,999</b>

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### 33. PROVISIONS FOR DIMINUTION IN VALUE OF DEALING AND INVESTMENT SECURITIES AND OTHER ASSETS

Movements in provisions for diminution in value of dealing and investment securities and other assets during the year are as follows:

Group	Singapore government securities \$'000	Other government securities \$'000	Dealing securities \$'000	Investment securities \$'000	Property \$'000	Other assets \$'000	Total \$'000
<b>2002</b>							
At 1 January	7,148	58	25,747	221,490	49,403	50,537	354,383
Foreign currency translation adjustments	–	(4)	(636)	(10,168)	(303)	(1,073)	(12,184)
Amounts written off	–	–	(221)	(32,516)	–	(2,646)	(35,383)
Writeback of dealing securities (Note 8)	–	–	(5,716)	–	–	–	(5,716)
(Writeback)/provisions for the year (Note 10)	(7,148)	41	–	87,044	83,782	(183)	163,536
Transfers from specific provisions for loan losses (Note 29)	–	–	–	85,890	–	–	85,890
Transfers from general provisions (Note 30)	–	–	488	1,217	–	831	2,536
Transfers from other assets	–	–	–	16,542	–	–	16,542
Transfers	–	–	(13,099)	13,099	–	–	–
At 31 December	–	95	6,563	382,598	132,882	47,466	569,604
	(Note 23)	(Note 24)	(Note 25)	(Note 31)	(Note 36)		
<b>2001</b>							
At 1 January	1,000	213	10,810	146,997	3,949	40,712	203,681
Foreign currency translation adjustments	–	10	194	7,383	73	894	8,554
Amounts written off	–	–	(201)	(40,981)	–	(2,927)	(44,109)
Provisions for dealing securities (Note 8)	–	–	7,274	–	–	–	7,274
(Writeback)/provisions for the year (Note 10)	5,963	(165)	–	44,505	34,460	(17,492)	67,271
Transfers from specific provisions for loan losses (Note 29)	–	–	–	5,643	–	–	5,643
Transfers	–	–	–	(1,186)	–	1,186	–
Arising from new subsidiary companies	185	–	7,670	59,129	10,921	28,164	106,069
At 31 December	7,148	58	25,747	221,490	49,403	50,537	354,383
	(Note 23)	(Note 24)	(Note 25)	(Note 31)	(Note 36)		

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 33. PROVISIONS FOR DIMINUTION IN VALUE OF DEALING AND INVESTMENT SECURITIES AND OTHER ASSETS (continued)

Bank	Other government securities	Dealing securities	Investment securities	Associated companies	Subsidiary companies	Property	Other assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>2002</b>								
At 1 January	58	19,497	63,341	30,291	42,579	4,773	716	161,255
Foreign currency translation adjustments	(4)	(492)	(5,383)	–	–	(68)	3	(5,944)
Amounts written off	–	(61)	(15,419)	–	–	–	(1,546)	(17,026)
Writeback of dealing securities (Note 8) (Writeback)/provisions for the year (Note 10)	–	(2,705)	–	–	–	–	–	(2,705)
Transfers from specific provisions for loan losses (Note 29)	(331)	–	34,993	5,867	62,630	59,873	282	163,314
Transfers from general provisions (Note 30)	–	–	75,999	–	–	–	–	75,999
Transfers from subsidiary companies	–	488	1,217	–	–	–	831	2,536
Transfers from other assets	372	(25)	53,128	1,140	2,580	37,738	39,249	134,182
Transfers	–	–	10,068	–	–	–	–	10,068
Transfers	–	(10,015)	10,015	–	–	–	–	–
At 31 December	95	6,687	227,959	37,298	107,789	102,316	39,535	521,679
	(Note 24)	(Note 25)	(Note 31)	(Note 34)	(Note 35)	(Note 36)		
<b>2001</b>								
At 1 January	213	10,459	44,652	957	42,579	3,116	1,817	103,793
Foreign currency translation adjustments	10	13	2,404	–	–	74	–	2,501
Amounts written off	–	–	(20,156)	–	–	–	(466)	(20,622)
Provisions for dealing securities (Note 8) (Writeback)/provisions for the year (Note 10) (165)	–	9,025	–	–	–	–	–	9,025
Transfers from specific provisions for loan losses (Note 29)	–	–	31,984	28,148	–	1,583	(635)	60,915
Transfers	–	–	5,643	–	–	–	–	5,643
Transfers	–	–	(1,186)	1,186	–	–	–	–
At 31 December	58	19,497	63,341	30,291	42,579	4,773	716	161,255
	(Note 24)	(Note 25)	(Note 31)	(Note 34)	(Note 35)	(Note 36)		

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 34. ASSOCIATED COMPANIES

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Quoted equity securities, at cost	97,455	97,596	94,843	91,288
Unquoted equity securities, at cost	52,570	97,890	43,068	38,712
	150,025	195,486	137,911	130,000
Less: Provision for diminution in value (Note 33)	–	–	(37,298)	(30,291)
Net book value	150,025	195,486	100,613	99,709
Share of post-acquisition reserves	896,482	844,046	–	–
	1,046,507	1,039,532	100,613	99,709
Amounts due from associated companies	934	10,257	625	–
	1,047,441	1,049,789	101,238	99,709
Market value of quoted associated companies	2,029,330	2,389,208	1,933,348	2,105,495

34.1 The principal activities of associated companies of the Group, their places of incorporation and the extent of the Group's interest in the associated companies are as follows:

Principal activities	Country/Place of incorporation	Group's Interest		Cost of Investment		
		2002 %	2001 %	2002 \$'000	2001 \$'000	
<b>Quoted</b>						
1. British and Malayan Trustees Limited	Trustee services	Singapore	43	43	591	591
2. Great Eastern Holdings Limited	Insurance	Singapore	49	49	9,774	9,800
3. PacificMas Berhad	Investment holding	Malaysia	28	28	87,090	87,205
					97,455	97,596
<b>Unquoted</b>						
4. Ace Net Financial Services Pte Ltd	Marketing and management services [Note 34.3]	Singapore	50	50	2,841	11,841
5. Alverdine Private Limited (In voluntary liquidation)	Investment holding	Singapore	50	50	20,000	20,000
6. Asfinco Singapore Ltd	Investment holding	Singapore	26	26	5,100	5,100
7. Central China International Leasing Company Limited	Leasing	People's Republic of China	25	25	2,648	2,648
8. Clearing & Payment Services Pte Ltd	Utility services	Singapore	33	33	5,040	3,665
9. iQB Pte Ltd	Application service provider	Singapore	49	*	5,000	*
10. Keppel Insurance Pte Ltd	Insurance [Note 34.5]	Singapore	40	40	–	39,717
11. Malaysian Trustees Berhad	Trustee services	Malaysia	20	20	151	161
12. Network For Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfers [Note 34.4]	Singapore	33	40	5,718	8,502
13. OCBC-Perdana Futures Sendirian Berhad	Futures and options broking	Malaysia	49	49	2,108	2,108

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 34. ASSOCIATED COMPANIES (continued)

Principal activities	Country/Place of incorporation	Group's Interest		Cost of Investment	
		2002 %	2001 %	2002 \$'000	2001 \$'000
<b>Unquoted</b>					
14. OCBC Wearnes & Walden Management (S) Pte Ltd	Singapore	25	25	45	45
15. Raffles Investments Limited	Singapore	50	50	647	690
16. Singapore Consortium Investment Management Limited	Singapore	33	40	388	529
17. Specialists' Services (Private) Limited	Singapore	40	40	84	84
18. TX123 Pte Ltd	Singapore	39	39	2,800	2,800
				52,570	97,890
Total				150,025	195,486

\* Newly incorporated company.

**34.2** On 10 April 2002, Keppel Capital Holdings Ltd, a subsidiary of the Bank, disposed of 6.67% equity interest or 34,000 ordinary shares, in Singapore Consortium Investment Management Limited ("SCIM") to DBS Asset Management Ltd for a cash consideration of \$62,220. Consequently, the Bank holds 33.3% interest in SCIM.

**34.3** On 25 June 2002, the Bank announced that the joint venture company with United Overseas Bank ("UOB"), Ace Net Financial Services Pte Ltd, will be wound down as a result of the integration at the two banks.

**34.4** On 28 November 2002, the Bank announced that it has disposed of 6.67% equity interest or 93,333 ordinary shares, in Network for Electronic Transfers (Singapore) Pte Ltd ("NETS") to The Development Bank of Singapore Limited for a cash consideration of \$2,782,257. Consequently, the Bank holds 33.3% interest in NETS.

**34.5** On 20 December 2002, Keppel Capital Holdings Ltd ("KCH"), a subsidiary of the Bank, signed a Sale & Purchase agreement to dispose of its 40% stake in Keppel Insurance Pte Ltd. The net proceeds accrued in KCH's books was \$51.5 million after taking into consideration the related expenses.

### 35. SUBSIDIARY COMPANIES

	Bank	
	2002 \$'000	2001 \$'000
Unquoted equity securities, at cost	2,534,270	6,747,918
Less: Provision for diminution in value (Note 33)	(107,789)	(42,579)
Net book value	2,426,481	6,705,339
Amounts due from subsidiary companies	530,962	2,991,101
	2,957,443	9,696,440

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for the financial year ended 31 December 2002

### 35. SUBSIDIARY COMPANIES (continued)

**35.1** The principal activities of subsidiaries of the Group, their places of incorporation and the extent of the Group's interest in the subsidiaries are as follows:

Principal activities	Country/Place of incorporation	Bank		Subsidiaries		Cost of Investment	
		2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000
@ 1. Asia Commercial Enterprise Pte Ltd (In voluntary liquidation)	Singapore	100	—	—	100	952	—
2. Asia Commercial Investment (Private) Limited	Singapore	67	—	33	100	2,000	—
3. Asia Commercial Realty Co. Pte. Ltd.	Singapore	100	—	—	100	1,500	—
@ 4. Associated Investments & Securities Private Limited (In voluntary liquidation)	Singapore	100 100(Pref)	100 100(Pref)	—	—	1,006 2,979	1,006 90,000
5. Bank of Singapore Limited	Singapore	98	98	2	2	93,287	93,287
6. Bank of Singapore Nominees Private Limited	Singapore	100	100	—	—	10	10
7. Banking Computer Services Private Limited	Singapore	100 100(Pref)	100	—	—	5,160 4,000	5,160
+ 8. Bathurst Enterprises Limited	Hong Kong SAR, China	—	—	100	100	—	—
9. BCS Information Systems Private Limited	Singapore Malaysia#	100	100	—	—	105	105
10. Blitz Global Communications Pte Ltd	Singapore	—	—	—	60	—	—
11. BOS Venture Management Pte Ltd	Singapore	—	—	100	100	—	—
+ 12. BOSA Limited	Australia	100	100	—	—	3,283	3,283
+ 13. Bukit Investments Limited	Hong Kong SAR, China	—	—	100	100	—	—
14. Church Street Properties Private Limited	Singapore	—	—	100 100(Pref)	100 100(Pref)	—	—
15. Eastern Developers Private Limited	Singapore	—	—	100 100(Pref)	100 100(Pref)	—	—

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for the financial year ended 31 December 2002

### 35. SUBSIDIARY COMPANIES (continued)

	Principal activities	Country/Place of incorporation	Bank		Subsidiaries		Cost of Investment		
			2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000	
+ 16.	Eastern Holdings Limited	Investment holding [Note 35.5 (d)]	Hong Kong SAR, China	100	100	—	—	76,558	81,631
17.	Eastern Realty Company Limited	Investment holding and property development	Singapore Malaysia #	100	100	—	—	27,704	27,704
18.	Excel Holdings Private Limited	Investment holding and property rental	Singapore	100	100	—	—	200	200
19.	Federal Securities Private Limited	Investment holding [Note 35.5 (c)]	Singapore	100	100	—	—	9,000	3,000
20.	Focal Finance Nominees Private Limited	Nominee services	Singapore	—	—	100	100	—	—
+ 21.	Four Seas Nominees (Hong Kong) Limited	Nominee services	Hong Kong SAR, China	—	—	100	100	—	—
22.	Four Seas Nominees Private Limited	Nominee services	Singapore	100	100	—	—	10	10
23.	FSB Holdings Limited	Dormant	Singapore	100	100	—	—	—	—
@ 24.	General & Commercial Holdings Private Limited (In voluntary liquidation)	Dormant	Singapore	100	100	—	—	155	1,005
++ 25.	Guangzhou Yangyi Property Technology Co Ltd	Dormant	People's Republic of China	—	—	60	60	—	—
26.	Hotel Phoenix Singapore Private Limited	Hotel	Singapore	—	—	100	100	—	—
@ 27.	iPropertyNet Pte Ltd (In voluntary liquidation)	Dormant	Singapore	—	—	57	57	—	—
28.	iProperty Media Lab Pte Ltd	Dormant [Note 35.4 (e)]	Singapore	—	—	100	100	—	—
29.	iProperty Technology HK Ltd	Liquidated on 25 October 2002 [Note 35.4 (f)]	Hong Kong SAR, China	—	—	—	100	—	—
@@ 30.	IP Technology Solutions Pte Ltd	Dormant	Singapore	—	—	100	100	—	—
31.	K Investment Holdings Pte Ltd	Liquidated on 20 February 2002 [Note 35.4 (b)]	Singapore	—	—	—	100	—	—
32.	KAC Holdings Limited	Investment holding [Note 35.3 (e)]	Singapore	100	—	—	100	19,028	—

