Principal Network

OCBC Group Branches and Representative Offices

Australia	2
China	8
Hong Kong SAR	3
India	1
Indonesia	4
Japan	1
Labuan	1
Malaysia	25
Myanmar	1
Singapore	76
South Korea	1
Taiwan	1
Thailand	1
UK	1
USA	2
Vietnam	2

Contents

Acknowledgements:
Ali Munawar Zakaria
Chung Hing Medicine Pte Ltd
Peter Leong, Managing Director, Matsushita Greatwall Corporation Pte Ltd
Top Hat Restaurants (M) Sdn Bhd

For investors who have used their CPF monies to buy OCBC ordinary stock units, the Summary Financial Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

For holders of all classes of OCBC non-cumulative, non-convertible preference shares, the Summary Financial Report is forwarded to them solely FOR INFORMATION ONLY.

Focused on Performance, Striving for Growth

To improve our performance, we have adopted a balanced business approach focused on expanding our customer base, developing innovative products, maintaining sound risk management, investing in employee development and improving our processes for productivity gains.

We are striving for growth by building a solid platform in Singapore and Malaysia from which we intend to transfer successful product solutions to our network throughout ASEAN and China.

Corporate Profile

OCBC Bank was founded in 1932 through the amalgamation of three banks – Chinese Commercial Bank Limited (1912), Ho Hong Bank (1917) and Oversea-Chinese Bank Limited (1919).

As a Singapore-based financial services group, OCBC Bank offers a range of specialist financial services, including consumer, corporate and private banking, global treasury, capital markets, corporate finance, asset management and stockbroking services.

The OCBC Group has total assets of S$84 billion, with more than 125 branches and representative offices in 14 countries, including Malaysia, China, Hong Kong SAR, Japan, Australia, UK and USA. In Asia, it has one of the most extensive networks among regional banks.

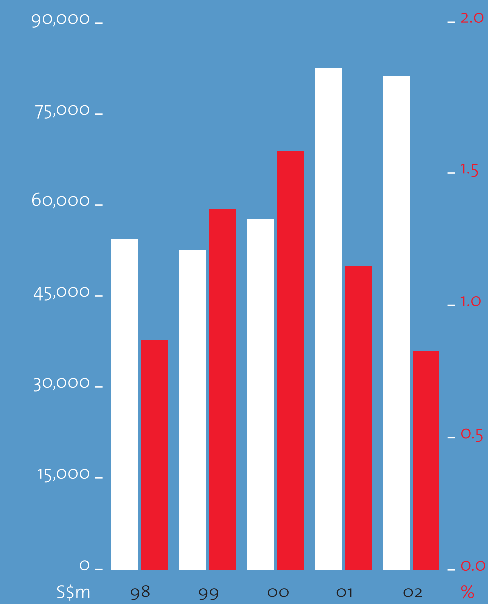
OCBC Bank occupies dominant market positions in both the consumer and business banking segments. In Singapore, the Bank has the largest market share in the area of bancassurance, and is also among the leading players in unit trust distribution, housing loans, personal credit, the small- and medium-sized enterprises market and the Singapore Dollar capital market. In Malaysia, OCBC Bank is the third largest foreign bank in terms of loans and total assets.

Financial Highlights

Group Five-Year Financial Summary

Financial year ended 31 December	2002	2001 [2]	2000	1999	1998
Profit & loss (S$ million)					
Income before operating expenses	**2,221.6**	2,213.6	1,726.9	1,787.2	1,991.1
Operating expenses	**849.3**	866.6	655.6	516.6	484.6
Operating profit	**1,372.4**	1,347.1	1,071.3	1,270.6	1,506.5
Amortisation of goodwill	**127.0**	51.5	–	–	–
Provisions for assets	**500.6**	517.5	139.2	515.7	974.9
Profit before tax	**905.6**	976.5	1,152.9	936.7	610.4
Profit attributable to stockholders	**666.7**	778.0	840.0	721.8	477.3
Cash basis profit attributable to stockholders [1]	**793.7**	829.5	840.0	721.8	477.3
Balance sheet (S$ million)					
Total assets	**84,051.4**	85,417.0	59,709.6	54,342.0	56,219.0
Non-bank customer loans (net of provisions)	**47,269.0**	49,609.4	32,936.0	29,817.0	33,448.1
Non-bank customer deposits	**53,947.5**	54,675.1	37,942.4	36,762.4	36,992.6
Total liabilities	**74,827.2**	76,584.8	51,554.4	46,724.0	49,031.0
Total shareholders' equity	**9,224.2**	8,832.2	8,155.2	7,618.0	7,188.0
Per ordinary share (S$)					
Basic earnings	**0.52**	0.60	0.65	0.56	0.37
Cash earnings [1]	**0.62**	0.65	0.65	0.56	0.37
Gross dividends	**0.20**	0.18	0.40	0.34	0.16
Net assets value	**7.15**	6.86	6.34	5.93	5.62
Ratios (%)					
Return on equity	**7.35**	9.28	10.66	9.68	6.78
Return on average assets	**0.80**	1.11	1.53	1.32	0.84
Dividend cover (number of times) [3]	**3.31**	4.34	2.18	2.27	3.33
Cost-to-income ratio [1]	**38.23**	39.15	37.97	28.91	24.34
Capital adequacy ratio ("CAR")					
Tier 1	**11.51**	10.31	20.30	20.80	18.10
Total	**20.85**	19.73	24.10	25.00	20.70

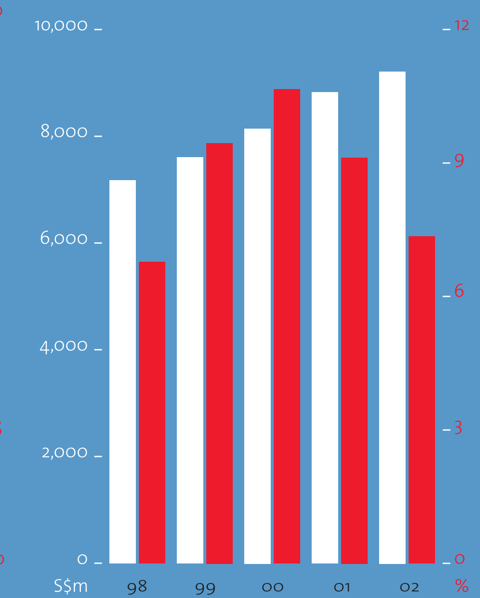
(1) Exclude amortisation of goodwill.
(2) Restated for the effect of adopting Singapore Statement of Accounting Standard 12 (2001) – Income Taxes.
(3) Dividend cover is the ratio of net profit after tax to dividends net of tax.



- Total Assets (S$m)
- Return on Average Assets (%)

Total Assets
2002: S$84,051.4 million (–1.6%)
2001: S$85,417.0 million

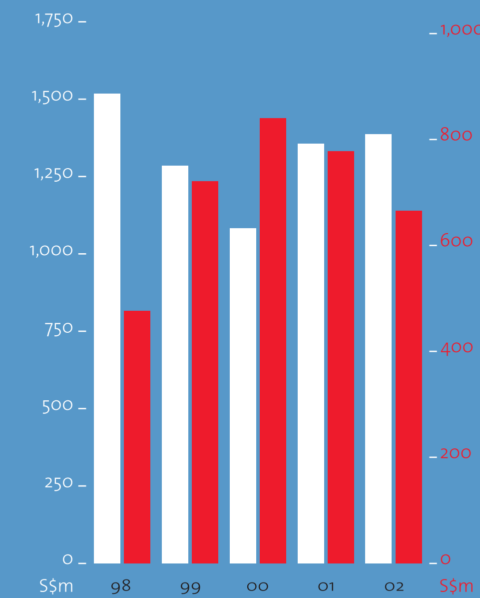
Return on Average Assets
2002: 0.80%
2001: 1.11%



- Total Shareholders' Equity (S$m)
- Return on Equity (%)

Total Shareholders' Equity
2002: S$9,224.2 million (+4.4%)
2001: S$8,832.2 million

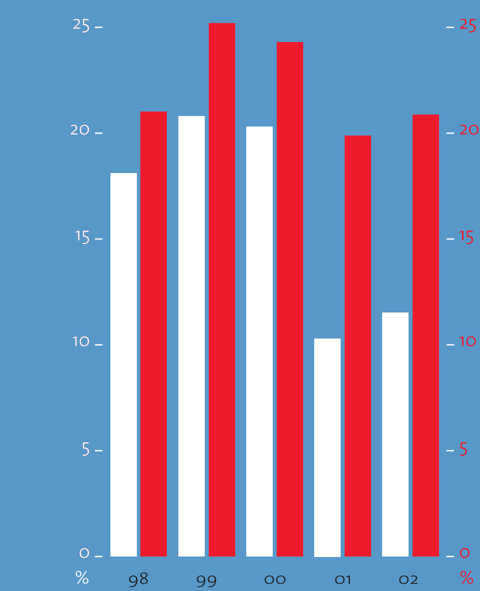
Return on Equity
2002: 7.35%
2001: 9.28%



- Operating Profit (S$m)
- Profit Attributable to Stockholders (S$m)

Operating Profit
2002: S$1,372.4 million (+1.9%)
2001: S$1,347.1 million

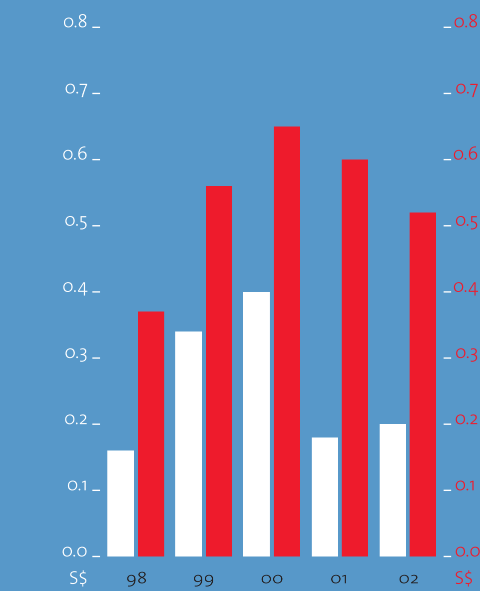
Profit Attributable to Stockholders
2002: S$666.7 million (–14.3%)
2001: S$778.0 million



- Tier 1 CAR (%)
- Total CAR (%)

Tier 1 CAR
2002: 11.51%
2001: 10.31%

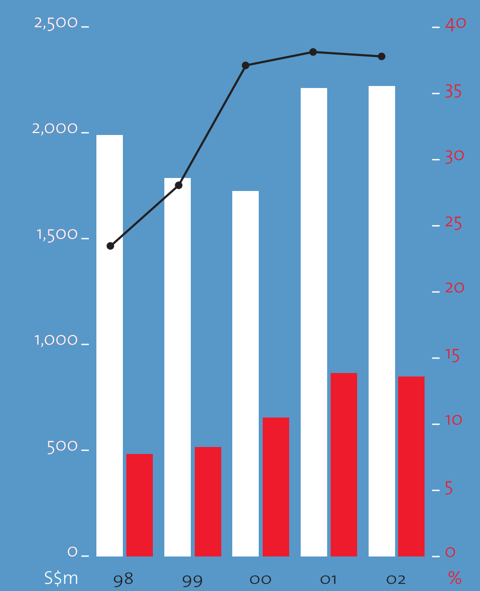
Total CAR
2002: 20.85%
2001: 19.73%



- Gross Dividends Per Share (S$)
- Basic Earnings Per Share (S$)

Gross Dividends Per Share
2002: S$0.20
2001: S$0.18

Basic Earnings Per Share
2002: S$0.52
2001: S$0.60



- Income Before Operating Expenses (S$m)
- Operating Expenses (S$m)
- Cost-to-Income Ratio (%)

Income Before Operating Expenses
2002: S$2,221.6 million (+0.4%)
2001: S$2,213.6 million

Operating Expenses
2002: S$849.3 million (–2.0%)
2001: S$866.6 million

Cost-to-Income Ratio
2002: 38.23%
2001: 39.15%

Operations at a Glance

Consumer Banking

- Bancassurance sales premiums rose 56% to S$1 billion; increased market share from 39% to 45%
- Unit trust sales rose 38% to S$1.1 billion; estimated market share of 30%
- New housing loans surged 61% to S$3.4 billion; ranked number one based on caveats lodged
- New car loans jumped 78% to more than S$1 billion
- Renovation loans increased 60%
- Credit card base expanded significantly to approximately half a million cards following the launch of OCBC Robinsons credit card
- Prestige Credit (revolving line of credit) customer base grew 20%
- Internet Banking user base rose from approximately 80,000 to 140,000

Business Banking

- OCBC Bank ranked Top Arranger of Singapore Syndicated Loans in 2002 by Thompson Financial Services
- Enlarged SME customer base following integration of Keppel Capital Holdings; more than a third of SMEs in Singapore and 58% of the Enterprise 50 companies are OCBC Bank customers
- Enterprise Banking assisted three SME customers to launch their IPOs on the SGX-ST
- Participated in SPRING's Loan Insurance Scheme Initiative for SMEs
- Sponsored 14th Rotary-ASME's Entrepreneur of the Year Award 2002
- Co-organised Phoenix Award 2002, which recognises individuals who have surmounted difficulties to achieve business success

Investment Banking

- Underwrote and managed several fixed-rate bond issues by Singapore statutory boards, government-linked companies and other corporations
- Notable transactions include Fraser & Neave's S$1 billion Medium Term Note programme and Tuas Power's S$400 million fixed rate note issue
- Managed 3 IPOs, 4 financial advisory mandates for divestments and takeovers, and 3 secondary market capital raising exercises

Transaction Banking

- OCBC Bank named Best Corporate/Institutional Internet Bank in Singapore and in the Asia-Pacific by US-based *Global Finance* magazine, mainly in recognition of the Bank's online cash management system, *Velocity@ocbc*
- Online corporate customers rose by 54%
- OCBC Bank was one of the pioneer banks in the consortium that launched iQB, a multi-bank on-line payment gateway
- Joined the Continuous-Linked Settlement system
- Appointed by a major international bank as their strategic partner to process payments for their domestic cash management services in Singapore

Treasury

- Ranked Number 1 in *AsiaRisk* interbank survey for Singapore Dollar Forward Rate Agreements
- Launched several yield-enhanced products linked to foreign exchange, equities and bonds
- Established Equity Derivatives Unit to offer equity-linked products

Asset Management

- Widened product range with launch of five principal protected funds
- S$3.6 billion in total assets under management and administration; increase of 9%
- 49 unit trusts with S$1.3 billion of funds under management; one of the largest unit trust fund managers in Singapore

Malaysia

- One of the largest foreign banks by assets, with 25 branches located throughout Peninsular Malaysia, Sabah and Sarawak
- 20 branches reconfigured to new look by end of 2002, providing enhanced banking experience for customers
- Launched retail online banking service known as eCafe (e-Customer Activated Financial Experience)
- Outstanding housing loans jumped 28% to RM3.65 billion; new housing loan approvals exceeded RM2 billion
- Lion Golden Dividend Plan achieved total sales premium of RM342 million
- Achieved unit trust sales of close to RM180 million
- Launched various cash management products for business clients, such as Auto-Credit/Debit & Payroll System
- Launched Islamic Industrial Hire Purchase known as IHP-I
- Awarded Sahabat SMI Award (Friend of SMI) for the foreign bank category by the SMI (Small and Medium Industries) Association of Malaysia
- Islamic Banking offers 14 products, accounting for one-third of all such products in the market
- Long-term bank rating upgraded from AA2 to AA1 by the Rating Agency of Malaysia

Technology and Operations

- Successfully integrated backroom operations of ex-Keppel TatLee Bank
- Completed the upgrading of the Bank's core banking system in November
- Continued enhancements made to Customer Relationship Management system
- Implemented Global Data Warehouse to facilitate improved profitability analysis of customers and products
- General Ledger, Management Information and Human Resource systems upgraded with Oracle E-business Suite
- Integrated Financial Planning System with the fulfillment system of our insurance partner, Great Eastern Holdings, to facilitate faster response to customers
- Voted Top 100 Asian organisations best at "Adding business value through strategic use of Information Technology" by *CIO Magazine* in 2002
- Implemented outsourcing of outward cheque clearing

"Our New Horizons strategy reflects our commitment to deliver better and more consistent returns for our shareholders, more innovative and competitive products for our customers, and more rewarding careers for our staff ...... We have full confidence that management and staff are fully committed to achieving the goals that we have set."

Mr Lee Seng Wee
Chairman

Mr David Conner
Chief Executive Officer

After a difficult year in 2001, marked by Singapore's worst recession since independence and the September 11 events, 2002 initially brought some relief. But as the year progressed, optimism for global economic recovery waned. The possibility of war in the Middle East dominated the news in the second half, dampening business sentiment worldwide. The reality of terrorism was felt close to home when Bali was rocked by bomb blasts in October. For the full year, the Singapore economy grew by a sluggish 2.2%, while Malaysia, OCBC's second biggest market, did better, with GDP growth of 4.2%.

Other challenges Singapore banks faced in 2002 included low interest rates and increased foreign competition, which continued to erode margins and threaten market share. At the same time, banks had to be vigilant about loan quality while staying focused on delivering revenue and cost synergies identified as a result of the 2001 acquisitions.

Financial Results

Against this backdrop, we are pleased to report healthy results for our core businesses last year. 2002 marked the first full year of operations of the enlarged OCBC Group following our acquisition of Keppel Capital Holdings (KCH) in August 2001. Group net profit was S$667 million, compared to the previous year's S$778 million, which included a one-off gain of S$260 million from the sale of our stake in Overseas Union Bank. Excluding the one-off gain, our operating profit before goodwill and provisions rose by 26% to S$1,372 million, and our underlying net profit growth in 2002 was a robust 27%.

The improvement at the operating level was driven by both revenue growth and cost discipline. Fee and commission income was particularly strong, posting growth of 28%, as we succeeded in cross selling several products, particularly bancassurance, unit trusts and trade related products, to our larger customer base. Net interest income grew by a smaller 8%, hurt by lower returns on interbank placements as well as the competitive margin pressure in Singapore and Malaysia. Our loan portfolio contracted 5.8% during the year as the weak economic recovery affected credit demand and we exercised greater prudence in credit extension.

We managed to reduce operating expenses by 2% despite having a full year of enlarged operations compared with 2001, which captured only four and a half months of KCH's expenses. This was due to judicious cost control and workflow rationalisation throughout the organisation, especially integration-related activities which yielded cost savings of S$74 million, well ahead of our original target of S$55 million.

Provision charges in 2002, which were necessary given weak economic conditions and soft property markets, remained high at S$501 million. Nonetheless, our ratio of non-performing loans (NPLs) to total non-bank loans improved from 9.7% to 8.1%. This was largely due to our decision to write off approximately S$1 billion of NPLs which had been fully provided for and were deemed uncollectable. Our provision coverage ratios remain comfortable. Total cumulative provisions now amount to 62% of total NPLs while cumulative specific provisions cover 100% of unsecured NPLs. Cumulative general provisions are 2.5% of net loans.

The Board has recommended a final dividend of 15 cents per share for ordinary shareholders, bringing the total distribution for 2002 to 20 cents per share, compared to 18 cents for 2001. The total dividends of S$201 million net of tax represent a payout ratio of 30% compared to 23% for 2001. The Group's total capital adequacy ratio and Tier-1 ratio remained strong at 20.9% and 11.5% respectively as at the end of 2002.

Achievements

Our most satisfying achievement in 2002 was the successful integration of KCH in February, barely six months after the acquisition. The hard work and resolve of management and staff ensured that the process was completed smoothly. The Bank also took pains to ensure that the necessary retrenchments that followed were carried out in as humane and dignified a manner as possible.

With integration completed early in the year, we were able to focus on cross selling to our enlarged customer base to enhance our market position. Despite intense competition from local and foreign banks, we increased or maintained our market share in several key business segments in 2002, building on the successes of the previous year.

Our bancassurance sales premiums in Singapore rose 56% to S$1 billion in 2002, increasing our market share from 39% to 45%, and further entrenching our number one position in the bancassurance market. This success was helped by the popularity of new products launched such as the US Dollar and Singapore Dollar Guaranteed Return Plan. Our unit trust sales in Singapore also rose strongly by 38% to S$1.1 billion, giving us an estimated market share of 29%, up from 20% in 2001. We believe OCBC is now the leading bancassurance and unit trust distributor in Singapore.

In the private home loan segment, we attained the number one position in terms of new loans booked, based on caveats lodged. We booked a total of S$3.4 billion of new housing loans in Singapore in 2002, a 61% jump over the previous year. With the liberalisation of financing for Housing Development Board flats with effect from 1 January 2003, OCBC intends to be a key player in the HDB home loan market as well.

Our renovation and car loans also witnessed strong growth of 60% and 140% respectively. Our credit card franchise received a significant boost with the launch of the co-branded OCBC Robinsons Credit Card in November. By year-end, our credit card base had expanded significantly to around half a million cards.

We continue to build on our position as a major SME bank in Singapore. More than a third of local SMEs have banking relationships with OCBC, including 58% of the 2002 Enterprise 50 SMEs in Singapore. We have introduced greater industry specialisation among our relationship manager teams to serve our SME customers better. In 2002, we also managed the initial public offerings of three of our SME customers on the Singapore stock exchange. Among the smaller enterprises such as sole proprietorships and partnerships, OCBC garnered the top spot for the Micro Loans scheme which is administered by SPRING Singapore and has the participation of more than 20 financial institutions.

In corporate banking, OCBC was ranked the Top Arranger of Singapore Syndicated Loans in 2002 by Thomson Financial Services, for the second year running. We arranged a total of US$612 million in 14 syndicated loan issues, garnering a market share of 17%. We were involved in a broad spectrum of transactions not only in terms of size, structure and complexity but also in the diversity of sectors, including hotels, property, commodities, electronics manufacturers and trading companies. We also participated actively in Singapore Dollar bond issues. We underwrote and managed several fixed-rate bond issues by Singapore statutory boards, government-linked companies and other corporations. Our corporate finance team was also involved in four financial advisory mandates for divestments and takeovers, and three secondary market fund raising exercises.

OCBC was named the Best Corporate/Institutional Internet Bank in Singapore as well as in the Asia-Pacific in 2002 by US-based *Global Finance* magazine, which also marks the second year that we were named Singapore's best in this category. This award gives recognition to our electronic trade and cash management system, Velocity@ocbc, as the best-in-class online cash management system in Singapore and the Asia Pacific.

OCBC Malaysia achieved 6% loan growth during 2002, led by robust growth in housing loans, which surged by 28% to RM3.65 billion as at 31 December 2002. Customers responded well to the two housing loan products we introduced during the year, an eight-year fixed-rate package and a five-year fixed-rate package. Unit trust sales also fared well, with sales of close to RM180 million. Our support of the business community in Malaysia was recognised when we received the Friend of SMI (small and medium industries) Award in the foreign bank category from the SMI Association of Malaysia. In line with official efforts to promote Malaysia as a regional Islamic financial centre, our Islamic Banking arm complies fully with Syariah principles and offers 14 products, accounting for one-third of all Islamic Banking products in the market. In 2002, the Rating Agency of Malaysia also upgraded the long-term rating of OCBC Malaysia from AA2 to AA1.

In the area of risk management, much was accomplished in 2002 as we implemented several measures to improve our credit process and asset quality. We brought in additional expertise to strengthen our management of NPLs and property collateral, as well as to enhance the credit audit function. Extensive portfolio reviews were undertaken for all our Business Banking loans, whereby more stringent loan classification criteria were applied to ensure that we recognise problem loans early so as to be able to take early remedial actions and work with customers to minimise potential losses. We also established a Special Asset Management unit to consolidate and focus on the management of NPLs relating to Business Banking customers. This unit operates independently of our marketing units, thereby freeing Business Banking relationship managers to focus on originating new loans and selling other products. In short, we are paying greater attention to the entire credit process, from loan origination to problem recognition and remedial management, with the ultimate objective of minimising loan losses going forward.

Ongoing development of our employees is extremely important for the long term growth of OCBC. Over the past year we have embarked on several programmes to boost employee satisfaction and further raise the skill levels of our staff. A detailed group-wide employee survey was conducted to identify employee satisfaction issues, and we are now taking meaningful follow-up actions in response to the findings. We plan to conduct these surveys annually, and the results will form part of the key performance indicators for senior management. We have also strengthened our succession planning and retention programmes with several strategic initiatives such as training on performance coaching to assist employees with their personal career development efforts.

New Horizons Strategy

In February 2003, we unveiled our new strategic direction, New Horizons. The name symbolises our objective of going overseas for growth.

Our strategy is founded on the recognition that OCBC needs to expand overseas in order to secure its long-term growth, given that growth opportunities in the mature Singapore financial services market are limited. At the same time, we also recognise the need to develop greater depth and breadth in our cross-border management skills before venturing into major overseas acquisitions or alliances. Hence our immediate priority will be to build a solid growth platform in Singapore and Malaysia by strengthening our customer and product offerings with the intention of transferring our more successful product solutions to other markets in ASEAN and China as soon as possible. This process already began with our reorganisation in October 2002, whereby customer, product and support function heads were assigned global responsibilities in their respective areas. This change is accelerating the development of our cross-border management skills so that we can achieve our goal of becoming solidly established in a third country and be poised to enter a fourth country in three years.

In Malaysia and Singapore, we will exploit our existing branch network and strong distribution capability to become even more entrenched as a community bank. Our aim is to be among the top three consumer and SME banks in the combined Singapore and Malaysia market in three years' time. We will also strive to be one of the top three players in this combined market in each of the following product segments: wealth management, transaction banking, treasury and investment banking. We will seek to develop best-in-class products through further innovation and therefore we have set a target to achieve 15% of annual revenues to come from new products.

Our key financial goals are to deliver 10% EPS growth per annum and a 12% return on equity to ordinary shareholders based on current capital adequacy requirements. We will endeavour, barring unforeseen circumstances, to pay out dividends of at least 25% of profit after tax from our core businesses. We intend to make more uniform half-yearly dividend payments, with overall dividends increasing over time in line with our earnings growth. In addition, we expect to return excess capital to shareholders through share buyback programmes rather than only by way of dividends.

In January 2003, we obtained shareholder approval at an EGM to establish a Tier-1 preference share programme to help strengthen our capital base in preparation for future growth, as well as to manage our Tier-1 capital composition more efficiently. Following the approval, we successfully raised S$500 million in January 2003 in our inaugural preference share issue. We continue to maintain our Tier-1 and total capital adequacy ratios at a comfortable cushion above regulatory minimums, and we plan to issue more alternative Tier-1 capital, when appropriate, to further improve ROE.

Our non-core assets will be divested over time to comply with regulatory requirements as well as to enhance shareholder value. When suitable opportunities exist, proceeds from these divestments will be reinvested in core financial services businesses, effectively swapping these assets for growth opportunities over time.

Our New Horizons strategy reflects our commitment to deliver better and more consistent returns for our shareholders, more innovative and competitive products for our customers, and more rewarding careers for our staff. As with any strategy, the key lies in its execution. We have full confidence that management and staff are fully committed to achieving the goals that we have set.

Outlook

The business outlook remains very uncertain at this time. The possible outbreak of war in the Middle East is weighing heavily on the business environment globally. The recovery in the US economy is far from certain, while Europe and Japan are also struggling as possible engines for growth. In Singapore, the stock market has fallen for three consecutive years, other asset values remain soft, and loan demand is weak despite the lowest interest rates in recent memory.

In the current environment, it is difficult for us to be sanguine about 2003. While we will tap areas of growth, such as HDB loans, wealth management and the Malaysia market, we will also be steering a prudent course in order to maintain the quality of our portfolio. We know this is a challenging year in which to launch our new strategy, but we intend to press ahead to secure our long term future. We believe OCBC has what it takes to meet the challenges we will face going forward.

In closing, we would like to thank all our shareholders, customers and staff for their continued support and contributions to OCBC in 2002. With your unwavering support, we have every confidence that OCBC will be successful in seeking New Horizons of growth.

Mr Lee Seng Wee
Chairman

Mr David Conner
Chief Executive Officer

Singapore, 12 March 2003

Board of Directors

Tan Sri Dr Tan Chin Tuan, Honorary Life President

1 Mr Lee Seng Wee
Chairman
First appointed to the Board on 25 February 1966, Mr Lee has been Chairman of OCBC Bank since August 1995 and was last re-elected as a Director on 15 May 2002. He is presently a Director at Great Eastern Holdings Ltd. He holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario. Age 72.

2 Mr Michael Wong Pakshong
Vice Chairman
First appointed to the Board on 21 April 1989, Mr Wong was appointed Vice Chairman on 26 March 2002 and last re-elected as a Director on 15 May 2002. He is presently Chairman of Great Eastern Holdings Ltd and Robinson & Company Ltd. He is also a Director at The Straits Trading Company Ltd, WBL Corporation Ltd, Bukit Sembawang Estates Ltd and Sime Darby Bhd. He holds a Bachelor of Arts with Honours and a Hon. L.L.D. from the University of Bristol in UK. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Institute of Certified Public Accountants of Singapore. Age 71.

3 Dr Cheong Choong Kong
Vice Chairman
First appointed to the Board on 1 July 1999, Dr Cheong was appointed Vice Chairman on 26 March 2002 and last re-elected as a Director on 15 May 2002. He is presently Deputy Chairman & CEO of Singapore Airlines Ltd and Chairman of SIA Engineering Co Ltd and Singapore Airport Terminal Services Ltd, and a Director at Singapore Press Holdings Ltd. He holds a Bachelor of Science with First Class Honours in Mathematics from the University of Adelaide, a Master of Science and a Ph. D. in Mathematics from the Australian National University in Canberra. Age 61.

4 Mr David Philbrick Conner
Chief Executive Officer
First appointed to the Board on 15 April 2002, he was last re-elected as a Director on 15 May 2002. Mr Conner has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations.

He is presently a Director of the Asean Supreme Fund Ltd. Mr Conner holds a Bachelor of Arts in Anthropology from Washington University in St. Louis and a Master in Business Administration from Columbia University in New York, with concentrations in Finance and International Business. Age 54.

5 Datuk Fong Weng Phak
He was first appointed to the Board on 22 January 2002 and last re-elected as a Director on 15 May 2002. Datuk Fong is presently a Director at United Malacca Bhd, Fraser & Neave Holdings Bhd and Genesis Malaysia Maju Fund Ltd. He holds a Bachelor of Arts with Honours in Economics from the University of Malaya and a Master of Public Administration from Harvard University. Age 61.

6 Tan Sri Dato Nasruddin Bin Bahari
He was first appointed to the Board on 13 November 2000 and last re-elected as a Director on 17 May 2001. He is presently a Director at Lingkaran Trans Kota Holdings Bhd (LITRAK) and Road Builder (M) Holdings Bhd. Tan Sri Dato Nasruddin holds a Bachelor of Arts with Honours from the University of Malaya, Singapore and a Master of Public Administration from the University of Pittsburgh, USA. Age 65.

7 Dr Tsao Yuan (also known as Dr Lee Tsao Yuan)
First appointed to the Board on 3 April 2002, she was last re-elected as a Director on 15 May 2002. Dr Tsao Yuan is presently a Director at Keppel Corporation Limited and Pacific Internet Ltd. She holds a Bachelor of Economics and Statistics with First Class Honours from the University of Singapore and a Ph. D. in Economics from Harvard University. Age 47.

8 Col (NS) David Wong Cheong Fook
First appointed to the Board on 1 August 1999, Col (NS) Wong was last re-elected as a Director on 15 May 2002. He is presently a Director at Ascendas-MGM Funds Management Ltd. He holds a Bachelor of Arts with Honours in Economics and a Master of Arts from the University of Cambridge in UK. Col (NS) Wong is also a Member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants in Singapore. Age 49.

9 Mr Wong Nang Jang
First appointed to the Board on 1 August 1998, Mr Wong was last re-elected as a Director on 26 April 2000. He is presently a Director in SIA Engineering Co Ltd, PacificMas Bhd and WBL Corporation Ltd. He holds a Bachelor of Arts with Honours in Economics from the University of Singapore. Age 63.

10 Mr Patrick Yeoh Khwai Hoh
First appointed to the Board on 9 July 2001, he was last re-elected on 15 May 2002. Mr Yeoh is presently Chairman of Tuan Sing Holdings Ltd and a Director at Singapore Food Industries Ltd and MobileOne Ltd. He holds a Bachelor of Science with Honours from the University of Malaya, Singapore. Age 65.

1 2 3
4 5
6 7 8
9 10

Principal Officers

Business Functions

1 Mr David Conner
Chief Executive Officer

2 Mr Ooi Sin Teik
External Affairs/Corporate Governance
Appointed Deputy President in June 2000. He joined OCBC Bank in October 1988 after serving eight years with the Monetary Authority of Singapore in various capacities. Mr Ooi is responsible for managing relationships with regulatory and government organisations, including stewardship for the Bank's legal vehicles in Singapore. Mr Ooi holds a Bachelor of Science with First Class Honours from the University of Malaya and is a Fellow of the Chartered Institute of Management Accountants, UK. Age 51.

3 Mr Tan Ngiap Joo
Group Business Banking
Appointed Deputy President of the Bank in December 2001. Mr Tan, who has 32 years of experience in banking, joined the OCBC Group in 1990 and was Executive Director & CEO of Bank of Singapore (Australia) for seven years. He is responsible for managing and growing the Group's corporate and SME customers globally. Prior to joining OCBC Bank, Mr Tan was with a foreign financial institution for 20 years. He holds a Bachelor of Arts from the University of Western Australia. Age 57.

4 Dato Albert Yeoh
Director and CEO, OCBC Bank Malaysia
Appointed Senior Executive Vice President in January 2001. He joined OCBC Group in March 1996, initially as Director & CEO of OCBC Bank Malaysia and subsequently as Head of Retail Banking, OCBC Bank. Dato Yeoh, with more than 23 years of banking experience, has been heading the Bank's Malaysian operations since January 1999. He holds a Bachelor of Arts in Economics and Operations Research from the Monash University of Australia, and a Master of Science in Management from the University of Salford, England. Age 53.

5 Mr Chin Yuen Yin
Group Consumer Financial Services
Appointed Executive Vice President in July 1999. He is responsible for managing and growing the Group's consumer customers globally. Mr Chin previously worked in Standard Chartered Bank and Hong Leong Bank, in Malaysia, serving in various capacities. He was also an Adviser to the President Director of a local bank in Indonesia. Mr Chin holds a Bachelor of Economics with Honours from the University of Malaya and a Master of Business Administration in Strategic Marketing from the University of Hull, UK. Age 55.

6 Mr Ching Wei Hong
Group Transaction Banking
Appointed Senior Vice President in November 1999. He is responsible for OCBC Group's corporate transaction-related services, including cash management, trade finance, trustee and nominee services. Mr Ching has more than 20 years of experience in finance, corporate banking and cash management, having worked in Philips Electronics Asia Pacific Pte Ltd, Bank of America and Union Carbide Asia Pacific Inc. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. Age 43.

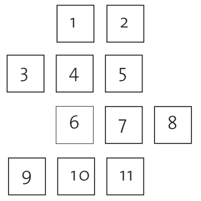
7 Mr George Lee Lap Wah
Group Investment Banking
Appointed Senior Vice President in July 1999. He oversees Capital Markets and Corporate Finance. He was previously Head of Corporate & Institutional Banking and Head of Capital Markets. He has more than 23 years of banking experience and has held senior positions in Credit Suisse First Boston, Credit Suisse Singapore and Security Pacific National Bank. Mr Lee holds a Bachelor of Business Administration with Honours from the University of Singapore and is a Chartered Financial Analyst. Age 50.

8 Mr Na Wu Beng
International
Appointed Executive Vice President in March 2001. He oversees the Bank's operations outside Singapore and Malaysia. Mr Na joined OCBC Bank in February 1990 and was General Manager of its Hong Kong branches for nine years, after which he was responsible for the Bank's operations in North Asia. Prior to that, he was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honours from Coventry (Lanchester) University, UK Age 46.

9 Mr Victor Ow Che Noong
Group Consumer and Community Lending
Appointed Executive Vice President in September 2001. He is responsible for developing best-in-class credit products for the consumer and community segments. Mr Ow was previously General Manager and Head of Consumer Services at Keppel TatLee Bank, where he served from 1991 to 2001, when Keppel TatLee Bank merged with OCBC Bank. Prior to that, Mr Ow spent 15 years with Citibank N.A., Singapore. Mr Ow holds a Bachelor of Economics and Business Administration with Honours from the University of Malaya. Age 53.

10 Mr Tan Eng Huat
Group Treasury
Appointed Executive Vice President and Head of Global Treasury in April 2001. He oversees the Group's foreign exchange, financial futures trading, money market and derivatives businesses. Mr Tan has 25 years' treasury experience in the financial industry, and his previous appointments include General Manager and Managing Director of Dresdner Bank Group, Singapore, and Treasurer of Swiss Bank Corporation, Singapore. Mr Tan holds a Bachelor of Social Sciences (Honours) in Economics from the University of Singapore. Age 50.

11 Mr Lawrence Wong
Group Asset Management
Appointed Senior Vice President in July 1999. He is responsible for growing the Bank's fund management business. Prior to that, Mr Wong was Head of Investment Banking for three years. He was previously in Schroders for 20 years, holding senior positions in corporate finance. Mr Wong holds a Bachelor of Business Administration from the University of Singapore. Age 48.



Principal Officers

Support Functions

12 Mr Chong Meng
Group Audit
Appointed Executive Vice President in October 2000. He is responsible for formulating and administering a comprehensive programme of internal audit within OCBC Group. Prior to that, Mr Chong was Head of Group Risk Management for two years. A veteran banker with over 25 years of experience, he had previously held senior positions at Deutsche Bank AG, Singapore and Bankers Trust Company, Singapore. He holds a Bachelor of Business Administration with Honours from the University of Singapore. Age 53.

13 Mr John Dahlberg
Group Operations and Technology
Appointed Executive Vice President in January 2003. He has overall responsibility for managing the Bank's entire back-office operations and Information Technology. Mr Dahlberg was formerly Head of Global Private Banking at the Development Bank of Singapore. Prior to that, he worked in Citibank Asia Pacific for 10 years in various IT and operations roles. He holds a Master of Science in Management from Stanford University, USA, and a Bachelor of Arts in International Affairs from Texas Christia University, USA. Age 44.

14 Mr Lai Teck Poh
Group Risk Management
Appointed Executive Vice President in January 1988. He oversees the management of credit, market and operational risks for the Bank and its financial subsidiaries. Prior to that, he had responsibilities for Corporate Banking, IT, Investment Management and Central Operations. Mr Lai has more than 34 years of banking experience, including 20 years in Citibank N.A., Singapore, with overseas assignments in Jakarta, New York and London. He holds a Bachelor of Arts with Honours from the University of Singapore. Age 58.

15 Mr Soon Tit Koon
Group Finance
Appointed Chief Financial Officer in September 2002. His key responsibilities include capital management, financial and management accounting, management information systems, legal and compliance, and investor relations. Mr Soon was the Chief Financial Officer of Wilmar Holdings Private Limited for about three years and in Citicorp Investment Bank, Singapore, for 17 years. He holds a Master of Business Administration from the University of Chicago and a Bachelor of Science with Honours from the University of Singapore. Age 51.

16 Mr Winston Tan Cheow Kim
Group Property Management
Appointed Executive Vice President in June 1999. He heads the division responsible for managing the Group's properties and Hotel Phoenix. Mr Tan joined the Bank in 1974 and had served as Chief Accountant. He was also Head of Corporate Services, with responsibilities for Finance, Legal and Secretarial, Capital Management, Corporate Communications and Investor Relations. Mr Tan is a Fellow of the Institute of Chartered Accountants in England and Wales. Age 56.

17 Ms Cynthia Tan Guan Hiang
Group Human Resources
Appointed Senior Vice President and Head of Group Human Resources in September 2000. Ms Tan has more than 20 years of experience in human resources and training and development. She has held senior positions in DFS Ventures, Mentor Graphics, Apple Computer and National Semiconductor. Ms Tan was also a former lecturer in Business Studies at Ngee Ann Polytechnic. She holds a Masters in Business Administration from the University of Hull, UK. Age 52.

18 Mrs Teng Soon Lang
Group Quality and Process Innovation
Appointed Executive Vice President and Head of Group Quality and Process Innovation in January 2003. She is responsible for improving cross-functional processes and productivity, and building a quality culture across the OCBC Group. Mrs Teng joined the Bank in 1996 and has been responsible for information technology management. She was previously working in the Institute of System Science and Development Bank of Singapore. She holds a Master of Computer Science and Information System and a Bachelor of Accounting with Honours from the National University of Singapore and a Post Graduate Qualification from the Institute of Cost and Management Accountants, UK. Age 52.

19 Mr Peter Yeoh Ban Aik
Group Secretariat
Appointed Senior Vice President in January 1997 and Company Secretary in August 2002. He joined the Bank in January 1984 and has held responsibilities in finance, accounting and management information services. Mr Yeoh was previously working in Price Waterhouse. He holds a Bachelor of Commerce from the University of Western Australia, and is an Associate Member of the Institute of Chartered Accountants in Australia and a Member of the Institute of Certified Public Accountants of Singapore. Age 48.

20 Mr Peter Zheng Kang Xin
Group Corporate Communications
Appointed Senior Vice President in January 2000. He was Head of Credit Cards for two years and appointed Head of Corporate Communications in November 2001. Mr Zheng has more than 18 years of experience in marketing, branding and advertising. He has held senior positions in Batey Ads (S) Pte Ltd, Visa International, Singapore and Quaker Oats Asia. He holds a Bachelor of Arts with Honours from the University of Westminster, UK. Age 47.

12 13 14
15 16 17
18 19
20

We are focused on...

Customers and Products

We are conducting extensive market research and surveys so as to develop innovative products to meet customer needs and expand our customer base.

Operations Review

2002 marked the first full year of operations of the enlarged OCBC Group following the successful integration of Keppel Capital Holdings (KCH) and its subsidiaries. Despite a challenging operating environment, with Singapore just emerging from its worst recession since independence, the management and staff of OCBC Group continued to work hard to strengthen the Group's position in its key markets, taking advantage of the merger synergies, improving efficiency, and above all, understanding customers' needs and serving them better. These efforts have paid off to some extent, as seen in the underlying 26% growth in the Group's operating profit compared to 2001, as well as gains in market shares in some of our key business segments.

In October 2002, we unveiled a new global organisation structure aimed at enhancing our customer focus and product innovation, streamlining reporting, and providing a stronger growth platform. Previously our operations tended to be organised along geographic divisions and legal entities, which did not fully utilise the sharing of strategies, experiences and resources. Under the new structure, our customer, product and support function heads have global responsibility for their respective areas, while geographic heads have stewardship responsibility. The following sections provide a review of our operations in 2002 under the new structure, focusing on the key customer, product and geographic groupings.