### 35. SUBSIDIARY COMPANIES (continued)

	Principal activities	Country/Place of incorporation	Bank		Subsidiaries		Cost of Investment		
			2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000	
33.	Keppel American Express Foreign Exchange Services Pte Ltd	Foreign exchange services [Note 35.4 (a)]	Singapore	—	—	—	51	—	—
34.	KB Nominees Pte Ltd (formerly Keppel Bank Nominees Pte Ltd)	Nominee services [Note 35.3 (e)]	Singapore	100	—	—	100	*	—
35.	KBF Pte Ltd (formerly Keppel Bullion & Futures Pte Ltd)	Dormant [Note 35.3 (b)]	Singapore	—	—	100	100	—	—
36.	Keppel Capital Holdings Ltd	Investment holding	Singapore	100	100	—	—	866,117	5,224,877
37.	Keppel Factors Pte Ltd	Factoring	Singapore	—	—	100	100	—	—
38.	KF Nominees Pte Ltd (formerly Keppel Finance Nominees Pte Ltd)	Nominee services	Singapore	—	—	100	100	—	—
39.	KIM Limited (formerly Keppel Investment Management Limited)	Investment holding	Singapore	—	—	100	100	—	—
+ 40.	Keppel Securities Hong Kong Ltd	Stockbroking	Hong Kong SAR, China	—	—	100	100	—	—
41.	Keppel Securities Nominees Pte Ltd	Nominee services	Singapore	—	—	100	100	—	—
42.	KS Pte Ltd (formerly Keppel Securities Pte Ltd)	Investment holding [Note 35.3 (c)]	Singapore	—	—	100	100	—	—
43.	KTB Limited (formerly Keppel TatLee Bank Limited)	Dormant [Note 35.3 (d)]	Singapore	100	100	—	—	—	##
44.	KTF Limited (formerly Keppel TatLee Finance Limited)	Investment holding [Note 35.3 (a)]	Singapore	100	100	—	—	##	##
+ 45.	Keppel TatLee Nominee (HK) Limited	Dormant [Note 35.3 (e)]	Hong Kong SAR, China	100	—	—	100	*	—
@ 46.	KF Limited (In voluntary liquidation)	Dormant	Singapore	—	—	100	100	—	—
@ 47.	KTB Investments Ltd (In voluntary liquidation)	Dormant [Note 35.3 (e)]	Singapore	100	—	—	100	4,606	—
48.	Kim Seng Properties Private Limited	Property development	Singapore	—	—	100 (Pref)	100 (Pref)	—	—
49.	Kismis Properties Private Limited	Property development	Singapore	—	—	100 (Pref)	100 (Pref)	—	—
+ 50.	Malaysia Nominees (Asing) Sendirian Berhad	Nominee services	Malaysia	—	—	100	100	—	—

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### 35. SUBSIDIARY COMPANIES (continued)

	Principal activities	Country/Place of incorporation	Bank		Subsidiaries		Cost of Investment	
			2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000
+ 51.	Malaysia Nominees (Tempatan) Sendirian Berhad	Malaysia	–	–	100	100	–	–
52.	Mount Emily Properties Private Limited	Singapore	–	–	100	100	–	–
			–	–	100(Pref)	100(Pref)	–	–
@ 53.	Myanmar Capital Management Private Limited (In voluntary liquidation)	Singapore	–	–	73	73	–	–
54.	OCBC Asset Management Limited	Singapore	–	–	100	100	–	–
+ 55.	OCBC Bank (Malaysia) Berhad	Malaysia	100	87	–	13	427,730	342,740
56.	OCBC Bullion & Futures Limited	Singapore	100	100	–	–	9,000	9,000
57.	OCBC Capital Investment Private Limited	Singapore	–	–	100	100	–	–
58.	OCBC Capital Management Singapore Private Limited	Singapore	–	–	100	100	–	–
59.	OCBC Centre Private Limited	Singapore	100	100	–	–	20,000	20,000
			100(Pref)	100(Pref)	–	–	40,000	40,000
+ 60.	OCBC Credit Berhad	Malaysia	–	–	100	100	–	–
61.	OCBC eVenture Fund I Pte Ltd	Singapore	–	–	100	100	–	–
62.	OCBC eVenture Fund II Pte Ltd	Singapore	–	–	100	100	–	–
63.	OCBC Finance Limited	Singapore	63	60	37	40	190,842	153,442
64.	OCBC Finance Nominees Private Limited	Singapore	–	–	100	100	–	–
65.	OCBC Holdings Private Limited	Singapore	100	100	–	–	3,000	3,000
66.	OCBC Land Private Limited	Singapore	–	–	100	100	–	–
67.	OCBC Management Services Private Limited	Singapore	100	100	–	–	200	200
+ 68.	OCBC Nominees (Australia) Pty. Limited	Australia	100	100	–	–	*	*

### 35. SUBSIDIARY COMPANIES (continued)

	Principal activities	Country/Place of incorporation	Bank		Subsidiaries		Cost of Investment	
			2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000
+ 69.	OCBC Nominees (Hong Kong) Limited	Hong Kong SAR, China	100	100	–	–	2	2
+ 70.	OCBC Nominees (London) Limited	United Kingdom	100	100	–	–	3	3
+ 71.	OCBC Nominees (Malaysia) Sendirian Berhad	Malaysia	100	100	–	–	10	10
72.	OCBC Nominees Singapore Private Limited	Singapore	100	100	–	–	10	10
73.	OCBC Properties Private Limited	Singapore	100	100	–	–	71,000	71,000
			100(Pref)	100(Pref)	–	–	15,000	15,000
74.	OCBC Property Services Private Limited	Singapore	100	100	–	–	50	50
+ 75.	OCBC Provident (Australia) Pty. Limited	Australia	100	100	–	–	*	*
76.	OCBC Realty Private Limited	Singapore	100	100	–	–	124,993	124,993
			100(Pref)	100(Pref)	–	–	60,000	60,000
+ 77.	OCBC Securities (Hong Kong) Limited	Hong Kong SAR, China	–	–	100	100	–	–
+ 78.	OCBC Securities Philippines, Inc.	Philippines	–	–	100	100	–	–
79.	OCBC Securities Private Limited	Singapore	–	–	100	100	–	–
+ 80.	OCBC Securities Research Sendirian Berhad	Malaysia	–	–	100	100	–	–
81.	OCBC Square Private Limited	Singapore	100	100	–	–	20,000	20,000
			100(Pref)	100(Pref)	–	–	10,000	10,000
			69	100	31	–	59,100	39,100
			(Series 2 Pref)	(Series 2 Pref)	(Series 2 Pref)			
82.	OCBC Trustee Limited	Singapore Malaysia #	20	20	80	80	184	179
83.	OCF Investments Limited	Singapore	15	15	85	85	19	19
84.	Orient Holdings Private Limited	Singapore	100	100	–	–	3,400	3,400
			100(Pref)	100(Pref)	–	–	132,000	132,000
+ 85.	OSPL Holdings Sendirian Berhad	Malaysia	–	–	100	100	–	–
86.	OSPL Nominees Private Limited	Singapore	–	–	100	100	–	–
87.	Oversea-Chinese Bank Nominees Private Limited	Singapore	100	100	–	–	10	10
+ 88.	PT Bank Keppel TatLee Buana	Indonesia	99	85	–	–	4,046	*

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for the financial year ended 31 December 2002

### 35. SUBSIDIARY COMPANIES (continued)

	Principal activities	Country/Place of incorporation	Bank		Subsidiaries		Cost of Investment	
			2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000
+ 89.	PT Bank OCBC-NISP [Note 35.5 (i)]	Indonesia	99	85	–	–	82,835	76,733
+ 90.	PT OCBC Sikap Securities	Indonesia	–	–	70	70	–	–
91.	Pasir Ris Properties Private Limited	Singapore	–	–	55	55	–	–
			–	–	55(Pref)	55(Pref)	–	–
+ 92.	Phoenix Holdings Limited	Hong Kong SAR, China	–	–	100	100	–	–
93.	Premier Investment Private Limited	Singapore	100	–	–	100	9,243	–
94.	Provident Securities Private Limited	Singapore	100	100	–	–	72,350	72,350
+ 95.	Reliable Credit Company Sendirian Berhad	Malaysia	100	100	–	–	*	*
+ 96.	Select Executives Sendirian Berhad	Malaysia	100	100	–	–	24	24
+ 97.	Select Securities Limited	Hong Kong SAR, China	100	100	–	–	445	475
98.	Seletar Properties Private Limited	Singapore	–	–	100	100	–	–
99.	Singapore Building Corporation Limited	Singapore	100	100	–	–	19,384	19,384
@ 100.	Singapore Polyclinic Private Limited (In voluntary liquidation)	Singapore	–	–	100	100	–	–
101.	Specialists' Centre Private Limited	Singapore	–	–	100	100	–	–
			–	–	100(Pref)	100(Pref)	–	–
@ 102.	Tat Lee Asset Management Limited (In voluntary liquidation)	Singapore	–	–	100	100	–	–
@ 103.	Tat Lee Finance Nominees Pte Ltd (In voluntary liquidation)	Singapore	–	–	100	100	–	–
104.	Tat Lee Property Development Pte Ltd	Singapore	100	–	–	100	13,648	–

### 35. SUBSIDIARY COMPANIES (continued)

	Principal activities	Country/Place of incorporation	Bank		Subsidiaries		Cost of Investment	
			2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000
@ 105.	Tat Lee Securities Holdings Ltd (In voluntary liquidation)	Singapore	–	–	100	100	–	–
106.	Tat Lee Securities (Nominees) Pte Ltd	Singapore	–	–	–	100	–	–
@ 107.	Tat Lee Securities Pte Ltd (In voluntary liquidation)	Singapore	–	–	100	100	–	–
108.	Tat Lee Thomson Development Pte. Ltd.	Singapore	100	–	–	100	12,869	–
109.	Tat Lee Warehousing Pte Ltd	Singapore	–	–	100	100	–	–
@ 110.	TL Nominees Pte Ltd (In voluntary liquidation)	Singapore	100	–	–	100	667	–
@ 111.	TL Provident Ltd (In voluntary liquidation)	Singapore	100	–	–	100	13,600	–
@ 112.	TLB Bullion & Futures Pte Ltd (In voluntary liquidation)	Singapore	–	–	100	100	–	–
@ 113.	TLB Management Services Pte. Ltd. (In voluntary liquidation)	Singapore	–	–	100	100	–	–
@ 114.	TLF Limited (In voluntary liquidation)	Singapore	–	–	100	100	–	–
115.	Tanjong Rhu Properties Private Limited	Singapore	–	–	100	100	–	–
			–	–	100(Pref)	100(Pref)	–	–
@ 116.	The Ho Hong Steamship Company (1932) Limited (In voluntary liquidation)	Singapore	100	100	–	–	–	3,516
++ 117.	Walden Malaysia Co II Ltd	British Virgin Islands	73	–	–	73	946	–

At 31 December

2,534,270 6,747,918

Notes:

\* Amounts under \$500

# Country/place of business in addition to the company's country/place of incorporation

## The cost of investment in the subsidiary is included as part of the cost of investment in Keppel Capital Holdings Ltd

+ Audited by other member firms of the PwC Global Organisation

++ Not required to be audited by law in country of incorporation

@ Not required to be audited as these companies are in voluntary liquidation

@@ Audited by another firm

Pref Preference shares

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.2 Special purpose entities

The Group has consolidated the financial statements of a special purpose entity, Pioneer Funding Ltd ("PFL"), for the year ended 31 December 2002. PFL was incorporated in Singapore in July 2001 as a special purpose company which issues notes and purchases designated assets and enters into agreements and other arrangements relating to the issuance of such notes and purchase of such assets. PFL is owned by a charitable trust.

The Bank was involved in the setting up of PFL and acts as an Arranger, Dealer and Manager to certain transactions carried out by PFL. The Bank also provides a liquidity facility to PFL capped at 20% of its total investible funds. Accordingly, the assets and liabilities of PFL have been included in the Group's consolidated financial statements in accordance with Interpretation of Statement of Accounting Standard ("INT") 5: Consolidation – Special Purpose Entities. The assets and liabilities of PFL that have been included in the Group's consolidated financial statements are as follows :

	\$'000
<b>Assets</b>	
Cash	413
Investment securities	167,377
Other assets	307
<b>Liabilities</b>	
Secured notes issued	133,000
Bank borrowings	20,000
Other liabilities	15,097

#### 35.3 Group restructuring

(a) On 2 January 2002, a Scheme of Arrangement and Amalgamation pursuant to sections 210 and 212 of the Companies Act, Cap. 50, for the merger of the Bank's wholly-owned finance subsidiary companies, Keppel TatLee Finance Limited ("KTF") and OCBC Finance Limited ("OFL"), was sanctioned by the High Court and became effective on that date. Under the Scheme, the following events took place:

– All business undertakings, assets and liabilities (except for certain excluded assets) were transferred to OFL at their respective book values as at 2 January 2002. The consideration of \$316,161,407 pursuant to the Scheme was satisfied by the allotment and issue of 10,701,001 new OFL shares at an issue price of \$3.495 per share amounting to \$37,400,000 to the Bank. The remaining balance of \$278,761,407 was paid in cash by OFL to KTF.

– As part of the Scheme, the capital of KTF was reduced from \$83,897,165 to \$52,277,165, by the cancellation of 126,480,000 ordinary shares of \$0.25 each at a premium of \$5,780,000, held by the Bank.

– KTF ceased operations as a licensed finance company on 2 January 2002 and will remain inactive except for the holding of some properties and investments in three subsidiary companies, KF Limited, TLF Limited and Tat Lee Finance Nominees Pte Ltd.

– Following the merger, KTF changed its name to KTF Limited.

(b) On 2 January 2002, a Scheme of Arrangement and Amalgamation pursuant to sections 210 and 212 of the Companies Act, Cap. 50, for the merger of the Bank's wholly-owned futures subsidiary companies, Keppel Bullion & Futures Pte Ltd ("KBFPL") and OCBC Bullion & Futures Limited ("OBFL"), was sanctioned by the High Court and became effective on that date. Under the Scheme, the following events took place:

– All business undertakings, assets and liabilities (except for certain excluded assets and liabilities) were transferred to OBFL at their respective book values as at 2 January 2002. The consideration pursuant to the Scheme was satisfied wholly by a cash payment of \$527,654 to Keppel Capital Holdings Ltd ("KCH"), its holding company. As part of the Scheme, the capital of KBFPL was reduced from \$8,500,000 to \$1,000,000, by the cancellation of 7,500,000 ordinary shares of \$1 each.

– KBFPL ceased operations as a licensed futures broker on 2 January 2002 and is now dormant.

– Following the merger, KBFPL changed its name to KBF Pte Ltd.

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for the financial year ended 31 December 2002

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.3 Group restructuring (continued)

(c) On 28 January 2002, a Scheme of Arrangement and Amalgamation pursuant to sections 210 and 212 of the Companies Act, Cap. 50, for the merger of the Bank's wholly-owned stockbroking subsidiary companies, Keppel Securities Pte Ltd ("KSPL") and OCBC Securities Private Limited ("OSPL"), was sanctioned by the High Court and became effective on that date. Under the Scheme, the following events took place:

– All business undertakings, assets and liabilities (except for certain excluded assets and liabilities) were transferred to OSPL at their respective book values as at 28 January 2002. The consideration pursuant to the Scheme was satisfied wholly by a cash payment of \$39,736,951 to KSPL.

– As part of the Scheme, the capital of KSPL was reduced from \$72,000,000 to \$3,000,000, by the cancellation of 69,000 ordinary shares of \$1,000 each held by KCH.

– KSPL ceased its stockbroking operations on 28 January 2002 and will remain inactive except for the holding of investment in a subsidiary company, Keppel Securities Nominees Private Limited.

– Following the merger, KSPL changed its name to KS Pte Ltd.

(d) On 25 February 2002, Keppel TatLee Bank Limited ("KTB"), a wholly-owned subsidiary of the Bank, was merged into the Bank under sections 14A to 14C and the Fifth Schedule of the Banking Act, Cap. 19. All business undertakings, assets, liabilities and contingent liabilities of KTB were transferred to the Bank as of that date. Total assets, liabilities and off-balance sheet items of KTB as at 24 February 2002 amounting to \$17,479,555,431, \$15,105,402,888 and \$18,322,999,615 respectively were transferred to the Bank as of that date.

The excess of the cost of investment over the net tangible assets of KTB as at 24 February 2002 of \$1,855,392,090 was recorded as goodwill on merger in the Bank.

Following the merger, KTB ceased operations as a licensed commercial bank and changed its name to KTB Limited.

(e) Arising from the merger of KTB into the Bank as stated in Note 35.3 (d), all subsidiaries of KTB are transferred to the Bank as of that date.

#### 35.4 Disposal of subsidiary companies

(a) On 31 January 2002, Keppel Capital Holdings Ltd ("KCH"), a subsidiary of the Bank, disposed of its entire shareholding of 510,000 ordinary shares of par value \$1 each fully paid, in Keppel American Express Foreign Exchange Services Pte Ltd ("KAEFES"). The stake of 51% was sold for a cash consideration of \$725,000. The fair value of assets and liabilities of KAEFES disposed of during the financial year was as follows:

	\$'000
Assets	3,927
Liabilities	(2,636)
	1,291
Less : Minority interests	(633)
Net attributable assets	658
Add: Gains on disposal of a subsidiary company	305
Proceeds from disposal	963
Less: Cash and bank balances in subsidiary company disposed	(2,943)
Net cash outflow from disposal of subsidiary company	(1,980)

(b) On 20 February 2002, K Investment Holdings Pte Ltd (in voluntary liquidation), a subsidiary of the Bank, was de-registered and ceased to be a subsidiary of the Bank.

(c) On 11 April 2002, Tat Lee Securities (Nominees) Pte Ltd, a subsidiary of the Bank, was de-registered and ceased to be a subsidiary of the Bank.

(d) On 17 June 2002, iPropertyNet Pte Ltd ("iProp"), a subsidiary of the Bank, disposed of its 60% stake in Blitz Global Communication Pte Ltd ("Blitz") for a nominal cash consideration of \$1. The disposal is part of iProp's ongoing voluntary winding-up process. On completion of the sale, Blitz ceased to be a subsidiary of the Bank.

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### 35. SUBSIDIARY COMPANIES (continued)

#### 35.4 Disposal of subsidiary companies (continued)

- (e) On 19 August 2002, iPropertyNet Pte Ltd ("iProp"), a subsidiary of the Bank, disposed of its 100% stake in iProperty Media Lab Pte Ltd ("IPM") for a nominal cash consideration of \$1. The disposal is part of iProp's ongoing voluntary winding-up process. On completion of the sale, IPM ceased to be a subsidiary of the Bank.
- (f) On 25 October 2002, iProperty Technology HK Ltd, a wholly-owned subsidiary of iPropertyNet Pte Ltd, was de-registered and ceased to be a subsidiary of the Bank.

#### 35.5 Acquisition of additional interest in subsidiary companies

- (a) OCBC Square Private Limited, a subsidiary of the Bank, issued 20,000,000 Series 2 Redeemable Preference Shares of \$0.01 each (the "Series 2 RPS") at a premium of \$0.99 per Series 2 RPS on 15 January 2002 to the Bank. The issue is for the redemption of 20,000,000 Series 2 RPS on 29 January 2002 held by Associated Investments & Securities Private Limited, a wholly-owned subsidiary of the Bank, at the nominal amount of \$0.01 and a premium of \$0.99 per Series 2 RPS.
- (b) Banking Computer Services Private Limited, a wholly-owned subsidiary of the Bank, increased its paid-up capital from \$300,000 to \$340,000, by issuing 4,000,000 Redeemable Preference Shares of \$0.01 each for cash at a premium of \$0.99 to the Bank on 5 February 2002. The purpose of the issue is to provide additional working capital.
- (c) Federal Securities Private Limited, a wholly-owned subsidiary of the Bank, increased its paid-up capital from \$3,000,000 to \$9,000,000 by issuing 6,000,000 ordinary shares of \$1 each at par for cash to the Bank on 7 February 2002. The purpose of the issue is to provide additional working capital.
- (d) On 4 March 2002 and 15 March 2002, the Bank acquired a total of 100,000 ordinary shares of HK\$1 each in Eastern Holdings Limited ("EHL"), from its wholly-owned subsidiary, Select Securities Limited, for a cash consideration of HK\$100,000. The acquisition was part of the re-organisation of the investment holding companies in the Group. Consequently, the Bank holds 100% stake in EHL.
- (e) On 15 March 2002, in connection with the voluntary liquidation of Associated Investments & Securities Private Limited ("AIS"), a wholly-owned subsidiary of the Bank, 37,500,000 ordinary shares of RM1 each in OCBC Bank (Malaysia) Berhad ("OBMB") were distributed in specie and transferred to the Bank. Following the distribution, the Bank holds 100% direct equity interest in OBMB.
- (f) OCBC Trustee Limited, a subsidiary of the Bank, increased its paid-up capital from \$984,000 to \$1,009,056 by a call from \$1.79 to \$1.84 of its existing issued capital of Class A ordinary "A" shares of 584,000 shares of \$10 each for cash on 28 June 2002. The purpose of the increase is to comply with the Securities & Futures Act 2002 whereby trust companies must have a paid-up capital of at least \$1 million.
- (g) On 30 August 2002, Asia Commercial Enterprise Pte Ltd ("ACE"), a wholly-owned subsidiary of the Bank, distributed in specie 2,000,000 ordinary shares of \$1 each or \$2,000,000 in the capital of Asia Commercial Investment (Private) Limited ("ACI") to the Bank, in the course of its voluntary liquidation. Following the distribution, the Bank holds 66.7% direct equity interest in ACI.
- (h) On 30 August 2002, pursuant to Clause 704(15)(d) of SGX-ST Listing Manual, the Bank signed a sale and purchase agreement ("S&P") with PT Bank Buana Indonesia ("PBBI") to acquire its 15% stake in PT Bank Keppel TatLee Buana ("PTKTB"). On 5 September 2002, the Bank executed the S&P with PBBI and made a first payment of \$4,046,052 to acquire an additional 14% stake in PTKTB. Consequently, the Bank holds 99% stake in PTKTB.
- (i) On 20 November 2002, pursuant to Clause 704(15)(d) of SGX-ST Listing Manual, the Bank announced that it has signed a sale and purchase agreement ("S&P") with PT Bank NISP ("NISP") to acquire its 13.7% stake in PT Bank OCBC-NISP ("PTON"). A consideration of \$6,101,913 was paid for the additional interest acquired. Consequently, the Bank holds 98.7% stake in PTON.