Consumer Banking

Our efforts to reach out to the more than one million consumer customers we serve in Singapore paid off handsomely as we gained market share in several key consumer segments. We continued to make improvements to our sales and service capability as well as our domestic network which comprises 62 bank branches, 309 ATMs, 79 cash deposit machines, phone banking, Internet banking and call centre services. By the end of 2002, we have completed the reconfiguration of 52 of our bank branches, with the remainder expected to be completed by mid-2003. New generation touch-screen ATMs and passbook updating machines with display capability were introduced. We also upgraded our marketing platform through the use of new marketing analytical tools, development of our customer data mart and building up marketing campaign management capabilities.

One of the areas that did us proud was bancassurance, or the distribution of insurance products through bank channels. Already the dominant player, we achieved a remarkable 56% growth in sales premiums to S$1 billion, increasing our bancassurance industry market share from 39% in 2001 to 45% in 2002. This performance was helped by the popularity of new products launched in 2002, such as the US Dollar and Singapore Dollar Guaranteed Return Plan, which were fully subscribed, and regular premium products such as MaxSave+. We also successfully implemented OCBC Bank's Financial Planning System that has on-the-spot electronic underwriting and approval feature, a first in Singapore.

The volatile stock market did not dampen our drive to be a "best of breed" investment solutions provider. Our unit trust sales chalked up a strong 38% growth to S$1.1 billion in 2002, as we continued to offer our customers a wide choice of OCBC-managed as well as third party unit trusts. Having achieved an estimated market share of 30% for new fund sales in 2002, OCBC Bank is now a leading distributor of unit trusts in Singapore. We also remained the dominant player in distributing capital protected products with an estimated 40% market share. With combined sales of over S$2 billion in bancassurance and unit trust products in 2002, we aim to maintain our lead in the wealth management business and offer high quality products which meet the needs of our target customers.

Competition was intense in the consumer lending business but we emerged stronger in several key segments. In the private home loan segment, our attractive loan packages for both fixed- and variable-rate loans, coupled with efficient loan processing and excellent sales service, helped us attain the number one position in terms of new loans booked, based on caveats lodged. We booked a total of S$3.4 billion of new housing loans in 2002, a 61% jump over the previous year. With our large base of housing loan borrowers, our renovation loans also witnessed strong growth of 60%.

With the opening up of the financing for public (Housing Development Board) flats to the commercial banks with effect from 1 January 2003, OCBC aims to be the preferred bank for HDB home owners as well. In December, we opened a new branch at the HDB hub in Toa Payoh estate to make it more convenient for HDB home buyers to make enquiries and apply for our competitive HDB loan package. The new branch, which complements another two branches within walking distance, offers the longest extended banking hours and is equipped with a full range of self-service banking facilities, in addition to the personalised services of our customer service officers and tellers.

We continued to build on our strong presence in the market for new car financing, a segment which the Bank entered into in 2000. We booked more than S$1 billion of new car loans in 2002, a 78% increase over 2001, helped by the introduction of customised financing packages, our strong tie-ups with car dealers, and our quality service standards.

The customer base for our unsecured personal revolving credit product, Prestige Credit, increased by 20% in 2002. Our credit card base also expanded significantly to approximately half a million cards by the end of 2002, following the launch of the co-branded OCBC Robinsons credit card in November. The new card, which can be used at all Visa establishments, was well received by the large and loyal customer base of the Robinsons retailing group, which comprises the Robinsons, Marks & Spencer and John Little department stores.

Our consumer business also includes community lending which targets small business enterprises such as sole proprietorships and partnerships. In this area we garnered the top spot for the Micro Loans product which is administered by SPRING Singapore and has the participation of more than 20 financial institutions. We were able to add value to our customers by offering flexible interest repayment terms.

In the area of Private Banking, we focused on raising brand and market awareness by strengthening the referral network and holding value-added investment workshops for clients. Our range of financial products for private banking clients was expanded to include hedge funds, private equity and tax-advantaged and retirement products. We also re-organised our relationship management and customer service teams to serve clients better.

Our stockbroking subsidiary, OCBC Securities, performed satisfactorily in a tough environment which was marked by languishing trading volumes on the stock market and lower commission rates. Our equity derivatives business enjoyed strong growth, from S$200 million in issuances in 2001 to S$500 million in 2002, as new innovative products were marketed to customers. In July we pioneered the launch of the Relative Outperformed Call Warrants with Knock-out (or "Rock") on the SGX, an instrument that allows investors to benefit from changes in the relative prices of two equities. OCBC Securities also completed the integration of the former UBS Warburg & Associates (Singapore) and Keppel Securities in 2002, while its merger with OCBC Bullion & Futures was completed in January 2003.

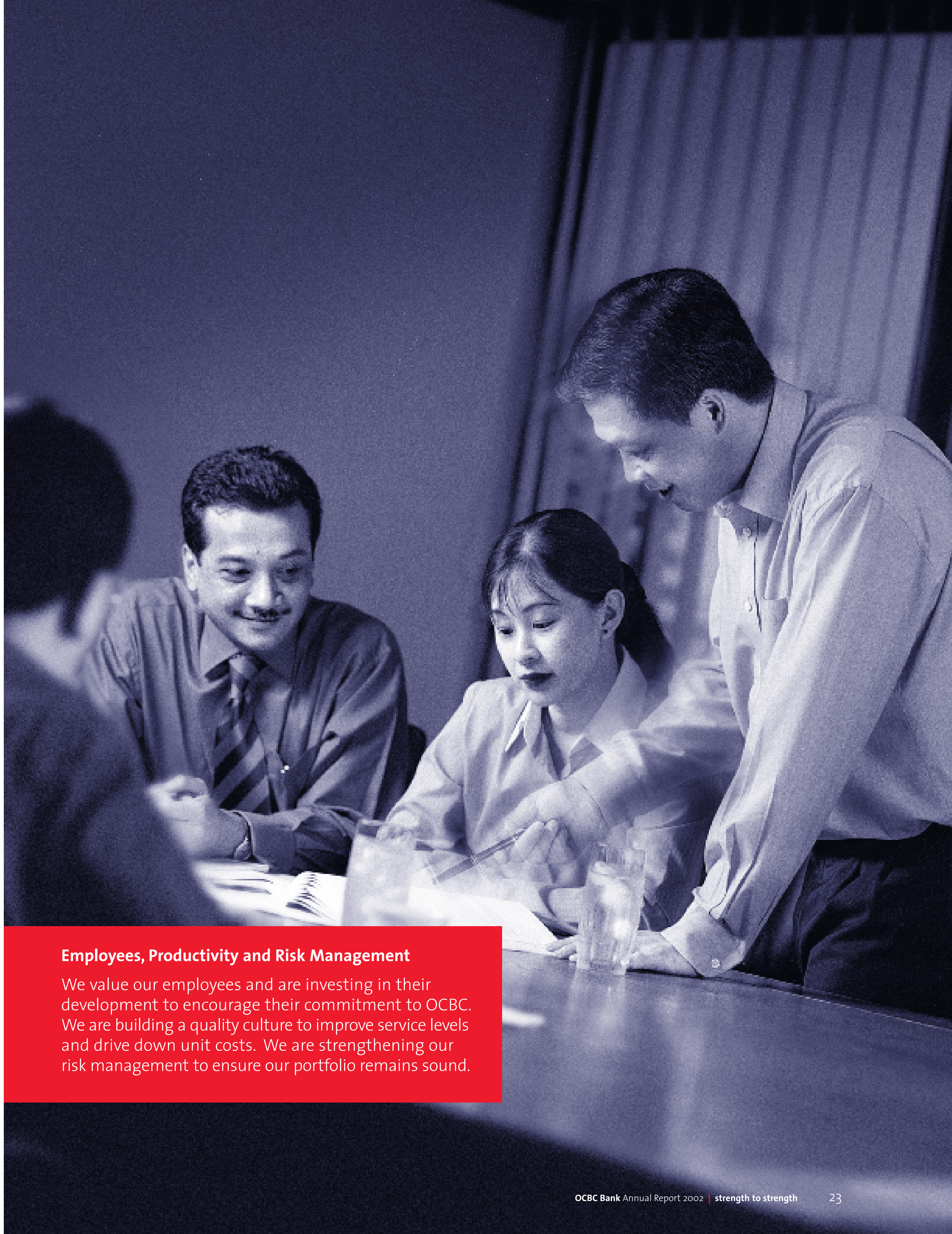
The year saw further growth and usage of our electronic banking channels, which account for approximately 80% of all customer transactions. Our consumer Internet Banking user base rose from approximately 80,000 to 140,000. finatiQ.com, our stand-alone online bank for consumer customers, enjoyed a 33% increase in electronic transactions. Several new services were rolled out throughout our electronic network, including the online purchase of travel insurance, direct debit online purchase of products and services, and new touchscreen ATMs.

Business Banking

Group Business Banking services the small and medium enterprises (SMEs), large corporates, real estate companies, government and institutional customers from key markets including Singapore and Malaysia. Apart from offering various financial solutions and investment products to these customers, Business Banking also partners closely with the product groups to cross-sell foreign exchange services, capital markets and trade finance products, as well as cash management, trustee and custodian services.

The four departments within Business Banking fared well in 2002 despite the soft economic conditions and dampened corporate loan demand. They remained focused on the division's three main objectives: deepening existing relationships, building a strong sales culture to acquire new relationships, and building new product capabilities in order to grow fee-based income. The Wholesale Corporate Marketing department, which manages customers with annual turnover of more than S$150 million, posted a hefty 60% increase in fee and commission income as well as significant growth in its fixed deposits, as it successfully cross-sold products such as cash management and structured trade products to its customers.

The Real Estate department was instrumental in arranging several deals for our corporate clients, either as a joint arranger or sole arranger. The joint deals OCBC Bank arranged included a S$300 million facility for Riverwalk Promenade Pte Ltd, a S$210 million facility for Everbilt Developers Pte Ltd



Employees, Productivity and Risk Management

We value our employees and are investing in their development to encourage their commitment to OCBC. We are building a quality culture to improve service levels and drive down unit costs. We are strengthening our risk management to ensure our portfolio remains sound.

Singapore and Malaysia Markets

We are exploiting our extensive network in Singapore and Malaysia to build market share and become more established in both countries.

and a S$260 million facility for RCMS Properties Pte Ltd (a unit of Ritz Carlton Millenia). We were also the sole arranger and underwriter for a S$105 million syndicated facility for Guthrie GTS Ltd.

The Financial Institutions department maintains a comprehensive international correspondent banking network to support the Bank's requirements for payments settlement, trade transactions and customer remittances. During the year, we actively developed strong partnerships with banks, central banks, and supranational organisations globally, and also established new relationships with finance, insurance, asset management companies and other non-bank financial institutions.

We continue to be a leading banker to local SMEs. More than one-third of local SMEs have banking relationships with OCBC, including 58% of the "Enterprise 50" SMEs in Singapore. We have introduced greater industry specialisation among our relationship manager teams to serve our SME customers better. Our substantial SME customer base also made it possible for us to introduce new financing and wealth management products to SMEs and their owners. The Enterprise Banking department, which manages our SME customers, assisted three SMEs in launching their IPOs on the Singapore Exchange during the year.

Investment Banking

Group Investment Banking, comprising the Capital Markets and Corporate Finance departments, works closely with Group Business Banking to develop products and services to meet customers' requirements.

OCBC Bank was ranked the Top Arranger of Singapore Syndicated Loans in 2002 by Thomson Financial Services, for the second year running. We were involved in a broad spectrum of transactions not only in terms of size, structure and complexity but also in the diversity of sectors, including hotels, property, commodities, electronics manufacturers and trading companies. A notable deal was the S$150 million three-year financing facility for Ascendas REIT, Singapore's first syndicated loan for an industrial property real estate investment trust.

We underwrote and managed several fixed-rate bond issues by Singapore statutory bonds, government-linked companies and other corporations. Notable transactions in 2002 include Tuas Power Ltd's seven-year fixed rate note which was increased from S$300 million to S$400 million due to heavy demand, and Fraser and Neave Ltd's S$1 billion Medium Term Note programme, which included the first series of S$300 million five-year fixed rate notes. We also arranged a S$335 million 10-year single asset securitisation transaction for Sengkang Mall Ltd, a special purpose funding vehicle used to finance the acquisition of Compass Point shopping mall.

Leveraging on our strong SME clientele, OCBC Bank sponsored the initial public offers for two established contract manufacturers, MFS Technology and Semitech Electronics, and an infrastructure specialist, OKP Holdings.

We also secured several financial advisory mandates in 2002. OCBC Bank acted as the financial adviser for SembCorp Industries in the divestment of its entire stake in Singapore Food Industries, and as manager for the rights issues by GuocoLand (formerly known as First Capital Corporation), LC Development and Sin Soon Huat. In addition, we were the financial adviser in the takeovers of Centrepoint, Times Publishing, Lung Kee Metal and Ssangyong Cement. We also acted as independent financial adviser to Wah Shing for its acquisition of a business from an interested party and as an adviser to Guthrie for its acquisition of an Indonesian hotel-cum-property-related company.

Transaction Banking

Our cash management, trade finance, trustee and nominee services were consolidated under the Transaction Banking division in October 2002 so that we can provide comprehensive transaction-related services to corporate clients.

Since its inception in early 2000, our cash management team has secured numerous mandates from SMEs, large corporations and government entities, helped by the popularity of our award-winning electronic cash management system, Velocity@ocbc. We achieved significant success in 2002, with the number of on-line corporate customers increasing by 54%, and transaction volumes on Velocity@ocbc rising exponentially. We rolled out additional trade and foreign exchange modules in Velocity@ocbc, allowing customers to automate their trade processing documentation and execute their foreign exchange contracts with greater convenience.

In recognition of Velocity@ocbc, OCBC was named the Best Corporate/Institutional Internet Bank in Singapore as well as in the Asia-Pacific in 2002 by US-based *Global Finance* magazine. This also marks the second year that we were named Singapore's best in this category.

OCBC Bank was one of the pioneer banks in the consortium that launched iQB, a multi-bank on-line payment gateway that enables merchants to widen their customer reach and receive payments over the Internet safely and efficiently. With this, we are able to provide further support to the eCommerce initiatives of our corporate customers. In 2002 we also became one of the 68 members of the Continuous-Linked Settlement (CLS) system, placing us on an equal footing with major international banks in the foreign exchange market. The membership enables us to settle cross-border multi-currency transactions intra-day on a payment-versus-payment basis, thereby eliminating settlement risk caused by delays arising from time zone differences. In connection with this, we formed a joint venture with DBS Bank and United Overseas Bank – Clearing and Payments Services Pte Ltd – to create a shared utility for processing CLS transactions.

Trade fee and commission revenue increased significantly by 65% as a result of the merger with Keppel TatLee Bank as well as aggressive marketing efforts by our trade finance team. The team was successful in securing several high value mandates and new trade relationships during the year.

Asset Management

OCBC Asset Management, our fund management arm, has expertise in Asia-Pacific equities, global fixed-income securities and global asset allocation. Through alliances with leading international institutions, it also provides global equities management.

We were one of the biggest winners in the Singapore Investment Funds Awards 2001 held in February 2002, where we won seven awards. During the year, we launched five capital protected funds in response to strong customer demand in an environment of high stock market volatility and very low interest rates. We were the first to launch capital protected unit trusts that offer investors periodic payouts during the life of the funds. We now have a comprehensive family of funds to meet our customers' investment needs. Our equity products include Asian country and regional funds, and global sector, country and index funds. Fixed income products include Singapore and global bond funds. We also offer balanced funds, money market funds and a range of asset allocation funds to meet the various risk-return profiles of investors.

With the integration of Keppel Investment Management, we manage 49 unit trusts with assets of S$1.3 billion as at the end of 2002, making us one of Singapore's largest unit trust fund managers. Including institutional clients, we had S$3.6 billion in total assets under management and administration as at the end of 2002.

Treasury

Group Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, as well as customer-driven derivatives business. OCBC's treasury operations are located in Singapore, Kuala Lumpur, Hong Kong, London and Sydney.

A key strategic initiative in 2002 was to develop more customised treasury products that meet the investment and wealth management needs of various categories of corporate and individual clients. Products launched include foreign exchange-linked deposits, equity-linked deposits and bond-linked deposits. There has also been greater emphasis on providing customised risk management solutions for our clients by using off-balance sheet financial instruments such as swaps, foreign exchange options and interest rate options. These solutions range from plain vanilla products to highly structured solutions tailored to meet specific risk management needs. We also established an equity derivatives desk to manage the risks relating to equity-linked products.

OCBC remains a key market maker in the Singapore Government Securities market, and in 2002 we took steps to streamline and raise the profile of our non-government fixed income trading business. With the enlarged customer base and dealing team after the integration of KCH, we have also been more active in the Singapore Dollar (SGD) derivatives market. OCBC was ranked the Top SGD Forward Rate Agreement (FRA) Bank in AsiaRisk's eighth annual inter-bank derivative survey for the year 2002.

Malaysia

Our operations in Malaysia are supported by an extensive network of 25 branches in major cities throughout the country. The third largest foreign bank in Malaysia by assets, we serve approximately 400,000 individual and 40,000 corporate customers.

Overseas Expansion

We intend to transfer the more successful customer and product solutions developed in Singapore and Malaysia to other overseas markets in ASEAN and China within the next two years.

Our programme to enhance our banking facilities and services in Malaysia continued in 2002. By the end of the year we have reconfigured 20 of our branches, providing customers with a functional layout and convenient banking. We have also built up a network of 10 Premier World centres offering personalised banking services to our high net worth customers. In March we launched our retail online banking service known as eCafe (e-Customer Activated Financial Experience).

In consumer banking, we enjoyed robust growth in two important segments, housing loans and wealth management. Our outstanding housing loans in Malaysia surged by 28% to RM3.65 billion as at 31 December 2002. Customers responded favourably to the two products we introduced during the year, an eight-year fixed rate package introduced in May, and a five-year fixed rate package introduced in August. In the area of wealth management, we launched two new unit trusts, 'Invest & Relax' in April and 'Maximiser II' in September, achieving sales of close to RM180 million by the end of the year. We also launched the Great Eastern Lion Golden Dividend Plan and achieved sales premiums of RM342 million for this product.

Our support of the business community was recognised when we received the Sahabat SMI (Friend of SMI) Award in the foreign bank category from the SMI (Small and Medium Industries) Association of Malaysia. In April we launched the SME Flexi Plus, an enhanced loan package offering attractive three-year repayment and specifically geared towards customers who wish to refinance their loans. Our various loan packages for SMI customers brought in RM700 million of loan approvals during the year. We also launched various cash management products for corporate customers, such as Auto Credit/Debit & Payroll System and Velocity@ocbc.

We have been supportive of government initiatives, such as efforts to promote Malaysia as a regional Islamic financial centre. OCBC Malaysia's Islamic Banking arm complies fully with Syariah principles and offers 14 products, accounting for one-third of all Islamic Banking products in the market. We also have a dedicated Bumiputera Development Unit to support government initiatives to promote Bumiputera industrial activities.

During the year we organised numerous educational and business seminars to introduce customers to our wide range of financial services. We take pride in being the first commercial bank in Malaysia to conduct tele-conference seminars for Treasury customers, which allowed us to reach clients in far-flung locations around the country simultaneously. We participated in the Malaysia Chinese Businessmen Forum and several exhibitions to market our products. We also tapped on our strategic alliances with insurance companies to provide business referrals.

Reflecting OCBC Malaysia's sound financials, asset quality and risk management, the Rating Agency of Malaysia upgraded our long-term general bank rating from AA2 to AA1.

International

International Division manages our network of overseas branches, banking subsidiaries and representative offices outside of Malaysia, in 25 cities. Our International operations serve mainly clients from our core markets in Singapore and Malaysia when they invest overseas. In addition, our overseas network will play an important role in product distribution under the new global organisation structure and the New Horizons strategy.

In early 2002, we successfully integrated the former overseas branch operations of Keppel TatLee Bank into the respective OCBC branch network. In March 2003, we merged our two joint venture banks in Indonesia into a single entity under the name of PT Bank OCBC Indonesia, with OCBC holding a 99% share.

Taking advantage of the on-going financial liberalisation in China, we sought and received approval to expand our Renminbi licence in Shanghai. The new licence permits our Shanghai branch to carry out foreign currency transactions with both local and foreign entities. In addition, we can now transact in Renminbi with foreign enterprises and individuals in a larger number of cities, namely Shanghai, Zhejiang, Jiangsu, Shenzhen, Tianjin, Dalian, Zhuhai, Guangzhou, Wuhan, Qingdao and Nanjing.

Operations and Technology

2002 saw the completion of two key projects led by Group Operations and Technology, involving staff across the Bank. The first was the operational integration of Keppel TatLee Bank's backroom operations and technology systems. Full integration was achieved on 25 February, within six months of the acquisition of KCH and well ahead of our original schedule.

The second major project was the migration of our core banking system from the Tandem system to the new Silverlake Integrated Banking System. Completed in November, the new system allows us to deliver innovative products to our customers with a shorter turnaround time. This is possible as the Silverlake system is more flexible, cost effective and enhances product delivery and transaction processing capabilities.

We also developed and enhanced several systems to facilitate information gathering. The Global Data Warehouse facilitates our analysis of customer and product profitability, and provides useful marketing information. Initiatives to extend the functionalities and reach of our Customer Relationship Management (CRM) system are also ongoing. One such project is the analytical marketing project which uses enhanced data sets and sophisticated analytical tools and techniques to generate more targeted leads for cost-effective campaigns.

A new integrated Financial Planning System was implemented for all our personal financial consultants to improve our financial planning service to our customers. This system goes beyond identifying shortfalls and gaps of a customer's financial goals to recommend appropriate products that best suit the customer's financial risk appetite and goals. It is tightly integrated into the CRM framework for total relationship management. An immediate follow-up phase is to build straight-through-processing capabilities for insurance purchases with our associated insurance company, Great Eastern Holdings. With this integration, customers purchasing insurance products at OCBC branches receive immediate results of their underwriting proposals, a vast improvement from the previous three-day wait for manual submissions and underwriting.

Our backroom systems were also upgraded to increase efficiency and reduce costs. Our financial and human resources systems were enhanced using the Oracle E-business Suite, helping to reduce manual processing work and improve staff productivity. The integrated system assists managers to make decisions quickly as information is more readily available.

In other operational areas, we implemented outsourcing of cheque clearing as well as outsourcing of messenger service for branches, in the process freeing up significant headcount. Various operation systems used by Treasury, OCBC Asset Management and OCBC Securities were also upgraded during the year.

Property Management

OCBC Property Services manages the properties of the Group. It ensures that the rental returns and capital values of our investment properties, amounting to 2 million square feet net lettable area, are optimised. Achieving this result requires active marketing, maintenance of the quality of the properties, and cost consciousness.

Despite a difficult environment, our retail properties achieved full occupancy at prevailing market rentals. Our commercial and residential properties, however, were affected by the over-supply in these sectors. While our Group head office building achieved nearly full occupancy, the results for other properties were mixed.

Human Resources

Arising from the staff rationalisation and optimisation following the merger with KCH, our Group staff strength fell by 1,090 or 12.7% during the year, to 7,477 as at 31 December 2002.

As part of our succession planning and staff retention programmes, we introduced several initiatives, such as training managers to conduct performance coaching, and encouraging employees to manage their own career development through self-initiated internal job transfers. We continually ensure that our compensation packages are competitive in the market place so that we can attract and retain talented staff. We also adopted the National Wage Council's recommendations and became the first local bank to incorporate a monthly variable component into the salaries of employees of Class II officers and below.

Understanding that employee satisfaction and motivation are indispensable to our organisation's performance, we conducted a detailed group-wide staff survey to identify employee satisfaction issues. After communicating the results to our staff, we are now taking meaningful follow-up actions in response to the findings, making sure that staff are involved in the planning and execution of initiatives. Apart from the survey, which will be conducted annually, employee focus groups and CEO luncheons are held regularly to obtain feedback and deliver prompt responses to staff concerns.

Placing great importance on continuous training, we spend up to 2% of payroll on staff learning programmes in 2002. The emphasis in 2002 was on acquiring or refreshing sales, customer service and financial advisory skills. Twelve thousand training places were provided to help OCBC and ex-Keppel TatLee Bank staff integrate smoothly into the enlarged entity by introducing them to the latest systems, products and services in the bank. In total, 46% more training places were provided and our staff spent 23% more time on training than in 2001.

Corporate Citizenship

As a socially responsible corporate citizen, OCBC Bank has always played an active role in supporting the communities it operates in.

Under the OCBC Bank Care Card programme introduced in 1997, we contribute to eight selected charities a percentage of the charges made by Care credit card members. These charities include the Bone Marrow Donor Programme, Catholic Welfare Services, Handicaps Welfare Association, Kwong Wai Shiu Hospital, Singapore Association for the Deaf, Singapore Association of the Visually Handicapped, Singapore Children's Society and Touch Community Services.

In support of academic excellence, we have been sponsoring OCBC Book Prizes for tertiary educational institutions every year since 1988, supporting the National University of Singapore, Nanyang Technological University, Ngee Ann Polytechnic, Singapore Polytechnic and Temasek Polytechnic. In December, we initiated an internal charity drive among staff and raised S$35,000 for The Straits Times Pocket Money Fund for needy schoolchildren.

OCBC is a keen supporter of the Arts in Singapore. We have been a major sponsor of the Singapore Arts Festival for the last eight years, working closely with the National Arts Council to support local talent and bring in renowned artistes and groups from overseas to broaden the cultural experience in Singapore. Since 1995, we have contributed S$4.5 million towards developing the local Arts scene. In 2002, OCBC Bank was awarded the Distinguished Patron of the Arts for the fourth consecutive year. This award is the highest recognition conferred by the National Arts Council on individuals or organisations who have contributed at least S$1.5 million to major Arts projects within five years.

Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Code of Corporate Governance (the "Code") issued by the Corporate Governance Committee and adopted by the Singapore Exchange Securities Trading Limited (SGX-ST), as well as with the guidelines issued by the Monetary Authority of Singapore.

BOARD OF DIRECTORS

Board Composition and Independence

The Board comprises ten Directors, of whom eight are non-executive Directors. The non-executive Directors are: Mr Michael Wong Pakshong, Dr Cheong Choong Kong, Datuk Fong Weng Phak, Tan Sri Dato Nasruddin Bin Bahari, Dr Tsao Yuan (also known as Dr Lee Tsao Yuan), Col (NS) David Wong, Mr Wong Nang Jang and Mr Patrick Yeoh.

The executive Directors on the Board are Mr Lee Seng Wee, Chairman of the Board, and Mr David Conner, Chief Executive Officer (CEO) who was appointed on 15 April 2002.

The roles of the Chairman and the CEO have been separated since 21 September 1998, which is consistent with the principle of the Code to institute an appropriate balance of power and authority. The Chairman's role pertaining to Board proceedings, includes the scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the company's operations; preparing meeting agenda in consultation with the CEO; exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and assisting in ensuring compliance with guidelines on corporate governance. These pertain to only board proceedings and is not a comprehensive list of all the duties and responsibilities of the Chairman.

Based on the Guidance Notes of the Code, six non-executive Directors – namely, Datuk Fong Weng Phak, Tan Sri Dato Nasruddin Bin Bahari, Dr Tsao Yuan, Col (NS) David Wong, Mr Michael Wong Pakshong and Mr Patrick Yeoh – are considered as independent Directors. Another non-executive Director, Dr Cheong Choong Kong, holds an executive position in a company to which the Bank has granted credit facilities and from which the Bank received payments deemed by the Code to be significant. Nevertheless, the Board determines Dr Cheong to be independent, as the credit facilities were granted on an arm's length basis and in line with credit facilities given to other customers of the Bank. Although Mr Wong Nang Jang relinquished his post as an executive director and became a non-executive director on 5 June 2002, he is considered non-independent under the Code as he was employed by the Bank from December 2001 to June 2002. With seven out of the ten Directors deemed to be independent, the Board has a strong and independent element to exercise objective judgement on corporate affairs.

The members of the Board as a group provide core competencies to ensure the effectiveness of the Board. The competencies include accounting, finance, strategic ability, business acumen, management experience and depth, as well as knowledge of industry and customer, regulatory requirements and risk analyses and control. Details of the Directors' professional qualifications and background can be found on pages 155 to 162.

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank's Articles of Association also provide for the retirement of Directors by rotation and, under MAS Notice to Banks 622, all appointment and re-appointment of Directors have to be approved by the Monetary Authority of Singapore.

The Directors have multiple board representations, but the Nominating Committee is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Bank, in addition to their multiple board representations.

Given the size of the Bank, its business complexity and the number of board committees, the Board considered that an appropriate Board size is between 10 and 12 members. The actual Board size currently is 10.

Board Conduct and Responsibilities

The Board is responsible for the performance of the Bank. The management of the business and the control of the Bank are vested by the Articles of Association of the Bank in the Board.

The Board sets the Bank's overall direction and risk profile, and formulates the business and risk management strategies. It regularly reviews the financial performance and business of the Bank and the Group. In addition to establishing the limits of the discretionary powers of officers, committees and sub-committees, the Board reviews the risk management principles and the adequacy of risk management systems and internal controls. The Board is also responsible for reviewing any sale or disposal of the whole or substantially the whole of the undertaking or assets of the Bank, and any transaction for the acquisition or disposal of assets of the Bank that is material to the Bank.

In 2002, the Board and its Committees held a total of 36 meetings. Prior to each meeting, Members are provided with timely, complete and adequate information, to enable Members to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Board and its Committees have separate and independent access to the Bank's senior management, and to the company secretaries, who attend and maintain minutes of all board meetings. The Directors, in addition, could take independent professional advice from legal firms, at the Bank's expense.

The Directors receive appropriate training. The structured training includes introductory information, briefings by senior executives on their respective areas and attendance at relevant external courses. The Board as a whole will also receive briefings on relevant new laws, risk management updates and changes in accounting standards.

Board Performance

The Board has implemented an annual performance evaluation process to assess the effectiveness of the Board as a whole and the contribution by each Director. An independent consultant has been appointed to develop and facilitate this process.

The purpose of the evaluation process is to increase the overall effectiveness of the Board.

The Directors participate in the evaluation. Each Director evaluates the performance of the Board as a whole, as well as conducts a self-assessment and a peer-assessment of the other Directors. The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively by the Nominating Committee to discuss improvements with the Board and to provide developmental feedback to individual Directors.

BOARD COMMITTEES

Executive Committee

The Executive Committee comprising Mr Lee Seng Wee (Chairman), Dr Cheong Choong Kong, Mr David Conner, Mr Michael Wong Pakshong and Mr Wong Nang Jang, was formed on 15 April 2002.

The Executive Committee oversees the management of the business and affairs of the Bank and the Group, within the parameters delegated by the Board. It reviews the Bank's policies, principles, strategies, values, objectives and performance targets. These include the risk policies and risk portfolios and the implementation of risk management strategies within the parameters of the Bank's risk profile, the investment and divestment policies, and the human resource policies. It also endorses such other matters and initiates any special reviews and actions as appropriate for the prudent management of the Bank.

With the formation of the Executive Committee, the former Strategy Committee and Review Committee were dissolved.

Nominating Committee

The Nominating Committee comprises Dr Cheong Choong Kong (Chairman), Mr David Conner, Datuk Fong Weng Phak, Mr Lee Seng Wee and Col (NS) David Wong. Three of the five Committee members - Dr Cheong, Datuk Fong and Col (NS) Wong – are independent Directors. The Committee has written terms of reference that describe the responsibilities of its members.

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank. It ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes review of all nominations for the appointment, re-appointment, election or re-election of Directors of the Bank and its wholly-owned subsidiary Bank of Singapore Limited, and members of the Executive Committee, Compensation Committee and Audit Committee of the Bank. The Nominating Committee is also charged with determining annually whether or not a Director is independent, or whether the Director is capable of carrying out the relevant duties where the Director has multiple representations. It also reviews nominations for senior management positions in the Bank and Bank of Singapore Limited, including the CEO, Deputy Presidents, Chief Financial Officer and senior executives of Executive Vice President rank and above. The Nominating Committee makes recommendations to the Board on all such appointments.

Audit Committee

The Audit Committee comprises three independent Directors, namely, Mr Michael Wong Pakshong (Chairman), Datuk Fong Weng Phak and Col (NS) David Wong. All Committee members have accounting or financial management expertise and experience.

The Audit Committee performs the functions specified in the Companies Act, Cap. 50, the Code and the SGX-ST Listing Manual. Details of the duties and responsibilities of the Audit Committee are found in the Report of the Directors on page 64 as well as in the "Audit Function" section of this chapter on pages 34 to 35.

Compensation Committee

The Compensation Committee comprises Dr Cheong Choong Kong (Chairman), Mr Lee Seng Wee, Dr Tsao Yuan and Mr Michael Wong Pakshong. Three of the four Committee members – Dr Cheong, Dr Tsao Yuan and Mr Wong Pakshong – are independent Directors. All the Committee members are well versed with executive compensation matters, given their extensive experience in senior corporate positions and major appointments.

The Compensation Committee determines and recommends to the Board the remuneration and fees of non-executive Directors as well as the compensation of executive Directors . It is also empowered to review the policies governing the compensation of executive officers of the Bank and its subsidiaries. In addition, it administers the OCBC Executives' Share Option Scheme 1994 and the OCBC Share Option Scheme 2001.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2002

Board of Directors

	Scheduled Meetings		Ad-hoc Meetings	
Total no. of meetings: 8	Held*	Attended	Held*	Attended
Lee Seng Wee	5	5	3	3
Michael Wong Pakshong	5	5	3	3
Cheong Choong Kong	5	5	3	3
David Conner 1/	4	4	1	1
Fong Weng Phak 2/	5	5	2	2
Nasruddin Bin Bahari	5	5	3	3
Tsao Yuan 3/	4	4	1	1
David Wong	5	5	3	3
Wong Nang Jang 4/	5	4	3	3
Patrick Yeoh	5	5	3	2
Alex Au 5/	1	1	2	2
J Y Pillay 6/	1	1	2	2

Executive Committee

(formed on 15 April 2002)

	Scheduled Meetings		Ad-hoc Meetings	
Total no. of meetings: 6	Held*	Attended	Held*	Attended
Lee Seng Wee	2	2	4	4
Cheong Choong Kong	2	1	4	4
David Conner 1/	2	2	4	4
Michael Wong Pakshong	2	2	4	4
Wong Nang Jang 4/	2	2	4	4

Nominating Committee

	Scheduled Meetings		Ad-hoc Meetings	
Total no. of meetings: 10	Held*	Attended	Held*	Attended
Cheong Choong Kong	2	2	8	8
David Conner 1/	1	1	3	3
Fong Weng Phak 2/	1	1	3	3
Lee Seng Wee	2	2	8	8
David Wong	2	1	8	6
Alex Au 5/	1	0	5	1
J Y Pillay 6/	1	1	5	5

Compensation Committee

	Scheduled Meetings		Ad-hoc Meetings	
Total no. of meetings: 4	Held*	Attended	Held*	Attended
Cheong Choong Kong	2	2	2	2
Lee Seng Wee	2	2	2	2
Tsao Yuan 3/	0	0	2	1
Michael Wong Pakshong 7/	0	0	2	2
J Y Pillay 6/	2	2	0	0

Audit Committee

Total no. of meetings : 8	Scheduled Meetings Held*	Scheduled Meetings Attended	Ad-hoc Meetings Held*	Ad-hoc Meetings Attended
Michael Wong Pakshong	5	5	3	3
Fong Weng Phak 2/	3	3	3	3
David Wong	5	5	3	3
David Conner 8/	3	3	3	3
Alex Au 8/	2	2	0	0

** Reflects the number of meetings held during the time the Director held office*

(1) Mr David Conner was appointed to the Board, the Nominating Committee and the Executive Committee, on 15 April 2002.

(2) Datuk Fong Weng Phak was appointed to the Board on 22 January 2002, Audit Committee on 27 February 2002 and Nominating Committee on 15 May 2002.

(3) Dr Tsao Yuan was appointed to the Board and the Compensation Committee, on 3 April 2002.

(4) Mr Wong Nang Jang was an Executive Director from 4 December 2001 to 4 June 2002 and remains as a Non-Executive Director.

(5) Mr Alex Au resigned from the Board and ceased to be a Member of the Nominating Committee, on 15 April 2002.

(6) Mr J Y Pillay resigned from the Board and ceased to be Chairman of the Nominating Committee and a Member of the Compensation Committee, on 15 May 2002.

(7) Mr Michael Wong Pakshong was appointed to the Compensation Committee on 20 March 2002.

(8) Mr David Conner and Mr Alex Au attended the Audit Committee meetings at the invitation of the Chairman of the Committee.

The Board intends to facilitate the meetings of the Board and Board Committees to provide for telephonic and video conferencing meetings. The resolution to amend the Articles of Association to provide for this will be presented to the Members of the Company.

AUDIT FUNCTION

Audit Committee

The Board approved the Terms of Reference of the Audit Committee. The Committee may meet at any time but no less than four times a year with the internal auditors and external auditors. It has full access to, and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy of the system of internal and accounting controls, risk management and compliance. The reviews include the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors.

Where the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value for money services.

It meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of Management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a quarterly basis. The Board is updated on these reports.

The Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors are compatible with maintaining the independence of the external auditors.

In respect of the 2002 financial year, the Audit Committee

(a) has reviewed the audited financial statements with management, including a discussion of the quality of the accounting principles applied and significant judgements affecting the financial statements;

(b) has discussed with the external auditors the latter's judgement of the quality of the above principles and judgements;

(c) has discussed among its own members, without the presence of management or the external auditors, the information disclosed in (a) and (b) above; and

(d) believes that the financial statements are fairly presented in conformity with the relevant Singapore accounting standards in all material aspects, based on its review and discussions with management and the external auditors.

Internal Audit Function

The Audit Committee approved the Terms of Reference of internal audit (Group Audit). In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Banking Group's system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Group Audit reports on the adequacy of the systems of control to the Audit Committee and management, but does not form any part of those systems of control. Group Audit is also expected to meet or exceed the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit has implemented risk-based audit processes. Audit work is prioritised and scoped according to an assessment of potential exposure to risks. This includes not only financial risks, but operational and strategic risks as well. Computerised audit systems have been adopted so that the audit process is now automated and typically paperless. Group Audit also works closely with Group Risk to help review risk management processes as a whole.

The work undertaken by Group Audit includes the audit of the Group's system of internal control over its key operations (including overseas branches), review of security and access controls for the Group's key computer systems, review of control processes within and around new products and system enhancements, and review of controls over the monitoring of market and credit risks. Group Audit also actively participates in major new systems developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing. Group Audit reports functionally to the Audit Committee and administratively to the CEO. Mr Chong Meng was appointed as the Head of Group Audit on 21 October 2002. Prior to his appointment, Mr Chong Meng was the Head of Group Risk Management. He has 29 years of experience in risk management and control, marketing, client-relationship, process engineering and general management. Currently, Group Audit has a team of some 83 staff in Singapore, OCBC Malaysia and overseas, who are organised into specialist units aligned with the structure of the Bank.

Internal Controls

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Bank's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the company in its current business environment.

The system of internal control provides reasonable, but not absolute, assurance that the company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

REMUNERATION POLICY

Employees' Remuneration

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain quality staff.

The total compensation package for employees comprises basic salary, fixed bonus, variable performance bonus, allowances and share option for eligible executives, as well as benefits. In determining the composition of the package, the nature of the role performed and market practice is taken into consideration. To ensure that its remuneration package is competitive, the Bank regularly reviews its base salary ranges and benefits package based on market data provided by recognised surveys of comparative groups in the financial sector.

For executives, the Bank adopts a performance-driven approach to compensation, with rewards linked to individual, team and corporate performance. Executives' compensation is reviewed each year based on information from market surveys and advice from reputable management consultants. The compensation for senior executives is reviewed by the Compensation Committee.

The remuneration practices for staff in the bargainable positions are reviewed at least once every three years and are established through negotiation with the banks' unions.

Directors' Remuneration

The Compensation Committee recommends the remuneration for both the executive Directors and the non-executive Directors of the Bank, for approval by the Board of Directors.

Compensation of Non-Executive Directors

In January 2001, the Compensation Committee engaged an independent consultant to conduct a study of market practices for non-executive director compensation and to recommend a reasonable and competitive compensation structure for the Bank. The Board decided to adopt compensation that are below the recommendations with a view to increasing the compensation in stages to the levels recommended. The current fee structure to compute the proposed fee for each non-executive Director is as follows:

- Annual retainer fee of S$45,000;
- Annual committee chairperson fee of S$20,000 for Audit Committee and S$15,000 for other Committees; and
- Attendance fee of S$1,200 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognise their commitment and time spent in attending each meeting.

In addition, under the OCBC Share Option Scheme 2001, the Compensation Committee has the discretion to grant share options to non-executive Directors in recognition of their contributions, although no grants have been made to date. Executive Directors are not eligible to participate in any part of the remuneration plan for non-executive Directors.

Compensation of Executive Directors

The compensation plan for the executive Directors is formulated and reviewed by the Compensation Committee to ensure that it is market competitive and that the rewards are commensurate with their contributions. The compensation package comprises basic salary, benefits in kind, performance bonus, incentive bonus, share options and compensation in the event of early termination where service contracts are applicable. (The Chairman neither participates in the share option scheme, nor is he in receipt of any performance bonus or incentive bonus.) Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Executives' Share Option Scheme 1994 and OCBC Share Option Scheme 2001, the guidelines on granting of share options for executive Directors are similar to those for the executives of the Bank.

Directors' Remuneration in 2002

	Remuneration band S$	Salary and fees [(a)] %	Performance-based bonuses [(b)] %	Other benefits [(c)] %	Value of share options granted [(d)] %	Total remuneration %	Options granted No.	Exercise price S$	Exercise period
Non-Executive Directors:									
Michael Wong Pakshong	Below 250,000	100	–	–	–	100	–	–	–
Cheong Choong Kong	Below 250,000	100	–	–	–	100	–	–	–
Fong Weng Phak [(e)]	Below 250,000	100	–	–	–	100	–	–	–
Nasruddin Bin Bahari	Below 250,000	100	–	–	–	100	–	–	–
Tsao Yuan [(f)]	Below 250,000	100	–	–	–	100	–	–	–
David Wong Cheong Fook	Below 250,000	100	–	–	–	100	–	–	–
Wong Nang Jang [(g)]	Below 250,000	100	–	–	–	100	–	–	–
Patrick Yeoh	Below 250,000	100	–	–	–	100	–	–	–
Executive Directors:									
Wong Nang Jang [(g)]	250,000 to 499,999	100	–	–	–	100	–	–	–
Lee Seng Wee	500,000 to 749,999	96.5	–	3.5	–	100	–	–	–
David Conner [(h)]	1,000,000 to 1,249,999	60.3	–	9.6	30.1	100	300,000	13.66	23 Apr 2003 to 22 Apr 2012
Alex Au [(i)]	1,000,000 to 1,249,999	63.7	36.1	0.2	–	100	–	–	–

(a) *For non-executive Directors, refers to Directors' fees. For executive Directors, comprises basic salary, allowances and fixed bonuses.*
(b) *Represents performance-based bonuses paid during the year.*
(c) *Represents non-cash component and comprises club and car benefits.*
(d) *Share options were valued as at the date of grant, using the Roll-Geske Model for American call options.*
(e) *Appointed to the Board on 22 January 2002*
(f) *Appointed to the Board on 3 April 2002*
(g) *Mr Wong Nang Jang was an executive Director from 4 December 2001 to 4 June 2002.*
(h) *Appointed to the Board on 15 April 2002*
(i) *Resigned from the Board on 15 April 2002*

Remuneration of Directors' Immediate Family

During the financial year 2002, none of the Directors had immediate family members who were employees of the Bank and whose personal annual remuneration exceeded S$150,000.