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for the financial year ended 31 December 2002

### 36. PROPERTY, PLANT AND EQUIPMENT

Group	2002			2001		
	Property \$'000	Other \$'000	Total \$'000	Property \$'000	Other \$'000	Total \$'000
<b>Cost</b>						
At 1 January	1,707,534	519,717	2,227,251	912,066	394,512	1,306,578
Foreign currency translation adjustments	(18,637)	(6,778)	(25,415)	10,949	6,135	17,084
Transfers	915	(915)	–	295	(295)	–
Additions, at cost	17,273	69,576	86,849	26,223	113,863	140,086
Disposals, at cost	(2,584)	(26,176)	(28,760)	(15,472)	(60,899)	(76,371)
Arising from new subsidiary companies	–	–	–	773,473	66,401	839,874
At 31 December	1,704,501	555,424	2,259,925	1,707,534	519,717	2,227,251
<b>Accumulated depreciation</b>						
At 1 January	(189,280)	(307,306)	(496,586)	(137,062)	(242,722)	(379,784)
Foreign currency translation adjustments	820	4,496	5,316	(631)	(4,182)	(4,813)
Disposals	659	18,967	19,626	5,468	41,064	46,532
Depreciation charge	(23,219)	(60,534)	(83,753)	(17,815)	(63,244)	(81,059)
Transfers	(691)	691	–	–	–	–
Arising from new subsidiary companies	–	–	–	(39,240)	(38,222)	(77,462)
At 31 December	(211,711)	(343,686)	(555,397)	(189,280)	(307,306)	(496,586)
<b>Provision for diminution in value</b>						
At 1 January	(49,403)	–	(49,403)	(3,949)	–	(3,949)
Foreign currency translation adjustments	303	–	303	(73)	–	(73)
Provisions charged to income statements	(83,782)	–	(83,782)	(34,460)	–	(34,460)
Arising from new subsidiary companies	–	–	–	(10,921)	–	(10,921)
At 31 December (Note 33)	(132,882)	–	(132,882)	(49,403)	–	(49,403)
<b>Net book value, at 31 December</b>	1,359,908	211,738	1,571,646	1,468,851	212,411	1,681,262
<b>Net book value</b>						
Freehold property	491,996	–	491,996	452,800	–	452,800
Leasehold property	867,912	–	867,912	1,016,051	–	1,016,051
	1,359,908	–	1,359,908	1,468,851	–	1,468,851
<b>Current valuation of property</b>	2,901,444	–	2,901,444	3,128,381	–	3,128,381

**36. PROPERTY, PLANT AND EQUIPMENT (continued)**

Bank	2002			2001		
	Property \$'000	Other \$'000	Total \$'000	Property \$'000	Other \$'000	Total \$'000
<b>Cost</b>						
At 1 January	149,635	233,191	382,826	158,858	180,779	339,637
Foreign currency translation adjustments	(1,252)	(519)	(1,771)	1,242	634	1,876
Additions, at cost	1,572	45,457	47,029	3,065	63,561	66,626
Disposals, at cost	(770)	(8,467)	(9,237)	(13,530)	(11,783)	(25,313)
Arising from merger with KTB [Note 35.3 (d)]	690,227	34,793	725,020	–	–	–
At 31 December	839,412	304,455	1,143,867	149,635	233,191	382,826
<b>Accumulated depreciation</b>						
At 1 January	(20,096)	(132,077)	(152,173)	(22,382)	(116,061)	(138,443)
Foreign currency translation adjustments	234	584	818	(194)	(556)	(750)
Disposals	201	7,038	7,239	4,768	8,210	12,978
Depreciation charge	(10,435)	(32,234)	(42,669)	(2,288)	(23,670)	(25,958)
Arising from merger with KTB [Note 35.3 (d)]	(24,093)	(7,620)	(31,713)	–	–	–
At 31 December	(54,189)	(164,309)	(218,498)	(20,096)	(132,077)	(152,173)
<b>Provision for diminution in value</b>						
At 1 January	(4,773)	–	(4,773)	(3,116)	–	(3,116)
Foreign currency translation adjustments	68	–	68	(74)	–	(74)
Provisions charged to income statements	(59,873)	–	(59,873)	(1,583)	–	(1,583)
Arising from merger with KTB [Note 35.3 (d)]	(37,738)	–	(37,738)	–	–	–
At 31 December (Note 33)	(102,316)	–	(102,316)	(4,773)	–	(4,773)
<b>Net book value, at 31 December</b>	<b>682,907</b>	<b>140,146</b>	<b>823,053</b>	124,766	101,114	225,880
<b>Net book value</b>						
Freehold property	108,058			79,054		
Leasehold property	574,849			45,712		
	682,907			124,766		
<b>Current valuation of property</b>	<b>1,077,910</b>			547,852		

Included in property are investment property of the Group and Bank with net book value as at 31 December 2002 of \$890.8 million (2001: \$781.8 million) and \$348.3 million (2001: \$77.4 million) respectively. Based on valuations carried out by professional valuers, the estimated market values of these investment property as at 31 December 2002 were \$1,811.7 million (2001: \$1,831.0 million) and \$596.3 million (2001: \$427.4 million) respectively.

The excess of the estimated market value over the net book value of property was not recognised in the financial statements.

**37. GOODWILL**

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Cost</b>				
At 1 January				
– as previously reported	2,247,905	–	–	–
– effect of adopting SAS 12	128,104	–	–	–
– as restated	2,376,009	–	–	–
Arising from merger with KTB [Note 35.3(d)]	–	–	1,855,392	–
Acquisition of new subsidiary companies	–	2,374,435	–	–
Acquisition of additional interests in subsidiary companies	1,155	1,574	–	–
At 31 December	2,377,164	2,376,009	1,855,392	–
<b>Accumulated amortisation</b>				
At 1 January				
– as previously reported	(48,987)	–	–	–
– effect of adopting SAS 12	(2,499)	–	–	–
– as restated	(51,486)	–	–	–
Amortisation charged to income statements	(126,995)	(51,486)	(80,255)	–
At 31 December	(178,481)	(51,486)	(80,255)	–
<b>Net book value</b>	<b>2,198,683</b>	2,324,523	<b>1,775,137</b>	–

The Group and the Bank adopted SAS 12 during the financial year. In accordance with SAS 12, the Group recognised an initial deferred tax liability of \$128.1 million from the acquisition of Keppel Capital Holdings Ltd on 16 August 2001. The net deferred tax liability is a result of the temporary differences between the fair value of property and tax base, netted off against a deferred tax asset on non-deductible general provisions on the date of acquisition. The resultant net deferred tax liability is adjusted against goodwill retrospectively.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 38. SEGMENTAL INFORMATION

#### 38.1 Business segments

\$ million	Consumer Banking	Business Banking	Global Treasury	Other	Group
<b>Financial year ended 31 December 2002</b>					
Segment income before operating expenses	872	950	273	187	2,282
Elimination					(60)
<b>Income before operating expenses</b>					<b>2,222</b>
Profit before tax	425	380	235	(295)	745
Less: Tax	(99)	(97)	(37)	33	(200)
Profit after tax	326	283	198	(262)	545
Add: Share of profits of associated companies (net of tax)					124
Less: Minority interests					(2)
<b>Profit attributable to stockholders</b>					<b>667</b>
Segment assets	22,793	35,457	19,870	7,239	85,359
Associated companies' assets					896
Elimination					(2,204)
<b>Total assets</b>					<b>84,051</b>
Segment liabilities	30,892	27,258	11,240	7,167	76,557
Unallocated liabilities					455
Elimination					(2,204)
<b>Total liabilities</b>					<b>74,808</b>
<b>Other information:</b>					
Loans	21,240	28,413	1	128	49,782
Investment securities					
– Debt	–	4,390	559	190	5,139
– Equity	6	28	–	520	554
	6	4,418	559	710	5,693
NPLs and debt securities:					
– Substandard	623	2,330	–	–	2,953
– Doubtful	153	783	–	–	936
– Loss	100	367	–	–	467
	876	3,480	–	–	4,356
Specific provision	(260)	(1,187)	–	–	(1,447)
	616	2,293	–	–	2,909
Capital expenditure	15	3	2	67	87
Depreciation of property, plant and equipment	14	4	1	54	73
Amortisation of software	4	1	–	5	10
Amortisation of goodwill	–	–	–	127	127

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 38. SEGMENTAL INFORMATION (continued)

#### 38.1 Business segments (continued)

\$ million	Consumer Banking	Business Banking	Global Treasury	Other	Group
<b>Financial year ended 31 December 2001</b>					
Segment income before operating expenses	681	896	205	490	2,272
Elimination					(58)
<b>Income before operating expenses</b>					<b>2,214</b>
Profit before tax	169	261	143	205	778
Less: Tax	(49)	(51)	(20)	(36)	(156)
Profit after tax	120	210	123	169	622
Add: Share of profits of associated companies (net of tax)					159
Less: Minority interests					(3)
<b>Profit attributable to stockholders</b>					<b>778</b>
Segment assets	20,694	38,988	22,778	8,575	91,035
Associated companies' assets					844
Elimination					(6,462)
<b>Total assets</b>					<b>85,417</b>
Segment liabilities	31,880	26,474	16,747	7,438	82,539
Unallocated liabilities					480
Elimination					(6,462)
<b>Total liabilities</b>					<b>76,557</b>
<b>Other information:</b>					
Loans	19,907	32,796	2	144	52,849
Investment securities					
– Debt	–	4,234	32	30	4,296
– Equity	–	31	14	595	640
	–	4,265	46	625	4,936
NPLs and debts securities:					
– Substandard	690	2,764	–	–	3,454
– Doubtful	196	865	–	–	1,061
– Loss	112	556	–	–	668
	998	4,185	–	–	5,183
Specific provision	(406)	(1,574)	–	–	(1,980)
	592	2,611	–	–	3,203
Capital expenditure	33	9	2	96	140
Depreciation of property, plant and equipment	17	5	2	47	71
Amortisation of software	5	1	–	4	10
Amortisation of goodwill	–	–	–	51	51

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 38. SEGMENTAL INFORMATION (continued)

#### 38.1 Business segments (continued)

Under a new global organisation structure announced in October 2002, OCBC Group is organised along four groupings covering customers, products, support functions and geography. Customer, product and support function heads have global responsibility for their respective areas, while geographic heads have stewardship responsibility. The new global structure is designed to enhance the Group's customer focus and product innovation, streamline reporting, and provide a stronger growth platform.

For the purpose of financial reporting of business segment results, the Group's global structure is presented under four main segments representing the key customer and product groups: Consumer Banking, Business Banking, Global Treasury and Other.

#### Consumer Banking

– Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, checking accounts, consumer loans such as housing loans and other personal loans, unit trusts, bancassurance products and credit cards.

#### Business Banking

– Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management, capital markets, corporate finance, trustee and custodian services.

#### Global Treasury

– Global Treasury engages and assists customers in foreign exchange activities, financial futures trading and money market operations, as well as customer-driven derivatives business.

#### Other

– The “Other” segment include asset management, property development and investment holding, support units, other investments and unallocated items including one-time divestment gains, goodwill amortisation and provisions for diminution in value of investments and other assets.

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management.

The following management reporting methodologies are adopted:

- revenues and expenses are attributable to each segment based on the internal management reporting policies,
- in determining the segment results, balance sheet items are internally transfer price and
- transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability.

There are no material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet and excluding items such as corporate tax and borrowings.

Capital expenditure comprises additions to property, plant and equipment.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 38. SEGMENTAL INFORMATION (continued)

#### 38.2 Geographical segments

\$ million	Income before operating expenses	Profit before tax	Capital expenditure	Total assets	Total liabilities
<b>2002</b>					
Singapore	1,710	692	72	66,552	60,119
Malaysia	332	103	13	10,016	8,316
Other ASEAN	21	2	2	353	173
Greater China	101	71	–	3,035	2,703
Other Asia Pacific	25	16	–	1,476	966
North America	16	11	–	817	707
Rest of the World	17	11	–	1,802	1,824
	<b>2,222</b>	<b>906</b>	<b>87</b>	<b>84,051</b>	<b>74,808</b>
<b>2001</b>					
Singapore	1,675	717	108	67,307	60,616
Malaysia	305	179	27	10,391	9,069
Other ASEAN	18	(55)	1	368	225
Greater China	164	107	2	3,852	3,317
Other Asia Pacific	23	11	2	913	828
North America	13	8	–	681	656
Rest of the World	16	10	–	1,905	1,846
	<b>2,214</b>	<b>977</b>	<b>140</b>	<b>85,417</b>	<b>76,557</b>

The Group's operations is in six main geographical areas:

- Singapore, the home country of the Bank where the primary business segments are located.
- Malaysia, mainly comprise the operations of the Group's banking subsidiary, OCBC Bank (Malaysia) Berhad.
- Other ASEAN, include business activities of branches and subsidiaries in Indonesia, the Philippines, Thailand and Vietnam.
- Greater China, include business activities of branches and subsidiaries in Hong Kong, China and Taiwan.
- Other Asia Pacific, includes business activities of branches and subsidiaries in Australia, Japan, Korea and India.
- North America, comprise branch operations in United States.
- Rest of the World, comprise mainly branch operations in United Kingdom.

With the exception of Singapore and Malaysia, no other individual country contributed more than 10% of consolidated income before operating expenses and total assets.

The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located.

Income before operating expenses, profit before tax, total assets and total liabilities are stated after elimination of intra-group transactions and balances.

### 39. RISK MANAGEMENT INFORMATION

#### 39.1 Strategy in using financial instruments

Managing risks is central to the Group's business strategy. By its nature the Group's activities involve the extensive use of financial instruments including derivatives, which expose the Group to the risk of loss due to changes in the values of financial instruments. The Group adopts a comprehensive approach to risk management that seeks to manage its risk profile within pre-defined limits, limit earnings volatility and protects the Group against severe loss from unlikely but plausible stress events. There are various risk management committees set up to manage specific areas of risks as outlined in the sections below.

#### 39.2 Credit risk management

Credit risk is the risk of loss due to borrower or counterparty default on payment. Such risk arises from lending, underwriting, trading and other activities undertaken by the Group. The Credit Risk Management Committee (“CRMC”) is the principal senior management committee that supports the Chief Executive Officer (“CEO”) and the Board in general credit risk management oversight. The CRMC reviews and recommends credit risk policies for the approval by the CEO or the Board. It is also responsible for ensuring that sound credit risk methodologies and effective credit risk management processes are established.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.2 Credit risk management (continued)

The CRMC includes representatives from major business units, where credit risk is generated, as well as independent credit risk controlling units. This joint effort in setting risk policy seeks to ensure understanding of and commitment to the credit risk management process.

The CRMC is supported by the Credit Risk Management ("CRM") departments within Group Risk Management Division. Dedicated CRM units perform the roles of developing risk policies, guidelines and procedures and putting in place the monitoring, reporting and control systems.

#### Country risk

A country risk framework is in place, covering the assessment and rating of countries, country review frequency, as well as the maximum cross-border transfer risk limit that can be granted to any one country based on its risk rating. Cross-border transfer risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time bands and vary according to the risks rating of the country concerned and the political and economic outlook. Approving authority for country limits lies with the Large Credit Approval Committee.

#### Credit concentration

Limits are set on specific customer or product segments to avoid over-concentration of credit risks. Prudential limits have also been placed on exposures to single customer groups.

#### Problem loans

##### (a) Loan classification

The Group classifies its loans in accordance with MAS Notice 612 and internal loan classification policies. Performing loans are categorised as 'Passed' or 'Special Mention', while non-performing loans are categorised as 'Substandard', 'Doubtful' or 'Loss' based on the following guidelines:

- Passed – Interest and principal payments are fully up-to-date, and orderly repayment and/or timely settlement in the future is without doubt.
- Special Mention – Currently protected but potentially weak. Borrower exhibits some deteriorating trends which, if not addressed or corrected, could jeopardise the timely repayment of interest and principal.
- Substandard – Timely repayment and/or settlement is at risk. Well-defined weakness is evident.
- Doubtful – Full repayment and/or settlement is improbable.
- Loss – The outstanding debt is regarded as uncollectable.

##### (b) Restructured loans

A restructured loan refers to one where the original contractual terms and conditions have been modified upon mutual agreement between the Group and the borrower. Where a loan is restructured because a borrower is facing severe financial difficulties and where it is probable that the account will have to be downgraded to non-performing status without the restructuring, the restructured loan will be classified as NPL. Once classified as an NPL, a restructured loan can only be upgraded after a reasonable period (typically six months) of sustained performance under the restructured terms.

##### (c) Provisioning policies

Provision for estimated loan losses in the loan book is made up of two parts which are a specific provision against each NPL and a general provision that cannot be specifically applied and reflects the potential risk embodied in the loan portfolio. In determining the level of general provision, reference is made to country conditions, the composition of the portfolio and industry practices.

The specific provision against each NPL is based on the individual circumstances of each account after considering:

- The underlying business and financial viability of the borrower
- The cash flow sources of the borrower
- The quality and realisable value of the collateral and guarantee supporting the loan
- The existence of a valid and enforceable legal right of recourse against the borrower

In the second half of 2002, the Group further strengthened its credit process and implemented a number of measures to ensure early recognition of potential problem loans, including special mention loans, so that remedial actions can be taken earlier to minimise future loan losses. The Group believes that this more proactive management of the loan portfolio and deployment of additional resources to problem loan identification have resulted in a better and more detailed assessment of possible loan losses.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.2 Credit risk management (continued)

##### Problem loans (continued)

##### (c) Provisioning policies (continued)

This more pro-active management has also rendered the past practice of applying a predefined provisioning rate against the unsecured portion of substandard and doubtful loans redundant. The Group continues to maintain the levels of specific provisions in compliance with regulatory requirements. This change in practice has not resulted in any material financial impact to the Group for the current year.

##### (d) Write-offs

Write-offs of debts are made when recovery action has been instituted and the loss can be reasonably determined. For unsecured consumer loan programmes, the general policy is to write-off overdue debts after 180 days after the first default.

##### (e) Interest accrual on non-performing loans

Interest accrual on non-performing loans is not recognised as income in the income statement until received. It is reported as interest-in-suspense and is netted against interest receivable under other assets (note 32) for all loans except for overdrafts where interest is capitalised due to the nature of the product.

##### (f) Value and nature of collateral held against NPLs

The major type of collateral backing for the Group's NPLs is real estate in Singapore. The realisable value of the real estate collateral is used to evaluate the adequacy of the collateral coverage. Proceeds from sale of collateral pledged for a particular loan cannot be applied to other classified loans unless the accounts are related and cross-collateralisation of the facilities is contractually provided for.

#### Credit risk information

Credit risk-related information is set out in the following notes:

- Note 27 Loans to and bills receivable from customers
- Note 28 Non-performing loans and debt securities
- Note 29 Specific provision for loan losses and interest-in-suspense
- Note 31 Investment securities
- Note 38 Segmental information
- Note 40 Country risk

#### 39.3 Market risk management

Market risk refers to the risk arising from uncertainty in the future values of financial instruments, resulting from movements in factors such as interest rates, foreign exchange rates, equity and commodity prices. The principal market risk is associated with the maturity and re-pricing mismatches of assets and liabilities arising from its core banking business. Market risk is managed using a framework of market risk policies and principles, monitored and controlled using a combination of statistical and non-statistical methods.

For trading activities, operational limits are in place to control net open positions as well as trading volumes. These limits are stress tested to ensure that they are appropriate for the respective risk taking activity. A Value-at-Risk (VaR) methodology is adopted as the measurement approach to quantify both derivative and non-derivative risk exposures, which is probability based using volatility and correlation to quantify price risks. To manage abnormal market behaviour, stress tests and scenario analyses are used to quantify the financial risk arising from low probability, abnormal market movements.

#### 39.4 Operational risk management

Operational risk is the potential risk arising from a breakdown in internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The objective of managing operational risk is to minimise unexpected and catastrophic losses and manage expected losses, to enable new business opportunities to be pursued in a risk controlled manner.

The Bank has developed an overall framework which defines the required environment and organisational components for managing operational risk in a structured, systematic and consistent manner. A comprehensive strategy has been formulated to provide a group-wide integrated solution encompassing the roll-out of qualitative and quantitative tools and methodologies which will ultimately position the Group to qualify for the advanced measurement approaches recommended by the Basel Committee.

#### 39.5 Asset and liability management

Asset and liability management involves management of liquidity, funding, interest rate and foreign exchange rate risks arising from non-trading positions through the use of financial instruments. The Group's policy is to manage the earnings volatility arising from the effects of movements in interest rates and foreign exchange rates, which are inherent in the Group balance sheet, while maintaining a prudent level of liquidity to meet financial obligations.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.5 Asset and liability management (continued)

##### Interest rate risk

The Group's main market risk is the interest rate risks arising from the maturity and re-pricing mismatches of its assets and liabilities from its banking business. The primary sources of interest rate risks are short-term re-pricing and basis risks. The Group's lending comprised floating and fixed rate loans, which are funded largely by demand, savings and fixed deposits. A system is in place to manage the composition of the Group's balance sheet and interest rate gapping positions against defined limits. Interest rate risk exposures are monitored through sensitivity limits and net interest income changes.

The table below summarises the Group's exposure to interest rate re-pricing risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

2002 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Non-interest sensitive	Total
<b>Assets</b>								
Cash and placement with central banks	278	673	131	7	–	–	1,769	2,858
Singapore government treasury bills and securities	109	677	1,914	516	1,654	1,097	–	5,967
Other government treasury bills and securities	108	29	59	150	504	134	–	984
Dealing securities	12	–	–	5	4	139	13	173
Placement with and loans to banks	2,126	3,185	4,087	5,018	38	2	3	14,459
Loans to customers <sup>(i)</sup>	12,924	10,173	7,293	10,159	4,754	3,172	(1,206)	47,269
Investment securities	84	362	1,133	560	1,112	1,632	427	5,310
Deferred tax	–	–	–	–	–	–	70	70
Other assets	–	–	–	–	–	–	2,143	2,143
Associated companies	–	–	–	–	–	–	1,047	1,047
Property, plant and equipment	–	–	–	–	–	–	1,572	1,572
Goodwill	–	–	–	–	–	–	2,199	2,199
<b>Total assets</b>	<b>15,641</b>	<b>15,099</b>	<b>14,617</b>	<b>16,415</b>	<b>8,066</b>	<b>6,176</b>	<b>8,037</b>	<b>84,051</b>
<b>Liabilities</b>								
Deposits of non-bank customers	21,784	13,733	7,480	8,737	689	436	1,089	53,948
Deposits and balances of banks	2,863	4,592	4,429	712	25	–	–	12,621
Deposits of associated companies	118	665	250	273	14	–	134	1,454
Bills payable	–	–	–	–	–	–	177	177
Current tax	–	–	–	–	–	–	322	322
Deferred tax	–	–	–	–	–	–	133	133
Other liabilities	–	–	–	–	–	–	2,141	2,141
Debt securities	–	31	102	–	–	3,879	–	4,012
<b>Total liabilities</b>	<b>24,765</b>	<b>19,021</b>	<b>12,261</b>	<b>9,722</b>	<b>728</b>	<b>4,315</b>	<b>3,996</b>	<b>74,808</b>
Minority interests	–	–	–	–	–	–	19	19
Equity	–	–	–	–	–	–	9,224	9,224
<b>Total liabilities and equity</b>	<b>24,765</b>	<b>19,021</b>	<b>12,261</b>	<b>9,722</b>	<b>728</b>	<b>4,315</b>	<b>13,239</b>	<b>84,051</b>
<b>On-balance sheet interest sensitivity gap</b>								
	(9,124)	(3,922)	2,356	6,693	7,338	1,861	(5,202)	–
<b>Off-balance sheet interest sensitivity gap</b>								
	81	103	(1,398)	856	(1,053)	1,411	–	–
<b>Net interest sensitivity gap</b>	<b>(9,043)</b>	<b>(3,819)</b>	<b>958</b>	<b>7,549</b>	<b>6,285</b>	<b>3,272</b>	<b>(5,202)</b>	<b>–</b>

<sup>(i)</sup> The negative balance represents general provisions for possible loan losses.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.5 Asset and liability management (continued)

##### Interest rate risk (continued)

2001 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Non-interest sensitive	Total
<b>Assets</b>								
Cash and placement with central banks	92	245	72	13	–	–	1,592	2,014
Singapore government treasury bills and securities	191	525	1,056	890	1,648	1,999	–	6,309
Other government treasury bills and securities	144	31	56	92	537	142	–	1,002
Dealing securities	202	–	9	2	1	133	53	400
Placement with and loans to banks	4,561	3,897	3,207	2,399	253	12	98	14,427
Loans to customers <sup>(i)</sup>	10,988	14,768	7,320	7,486	6,444	3,849	(1,246)	49,609
Investment securities	85	274	1,230	498	563	1,481	583	4,714
Deferred tax	–	–	–	–	–	–	66	66
Other assets	–	–	–	–	–	–	1,820	1,820
Associated companies	–	–	–	–	–	–	1,050	1,050
Property, plant and equipment	–	–	–	–	–	–	1,681	1,681
Goodwill	–	–	–	–	–	–	2,325	2,325
<b>Total assets</b>	<b>16,263</b>	<b>19,740</b>	<b>12,950</b>	<b>11,380</b>	<b>9,446</b>	<b>7,616</b>	<b>8,022</b>	<b>85,417</b>
<b>Liabilities</b>								
Deposits of non-bank customers	20,551	12,959	7,239	9,527	788	743	2,868	54,675
Deposits and balances of banks	4,301	4,728	2,614	2,351	39	17	1	14,051
Deposits of associated companies	238	348	324	31	2	–	69	1,012
Bills payable	–	–	–	–	–	–	123	123
Current tax	–	–	–	–	–	–	315	315
Deferred tax	–	–	–	–	–	–	165	165
Other liabilities	–	–	–	–	–	–	2,112	2,112
Debt securities	–	–	–	229	–	3,875	–	4,104
<b>Total liabilities</b>	<b>25,090</b>	<b>18,035</b>	<b>10,177</b>	<b>12,138</b>	<b>829</b>	<b>4,635</b>	<b>5,653</b>	<b>76,557</b>
Minority interests	–	–	–	–	–	–	28	28
Equity	–	–	–	–	–	–	8,832	8,832
<b>Total liabilities and equity</b>	<b>25,090</b>	<b>18,035</b>	<b>10,177</b>	<b>12,138</b>	<b>829</b>	<b>4,635</b>	<b>14,513</b>	<b>85,417</b>
<b>On-balance sheet interest sensitivity gap</b>								
	(8,827)	1,705	2,773	(758)	8,617	2,981	(6,491)	–
<b>Off-balance sheet interest sensitivity gap</b>								
	(373)	830	(3,073)	2,911	(2,373)	2,078	–	–
<b>Net interest sensitivity gap</b>	<b>(9,200)</b>	<b>2,535</b>	<b>(300)</b>	<b>2,153</b>	<b>6,244</b>	<b>5,059</b>	<b>(6,491)</b>	<b>–</b>