Remuneration of Top 5 Key Executives in 2002

The Code of Corporate Governance suggests the disclosure of the remuneration of the Bank's top five key executives. The Board of Directors considered this matter carefully and has decided against such disclosure for the time being. Given the wage disparities in the industry and the likely competitive pressures resulting from such disclosures, it was felt that the disadvantages of disclosure will outweigh the benefits.

SHARE OPTION SCHEMES

OCBC Executives' Share Option Scheme 1994

The Bank has a share option plan available for executives of the Bank and OCBC Bank (Malaysia) Berhad, viz. OCBC Executives' Share Option Scheme 1994 (the "1994 Scheme"). The objective is to enable officers of the ranks of Assistant Manager and above as well as executive Directors of the Bank to participate in the equity of the Bank.

This 1994 Scheme, which has been replaced by OCBC Share Option Scheme 2001, was terminated on 3 August 2001. However, this will not affect the rights of the holders of outstanding options granted under the 1994 Scheme to subscribe for shares.

OCBC Share Option Scheme 2001

A new share option plan, OCBC Share Option Scheme 2001 (the "2001 Scheme"), was approved in 2001.

The 2001 Scheme seeks to inculcate in all participants a stronger and more lasting sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Assistant Manager and above and any Group Executive Director selected by the Compensation Committee, as well as non-executive Directors of the Group, are eligible to participate in the 2001 Scheme.

The cumulative total number of shares to be issued by the Bank in respect of options granted under the 2001 Scheme cannot exceed 10% of the Bank's issued share capital.

The number of share options to be offered each year is determined by the Compensation Committee which comprises Directors of the Bank who are duly authorised and appointed by the Board of Directors to administer the 2001 Scheme. The Committee takes into account criteria such as the individual's rank, job performance, years of service, potential for future development and his/her contribution to the success and development of the Group.

The subscription price for each share in respect of which the option is exercisable shall be determined by the Compensation Committee to be a price equal to the average of the last dealt prices of the stock for the five consecutive trading days immediately prior to the offering date. No options were granted at a discount since the commencement of the 2001 scheme.

The validity period of the options is subject to prevailing legislation applicable on the date of grant. Based on current legislation, options granted to Group Executives are exercisable up to 10 years, while options granted to non-executive Directors are exercisable up to 5 years. The options may be exercised after the first anniversary of the date of the grant, in accordance with a vesting schedule to be determined by the Compensation Committee on the date of the grant of the respective options. It is currently the intention of the Committee to adopt the following vesting schedule:

Vesting Schedule

	Percentage of shares over which an option is exercisable
On or before the first anniversary of the date of grant	Nil
After the first anniversary but on or before the second anniversary of the date of grant	33%
After the second anniversary but on or before the third anniversary of the date of grant	33%
After the third anniversary but before the date of expiry of the exercise period	34%

These options will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death or where approved by the Compensation Committee, in which case the Committee may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined by the Compensation Committee.

COMMUNICATION WITH SHAREHOLDERS

OCBC Bank recognises the importance of communicating regularly and effectively with its shareholders so that they can better understand its operations, strategies and directions. One of the key roles of the Corporate Communications and Investor Relations departments is to keep the market and investors apprised of the Group's corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. In addition, shareholders and the public can access the Group's media releases, financial results, presentation materials used at briefings and other corporate information on the Bank's website.

Shareholders are given the opportunity to participate actively at OCBC Bank's AGMs and EGMs, where they can ask questions and communicate their views. They are allowed to vote in person or in absentia. The Directors as well as the external auditors are present at these meetings to address any relevant queries raised by shareholders.

RISK EXPOSURE AND RISK MANAGEMENT PRACTICE

OCBC Group's primary business activity is commercial banking, which is essentially a customer-driven activity where the substantial risk is the credit risk of corporate, institutional and retail customers. To a lesser extent, commercial banking is also exposed to market risk arising from re-pricing, maturity and currency mismatches of assets and liabilities. These mismatches give rise to interest rate, liquidity and foreign exchange risks.

Treasury and investment banking activities, which include sales and trading in money market, foreign exchange and other treasury products, the underwriting of equities and bonds are currently less significant in comparison to the commercial banking business. These activities also expose the Group to credit risks and market risks including interest rate, currency and equity risks.

In the course of conducting its businesses, the Group handles a large number of financial transactions. It is inherently exposed to the operational risk of failure of internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The provision of financial advisory services to customers for wealth management products, including the sale of unit trusts and life insurance, also exposes the Group to operational risks arising from the failure to meet the general standards expected of such financial advisory activities.

The main aim of risk management in OCBC Group is to protect against extraordinary or exceptional losses that could arise from taking risks beyond its risk appetite. The Group's philosophy on risk management is that risks must be properly understood, monitored, controlled and managed. In addition, risk management processes must be closely aligned to the Group's business strategy. The ultimate goal is to enable the Group to maximise its risk-adjusted return on capital.

RISK ORGANISATION

OCBC Group believes that risk management is most effective when it is a shared responsibility between risk takers and risk controllers, with the Board of Directors providing general oversight. The risk organisation is structured such that there is segregation of duties and reporting lines between risk-taking and risk-controlling units. These principles are applied across the major risk areas, including credit, market and operational risks. Accordingly, the Group Risk Management Head has a dual reporting line, one to the Chief Executive Officer ("CEO") and one to the Executive Committee which represents the Board in overseeing risk management.

The Group has, in recent years, been building its resources and capabilities in risk management so as to keep pace with business developments. As banking products invariably contain a varying mix of risks from different risk categories, the management of risk must be looked at holistically. The establishment of the Group Risk Management Division in 2000 recognises the need for an integrated risk management framework and capability.

Group Risk Management Division is tasked with the primary responsibility of managing credit, market and operational risks. The Division is staffed with officers dedicated to risk policy setting, risk measurement methodology and model development, and the measurement and monitoring of the OCBC Group's risk profiles and concentrations. In the case of credit risk, dedicated officers are also involved in transaction approval and remedial loan management. Outside Group Risk Management Division, other functions in the Bank that support the risk management framework include Legal and Compliance, Internal Audit, Operations, Finance and the respective business units where risk is taken / generated.

CREDIT RISK MANAGEMENT

The Credit Risk Management Committee ("CRMC") is the principal senior management committee that supports the CEO and the Board in general credit risk management oversight. The CRMC reviews and recommends credit risk policies for the approval of the CEO or the Board. It is also responsible for ensuring that sound credit risk methodologies and effective credit risk management processes are established.

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.

Credit Risk Policy Setting
CRMC meetings are typically held monthly to focus on credit policies and the approval of new credit programmes. The Committee also assesses the Group's credit exposures along various risk dimensions, with special focus on non-performing loans ("NPLs"), as well as the domestic and regional environment and selected financial and economic indicators.

Credit Portfolio Management
The Bank is continuing to develop credit risk grading models to enable it to better differentiate risks in the various segments of its credit portfolio for better decision making. Efforts are underway to validate these models. The Group is also continuing to develop a centralised credit risk database to store key credit risk data for the Group to more efficiently monitor its credit portfolios.

Credit Approval Process
For the corporate lending business, a specific credit approval structure approved by the Board of Directors is in place. All credit extensions are jointly approved by authorised officers from the business units and the credit control unit. This "co-grantor" approach is designed to ensure objectivity and appropriate check and balance in credit extensions. Beyond pre-defined exposure thresholds, approval from the Large Credit Approval Committee, comprising senior managers from business units and senior credit managers, is required. In certain defined circumstances, approval of the CEO is also required. Credit extensions to corporate customers are generally required to meet pre-defined target markets and risk acceptance criteria.

In the consumer lending business where transactions are numerous and of smaller amounts, credit underwriters approve loans in accordance with pre-approved credit programmes. These programmes focus on credit extensions to individual customers with similar characteristics or product needs within defined parameters. Credit programmes are reviewed by the CRMC periodically or when outstandings per programme reach established limits.

Special Asset Management Unit
During 2002, a Special Asset Management unit was established to consolidate the supervision of remedial management activity for NPLs due from Business Banking customers. There is a separate delegated approval authority structure for NPL resolution, with senior management's approval being required for specific provisions, debt forgiveness and NPL write-offs. The unit also formulates recovery action plans to maximise loan recovery for each NPL.

This focused approach to NPL recovery has been adopted for all lending units, including overseas branches and OCBC Malaysia. The resolution of NPLs in international branches and OCBC Malaysia is carried out by local management with oversight and supervision by the Special Asset Management unit.

The resolution of non-performing consumer loans is similarly focused, and is managed by the relevant collections departments in the Group.

Loan Classification and Provisioning Policies
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

Restructured loans
A restructured loan refers to one where the original contractual terms and conditions have been modified upon mutual agreement between the Bank 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.

Provisioning policies
The provision for estimated 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. A minimum 1% general provision is made on the total amount of loans less total outstanding provisions, except for loans to the five regional countries, for which general provisions are made in accordance with MAS guidelines.

The specific provision against each NPL is based on the individual circumstances of each account after considering:
(a) the underlying business and financial viability of the borrower;
(b) the cash flow sources of the borrower;
(c) the quality and realisable value of the collateral and guarantee supporting the loan; and
(d) the existence of a valid and enforceable legal right of recourse against the borrower.

The specific provision against each NPL must comply with the following minimum amounts as prescribed by the MAS:

Substandard	–	10% (on unsecured portion)
Doubtful	–	50% (on unsecured portion)
Loss	–	100% (on loan outstanding)

Where appropriate, the Group makes additional specific provisions in excess of the MAS minimum requirements, taking into account the circumstances of each borrower, the collateral values and other relevant considerations.

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 measures implemented included an extensive portfolio review process to apply more stringent loan classification criteria, as well as the establishment of the Special Asset Management unit to consolidate the management of non-performing Business Banking loans.

The Group believes that the more proactive management of the loan portfolio and deployment of additional resources to problem loan identification had resulted in a better and more detailed assessment of possible loan losses. The increased emphasis on classifying loans more stringently, and assessing specific provisions on a borrower-by-borrower basis for non-consumer loans, has rendered the past practice of a pre-defined process of assigning specific provisions targeting 70% against the unsecured portion of substandard and doubtful loans redundant. This change in provisioning practice has not resulted in any material financial impact to the Group.

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.

Ceasing of interest accrual on loans
Interest accrual effectively ceases when a loan is classified, except for overdrafts where interest continues to accrue even after classification.

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 determine the adequacy of the collateral coverage. Proceeds from the 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 provided for contractually.

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 risk rating of the country concerned and the political and economic outlook. Approving authority for transfer risk limits lies with the Large Credit Approval Committee.

Credit Concentration
The Group seeks to spread its risk exposure amongst the growing economic sectors of the major markets in which it operates. Limits are set on specific customer or product segments in order to avoid over-concentration of credit risks. Prudential limits have also been placed on exposures to single customer groups.

Property Exposure
The Bank's exposure to real estate in Singapore is regulated under Section 35 of the Banking Act which limits such exposure to not more than 35% of its total eligible loan assets. The Bank is in compliance with Section 35.

Information on credit exposures by geographical area, business line and industrial classification, and the breakdown of investment and dealing securities by issuer type, are disclosed in Notes 25, 27, 31, 38 and 40 of the Financial Statements and the Management Discussion and Analysis chapter.

MARKET RISK MANAGEMENT

Market risk is defined as the uncertainty in the future values of the Group's on and off balance sheet financial items, resulting from movements in factors such as interest rates, equity prices, foreign exchange rates and commodity prices.

Market risk management comes under the direction of the *Market Risk Management Committee* ("MRMC"). The MRMC is responsible for developing market risk principles and policies and for reviewing and strengthening the control and monitoring processes relating to market risk. The MRMC includes senior representatives from risk management, finance and relevant business units.

Asset liability management is under the direction of the *Asset Liability Management Committee* ("ALCO"). The ALCO is responsible for the oversight of liquidity risk of OCBC Bank and its banking and finance subsidiaries. In addition, the ALCO manages interest rate risks arising from the Bank's asset liability mismatches, within limits set by the MRMC. The ALCO comprises the CEO and senior representatives from risk management, finance and major business units.

Both the MRMC and ALCO are supported by the Market Risk Management Department ("MRMD") within the Group Risk Management Division. MRMD is responsible for developing policies and procedures as well as putting in place the monitoring, reporting and control systems for market risk as well as asset liability management.

Market Risk Management Methodologies
The main approach for managing market risks are:

Limit management – the identification and monitoring of risk exposures; and
Risk analysis – VaR methodology complemented by stress testing and scenario analyses.

Limit Management
Controls are put in place to ensure that all business activities conform with the organisation's risk management principles and philosophies. Each day, all trading risk positions are monitored daily against authorised limits by an independent group, the Treasury Control Unit. Exposures that exceed authorised limits are promptly reported to senior management for ratification. Only authorised activities may be undertaken.

Risk Analysis
Parametric VaR measurement is used for both derivative and non-derivative risk exposures. This risk measurement methodology is probability based, and uses volatilities and correlations applied to a 10-day holding period to quantify price risks in Singapore Dollars. Market risk is measured based on potential worst case losses or VaR. Losses are expected to exceed the VaR measure not more than once in 100 trading days. Overall market risk is determined by aggregating VaR measures for each of the foreign exchange, interest rates, equity and commodity risks, taking into account the portfolio effects of combining these risks. Correlations between risk types is assumed to be zero. This methodology covers all financial products traded by the Group, e.g. foreign exchange products, debt securities, equities, commodities and derivatives.

The following table provides a summary of OCBC's market risk profile in 2001 and 2002 .

Value-at-Risk Measure
(S$'000)

	2001			**2002**		
	Max	Ave	Min	**Max**	**Ave**	**Min**
Foreign Exchange	9,577	2,562	108	**5,212**	**446**	**1,774**
Interest Rates	15,802	3,114	55	**12,410**	**7,089**	**2,458**
Equity	3,565	1,087	0	**5,172**	**1,689**	**1,029**
Portfolio Effect	(7,508)	(2,416)	0	**(6,074)**	**(2,852)**	**(1,733)**
Aggregate	16,377	4,347	163	**13,268**	**7,700**	**4,144**

Figure 1: Distribution of VaR for each trading day of the year

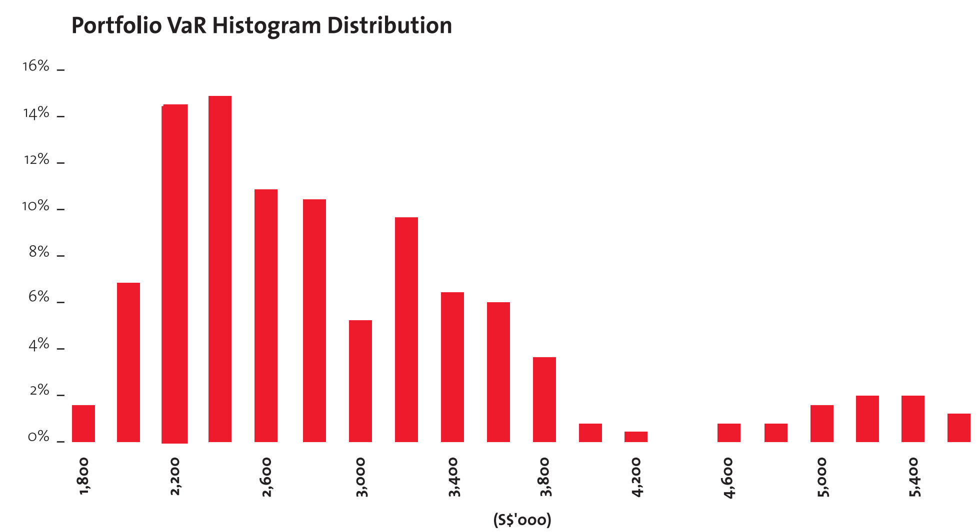
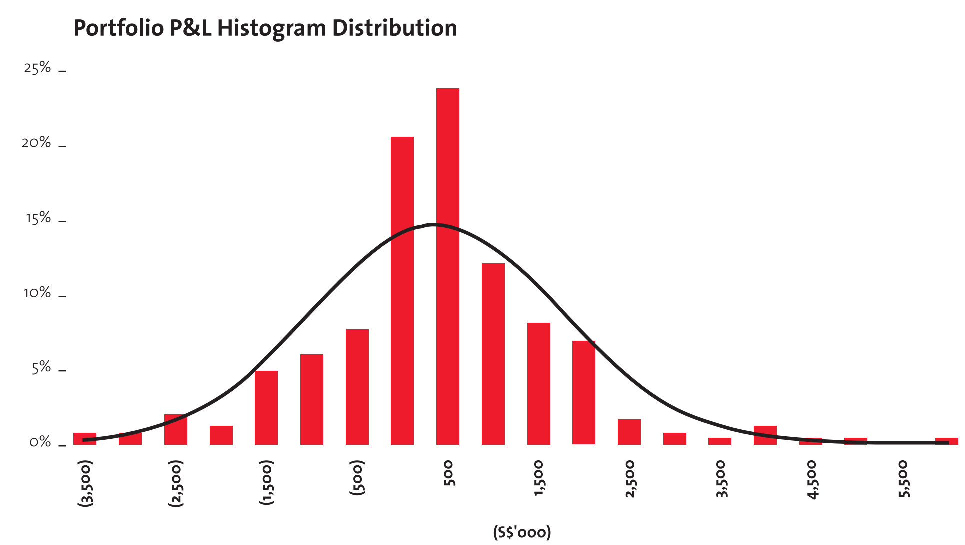


Figure 2: Distribution of Trading Income (Group Treasury) for each trading day of the year



Present Value of a Basis Point (PV01)
PV01 is an additional measure of interest rate risk that is computed on a daily basis. It measures the change in value of interest rate sensitive exposures resulting from a 0.01% increase in interest rates. This is a sensitivity measure that identifies the parts of the yield curve where exposures are most vulnerable to interest rate changes, and assists the implementation of hedging strategies.

Stress Testing and Scenario Analyses
Stress tests and scenario analyses have been implemented to help quantify financial risk arising from low probability, abnormal market movements. Stress tests help measure the effects on values arising from a range of extreme movements in market prices, based on historical experience and assuming that no actions are taken during the stress event to mitigate risk. Scenario analysis simulates the impact on the portfolio under extreme market crisis events. Scenarios are developed based on actual historical market data during periods of market crisis. Stress tests and scenario analyses are performed on a daily basis.

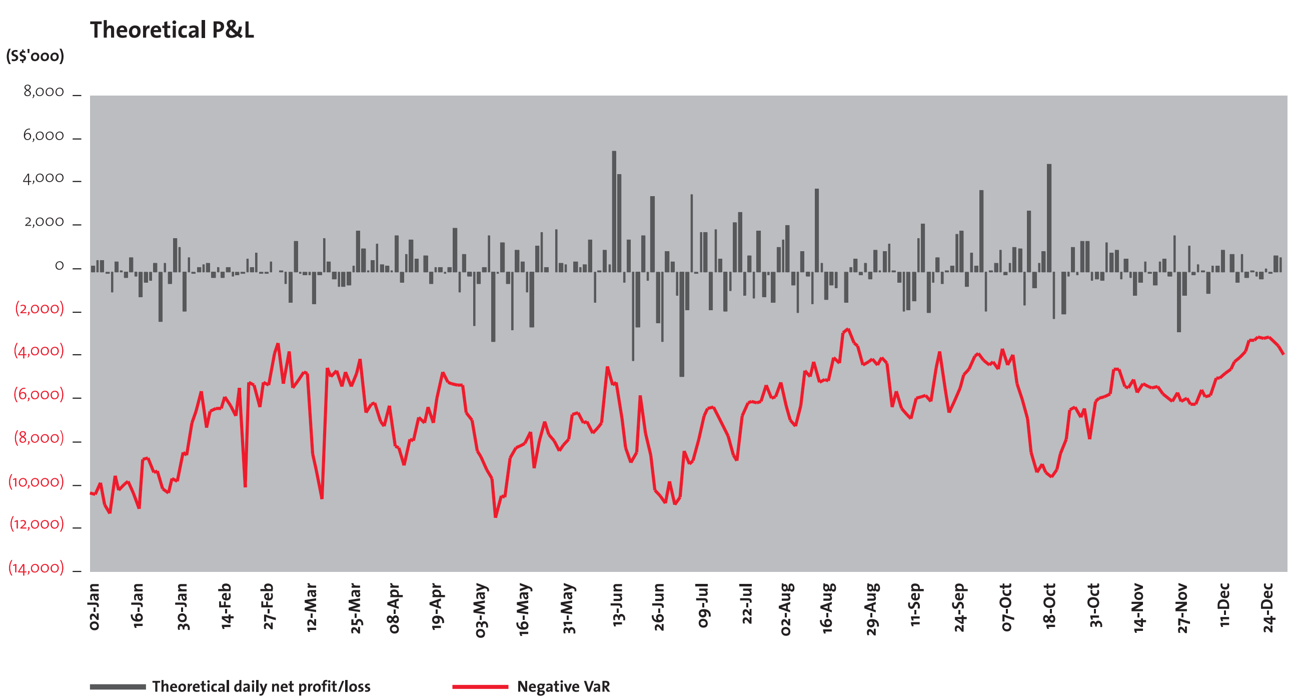
Back-Testing Framework
To ensure that the assumptions used in OCBC's VaR methodology are valid, a "back-testing" framework has been operational since the end of the second quarter of 2000. Back-testing compares the daily risk measures with the actual daily marked-to-market revenues of the related activity. Since its implementation, the back-testing results have continued to indicate that the methodology and assumptions used remain valid. Trading losses were well within the maximum predicted by the VaR model.