<sup>(i)</sup> The negative balance represents general provisions for possible loan losses.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.5 Asset and liability management (continued)

##### Interest rate risk (continued)

The table below summarises the effective average interest rate by major currencies for financial assets and liabilities:

	SGD %	USD %	MYR %
<b>2002</b>			
<b>Assets</b>			
Placement with central banks	–	0.63	2.91
Placement with and loans to banks	0.84	1.91	2.56
Loans to customers	4.17	2.61	6.78
Securities and other interest-earning assets	2.86	4.22	3.76
<b>Liabilities</b>			
Deposits and balances of banks	0.79	1.58	2.07
Deposits and other accounts of non-bank customers	0.72	1.14	3.04
Debt securities	2.94	–	–
<b>2001</b>			
<b>Assets</b>			
Placement with central banks	1.82	2.06	3.06
Placement with and loans to banks	1.99	4.51	4.13
Loans to customers	4.66	4.79	7.19
Securities and other interest-earning assets	3.19	4.34	5.10
<b>Liabilities</b>			
Deposits and balances of banks	1.98	4.05	3.99
Deposits and other accounts of non-bank customers	1.91	3.23	3.31
Debt securities	3.99	–	–

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.5 Asset and liability management (continued)

##### Liquidity risk

The policy of liquidity management is to ensure that there are sufficient funds to meet the Group's contractual and regulatory financial obligations as they become due. The Group's liquidity risk management is embedded in its overall asset and liability management framework. Liquidity reports such as maturity and stress test reports are reviewed by ALCO at least once a month. Liquidity risk is managed by a combination of cashflow monitoring, static ratios and stress tests. Projected cashflow movements for each of the next 30 days are closely monitored and cumulative maximum outflow limits are set. Static ratios monitor and control the dependency on particular sources of funds and exposure to any particular lender or group of lenders. Stress tests are applied to ensure that the Group has the ability to withstand sudden and heavy cash outflows.

The table below analyses assets and liabilities of the Group into maturity time bands based on the remaining time to contractual maturity as at balance sheet date.

2002 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Total
<b>Assets</b>							
Cash and placement with central banks	1,814	673	131	7	–	233	2,858
Singapore government treasury bills and securities	109	677	1,914	516	1,654	1,097	5,967
Other government treasury bills and securities	108	29	59	150	504	134	984
Dealing securities	25	–	–	5	4	139	173
Placement with and loans to banks	2,130	3,108	4,006	4,819	355	41	14,459
Loans to customers	7,884	3,630	3,077	5,026	8,206	19,446	47,269
Investment securities	–	18	75	573	2,515	2,129	5,310
Deferred tax	–	–	–	–	70	–	70
Other assets	1,442	487	54	52	108	–	2,143
Associated companies	–	–	1	–	–	1,046	1,047
Property, plant and equipment	–	–	–	–	–	1,572	1,572
Goodwill	–	–	–	–	–	2,199	2,199
<b>Total assets</b>	<b>13,512</b>	<b>8,622</b>	<b>9,317</b>	<b>11,148</b>	<b>13,416</b>	<b>28,036</b>	<b>84,051</b>
<b>Liabilities</b>							
Deposits of non-bank customers	22,872	13,734	7,478	8,739	689	436	53,948
Deposits and balances of banks	2,843	4,592	4,302	859	25	–	12,621
Deposits of associated companies	252	665	250	273	14	–	1,454
Bills payable	131	46	–	–	–	–	177
Current tax	2	2	13	305	–	–	322
Deferred tax	–	–	–	–	133	–	133
Other liabilities	1,293	662	78	99	7	2	2,141
Debt securities	–	31	102	–	–	3,879	4,012
<b>Total liabilities</b>	<b>27,393</b>	<b>19,732</b>	<b>12,223</b>	<b>10,275</b>	<b>868</b>	<b>4,317</b>	<b>74,808</b>
Minority interests	–	–	–	–	–	19	19
Equity	–	–	–	–	–	9,224	9,224
<b>Total liabilities and equity</b>	<b>27,393</b>	<b>19,732</b>	<b>12,223</b>	<b>10,275</b>	<b>868</b>	<b>13,560</b>	<b>84,051</b>
<b>Net liquidity gap</b>	<b>(13,881)</b>	<b>(11,110)</b>	<b>(2,906)</b>	<b>873</b>	<b>12,548</b>	<b>14,476</b>	<b>–</b>

39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Liquidity risk (continued)

2001 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Total
<b>Assets</b>							
Cash and placement with central banks	1,419	233	72	–	–	290	2,014
Singapore government treasury bills and securities	191	525	1,056	890	1,648	1,999	6,309
Other government treasury bills and securities	145	31	56	92	537	141	1,002
Dealing securities	244	–	9	13	1	133	400
Placement with and loans to banks	4,603	3,930	3,206	2,382	255	51	14,427
Loans to customers	10,153	4,039	3,835	4,395	4,989	22,198	49,609
Investment securities	110	225	660	475	1,048	2,196	4,714
Deferred tax	–	–	–	–	16	50	66
Other assets	874	596	116	109	8	117	1,820
Associated companies	–	–	–	–	12	1,038	1,050
Property, plant and equipment	–	–	–	–	–	1,681	1,681
Goodwill	–	–	–	–	–	2,325	2,325
<b>Total assets</b>	<b>17,739</b>	<b>9,579</b>	<b>9,010</b>	<b>8,356</b>	<b>8,514</b>	<b>32,219</b>	<b>85,417</b>
<b>Liabilities</b>							
Deposits of non-bank customers	23,418	12,977	7,283	9,491	808	698	54,675
Deposits and balances of banks	4,302	4,728	2,576	2,389	39	17	14,051
Deposits of associated companies	303	348	273	86	2	–	1,012
Bills payable	18	103	2	–	–	–	123
Current tax	14	3	70	228	–	–	315
Deferred tax	–	–	–	–	165	–	165
Other liabilities	1,156	453	58	227	24	194	2,112
Debt securities	–	–	–	229	–	3,875	4,104
<b>Total liabilities</b>	<b>29,211</b>	<b>18,612</b>	<b>10,262</b>	<b>12,650</b>	<b>1,038</b>	<b>4,784</b>	<b>76,557</b>
Minority interests	–	–	–	–	–	28	28
Equity	–	–	–	–	–	8,832	8,832
<b>Total liabilities and equity</b>	<b>29,211</b>	<b>18,612</b>	<b>10,262</b>	<b>12,650</b>	<b>1,038</b>	<b>13,644</b>	<b>85,417</b>
<b>Net liquidity gap</b>	<b>(11,472)</b>	<b>(9,033)</b>	<b>(1,252)</b>	<b>(4,294)</b>	<b>7,476</b>	<b>18,575</b>	<b>–</b>

39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Currency risk

The banking activities of providing services to corporate and retail customers expose the Group to structural foreign exchange risk. The general policy is to fund foreign currency investments in the same currency. Foreign exchange risk is managed centrally by Global Treasury and monitored by the Treasury Control Unit against delegated limits. The Group's principal exchange rate related instruments are forward foreign exchange contracts and currency swaps, which are primarily used to mitigate the foreign exchange risks arising from customer-originated flows. Structural foreign exchange risks from investments in overseas subsidiaries, capital of overseas branches and unremitted foreign currency profits are generally not hedged.

The table below analyses the net foreign exchange positions of the Group by major currencies, which are mainly in US dollar and Malaysian ringgit. The "Other" foreign exchange risks include mainly exposure to Australian dollar, Sterling pound and Hong Kong dollar, which represents less than 10% of the Group's total assets.

2002 (\$ million)	SGD	USD	MYR	Other	Total
<b>Assets</b>					
Cash and placement with central banks	1,485	9	1,239	125	2,858
Singapore government treasury bills and securities	5,967	–	–	–	5,967
Other government treasury bills and securities	–	36	853	95	984
Dealing securities	150	11	12	–	173
Placement with and loans to banks	3,318	7,974	248	2,919	14,459
Loans to customers	30,566	6,978	5,628	4,097	47,269
Investment securities	1,692	2,439	606	573	5,310
Deferred tax	23	–	47	–	70
Other assets	1,660	348	63	72	2,143
Associated companies	939	–	108	–	1,047
Property, plant and equipment	1,349	–	95	128	1,572
Goodwill	2,199	–	–	–	2,199
<b>Total assets</b>	<b>49,348</b>	<b>17,795</b>	<b>8,899</b>	<b>8,009</b>	<b>84,051</b>
<b>Liabilities</b>					
Deposits of non-bank customers	34,159	8,167	7,138	4,484	53,948
Deposits and balances of banks	5,042	6,149	85	1,345	12,621
Deposits of associated companies	982	27	413	32	1,454
Bills payable	110	6	61	–	177
Current tax	300	1	18	3	322
Deferred tax	133	–	–	–	133
Other liabilities	1,529	437	83	92	2,141
Debt securities	4,012	–	–	–	4,012
<b>Total liabilities</b>	<b>46,267</b>	<b>14,787</b>	<b>7,798</b>	<b>5,956</b>	<b>74,808</b>
<b>On-balance sheet open position</b>	<b>3,081</b>	<b>3,008</b>	<b>1,101</b>	<b>2,053</b>	<b>9,243</b>
<b>Off-balance sheet open position</b>	<b>4,327</b>	<b>(2,831)</b>	<b>(61)</b>	<b>(1,435)</b>	<b>–</b>
<b>Net open position</b>	<b>7,408</b>	<b>177</b>	<b>1,040</b>	<b>618</b>	<b>9,243</b>
Of which:					
<b>Net investments in overseas operations</b>	<b>–</b>	<b>131</b>	<b>1,044</b>	<b>614</b>	<b>1,789</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.5 Asset and liability management (continued)

Currency risk (continued) 2001 (\$ million)	SGD	USD	MYR	Other	Total
<b>Assets</b>					
Cash and placement with central banks	1,241	63	648	62	2,014
Singapore government treasury bills and securities	6,309	–	–	–	6,309
Other government treasury bills and securities	–	1	900	101	1,002
Dealing securities	279	56	65	–	400
Placement with and loans to banks	5,013	6,192	332	2,890	14,427
Loans to customers	31,926	7,990	5,808	3,885	49,609
Investment securities	1,402	2,134	817	361	4,714
Deferred tax	17	–	49	–	66
Other assets	(47)	1,821	41	5	1,820
Associated companies	939	–	108	3	1,050
Property, plant and equipment	1,446	1	106	128	1,681
Goodwill	2,325	–	–	–	2,325
<b>Total assets</b>	<b>50,850</b>	<b>18,258</b>	<b>8,874</b>	<b>7,435</b>	<b>85,417</b>
<b>Liabilities</b>					
Deposits of non-bank customers	33,566	9,738	7,454	3,917	54,675
Deposits and balances of banks	5,425	6,024	274	2,328	14,051
Deposits of associated companies	869	19	119	5	1,012
Bills payable	63	3	56	1	123
Current tax	260	–	50	5	315
Deferred tax	161	–	4	–	165
Other liabilities	1,680	204	82	146	2,112
Debt securities	3,875	182	–	47	4,104
<b>Total liabilities</b>	<b>45,899</b>	<b>16,170</b>	<b>8,039</b>	<b>6,449</b>	<b>76,557</b>
<b>On-balance sheet open position</b>	<b>4,951</b>	<b>2,088</b>	<b>835</b>	<b>986</b>	<b>8,860</b>
<b>Off-balance sheet open position</b>	<b>2,322</b>	<b>(1,891)</b>	<b>10</b>	<b>(441)</b>	<b>–</b>
<b>Net open position</b>	<b>7,273</b>	<b>197</b>	<b>845</b>	<b>545</b>	<b>8,860</b>
Of which:					
<b>Net investments in overseas operations</b>	<b>–</b>	<b>176</b>	<b>842</b>	<b>559</b>	<b>1,577</b>

#### 39.6 Fair values of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at the balance sheet date.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's financial instruments, including loans and advances to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's financial instruments, including loans and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group could realise in a sales transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group as a going concern.

Fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of Singapore Statement of Accounting Standards ("SAS 32") which requires fair value information to be disclosed. These include property, plant and equipment, intangibles such as long-term relationships with depositors and insurance contracts.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.6 Fair values of financial assets and liabilities (continued)

Except for loans to and bills receivable from customers, the following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair values. In respect of loans to and bills receivable from customers, the Group has computed the fair values taking into account the relevant market interest rates and credit spread and noted that the total fair value is not materially different from the total carrying amount at year end.

\$ million	2002		2001	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Assets for which fair value approximates carrying value	<b>19,460</b>	<b>19,460</b>	18,223	18,223
Dealing securities	<b>173</b>	<b>173</b>	400	401
Government securities	<b>6,951</b>	<b>7,076</b>	7,311	7,375
Investment securities	<b>5,310</b>	<b>5,814</b>	4,714	5,076
<b>Financial liabilities</b>				
Liabilities for which fair value approximates carrying value	<b>33,934</b>	<b>33,934</b>	34,843	34,843
Non-bank customer term deposits	<b>36,176</b>	<b>36,380</b>	37,441	37,438
Debt securities issued and other borrowed funds	<b>4,565</b>	<b>5,026</b>	4,104	4,293

Note:

The fair value is determined without deducting the transaction costs that would be incurred to exchange or settle the underlying financial instrument. The costs are expected to be insignificant and will not have any material impact on the fair value.

The fair values are based on the following methodologies and assumptions:

#### Assets for which fair value approximates carrying value

Fair value of certain financial assets carried at cost, including cash and placements with central banks, placements with and loans to banks, interest and other short term receivables are expected to approximate their carrying value due to their short tenor.

#### Loans and advances to non-bank customers

The carrying value of loans and advances is the principal outstanding net of specific and other provisions for impairment. Fair value of loans and advances are computed after taking into account the relevant market interest rates and credit spread by product types as at balance sheet date.

#### Securities

Fair value of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair value of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flow analysis. These securities may be subjected to restrictions, for example, consent of other investors that, may limit the Group's ability to realise the estimated fair value. Accordingly, current estimates of fair value and the ultimate realisation of these instruments may differ.

#### Liabilities for which fair value approximates carrying value

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying value due to their short tenor.

#### Non-bank customer term deposits

For non-bank customer deposits, with maturities of less than three months, the carrying amount is a reasonable estimate of their fair value. For deposits with maturities of three months or more, fair values are estimated using discounted cash flows based on market rates.

#### Debt securities issued and other borrowed funds

The aggregate fair values of the Bank's subordinated term notes are based on quoted market prices. Fair value of other borrowed funds is obtained from independent broker offer prices.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 40. COUNTRY RISK

At 31 December 2002, the countries where OCBC's cross-border transfer risk exceeded 1% of assets were Malaysia, United Kingdom, Hong Kong SAR, Japan, Germany, Cayman Islands, United States, Indonesia and China and consisted mainly of placements with banks due within one year. Cross-border transfer risk covers all cross-border transactions including onshore non-local currency transactions. In this context, total assets amounted to \$84,051 million (2001: \$85,417 million) as shown in the consolidated balance sheet at 31 December 2002.

Cross-border transfer risk exposure exceeding 1% of assets:

	Banks \$ million	Government and official institutions \$ million	Financial institutions, private sector and individuals \$ million	Total \$ million	As % of total assets %
<b>2002</b>					
Malaysia	2,220	416	604	3,240	3.85
United Kingdom	2,250	–	158	2,408	2.86
Hong Kong SAR	1,339	48	664	2,051	2.44
Japan	1,533	–	34	1,567	1.86
Germany	1,517	–	–	1,517	1.80
Cayman Islands	–	–	1,075	1,075	1.28
United States	350	–	715	1,065	1.27
Indonesia	285	16	573	874	1.04
China	451	–	415	866	1.03
<b>2001</b>					
Malaysia	1,971	497	905	3,373	3.96
United Kingdom	2,180	–	166	2,346	2.75
Cayman Islands	–	–	1,046	1,046	1.23
United States	1,053	18	123	1,194	1.40
Hong Kong SAR	1,161	–	688	1,849	2.17
China	566	–	514	1,080	1.27
Indonesia	326	18	710	1,054	1.24

### 41. OFF-BALANCE SHEET ITEMS

Off-balance sheet items comprise contingent liabilities, commitments and financial derivative instruments which are matched by corresponding obligations of counter-parties that are banks and other financial institutions and customers.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 42. CONTINGENT LIABILITIES

The banking and finance corporations in the Group conduct businesses involving acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by the Group to pay on bills of exchange drawn on customers. Guarantees are issued by the Group to guarantee the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on production of documents.

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Acceptances and endorsements	587,465	586,716	87,577	51,198
Guarantees and standby letters of credit	4,808,521	5,312,091	4,565,514	4,016,421
Documentary credits and other				
short term trade-related transactions	393,567	434,323	315,284	188,083
Other	58,841	35,611	–	–
	<b>5,848,394</b>	6,368,741	<b>4,968,375</b>	4,255,702

Included in guarantees and standby letters of credit is an amount of \$1.14 billion (2001: \$1.53 billion) relating to credit default swaps entered into by the Bank which are collateralised on long-term loans granted by the Bank of an equivalent amount (Note 27) and an amount of \$0.49 billion (2001: \$0.54 billion) relating to credit default swaps entered into by the Bank which are collateralised on credit linked notes held by the Bank of an equivalent amount (Note 31).

#### 42.1 Analysed by geographical sector

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore	4,665,317	5,266,207	4,614,153	3,941,163
Malaysia	851,570	789,133	51,048	7,790
Other ASEAN	34,192	13,256	6,292	8,103
Greater China	154,876	204,383	154,443	202,884
Other Asia Pacific	41,153	46,978	41,153	46,978
North America	41,476	32,607	41,476	32,607
Rest of the World	59,810	16,177	59,810	16,177
	<b>5,848,394</b>	6,368,741	<b>4,968,375</b>	4,255,702

#### 42.2 Analysed by industry

	Group \$'000	Bank \$'000
<b>2002</b>		
Agriculture, mining and quarrying	31,241	2,187
Manufacturing	850,326	370,291
Building and construction	1,010,761	946,872
Housing	47	–
General commerce	676,128	522,165
Transport, storage and communication	188,886	155,923
Financial institutions, Investment and holding companies	2,464,687	2,416,308
Professionals and individuals	129,138	125,187
Other	497,180	429,442
	<b>5,848,394</b>	<b>4,968,375</b>

This being the first year the data is compiled, the analysis of contingent liabilities by industry for 31 December 2001 is not readily available.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 43. COMMITMENTS

Commitments comprise mainly agreements to provide credit facilities to customers. Such commitments can either be made for a fixed period, or have no specific maturity but are cancellable by the Group, subject to notice requirements.

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>43.1 Credit commitments</b>				
Undrawn credit facilities				
– Original term to maturity of one year or less	<b>22,809,389</b>	20,102,464	<b>20,356,982</b>	12,028,988
– Original term to maturity of more than one year	<b>4,205,886</b>	4,125,016	<b>2,597,118</b>	1,932,396
	<b>27,015,275</b>	24,227,480	<b>22,954,100</b>	13,961,384
Undrawn note issuance and revolving underwriting facilities	<b>90,269</b>	362,433	<b>72,005</b>	360,159
Forward asset purchases/sales	<b>1,096,962</b>	1,074,027	<b>1,096,962</b>	1,074,027
	<b>28,202,506</b>	25,663,940	<b>24,123,067</b>	15,395,570
	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>43.2 Other commitments</b>				
Operating lease commitments				
– Within 1 year	<b>9,640</b>	6,844	<b>7,335</b>	1,313
– After 1 year but within 5 years	<b>17,095</b>	8,307	<b>16,582</b>	4,726
– Over 5 years	<b>1,415</b>	–	<b>1,415</b>	–
	<b>28,150</b>	15,151	<b>25,332</b>	6,039
Capital expenditure authorised and contracted	<b>58,288</b>	72,526	<b>26,335</b>	19,770
	<b>86,438</b>	87,677	<b>51,667</b>	25,809
<b>43.3 Total commitments</b>	<b>28,288,944</b>	25,751,617	<b>24,174,734</b>	15,421,379

### 43.4 Analysed by geographic sector

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore	<b>23,071,237</b>	20,199,326	<b>22,539,119</b>	14,157,984
Malaysia	<b>3,539,163</b>	4,293,977	<b>16,899</b>	27,755
Other ASEAN	<b>141,208</b>	103,728	<b>79,951</b>	82,567
Greater China	<b>594,530</b>	716,602	<b>595,959</b>	715,089
Other Asia Pacific	<b>231,359</b>	168,326	<b>231,359</b>	168,326
North America	<b>397,764</b>	269,658	<b>397,764</b>	269,658
Rest of the world	<b>313,683</b>	–	<b>313,683</b>	–
	<b>28,288,944</b>	25,751,617	<b>24,174,734</b>	15,421,379

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 44. FINANCIAL DERIVATIVES

Financial derivatives are off-balance sheet financial instruments, which include forward contracts for the purchase and sale of foreign currencies, interest rate and currency swaps, financial futures and option contracts. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks. The following outlines the nature and terms of the most common types of derivatives used:

**Foreign exchange derivatives** are exchange rate related contracts, mainly forward foreign exchange contracts, currency swaps and currency options.

Forward foreign exchange contracts are agreements to exchange a specified amount of one currency for another on a future date at an agreed rate.

Currency swaps are agreements that involve the exchange or notional exchange of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options are contracts that give the purchaser the right, but not the obligation, to buy or sell an underlying currency at a certain price on or before an agreed future date. As the seller (option writer) has a duty to buy or sell at the agreed price should the purchaser exercise his right, he generally receives a premium payable at the start of the option period. Some currency options purchased from customers are usually embedded in deposits for an enhanced yield return.

**Interest rate derivatives** are interest rate related contracts undertaken by the Group, which include interest rate swaps, forward rate agreement ('FRA'), caps, floors, collars, futures and swaptions.

An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract.

In a forward rate agreement, two parties agree to fix the interest rate on a specified notional principal amount for a defined period commencing at a specified date in the future. The buyer of a FRA is the party wishing to protect itself against a future rise in the relevant interest rate. The seller is the party wishing to protect itself against a future fall in the relevant interest rate.

Caps, floors and collars are different types of interest rate options transactions designed to hedge interest rate exposures. A cap is a contract whereby the seller agrees to pay to the purchaser, in return for an upfront premium or a series of annuity payments, the difference between a reference rate and an agreed strike rate when the reference rate exceeds the strike rate. A floor is a contract whereby the seller agrees to pay to the purchaser, in return for an upfront premium, the difference between a reference rate and an agreed strike rate should the strike rate exceeds the reference rate. A collar is the simultaneous purchase of an out-of-the-money cap and sale of an out-of-the-money floor. The seller of the collar agrees to limit the buyer's floating interest rate to a band limited by a specified cap rate and floor rate.

A futures contract is an agreement to buy or sell a standard quantity of a specific financial instrument at a pre-determined future date and at a price agreed between the parties on an organised exchange.

Swaptions are over-the-counter options on swap contracts, which give the buyer the right, but not the obligation, to enter into an interest-rate swap as either the payer or receiver of the fixed side of the swap. An interest-rate call swaption gives the purchaser the right to receive a specified fixed rate, the strike rate, in a swap and to pay the floating rate for a stated time period. An interest rate put swaption gives the buyer the right to pay a specific fixed interest rate in a swap, and to receive the floating rate for a stated time period.