To ensure that back-testing results are not tainted by intra-day trading activities, VaR measures are also back-tested against "theoretical" profits and losses. Theoretical profits and losses are computed assuming that end-of-day market risk exposures do not change for a period of a day. These results were also found to be within the maximum losses predicted by the VaR model.

Interest Rate Risk
The main market risk faced by the OCBC Group is the interest rate risks arising from the re-pricing mismatches of assets and liabilities arising from its banking business.

The Group's loan portfolio comprises of floating and fixed rate loans. These are funded largely with demand, savings and fixed deposits. The funding mix varies for the Bank and its overseas subsidiaries. Corporate loans in Singapore dollars are generally priced at a fixed spread above the Swap Offer Rate, depending on the nature and size of the loan and the credit standing of the borrowers. Loans to small and medium sized enterprises (SMEs) and housing loans and other consumer loans are generally priced at a fixed spread above the Bank's Prime Lending Rate, depending on the maturity and nature of the loan, the

Figure 3: Back-Testing of VaR measures against theoretical trading profits and losses (excludes OCBC Securities and OCBC Asset Management)



credit standing of the borrowers, and other factors. Interest rates on deposits are set to reflect market and competitive conditions.

Deposit rates and the Prime Lending Rate are frequently reviewed and occasionally adjusted based on market and competitive factors. The primary sources of interest rate risk are short term repricing risk and basis risk. In addition, some of the Group's retail banking products have embedded options. These include prepayment rights on fixed rate loans, early withdrawal rights on deposits, and options on equities and equity indices.

OCBC Group has in place an Asset/Liability Management System, which allows the consolidation of asset/liability maturity and re-pricing mismatches on a bank-wide basis as well as in-depth analyses of current and projected balance sheet positions. Asset liability mismatches are actively managed with the aid of daily Repricing Gap and Sensitivity Reports. The Repricing Gap Reports allow analysis of the repricing profile for the Group's assets and liabilities. The Sensitivity Reports identify the parts of the yield curve where the Group is most vulnerable to changes in interest rates. In addition to aggregate sensitivity limits, there are also sensitivity limits for each maturity time band. The ALCO monitors interest rate risk exposures through tenor limits, net interest income changes as well as PV01 reports. Limits are reviewed annually.

Foreign Exchange Risk
The Group's foreign exchange positions, including those arising from foreign currency investments is actively monitored and managed. The general policy is for business units (other than Group Treasury) to fund foreign currency assets in the same foreign currency. Interest rate and currency derivative transactions are entered into for proprietary trading by Group Treasury and for the purpose of hedging interest rate and foreign exchange mismatches. The Group also enters into derivative transactions with its corporate customers including foreign exchange forward transactions and foreign exchange and interest rate swaps.

Liquidity Risk
The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and regulatory financial obligations at all times. Liquidity obligations arise from withdrawals of deposits, repayments of borrowed funds at maturity, extensions of credit and working capital needs. Liquidity risk is managed across all classes of assets and liabilities with the goal that, even under adverse conditions, the Group should have access to the necessary funds at reasonable cost to meet all its financial obligations. The focus is on a number of areas, including accessing available sources of liquidity, preserving necessary funding capacity and continuous contingency planning.

Liquidity risk is managed with the help of static ratios and scenario analyses. Static ratios monitor and control over-dependency on particular sources of funds and over-exposure to particular lenders or group of lenders. Apart from its normal liquidity cash flow projections, the system is continually stress-tested to ensure that the Group has the ability to withstand sudden and heavy cash outflows.

By virtue of its business base, the Group's funding is largely in Singapore dollars. Nevertheless, the Group has developed a broad funding base with different types of instruments, different markets and maturities of deposits. In addition, a minimum level of liquid assets is maintained which may be used in the event of a liquidity crisis. These assets comprise Singapore Treasury bills and bonds, as well as marketable shares and debt securities.

OCBC Bank maintains money market lines with a large number of domestic and foreign banks and has historically been a net provider of funds in domestic money markets.

Pursuant to MAS regulations, banks are currently required to meet an 18% statutory Minimum Liquid Assets (MLA) requirement, comprising Singapore Government Securities, Singapore Government Securities held under overnight repurchase agreements with, among others, banks in Singapore, and commercial bills of exchange in Singapore dollars, accepted or endorsed by banks in Singapore. In addition, banks are required to maintain minimum cash balances with the MAS equal to at least 3% of Singapore Dollar-denominated liabilities.

Monthly stress tests are conducted to assess and measure liquidity risk in the event of a bank run. These tests are performed on Singapore and U.S. Dollars cash flows. Bank specific as well as general market crises scenarios are simulated by deliberately stressing the normal operating cash flow profile through increasing the cash outflows and reducing the cash inflows.

Some of the assumptions applied in the stress tests are:

- early withdrawals of non-bank deposits (savings, current, easi-save, fixed deposits)
- further drawdown of overdraft and credit cards
- defer repayment of matured interbank placements
- delay payment of new interbank borrowings

In July 2001, the MAS announced that it will be moving away from the 'one-size-fits-all' to a risk based liquidity supervision framework. This is to enable banks with strong liquidity management to maintain MLA between 12% and 18%. This bank-specific MLA requirement would be determined by the MAS and would be based on two main factors:

- the quality and rigour of the bank's liquidity risk management systems and processes, and
- the volatility of the bank's daily projected SGD cash flows.

OCBC has opted to be qualified for the new Liquidity Supervision Framework.

Information on the Group's financial assets and liabilities in relation to exposures to interest, foreign exchange and liquidity risks can be found in Note 39 of the Financial Statements and the Management Discussion and Analysis chapter.

OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss caused by a breakdown in internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The goal of operational risk management is to minimise unexpected and catastrophic losses and manage expected losses. This enables new business opportunities to be pursued in a risk controlled manner and increases risk adjusted profitability through calculated risk and reward decision making. Operational risk management comes under the oversight of the *Operational Risk Management and Information Security Committee* ("ORISC"), which includes senior representatives from risk management, business units and relevant support functions.

The ORISC and the business units are supported by the Operational Risk Management ("ORM") Department of Group Risk Management Division. The ORM Department is tasked with establishing the operational risk framework, including policies and methodologies and provides independent oversight of operational risk monitoring and control. Within the business units, Operational Risk Co-ordinators have been appointed. There are also regular reviews of the business units by internal and external audit to determine their management of operational risks so as to ensure that key business processes are appropriately controlled and functioning effectively.

The ORM Department 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, with the provision of operational risk scorecards which will ultimately position OCBC Group to qualify for the advanced measurement approaches recommended by the Basel committee.
The historical loss database is being enhanced with the implementation of a loss event and incident system that is aligned to both emerging regulatory and industry standards. A risk and control assessment program is currently being developed to reinforce our risk assessment capabilities. In addition, comprehensive operational risk awareness training programs are conducted on an on-going basis to cultivate a pro-active risk management culture within the Group.

Financial Report

Contents

OVERVIEW

	2002 S$m	2001 S$m	+ / (-) %
Selected profit and loss data:			
Net interest income	**1,509**	1,392	8.4
Fees and commissions	**374**	292	27.9
Dividends	**34**	36	(7.0)
Rental income	**77**	81	(5.2)
Other income	**228**	412	(44.7)
Total income	**2,222**	2,214	0.4
Less: Operating expenses	**849**	867	(2.0)
Operating profit	**1,372**	1,347	1.9
Less: Goodwill amortisation (1)	**127**	51	146.7
Less: Total provisions	**501**	518	(3.3)
Add: Share of associated companies' results	**161**	198	(19.0)
Profit before tax	**906**	977	(7.3)
Less: Tax (1)	**237**	195	21.3
Less: Minority interests	**2**	3	(34.8)
Net profit attributable to stockholders	**667**	778	(14.3)
Cash basis net profit attributable to stockholders (2)	**794**	829	(4.3)
Selected balance sheet data:			
Total assets	**84,051**	85,417	(1.6)
Loans to customers (net of provisions)	**47,269**	49,609	(4.7)
Deposits of non-bank customers	**53,948**	54,675	(1.3)
Total shareholders' equity	**9,224**	8,832	4.4
Key Indicators:			
Return on equity (%)	**7.4**	9.3	
Return on equity (%) – Cash basis (2)	**8.8**	9.9	
Return on assets (%)	**0.80**	1.11	
Return on assets (%) – Cash basis (2)	**0.95**	1.19	
Basic Earnings per share (S$)	**0.52**	0.60	(14.5)
Cash Earnings per share (S$) (2)	**0.62**	0.65	(4.6)
Gross dividends per share (S$)			
– Interim dividend	**0.05**	0.05	–
– Proposed final dividend	**0.15**	0.13	15.4
Total	**0.20**	0.18	11.1
Net asset value per share (S$)			
– Before valuation surplus	**7.15**	6.86	4.1
– After valuation surplus	**9.69**	9.65	0.3

(1) *With effect from 1 January 2002, the Group adopted the revised Singapore Statement of Accounting Standard (SAS) 12 on Income Taxes which became effective for financial periods beginning on or after 1 April 2001. The effect of adopting SAS 12 was an increase to the Group's net profit by S$24.9 million in 2002, representing lower tax expense by S$31.1 million and additional goodwill amortisation of S$6.2 million. Correspondingly, 2001 figures were restated to reflect a reduction of S$7.0 million in net profit due to higher tax expense and goodwill amortisation*

(2) *Excluding goodwill amortisation charge*

Note: Some of the figures may not add up to the relevant totals due to rounding

Group operating profit before provisions and goodwill amortisation rose 1.9% to S$1,372 million for the year ended 31 December 2002. However, excluding a large one-off gain of S$260 million from the disposal of Overseas Union Bank (OUB) shares recorded in 2001, the underlying operating profit growth in 2002 was a robust 26.2%. The improved performance was driven by revenue growth and realisation of cost savings in the first full year of the enlarged OCBC Group following the successful integration of Keppel Capital Holdings ("KCH"). The 2001 results included only four and a half months' contribution from KCH, which was acquired in August 2001.

The Group's net profit after tax declined by 14.3% in 2002 to S$667 million, mainly due to higher goodwill amortisation, the S$260 million gain from the sale of OUB shares in 2001, and a one-off gain of S$65 million from associate PacificMas Berhad in 2001.

Earnings per share declined by 14.5% to S$0.52 and return on equity was 7.4% compared to 9.3% in 2001. A final dividend of 15 cents per share has been proposed, bringing the total dividend for 2002 to 20 cents, compared to a total dividend payment of 18 cents for 2001.

Revenue Growth Driven by Enlarged Operations and Robust Fee Income

Excluding the one-off gain in 2001, the Group achieved a 13.7% increase in total income to S$2,222 million, underpinned by moderate growth in net interest income and robust fee-based revenue. Net interest income rose by 8.4% to S$1,509 million in 2002 on the back of a higher interest earning asset base following the acquisition of KCH.

Net interest margin declined by 0.15% to 1.94% in 2002 largely due to lower returns on interbank placements arising from the low interest rate environment, as well as competitive pressure on the margins for Singapore and Malaysia loans.

Fee and commission income rose by 27.9% to S$374 million, as the Group benefited from increased cross-selling to a broader consumer customer base. Most categories of fee and commission income recorded double-digit growth, with the strongest boost coming from loan-related fees, unit trust distribution, bancassurance, trade financing, stockbroking and service charges. Fees and commissions as a proportion of total income (excluding the gain from OUB shares) rose from 15.0% in 2001 to 16.8% in 2002.

Improved Cost Efficiency

The Group achieved integration-related cost savings of approximately S$74 million in 2002, surpassing the original expected savings of S$55 million. Synergies were realised mainly from the rationalisation and optimisation of human resources, premises and equipment. Over and above the integration cost synergies, there were additional cost savings arising from tighter cost control and workflow rationalisation. As a result, total operating expenses decreased by 2% to S$849 million, despite the enlarged operations in 2002 compared to 2001 which included only four and a half months of KCH's expenses. The Group's cost-to-income ratio improved to 38.2% from 44.3% in 2001 (excluding the gain from the sale of OUB shares).

Provisions Reflect Weak Economies and Asset Markets

Total provision charge fell 3.3% to S$501 million, comprising specific provisions of S$365 million for loans, specific provisions of S$80 million for investment securities (including debt securities) and S$84 million for the Group's properties, and a net general provision writeback of S$28 million.

The specific loan provisions were mainly for loans to businesses in Singapore and Malaysia, reflecting the weak economic conditions as well as the continued decline in property markets which affected loan collateral values. Consumer loans accounted for less than 10% of the specific loan provisions made in 2002.

Provisions were made for investment securities to reflect the fall in value of private equity and venture funds, debt and other securities. The provisions for properties held by the Group were mainly for those properties which were consolidated at fair market value at the time of the KCH acquisition in August 2001 and which had since fallen in value.

The Group's overall provision coverage remained high at 62.3% of total non-performing loans (NPLs) as at 31 December 2002. Cumulative specific provisions covered 100% of unsecured NPLs, while cumulative general provisions were 2.5% of total non-bank loans (net of specific provisions).

Weak Loan Demand, Stable Asset Quality

The sluggish demand for credit and the Group's selective and cautious lending approach resulted in a 5.8% decline in gross customer loans compared to December 2001. Housing loans grew by 10.2% to S$12.31 billion, and accounted for 25% of the Group's total loans as at 31 December 2002.

The Group's NPLs fell by S$827 million or 16% to S$4,356 million as at 31 December 2002, as a result of NPL recoveries, repayments and upgrades, as well as write-offs of NPLs which had been fully provided for and were regarded as uncollectable. The NPL ratio improved from 9.7% to 8.1%.

NET INTEREST INCOME

Net interest income increased by 8.4% to S$1,509 million in 2002 mainly as a result of the higher interest earning asset base subsequent to the acquisition of KCH. Net interest margin however declined by 0.15% to 1.94% largely due to lower returns on interbank placements arising from the low interest rate environment, as well as competitive pressure on margins for Singapore and Malaysia loans.

Average Balance Sheet [1]

	2002			2001 [4]		
	Average Balance S$m	Interest S$m	Average Rate %	Average Balance S$m	Interest S$m	Average Rate %
Assets						
Loans and advances to non-bank customers	**50,851**	**2,055**	**4.04**	42,030	2,138	5.09
Placements with and loans to banks	**14,943**	**312**	**2.09**	16,025	569	3.55
Other interest earning assets [2]	**12,062**	**379**	**3.14**	8,686	333	3.83
Total interest earning assets	**77,856**	**2,746**	**3.53**	66,741	3,040	4.56
Non-interest earning assets	**8,722**			5,774		
Total assets	**86,578**			72,515		
Liabilities						
Deposits of non-bank customers and floating rate negotiable certificates of deposits	**56,378**	**896**	**1.59**	45,571	1,183	2.60
Deposits and balances of banks	**11,695**	**226**	**1.94**	11,938	378	3.17
Other borrowings [3]	**4,042**	**115**	**2.85**	2,069	87	4.19
Total interest bearing liabilities	**72,116**	**1,237**	**1.72**	59,578	1,648	2.77
Non-interest bearing liabilities	**5,453**			4,329		
Total liabilities	**77,569**			63,907		
Net interest income/margin		**1,509**	**1.94**		1,392	2.09

(1) *Average balances are based on monthly averages*
(2) *Comprise debt securities, government securities and treasury bills*
(3) *Comprise debt securities issued, including the S$3.88 billion Upper Tier 2 subordinated debt issued in July 2001, and bills payable*
(4) *2001 figures have been restated to reflect the matching of swap interest expense against the interest income of the underlying hedged assets. The effect of this reclassification is a reduction in the average gross yield on interest earning assets from 5.36% to 4.56% and the average cost of interest bearing liabilities from 3.67% to 2.77%*

The table below analyses changes in net interest income due to changes in volume and changes in rate for 2002 compared with 2001, and 2001 compared with 2000.

Volume and Rate Analysis

	2002 over 2001			2001 over 2000		
	Incr/(Decr) due to change in Volume S$m	Rate S$m	Net Change S$m	Incr/(Decr) due to change in Volume S$m	Rate S$m	Net Change S$m
Interest Income						
Loans and advances to non-bank customers	**356**	**(440)**	**(83)**	493	(240)	253
Placements with and loans to banks	**(23)**	**(234)**	**(257)**	(18)	(104)	(122)
Other interest earning assets	**106**	**(60)**	**46**	134	(0)	134
Total	**440**	**(734)**	**(294)**	610	(344)	265
Interest Expense						
Deposits of non-bank customers and floating rate negotiable certificates of deposits	**172**	**(459)**	**(288)**	190	(191)	(1)
Deposits and balances of banks	**(5)**	**(147)**	**(152)**	136	(85)	51
Other borrowings	**56**	**(28)**	**28**	76	7	84
Total	**223**	**(635)**	**(411)**	403	(269)	134
Net Interest Income	**217**	**(100)**	**117**	207	(75)	131

NON-INTEREST INCOME

	2002 S$m	2001 S$m	+ / (-) %
Fee and commission income			
Brokerage	**61**	52	17.9
Investment banking	**13**	16	(17.9)
Trade-related	**32**	23	36.4
Loan-related	**68**	44	55.5
Service charges	**50**	34	46.4
Guarantees	**18**	14	33.9
Credit cards	**27**	22	22.7
Fund management	**17**	15	13.6
Unit trust distribution	**44**	32	37.9
Bancassurance	**35**	30	15.5
Others	**8**	10	(17.7)
Total	**374**	292	27.9
Dividends	**34**	36	(7.0)
Rental income	**77**	81	(5.2)
Other income			
Dealing in foreign exchange	**48**	33	43.4
Dealing in securities and derivatives	**61**	68	(10.8)
Disposal of investment securities	**47**	256	(81.6)
Disposal of associated companies	**10**	0	n.m.
Sale of properties	**0**	8	(98.0)
Others	**62**	47	32.5
Total	**228**	412	(44.7)
Total non-interest income	**712**	822	(13.3)
Fees and Commissions/Total Income	**16.8%**	13.2%	
Non-Interest Income/Total Income	**32.1%**	37.1%	

Total non-interest income of S$712m was 13.3% lower compared to 2001 which included an exceptional gain of S$260m from the disposal of OUB shares. Excluding this gain, non-interest income increased by 26.7% as the Group benefited from cross-selling to a broader consumer customer base particularly in fee-based activities. Fee and commission income grew 27.9% to S$374 million, with most categories showing double-digit growth. The biggest boost came from loan-related fees, unit trust distribution, bancassurance, trade financing, stockbroking and service charges. Fees and commissions as a proportion of total income rose from 15.0% in 2001 (excluding the gain from sale of OUB shares) to 16.8% in 2002.

OPERATING EXPENSES

	2002 S$m	2001 S$m	+ / (-) %
Staff costs			
Salaries and other costs	**412**	416	(0.9)
Provident fund contribution	**42**	49	(13.9)
Directors' emoluments[(1)]	**10**	11	(4.8)
Total staff costs	**465**	476	(2.3)
Premises and equipment			
Depreciation of fixed assets	73	71	2.6
Amortisation of computer software costs	11	10	8.3
Maintenance and hire of fixed assets	24	24	0.6
Rental of premises	22	28	(22.0)
Others	62	61	2.2
Total premises and equipment costs	192	194	(1.0)
Other operating expenses	**178**	164	8.6
	835	834	0.1
Restructuring and other integration costs	**14**	32	(56.4)
Total operating expenses	**849**	867	(2.0)
Group staff strength – year end	**7,477**	8,567	(12.7)
Group staff strength – average	**7,777**	7,519	3.4
Cost-to-income ratio	**38.2%**	39.1 [(2)]	

[(1)] *These include remuneration and fees paid to directors of the Bank and its subsidiaries*
[(2)] *Excluding the S$260million gain from sale of OUB Shares, cost-to-income ratio would be 44.3%*

Operating expenses decreased by 2% to S$849 million in 2002, despite the enlarged asset base in 2002 and the inclusion of only four and a half months of KCH's expenses in the 2001 base. Considerable focus to control costs and rationalise workflow has resulted in the drop in expenses. Staff costs, the largest expense component, fell by 2.3% to S$465 million despite a 3.4% increase in average headcount, due to lower staff bonuses and disciplined management of staff-related costs. Premises and equipment expenses were largely flat, while other operating expenses increased by 8.6% to S$178 million mainly as a result of business-driven spending aimed at enhancing customer service. Restructuring and integration costs incurred in connection with the acquisition and integration of KCH fell by 56.4% to S$14 million as the bulk of integration expenses had been incurred in 2001.

The Group achieved integration-related cost savings of approximately S$74 million in 2002, surpassing the original target of S$55 million.

Cost-efficiency as measured by cost-to-income ratio improved from 44.3% (excluding the gain from sale of OUB shares) to 38.2%.

PROVISION CHARGE

	2002 S$m	2001 S$m	+ / (-) %
Specific provision for loan losses			
– Singapore	**221**	227	(2.7)
– Malaysia	**111**	99	11.3
– Other regional countries	**6**	38	(82.9)
– Others	**26**	84	(68.5)
Sub-Total	**365**	448	(18.6)
General provision for loan losses			
– Five regional countries	**(23)**	(51)	n.m
– Singapore & others	**(5)**	53	n.m
Sub-Total	**(28)**	2	n.m
Specific provision for diminution in value of investment securities and other assets	**164**	68	142.0
Total provision charge	**501**	518	(3.3)

Total provision charge decreased by 3.3% or S$17 million to S$501 million in 2002. Specific provisions for loans were lower compared to 2001 but this was partly offset by higher specific provisions for diminution in value of investment securities and other assets.

Total specific loan provisions in 2002 was S$365 million, as the Group continues to set aside sufficient reserves to cover anticipated loan losses. The bulk of the provisions were for loans to businesses in Singapore and Malaysia, reflecting the impact of weak economic conditions as well as the continued decline in property markets, especially industrial and commercial property, which had affected collateral values. Consumer loans were relatively less affected by the economic weakness and they accounted for less than 10% of the specific loan provisions made in 2002.

Specific provisions for diminution in value of investment securities and other assets increased by 142% to S$164 million. Provisions of S$80 million were made for investment securities, comprising S$39 million for private equity and venture funds, and S$41 million for debt and other securities. Provisions for the Group's properties amounted to another S$84 million. These were mainly for properties which were consolidated at fair market value at the time of the KCH acquisition in August 2001 and which had since fallen in value.

A net write-back of S$28 million in general provisions was made during the year compared to a provision of S$2 million in 2001.

LOANS AND ADVANCES

	31 Dec 2002 S$m	31 Dec 2001 S$m	+ / (-) %
Loans to customers	**49,485**	52,543	(5.8)
Bills receivable	**297**	306	(2.8)
Gross loans to customers	**49,782**	52,849	(5.8)
Less Provisions:			
Specific provisions	**1,306**	1,993	(34.5)
General provisions	**1,206**	1,246	(3.2)
Net loans to customers	**47,269**	49,609	(4.7)

Gross customers loans decreased by 5.8% year-on-year to S$49.8 billion as at 31 December 2002 with contraction in lending seen across most sectors. The decline generally reflects the weak demand for loans as well as the Group's selective and cautious approach in lending. Loans to professionals and individuals were however largely maintained while housing loans saw healthy growth of S$1.14 billion or 10.2%.

	31 Dec 2002		31 Dec 2001	
	S$m	%	S$m	%
By Industry				
Agriculture, mining & quarrying	**437**	**1**	503	1
Transport, storage and communication	**1,753**	**4**	2,786	5
Building and construction	**7,453**	**15**	9,099	17
Manufacturing	**3,455**	**7**	3,697	7
Financial institutions, investment and holding companies	**9,047**	**18**	9,798	18
General commerce	**3,208**	**6**	3,576	7
Professionals and individuals	**7,510**	**15**	7,544	14
Housing loans	**12,313**	**25**	11,174	21
Others	**4,605**	**9**	4,672	10
	49,782	**100**	52,849	100

NON-PERFORMING LOANS

By grading, security coverage and countries

	Total NPLs (1) S$m	Sub-standard NPLs S$m	Doubtful NPLs S$m	Loss NPLs S$m	Secured NPLs as % of total NPLs %	Non-bank NPLs as % of non-bank loans (2) %
Malaysia						
31 Dec 2002	**1,199**	**831**	**183**	**186**	**70.7**	**14.2**
30 Jun 2002	1,137	851	181	105	75.8	15.7
31 Dec 2001	1,176	856	168	152	70.2	16.1
Other Four Regional Countries						
31 Dec 2002	**208**	**23**	**156**	**28**	**28.4**	**34.1**
30 Jun 2002	229	25	175	29	28.2	36.2
31 Dec 2001	259	98	125	36	17.4	39.1
Total Regional Countries						
31 Dec 2002	**1,407**	**854**	**339**	**214**	**64.5**	**15.8**
30 Jun 2002	1,366	875	356	134	67.8	17.4
31 Dec 2001	1,435	954	293	188	60.6	18.0
Singapore						
31 Dec 2002	**2,646**	**1,952**	**502**	**192**	**69.9**	**7.3**
30 Jun 2002	3,306	2,020	497	789	58.1	8.9
31 Dec 2001	3,440	2,349	619	472	60.9	8.6
Others						
31 Dec 2002	**304**	**148**	**96**	**61**	**32.9**	**3.5**
30 Jun 2002	307	127	118	62	24.3	4.1
31 Dec 2001	308	151	149	8	25.0	5.4
Group Total						
31 Dec 2002	**4,356**	**2,953**	**936**	**467**	**65.6**	**8.1**
30 Jun 2002	4,979	3,023	971	985	58.7	9.6
31 Dec 2001	5,183	3,454	1,061	668	58.7	9.7

(1) *Comprise non-bank loans, debt securities and contingent facilities*
(2) *Excluding debt securities*

The Group's NPLs were reduced by S$827 million or 16% to S$4,356 million as at 31 December 2002. During the year, the amount of recoveries, repayments and upgrades of NPLs more than offset the amount of new NPLs. In addition, as part of its policy to manage NPLs more proactively, the Group wrote off approximately S$1 billion of loss loans which had been fully provided for and were regarded as uncollectable. Most of the write-offs were for NPLs relating to Business Banking customers in Singapore.

Singapore NPLs of S$2,646 million accounted for 61% of the Group's total NPLs while Malaysia NPLs of S$1,199 million made up 28%. Of the total NPLs, 68% were in the substandard category (31 December 2001: 67%) while 65.6% were secured by collateral (31 December 2001: 58.7%).

The Group's NPL ratio (non-bank NPLs over non-bank loans) fell from 9.7% as at 31 December 2001 to 8.1% as at 31 December 2002. The Singapore NPL ratio decreased from 8.6% to 7.3% while the Malaysia NPL ratio fell from 16.1% to 14.2%.

NON-PERFORMING LOANS (continued)

	31 Dec 2002		31 Dec 2001	
	Amount S$m	As % of Gross Customer Loans	Amount S$m	As % of Gross Customer Loans
By industry				
Agriculture, mining & quarrying	**39**	**8.9**	38	7.6
Transport, storage and communication	**72**	**4.1**	139	5.0
Building and construction	**756**	**10.1**	996	10.9
Manufacturing	**680**	**19.7**	679	18.4
Financial institutions, investment and holding companies	**768**	**8.5**	1,139	11.6
General commerce	**539**	**16.8**	666	18.6
Professionals and individuals	**582**	**7.7**	618	8.2
Housing loans	**227**	**1.8**	336	3.0
Others	**379**	**8.2**	508	10.9
Sub-total	**4,042**	**8.1**	5,119	9.7
Debt securities	**314**		64	
Total	**4,356**	**8.8**	5,183	9.8

	31 Dec 2002		31 Dec 2001	
	Amount S$m	As % of Total NPLs	Amount S$m	As % of Total NPLs
By period overdue				
Over 180 days	**2,339**	**54**	3,168	61
Over 90 days to 180 days	**567**	**13**	582	11
30 days to 90 days	**267**	**6**	331	6
Less than 30 days	**208**	**5**	229	4
No overdue	**975**	**22**	873	17
	4,356	**100**	5,183	100

CUMULATIVE PROVISIONS

	Total cumulative provisions[1] S$m	Specific provisions S$m	General provisions S$m	Specific provisions as % of total NPLs %	Cumulative provisions as % of total NPLs %	Cumulative provisions as % of unsecured NPLs %
Malaysia						
31 Dec 2002	**743**	**377**	**366**	**31.5**	**62.0**	**211.9**
30 Jun 2002	669	303	367	26.6	58.8	242.8
31 Dec 2001	721	346	375	29.5	61.3	205.6
Other Four Regional Countries						
31 Dec 2002	**415**	**171**	**244**	**82.6**	**200.1**	**279.4**
30 Jun 2002	434	190	244	82.9	189.7	264.3
31 Dec 2001	463	192	271	74.1	178.9	216.5
Total Regional Countries						
31 Dec 2002	**1,159**	**549**	**610**	**39.0**	**82.4**	**232.0**
30 Jun 2002	1,103	492	611	36.0	80.7	250.9
31 Dec 2001	1,184	538	646	37.5	82.5	209.7
Singapore						
31 Dec 2002	**1,301**	**800**	**502**	**30.2**	**49.2**	**163.6**
30 Jun 2002	1,949	1,442	508	43.6	59.0	140.8
31 Dec 2001	1,889	1,378	511	40.1	54.9	140.4
Others						
31 Dec 2002	**253**	**158**	**95**	**52.0**	**83.2**	**124.0**
30 Jun 2002	315	224	91	72.9	102.6	135.6
31 Dec 2001	282	193	89	62.6	91.3	121.6
Group Total						
31 Dec 2002	**2,713**	**1,506**	**1,206**	**34.6**	**62.3**	**181.0**
30 Jun 2002	3,368	2,158	1,210	43.3	67.6	163.8
31 Dec 2001	3,355	2,109	1,246	40.7	64.7	156.6

(1) *Include provisions for debt securities*

Total cumulative specific and general provisions decreased by S$642 million or 19.1% in 2002 to S$2.71 billion as at 31 December 2002 mainly due to write-off of loans. These represent 62.3% of NPLs (31 December 2001: 64.7%). Cumulative specific provisions covered 100.5% of unsecured NPLs (31 December 2001: 98.5%). Cumulative general provisions were 2.5% (31 December 2001: 2.4%) of total non-bank loans (net of specific provisions).

EXPOSURE TO THE FIVE REGIONAL COUNTRIES, HONG KONG AND CHINA

	Loans and debt securities					Less:	Net Exposure	
	Bank	Central Bank and Government	Non-bank	Investments	Total Gross Exposure	Loans to and investments in subsidiaries/ branches	Total	% of Group assets
	S$m	S$m	S$m	S$m	S$m	S$m	S$m	%
Malaysia								
31 Dec 2002	**1,259**	**2,823**	**7,078**	**590**	**11,750**	**1,229**	**10,522**	**12.5**
30 Jun 2002	1,260	2,698	6,941	624	11,523	1,230	10,293	12.3
31 Dec 2001	1,631	1,950	6,977	650	11,208	1,390	9,818	11.5
Indonesia								
31 Dec 2002	**181**	**105**	**356**	**50**	**692**	**49**	**643**	**0.8**
30 Jun 2002	194	132	374	40	740	53	687	0.8
31 Dec 2001	269	60	422	42	793	39	754	0.9
Thailand								
31 Dec 2002	**74**	**33**	**108**	**0**	**215**	**58**	**157**	**0.2**
30 Jun 2002	124	34	128	0	286	78	208	0.2
31 Dec 2001	133	30	141	1	305	85	220	0.3
Korea								
31 Dec 2002	**228**	**35**	**102**	**0**	**364**	**27**	**337**	**0.4**
30 Jun 2002	212	35	152	0	399	27	372	0.4
31 Dec 2001	301	0	52	0	353	22	331	0.4
Philippines								
31 Dec 2002	**25**	**17**	**28**	**5**	**74**	**5**	**69**	**0.1**
30 Jun 2002	33	1	44	5	83	0	83	0.1
31 Dec 2001	22	1	52	6	81	6	75	0.1
Total Regional Countries								
31 Dec 2002	**1,767**	**3,012**	**7,671**	**645**	**13,095**	**1,367**	**11,727**	**14.0**
30 Jun 2002	1,823	2,900	7,639	669	13,031	1,388	11,643	13.9
31 Dec 2001	2,356	2,041	7,644	699	12,740	1,542	11,198	13.1
Hong Kong								
31 Dec 2002	**528**	**29**	**1,312**	**23**	**1,892**	**9**	**1,883**	**2.2**
30 Jun 2002	214	29	1,430	34	1,707	9	1,698	2.0
31 Dec 2001	209	31	1,660	21	1,921	9	1,912	2.2
China								
31 Dec 2002	**476**	**16**	**1,002**	**9**	**1,503**	**345**	**1,158**	**1.4**
30 Jun 2002	497	2	1,003	11	1,513	390	1,123	1.3
31 Dec 2001	487	2	1,081	7	1,577	422	1,155	1.4
Total								
31 Dec 2002	**2,770**	**3,057**	**9,985**	**677**	**16,489**	**1,721**	**14,768**	**17.6**
30 Jun 2002	2,534	2,931	10,072	714	16,251	1,787	14,464	17.3
31 Dec 2001	3,052	2,074	10,385	727	16,238	1,973	14,265	16.7

The Group's net exposure to the five regional countries – Malaysia, Indonesia, Thailand, the Philippines and South Korea – increased by 4.7% to S$11.73 billion as at 31 December 2002, representing 14% of the Group's total assets. The increase came mainly from Malaysia, which accounted for 12.5% of Group assets. The Group's exposure to Hong Kong and China decreased by a marginal 1% to S$3.04 billion, accounting for 3.6% of Group assets.

DEPOSITS

	31 Dec 2002 S$m	31 Dec 2001 S$m	+ / (-) %
Deposits of non-bank customers	**53,948**	54,675	(1.3)
Deposits and balances of banks	**12,621**	14,051	(10.2)
	66,569	68,726	(3.1)
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	**87.6%**	90.7%	

Total deposits declined by S$2.16 billion or 3.1% to S$66.57 billion as at 31 December 2002. Both non-bank customer deposits and bank borrowings registered decline, decreasing by 1.3% and 10.2% respectively. Non-bank customer deposits accounted for 81.0% of total deposits.

The Group's loans-to-deposits ratio (net non-bank loans over non-bank deposits) fell from 90.7% to 87.6%, reflecting the sharper decline in loans relative to deposits during the year.

	31 Dec 2002		31 Dec 2001		+ / (-)
	S$m	%	S$m	%	%
Non-Bank Deposits By Product					
Fixed deposits	**36,176**	**67**	37,441	68	(3.4)
Savings deposits	**10,802**	**20**	10,837	20	(0.3)
Current account	**5,294**	**10**	5,057	9	4.7
Others	**1,676**	**3**	1,340	2	25.1
	53,948	**100**	54,675	100	(1.3)

DIVIDENDS

	2002		2001	
	cents/share	S$m	cents/share	S$m
Interim dividend	**5**	**50**	5	49
Proposed final dividend [1]	**15**	**151**	13	131
Total Dividend [1]	**20**	**201**	18	180
Payout ratio	**30.2%**		23.1%	

[1] *The final dividend for 2002 does not include the proposed one-off cash dividend of S$0.4975 per share announced on 19 march 2003*

The Board has recommended a final dividend of 15 cents per share, bringing the total dividends per share for 2002 to 20 cents. The total dividends of S$201 million net of tax represent a higher dividend payout ratio of 30.2% compared to 23.1% for 2001.

CAPITAL ADEQUACY RATIOS

	31 Dec 2002 S$m	31 Dec 2001 S$m
Tier 1 Capital		
Paid-up ordinary shares	1,290	1,287
Disclosed reserves/others	7,803	7,432 (1)
Less: Goodwill	2,199	2,325 (1)
	6,894	6,394
Tier 2 Capital		
Asset revaluation reserves (2)	1,121	1,374
Cumulative general provisions	597	600
Hybrid (debt / equity) capital instruments	3,879	3,875 (3)
Less: Capital deductions for private equity and venture capital investments	5	14
	5,592	5,835
Total Capital	12,486	12,229
Risk weighted assets including market risk	59,884	61,986
Tier 1 ratio	11.5%	10.3% (4)
Total capital adequacy ratio	20.9%	19.7% (4)

(1) *The figures as at 31 December 2001 have been restated following the adoption of SAS 12*
(2) *After discount of 55% based on BIS guidelines*
(3) *Subsequent to 30 June 2002, the S$3.88 billion subordinated term notes were re-classified as a hybrid debt capital instrument which under the BIS guidelines, qualifies fully as Tier 2 capital*
(4) *As a result of (1) and (3), the total capital adequacy ratio as at 31 December 2001 was restated from 18.8% to 19.7%*

The Group's total capital adequacy ratio (CAR), calculated in accordance with the Basel Committee on Banking Supervision guidelines, increased to 20.9% as at 31 December 2002. This is more than twice the minimum requirement of 8% stipulated by the Bank of International Settlements (BIS), reflecting the Group's strong capital position. Tier 1 capital ratio was 11.5% after deducting the goodwill associated with the acquisition of KCH.

Subsequent to the financial year-end, OCBC Bank issued S$500 million of Tier 1 non-cumulative non-convertible preference shares in January 2003. The increase in Tier 1 capital will further strengthen the Bank's capital base in preparation for future expansion and growth, and will also pave the way for a more efficient management of its capital structure.

VALUATION SURPLUS

	31 Dec 2002			31 Dec 2001		
	Net book value S$m	Market value S$m	Surplus S$m	Net book value S$m	Market value S$m	Surplus S$m
Properties	1,360	2,901	1,542	1,469	3,129	1,660
Equity securities	1,431	2,911	1,480	1,620	3,522	1,902
Debt securities*	12,050	12,301	252	11,844	11,872	28
Total investments	14,840	18,114	3,273	14,933	18,523	3,590

* *Include government treasury bills and securities*

The Group's unrealised valuation surplus amounted to S$3.27 billion as at 31 December 2002, a decline of S$317 million from 2001. This was due largely to lower market valuations for equity securities. Properties accounted for S$1.54 billion or 47.1% of the surplus while equity securities accounted for S$1.48 billion or 45.2%.

FINANCIAL DERIVATIVES

	31 December 2002					
	Trading			Non-Trading		
In S$'000	Contractual or principal notional amount	Positive Fair value	Negative Fair value	Contractual or principle notional amount	Positive Fair value	Negative Fair value
Foreign exchange derivatives						
Forwards	214,036	2,105	1,910	1,864,486	14,026	9,706
Swaps	60,449,074	725,817	590,418	668,313	12,011	35,682
OTC options – bought and sold	193,101	400	316	19,358	87	48
Sub-total	60,856,211	728,322	592,644	2,552,157	26,124	45,436
Interest rate derivatives						
Forwards	30,674,000	17,812	18,139	–	–	–
Swaps	70,651,982	402,210	396,665	12,321,788	179,389	335,443
OTC options – bought and sold	60,000	–	378	213,394	1,001	385
Exchange traded futures – bought and sold	446,073	14	228	–	–	–
Sub-total	101,832,055	420,036	415,410	12,535,182	180,390	335,828
Other derivatives						
Options written	15,704	165	–	–	–	–
Options purchased	–	–	–	130,868	250	198
Credit default swaps	17,352	–	158	69,408	984	92
Sub-total	33,056	165	158	200,276	1,234	290
Total	162,721,322	1,148,523	1,008,212	15,287,615	207,748	381,554
Fair value of trading derivatives included in other assets and other liabilities		1,148,523	1,008,212			

The above table analyses the contractual or underlying principal amounts of derivative financial instruments entered into with third parties for trading and non-trading purposes as at 31 December 2002. In addition, it also indicates the corresponding gross positive and negative fair values by instrument type. In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the positive and negative fair values are reflected in "Other assets" and "Other liabilities" respectively.

PERFORMANCE BY BUSINESS SEGMENT

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 international expansion.

For the purpose of reporting 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 Others. The 2001 comparatives have been adjusted to reflect the new classification.

Net Profit by Business Segment

	2002 S$m	2001 S$m	+/(-) %
Consumer Banking	**326**	120	171.7
Business Banking	**283**	210	34.8
Global Treasury	**198**	123	61.0
Others*	**(262)**	169	n.m.
	545	622	(12.4)
Share of Associates' Profits	**124**	159	(22.0)
Minority Interests	**(2)**	(3)	(34.8)
Group	**667**	778	(14.3)

* *Includes goodwill charge (2002: S$127 million, 2001: S$51 million) and provisions for diminution in value of investments and properties (2002: S$155 million, 2001: S$61 million). 2001 figure includes the one-off gain of S$260 million from the sale of OUB shares.*

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, stock brokerage, unit trusts, bancassurance products and credit cards. The segment's net profit rose by 171.7% from 2001 to S$326 million in 2002 as net interest income and fee income were boosted by the enlarged customer base.

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. Business Banking's net profit increased 34.8% to S$283 million in 2002, due to higher operating income and lower provisions.

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. It has responsibility over the Group's treasury businesses in Singapore, Malaysia, Hong Kong, London and Sydney. The division's net profit of S$198 million was 61% higher than 2001 due to the enlarged operations of the merged Group.

Others

The "Others" segment include asset management, property and investment holding, other investments and unallocated items including corporate overheads, one-time divestment gains, goodwill amortisation and provisions for diminution in value of investments and other assets.

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2002 S$m	2002 %	2001 S$m	2001 %
Income before operating expenses				
Singapore	**1,710**	**77**	1,675	76
Malaysia	**332**	**15**	305	14
Other ASEAN	**21**	**1**	18	1
Asia Pacific	**126**	**6**	187	8
Rest of the world	**33**	**1**	29	1
	2,222	**100**	2,214	100
Profit before tax				
Singapore	**692**	**76**	717	73
Malaysia	**103**	**11**	179	18
Other ASEAN	**2**	**0**	(55)	(5)
Asia Pacific	**86**	**10**	118	12
Rest of the world	**22**	**3**	18	2
	906	**100**	977	100

	31 Dec 2002 S$m	31 Dec 2002 %	31 Dec 2001 S$m	31 Dec 2001 %
Total assets				
Singapore	**66,553**	**79**	67,307	79
Malaysia	**10,016**	**12**	10,391	12
Other ASEAN	**353**	**0**	368	0
Asia Pacific	**4,511**	**5**	4,765	6
Rest of the world	**2,619**	**4**	2,586	3
	84,051	**100**	85,417	100

The analysis by geographical segment is based on the location where the assets or transactions are booked. 87% of the Group's profit before tax is derived from Singapore and Malaysia operations. The remaining contributions are mainly from Asia Pacific operations.

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.

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 ("KTB") 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 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 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 KTB as at 24 February 2002 of S$1,855,392,090 was recorded as goodwill on merger in the Bank.

KTB 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.

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.