**Equity derivatives** are equity convertible deposits whereby an equity option is embedded in deposits placed with the Bank. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

**Credit derivatives** are contracts between a holder of an asset (the buyer of protection) and a third party called the seller of credit. It is an arrangement whereby the reference credit, credit risk of a risky asset (the reference asset, could be a loan or bond issued by a company) is transferred from the buyer to the seller of protection. The term credit risk refers to the failure of the borrower to perform his part of the contract, which can arise due to a variety of reasons ranging from bankruptcy, losses, distress or other events.

The financial derivatives shown in the following tables are held for both trading and hedging purposes. The contract or underlying principal amounts of these financial derivatives and their corresponding gross positive (assets) and negative (liabilities) fair values at balance sheet date are analysed below. Changes in fair values of futures contracts below which are exchange traded are subject to daily settlement and the margins relating to these futures contracts are included in balances with banks and other financial institutions.

44. FINANCIAL DERIVATIVES (continued)

Group	Contractual or principal notional amount \$'000	Fair value - assets \$'000	Fair value - liabilities \$'000
<b>2002</b>			
<b>Foreign exchange derivatives</b>			
Forwards	2,078,522	16,131	11,616
Swaps	61,117,387	737,827	626,099
OTC options – bought and sold	212,459	487	364
	63,408,368	754,445	638,079
<b>Interest rate derivatives</b>			
Forwards	30,674,000	17,812	18,139
Swaps	82,973,770	581,599	732,108
OTC options – bought and sold	273,394	1,001	763
Exchange traded futures – bought and sold	446,073	14	228
	114,367,237	600,426	751,238
<b>Other derivatives</b>			
Options written	15,704	165	–
Options purchased	130,868	250	198
Credit default swaps	86,760	984	250
	233,332	1,399	448
Total	178,008,937	1,356,270	1,389,765
Fair value of trading derivatives included in other assets and other liabilities		1,148,523	1,008,212
		(Note 32)	(Note 20)
<b>2001</b>			
<b>Foreign exchange derivatives</b>			
Forwards	3,465,499	11,911	14,913
Swaps	44,550,555	588,676	543,979
OTC options – bought and sold	198,970	1,009	940
Exchange traded options – bought and sold	29,621	–	–
	48,244,645	601,596	559,832
<b>Interest rate derivatives</b>			
Forwards	5,835,245	3,033	2,065
Swaps	17,945,376	47,686	57,673
OTC options – bought and sold	62,899	68	643
Exchange traded futures – bought and sold	1,609,812	2	–
	25,453,332	50,789	60,381
<b>Other derivatives</b>			
Options written	55,507	164	–
Options purchased	61,469	–	–
	116,976	164	–
Total	73,814,953	652,549	620,213
		(Note 32)	(Note 20)

44. FINANCIAL DERIVATIVES (continued)

Bank	Contractual or principal notional amount \$'000	Fair value - assets \$'000	Fair value - liabilities \$'000
<b>2002</b>			
<b>Foreign exchange derivatives</b>			
Forwards	1,774,160	15,585	9,520
Swaps	60,308,599	738,894	626,099
OTC options – bought and sold	212,459	487	364
	62,295,218	754,966	635,983
<b>Interest rate derivatives</b>			
Forwards	30,674,000	17,812	18,139
Swaps	83,156,704	591,301	732,119
OTC options – bought and sold	273,394	1,001	763
Exchange traded options – bought and sold	446,073	14	228
	114,550,171	610,128	751,249
<b>Other derivatives</b>			
Options written	15,704	165	–
Options purchased	130,868	250	198
Credit default swaps	86,760	984	250
	233,332	1,399	448
Total	177,078,721	1,366,493	1,387,680
Fair value of trading derivatives included in other assets and other liabilities		1,148,523	1,006,945
		(Note 32)	(Note 20)
<b>2001</b>			
<b>Foreign exchange derivatives</b>			
Forwards	1,216,498	4,375	5,999
Swaps	32,001,597	396,841	395,508
OTC options – bought and sold	93,565	624	518
Exchange traded futures – bought and sold	29,621	–	–
	33,341,281	401,840	402,025
<b>Interest rate derivatives</b>			
Forwards	5,835,244	3,033	2,065
Swaps	14,130,475	31,130	44,336
Exchange traded options – bought and sold	92,513	2	–
	20,058,232	34,165	46,401
<b>Other derivatives</b>			
Options written	55,507	164	–
Options purchased	2,616	–	–
	58,123	164	–
Total	53,457,636	436,169	448,426
		(Note 32)	(Note 20)

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 44. FINANCIAL DERIVATIVES (continued)

As noted in the above tables, the notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instrument and, therefore, do not indicate the Group's exposure to credit or price risks. The fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable and unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

### 45. ASSETS PLEDGED

In addition to the information shown elsewhere in these financial statements, the assets of the Group and the Bank that have been mortgaged or pledged to secure the borrowings are:

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore government treasury bills and securities	272,775	630,907	272,775	453,891
Other government treasury bills and securities	209,809	303,353	–	–
Investment securities	298,733	114,089	–	–
Total securities pledged	781,317	1,048,349	272,775	453,891
Other assets	86,316	223,164	–	–
	867,633	1,271,513	272,775	453,891

### 46. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated cash flow statement, cash equivalents are liquid assets readily convertible into cash.

	Group	
	2002 \$'000	2001 \$'000
Cash and placements with central banks	2,858,403	2,014,096
Treasury bills and government securities	6,950,877	7,310,438
	9,809,280	9,324,534

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 47. CURRENT ASSETS AND LIABILITIES

Set out below are the current assets and liabilities of the Bank and Group:

	Group		Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Current Assets</b>				
Cash and placements with central banks	2,858,403	2,014,096	1,453,919	847,503
Singapore government treasury bills and securities	3,215,984	2,661,838	3,094,386	2,187,778
Other government treasury bills and securities	345,553	323,530	28,902	47,804
Dealing securities	173,076	399,958	147,950	178,925
Placements with and loans to banks	14,062,719	14,120,996	13,481,643	11,748,259
Loans to and bills receivable from customers	19,617,255	22,421,868	15,832,861	13,140,209
Other assets	2,034,865	1,695,029	1,528,103	976,507
Loans to associated companies	935	258	625	–
Loans to subsidiary companies	–	–	530,963	2,800,653
	42,308,790	43,637,573	36,099,352	31,927,638
<b>Current Liabilities</b>				
Deposits of non-bank customers	52,822,722	53,168,566	43,566,611	31,640,275
Deposits and balances of banks	12,595,995	13,995,093	12,076,240	11,476,933
Deposits of associated companies	1,440,527	1,009,704	976,479	615,939
Deposits of subsidiary companies	–	–	1,168,228	3,434,887
Bills payable	177,164	123,059	115,698	45,892
Current tax	321,765	315,404	244,671	102,730
Other liabilities	2,132,181	1,893,268	1,574,362	964,350
Debt securities	133,000	228,871	–	–
	69,623,354	70,733,965	59,722,289	48,281,006

### 48. SUBSEQUENT EVENTS

Subsequent to the financial year end, the following events took place:

- On 2 January 2003, a Scheme of Arrangement and Amalgamation pursuant to sections 210 and 212 of the Companies Act, Cap. 50 for the merger of OCBC Bullion & Futures Limited ("OBFL") and OCBC Securities Private Limited ("OSPL") which was sanctioned by the High Court became effective on that date. Pursuant to Scheme, the business, assets and liabilities of OBFL, save and except for certain excluded assets and liabilities were by virtue of the Order of Court transferred to and vested in OSPL.
- On 8 January 2003, the shareholders of the Bank approved the alterations to the Articles of Association of the Bank in connection with the establishment of a programme for the issuance of non-cumulative non-convertible preference shares eligible to qualify as Tier 1 capital of the Bank. Following the approval, the authorised share capital of the Bank has increased from S\$2,000,000,000 divided into 2,000,000,000 ordinary shares of par value S\$1.00 each ("Ordinary Shares") to S\$2,000,625,000 and US\$125,000 divided into as follows:
  - 2,000,000,000 Ordinary Shares;
  - 12,500,000 non-cumulative non-convertible Class A preference shares of par value S\$0.01 each;
  - 12,500,000 non-cumulative non-convertible Class B preference shares of par value S\$0.01 each;
  - 12,500,000 non-cumulative non-convertible Class C preference shares of par value S\$0.01 each;
  - 12,500,000 non-cumulative non-convertible Class D preference shares of par value US\$0.01 each;
  - 12,500,000 non-cumulative non-convertible Class E preference shares of par value S\$0.01 each;
  - 12,500,000 non-cumulative non-convertible Class F preference shares of par value S\$0.01 each;

by the creation of 12,500,000 new Class A Preference Shares, 12,500,000 new Class B Preference Shares, 12,500,000 new Class C Preference Shares, 12,500,000 new Class D Preference Shares, 12,500,000 new Class E Preference Shares and 12,500,000 new Class F Preference Shares, respectively.

## Notes to the Financial Statements

for the financial year ended 31 December 2002

### 48. SUBSEQUENT EVENTS (continued)

On 28 January 2003, the Bank issued S\$500 million Class E non-cumulative non-convertible preference shares ("Class E Preference Shares"). These Class E Preference Shares qualify as Tier 1 capital for the purposes of computing the regulatory capital adequacy ratio. The Class E Preference Shares have a fixed dividend rate of 4.5 per cent per annum (net), payable semi-annually in arrears on 20 June and 20 December, subject to the terms and conditions of the Class E Preference Shares as set out in the Articles of Association of the Bank.

- (c) On 8 January 2003, the Bank announced that, Keppel TatLee Nominees (HK) Limited ("the Company"), a wholly-owned subsidiary of the Bank, has passed a special resolution by circulation for members' voluntary winding-up of the Company. The statutory declaration of solvency in compliance with the Hong Kong Companies Ordinance was lodged with the Hong Kong Registrar of Companies.
- (d) On 22 January 2003, the Bank announced that PT OCBC Sikap Securities, a 70% owned subsidiary company, held through wholly-owned Provident Securities Pte Ltd, would cease its securities business activities from 23 January 2003.
- (e) On 29 January 2003, Tat Lee Securities Holdings Ltd and TLB Management Services Pte Ltd were liquidated and ceased to be subsidiaries of the Bank.
- (f) On 1 February 2003, Singapore Polyclinic Private Limited was liquidated and ceased to be a subsidiary of the Bank.
- (g) On 18 February 2003, the Bank announced that its subsidiary, Keppel Capital Holdings Ltd ("KCH"), has completed the sale of 10,800,000 ordinary shares of par value \$1 each in the capital of Keppel Insurance Pte Ltd ("KIPL"), representing its entire 40% equity interest in KIPL, to HSBC Insurance (Asia-Pacific) Holdings Limited. Following the disposal by KCH of its entire shareholding interest in KIPL, KIPL has ceased to be an associated company of the Group.

### 49. RELATED PARTY TRANSACTIONS

All transactions with related parties are conducted on an arm's length basis. Loans to related parties are not treated any differently from loans to other customers of the Bank and Group and are subject to the same credit evaluation, approval, monitoring and reporting processes. Credit exceptions, if any, pertaining to the conduct of related parties' accounts are reported to the Board of Directors at regular intervals.

Related parties refer to parties that are related to Directors of the Bank and companies that are related to the Group.

Director-related parties are:

- Immediate family members of the Directors;
- Companies that are majority-owned by the Director or family members;
- Companies in which the Director or family members control the composition of the board of directors;
- Associate companies of the Director;
- Any individual, company or firm guaranteed by the Director; and
- Companies in which the Bank's Directors also serve as directors.

Group-related companies are:

- Holding companies and subsidiaries which are defined under Section 6 of the Companies Act as fellow companies; and
- Associate companies (companies in which the Bank holds between 20% and 50% of the entity).

In addition to the related party information shown elsewhere in the financial statements, the aggregate outstanding credit facilities are:

\$ million	2002	2001
<b>Directors</b>		
Directors and their related entities	197	177
Companies in which directors are represented on their boards	1,574	3,894
<b>Group's related companies<sup>(1)</sup></b>		
Engaged in financial activities	529	2,990
Engaged in non-financial activities	107	115

<sup>(1)</sup> Include credit facilities outstanding between companies in the Group.

### 50. AUTHORISATION OF FINANCIAL STATEMENTS

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 25 February 2003.