Report of the Directors
for the financial year ended 31 December 2002

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;

ISSUE OF SHARES AND DEBENTURES (continued)

(a) The Bank (continued)

Issue of shares pursuant to OCBC Executives' Share Option Scheme (continued)

(v) 19,800 ordinary shares of S$1 each at a price of S$6.419 per share for the 1998 Options;
(vi) 659,429 ordinary shares of S$1 each at a price of S$6.419 per share for the 1998 Replacement Options;
(vii) 20,475 ordinary shares of S$1 each at a price of S$7.533 per share for the 1999 Options; and
(viii) 1,796,243 ordinary shares of S$1 each at a price of S$7.533 per share for the 1999 Replacement Options.

(b) Subsidiaries

During the financial year, changes to the issued shares of the subsidiaries are as follows:

(i) OCBC Finance Limited ("OFL"), a wholly-owned subsidiary of the Bank, increased its paid-up capital from S$125,984,842 to S$136,685,843 by issuing 10,701,001 ordinary shares of S$1 each at an issue price of approximately S$3.495 on 2 January 2002. The issue was pursuant to the Scheme of Arrangement and Amalgamation between the Bank's finance subsidiaries, OFL and KTF Limited.

(ii) KTF Limited ("KTF"), a wholly-owned subsidiary of the Bank, reduced its paid-up capital from S$83,897,165 to S$52,277,165 by cancelling 126,480,000 ordinary shares of S$0.25 each at a premium of S$5,780,000, held by the Bank. The capital reduction exercise was part of the Scheme of Arrangement and Amalgamation between OFL and KTF.

(iii) KBF Pte Ltd ("KBF"), a subsidiary of the Bank, reduced its paid-up capital from S$8,500,000 to S$1,000,000 by cancelling 7,500,000 ordinary shares of S$1 each held by Keppel Capital Holdings Ltd ("KCH") on 2 January 2002. The capital reduction exercise was part of the Scheme of Arrangement and Amalgamation between the Bank's futures subsidiaries, KBF and OCBC Bullion & Futures Limited.

(iv) 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.

(v) KS Pte Ltd ("KSPL"), a subsidiary of the Bank, reduced its paid-up capital from S$72,000,000 to S$3,000,000 by cancelling 69,000 ordinary shares of S$1,000 each held by Keppel Capital Holdings Ltd ("KCH") on 28 January 2002. The capital reduction exercise was part of the Scheme of Arrangement and Amalgamation between the Bank's stockbroking subsidiaries, KSPL and OCBC Securities Private Limited.

(vi) 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.

(vii) 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.

(viii) 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 million.

(ix) Keppel Capital Holdings Ltd ("KCH"), a subsidiary of the Bank, issued 8 ordinary shares of S$1 each fully paid at S$2.37 per share on 12 July 2002, arising from the exercise of 8 KCH warrants 02 by an ex-KCH warrant holder.

(x) OCBC Securities Philippines, Inc. ("OSPI"), a wholly-owned subsidiary of Provident Securities Pte Ltd, reduced its paid-up capital from Php120,000,000 to Php35,000,000 by cancelling 850,000 ordinary shares of Php100 each. The purpose of the capital reduction exercise is to return capital in excess of OSPI's needs.

(xi) OSPL Holdings Sendirian Berhad ("OHSB"), a wholly-owned subsidiary of OCBC Securities Private Limited, increased its paid-up capital from RM18,500,000 to RM64,750,000 on 24 May 2002, by way of a bonus issue of 46,250,000 ordinary shares of RM1 per share in the ratio of 2.5 shares for every 1 share held, for the purpose of a capital reduction exercise.

ISSUE OF SHARES AND DEBENTURES (continued)

(b) Subsidiaries (continued)

Subsequently on 7 November 2002, OHSB reduced its paid-up capital from RM64,750,000 comprising 64,750,000 ordinary shares of RM1 per share to RM3,237,500 comprising 64,750,000 ordinary shares of RM0.05 per share by reducing the nominal amount of the aforesaid issued shares from RM1 to RM0.05 for each ordinary share. The purpose of the capital reduction exercise was to return capital in excess of OHSB's needs. Following the capital reduction exercise, the shares were consolidated from 64,750,000 ordinary shares of RM0.05 each to 3,237,500 of RM1 each on the same day.

Save as aforesaid, no other shares or debentures were issued by the Bank and its subsidiaries during the financial year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the Directors of the Bank to acquire benefits through the acquisition of shares in or debentures of the Bank or any other body corporate save as disclosed in this report under the headings "Directors' interests in shares or debentures" and "Share options".

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register required to be kept under section 164 of the Companies Act, Cap. 50, the Directors who held office at the end of the financial year had an interest in the shares of the Bank as detailed below:

	Stockholdings registered in the name of Directors or in which Directors have a direct interest		Stockholdings in which Directors are deemed to have an interest	
	As at 1.1.2002 (or date of appointment)	As at 31.12.2002	As at 1.1.2002 (or date of appointment)	As at 31.12.2002
Lee Seng Wee	1,338,157	1,338,157	1,185,710	1,185,710
Michael Wong Pakshong	45,053	45,053	22,958	22,958
Cheong Choong Kong	30,923	30,923	Nil	Nil
David Conner (with effect from 15 April 2002)	Nil	Nil	Nil	Nil
Fong Weng Phak (with effect from 22 January 2002)	29,782	29,782	Nil	Nil
Nasruddin Bin Bahari	Nil	Nil	Nil	Nil
Tsao Yuan (with effect from 3 April 2002)	Nil	Nil	390	390
David Wong Cheong Fook	3,000	3,000	Nil	Nil
Wong Nang Jang	86,432	76,432	42,743	42,743
Patrick Yeoh Khwai Hoh	Nil	Nil	Nil	Nil

	Share options held by Directors in their own name		Share options in which Directors are deemed to have an interest	
	As at 1.1.2002 (or date of appointment)	As at 31.12.2002	As at 1.1.2002 (or date of appointment)	As at 31.12.2002
	(Number of unissued ordinary shares of S$1.00 each)		(Number of unissued ordinary shares of S$1.00 each)	
David Conner (with effect from 15 April 2002)	Nil	300,000	Nil	Nil
Wong Nang Jang	319,796	319,796	Nil	Nil

Save as aforesaid, according to the register required to be kept under section 164 of the Companies Act, Cap. 50, the Directors did not hold any interest in shares in, or debentures of, the Bank or any related corporation either at the beginning or end of the financial year.

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.

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.

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.

Report of the Directors
for the financial year ended 31 December 2002

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	300,000	300,000	–	300,000
(appointed on 15 April 2002)	(2002A Options)			

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

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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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
Net interest income		**1,509,487**	1,391,901	**1,019,943**	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
Income before operating expenses		**2,221,631**	2,213,635	**2,132,180**	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
		849,258	866,566	**554,224**	487,977
Operating profit before provisions and amortisation of goodwill		**1,372,373**	1,347,069	**1,577,956**	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
Operating profit after provisions and amortisation of goodwill		**744,770**	778,053	**1,131,852**	1,114,610
Share of profits less losses of associated companies		**160,822**	198,472	**–**	–
Profit before tax		**905,592**	976,525	**1,131,852**	1,114,610
Less: Tax	11	**199,726**	155,909	**180,356**	266,388
Share of tax of associated companies		**37,028**	39,351	**–**	–
		236,754	195,260	**180,356**	266,388
Profit after tax		**668,838**	781,265	**951,496**	848,222
Less: Minority interests		**2,130**	3,265	**–**	–
Profit attributable to stockholders of the Bank	12	**666,708**	778,000	**951,496**	848,222
Earnings per ordinary share of $1.00 each					
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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 2001 $'000
Shareholders' Equity					
Share Capital					
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
Reserves					
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
Total shareholders' equity		**9,224,222**	8,832,224	**7,015,698**	6,240,307
Minority Interests		**18,928**	28,082	**–**	–
Liabilities					
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
Total liabilities and shareholders' equity		**84,051,388**	85,416,977	**71,285,546**	59,036,917
Assets					
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
		79,233,618	80,361,403	**65,628,675**	49,014,888
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**	–
Total assets		**84,051,388**	85,416,977	**71,285,546**	59,036,917
Off-Balance Sheet Items	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
		212,146,275	105,935,311	**206,221,830**	73,134,717

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
Balance at 1 January 2002						
– 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)**
Total recognised gains for the financial year		**–**	**–**	**–**	**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**
Balance at 31 December 2002		**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**
Balance at 1 January 2001						
– 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
Total recognised gains for the financial year		–	–	–	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
Balance at 31 December 2001		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
Balance at 1 January 2002		**1,286,606**	**1,371,739**	**1,416,200**	**2,165,762**	**6,240,307**
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)**
Total recognised gains for the financial year		**–**	**–**	**–**	**929,100**	**929,100**
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**
Balance at 31 December 2002		**1,290,299**	**1,395,457**	**1,464,200**	**2,865,742**	**7,015,698**
Balance at 1 January 2001						
– 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
Total recognised gains for the financial year		–	–	–	880,089	880,089
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
Balance at 31 December 2001		1,286,606	1,371,739	1,416,200	2,165,762	6,240,307

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
Cash flows from operating activities			
Operating profit before provisions and amortisation of goodwill		**1,372,373**	1,347,069
Adjustments for non-cash items			
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
Increase/(decrease) in operating liabilities			
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
(Increase)/decrease in operating assets			
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)
Net cash provided by operating activities		**1,315,310**	3,144,533
Cash flows from investing activities			
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
Net cash used in investing activities		**(711,362)**	(3,411,909)
Cash flows from financing activities			
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)
Net cash (used in)/provided by financing activities		**(22,368)**	3,527,494
Net foreign currency translation adjustments		**(96,834)**	99,699
Net change in cash and cash equivalents		**484,746**	3,359,817
Cash and cash equivalents as at 1 January	46	**9,324,534**	5,964,717
Cash and cash equivalents as at 31 December	46	**9,809,280**	9,324,534

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

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
Income statement			
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)
Balance sheet			
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)

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
Income statement			
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)
Balance sheet			
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.

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.

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.

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
	2,746,046	3,040,364	**1,926,036**	2,027,681
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
	2,746,046	3,040,364	**1,926,036**	2,027,681

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
	1,236,559	1,648,463	**906,093**	1,214,242
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
	1,236,559	1,648,463	**906,093**	1,214,242

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	**374,022**	292,347	**242,465**	166,789
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
	374,022	292,347	**242,465**	166,789

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
	33,684	36,229	**425,980**	863,749

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)
	61,100	68,468	**57,679**	35,723
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
	227,833	412,319	**434,995**	103,317

9. STAFF COSTS AND OTHER OPERATING EXPENSES

		Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 2001 $'000
9.1	**Staff costs**				
	Salaries and other costs	**412,282**	416,099	**274,396**	246,671
	Provident fund contributions	**42,386**	49,224	**26,905**	28,987
		454,668	465,323	**301,301**	275,658
	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	**–**	–
		10,097	10,602	**5,369**	3,944
	Total staff costs	**464,765**	475,925	**306,670**	279,602

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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 2001 $'000
9.2	**Other operating expenses**				
	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
		72,890	71,031	**33,312**	19,620
	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
		192,294	194,317	**114,252**	84,699
	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
		2,386	2,261	**1,165**	1,177
	Other fees				
	– Payable to PwC Singapore	**202**	1,650	**146**	1,533
	– Payable to other member firms of the PwC Global Organisation	**–**	199	**–**	135
		202	1,849	**146**	1,668
	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	**384,493**	390,641	**247,554**	208,375
	Staff costs and other operating expenses	**849,258**	866,566	**554,224**	487,977

@ PricewaterhouseCoopers

9. STAFF COSTS AND OTHER OPERATING EXPENSES (continued)

9.3 The number of persons employed is as follows:

	Group 2002	Group 2001	Bank 2002	Bank 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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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	**500,608**	517,530	**365,849**	352,298

11. TAX

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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
	205,289	160,502	**181,470**	263,626
Under/(over) provision in prior years (Note 19)	**(5,563)**	(4,593)	**(1,114)**	2,762
Charge to income statements	**199,726**	155,909	**180,356**	266,388

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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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	**205,289**	160,502	**181,470**	263,626

12. UNAPPROPRIATED PROFIT

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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.

13. EARNINGS PER ORDINARY SHARE

	Group 2002	Group 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	Group and Bank $'000
2002		
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**
2001		
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.

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 1 January	Granted	Exercised	Lapsed	At 31 December	Offering price per $1 share	Date of expiration
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

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

17. REVENUE RESERVES (continued)

17.2 Foreign currency translation reserves

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 2001 $'000
Deposits of non-bank customers				
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
Deposits and balances of banks	**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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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

19. CURRENT TAX AND DEFERRED TAX

19.1 Current tax

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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

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 Deferred tax liabilities	Accelerated tax depreciation $'000	Unremitted income $'000	Other $'000	Total $'000
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 Deferred tax assets	Provisions for assets $'000	Pension and other post retirement benefits $'000	Other $'000	Total $'000
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 Deferred tax liabilities	Accelerated tax depreciation $'000	Unremitted income $'000	Total $'000
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 Deferred tax assets	Provisions for assets $'000	Other $'000	Total $'000
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).

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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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	Group and Bank 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:

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

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	**–**	–
	2,858,403	2,014,096	**1,453,919**	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	**5,966,732**	6,308,646	**5,636,843**	4,122,313
Market value	**6,056,152**	6,334,305	**5,710,950**	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	**984,145**	1,001,792	**131,026**	82,628
Market value	**1,020,418**	1,041,214	**145,038**	86,209

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
	179,639	425,705	**154,637**	198,422
Less: Provision for diminution in value (Note 33)	**(6,563)**	(25,747)	**(6,687)**	(19,497)
Net book value	**173,076**	399,958	**147,950**	178,925
Market value	**173,298**	401,381	**147,950**	179,033
Analysed by issuer				
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
	179,639	425,705	**154,637**	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
	14,458,968	14,427,268	**13,875,891**	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**	–
	14,458,968	14,427,268	**13,875,891**	11,806,652

26. PLACEMENTS WITH AND LOANS TO BANKS (continued)

26.2 Analysed by currency

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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
	14,458,968	14,427,268	**13,875,891**	11,806,652

27. LOANS TO AND BILLS RECEIVABLE FROM CUSTOMERS

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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	**47,269,015**	49,609,375	**38,126,244**	27,764,813
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
	47,269,015	49,609,375	**38,126,244**	27,764,813

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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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
	49,781,736	52,848,854	**39,990,481**	29,366,196

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

27.2 Analysed by currency

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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
	49,781,736	52,848,854	**39,990,481**	29,366,196

27.3 Analysed by industry

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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
	49,781,736	52,848,854	**39,990,481**	29,366,196

27.4 Analysed by product

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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
	49,781,736	52,848,854	**39,990,481**	29,366,196

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

27.5 Analysed by geographical sector

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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

	2002 Fixed $'000	2002 Variable $'000	2001 Fixed $'000	2001 Variable $'000
Group				
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

	2002 Fixed $'000	2002 Variable $'000	2001 Fixed $'000	2001 Variable $'000
Bank				
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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 2001 $'000
Total classified loans to customers				
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
Total classified debt securities				
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
Total classified assets	**4,355,928**	5,183,256	**3,023,906**	2,413,533
Specific provision made for classified assets:				
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 2002 $ million	Group 2001 $ million	Bank 2002 $ million	Bank 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

28. NON-PERFORMING LOANS ("NPLS") AND DEBT SECURITIES (continued)

28.2 Analysed by collateral type

	Group 2002 $ million	Group 2001 $ million	Bank 2002 $ million	Bank 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
	2,383	2,812	**1,559**	1,101
Fixed deposit				
– In same currency as loan	**37**	31	**33**	17
– In different currency	**1**	10	**1**	10
	38	41	**34**	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
	1,491	1,879	**1,112**	1,014
	4,356	5,183	**3,024**	2,414

28.3 Analysed by industry

	Group 2002 $ million	Group 2001 $ million	Bank 2002 $ million	Bank 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
	4,356	5,183	**3,024**	2,414

28.4 Analysed by geographical sector

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

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
2001						
Substandard	2,349	856	102	128	19	3,454
Doubtful	619	168	130	87	57	1,061
Loss	472	152	36	4	4	668
	3,440	1,176	268	219	80	5,183
Specific provisions	(1,332)	(300)	(188)	(104)	(56)	(1,980)
	2,108	876	80	115	24	3,203

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 Amount $ million	2002 Provision $ million	2001 Amount $ million	2001 Provision $ million
Group				
Substandard	**507**	**78**	718	123
Doubtful	**256**	**135**	213	180
Loss	**56**	**57**	35	35
	819	**270**	966	338
Bank				
Substandard	**450**	**78**	247	48
Doubtful	**247**	**131**	93	68
Loss	**7**	**7**	2	2
	704	**216**	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 Specific provision $'000	2002 Interest-in-suspense $'000	2002 Total $'000	2001 Specific provision $'000	2001 Interest-in-suspense $'000	2001 Total $'000
Group						
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)	**1,131,716**	**174,555**	**1,306,271**	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
Bank						
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 $'000	2001 $'000	2002 $'000	2001 $'000
Group				
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
Bank				
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	**(9,593)**	10,185	**(629)**	1,491
(Writeback)/provisions charged to income statements (Note 10)	**(27,627)**	2,154	**(29,029)**	(9,743)
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
Quoted debt securities:				
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
Quoted equity securities:				
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
Unquoted debt securities:				
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
Unquoted equity securities:				
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
Total investment securities				
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
Market value of quoted securities				
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

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
	5,692,683	4,935,988	4,717,286	3,295,396

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
	5,692,683	4,935,988	4,717,286	3,295,396

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
	5,692,683	4,935,988	4,717,286	3,295,396

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
	2,142,778	1,819,966	1,767,475	979,999

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
2002							
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)		
2001							
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)		

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

Bank	Other government securities $'000	Dealing securities $'000	Investment securities $'000	Associated companies $'000	Subsidiary companies $'000	Property $'000	Other assets $'000	Total
2002								
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)	**–**	**(2,705)**	**–**	**–**	**–**	**–**	**–**	**(2,705)**
(Writeback)/provisions for the year (Note 10)	**(331)**	**–**	**34,993**	**5,867**	**62,630**	**59,873**	**282**	**163,314**
Transfers from specific provisions for loan losses (Note 29)	**–**	**–**	**75,999**	**–**	**–**	**–**	**–**	**75,999**
Transfers from general provisions (Note 30)	**–**	**488**	**1,217**	**–**	**–**	**–**	**831**	**2,536**
Transfers from subsidiary companies	**372**	**(25)**	**53,128**	**1,140**	**2,580**	**37,738**	**39,249**	**134,182**
Transfers from other assets	**–**	**–**	**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)		
2001								
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)	–	9,025	–	–	–	–	–	9,025
(Writeback)/provisions for the year (Note 10)	(165)	–	31,984	28,148	–	1,583	(635)	60,915
Transfers from specific provisions for loan losses (Note 29)	–	–	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)		

34. ASSOCIATED COMPANIES

	Group 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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 2002 %	Group's Interest 2001 %	Cost of Investment 2002 $'000	Cost of Investment 2001 $'000
Quoted						
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
Unquoted						
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

34. ASSOCIATED COMPANIES (continued)

	Principal activities	Country/Place of incorporation	Group's Interest 2002 %	Group's Interest 2001 %	Cost of Investment 2002 $'000	Cost of Investment 2001 $'000
Unquoted						
14. OCBC Wearnes & Walden Management (S) Pte Ltd	Venture capital fund management	Singapore	**25**	25	**45**	45
15. Raffles Investments Limited	Investment holding	Singapore	**50**	50	**647**	690
16. Singapore Consortium Investment Management Limited	Unit trust fund management [Note 34.2]	Singapore	**33**	40	**388**	529
17. Specialists' Services (Private) Limited	Management services	Singapore	**40**	40	**84**	84
18. TX123 Pte Ltd	e-Procurement hub	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	Bank 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

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 2002 %	Bank 2001 %	Subsidiaries 2002 %	Subsidiaries 2001 %	Cost of Investment 2002 $'000	Cost of Investment 2001 $'000
@	1.	Asia Commercial Enterprise Pte Ltd (In voluntary liquidation)	Dormant [Note 35.3 (e)]	Singapore	**100**	–	**–**	100	**952**	–
	2.	Asia Commercial Investment (Private) Limited	Investment holding [Note 35.5 (g)]	Singapore	**67**	–	**33**	100	**2,000**	–
	3.	Asia Commercial Realty Co. Pte. Ltd.	Property holding [Note 35.3 (e)]	Singapore	**100**	–	**–**	100	**1,500**	–
@	4.	Associated Investments & Securities Private Limited (In voluntary liquidation)	Dormant	Singapore	**100** **100 (Pref)**	100 100 (Pref)	**–** **–**	– –	**1,006** **2,979**	1,006 90,000
	5.	Bank of Singapore Limited	e-financial and business services	Singapore	**98**	98	**2**	2	**93,287**	93,287
	6.	Bank of Singapore Nominees Private Limited	Nominee services	Singapore	**100**	100	**–**	–	**10**	10
	7.	Banking Computer Services Private Limited	Computer banking services [Note 35.5 (b)]	Singapore	**100** **100 (Pref)**	100 –	**–** **–**	– –	**5,160** **4,000**	5,160 –
+	8.	Bathurst Enterprises Limited	Investment holding	Hong Kong SAR, China	**–**	–	**100**	100	**–**	–
	9.	BCS Information Systems Private Limited	Computer consultancy services	Singapore Malaysia#	**100**	100	**–**	–	**105**	105
	10.	Blitz Global Communications Pte Ltd	Dormant [Note 35.4 (d)]	Singapore	**–**	–	**–**	60	**–**	–
	11.	BOS Venture Management Pte Ltd	Investment management	Singapore	**–**	–	**100**	100	**–**	–
+	12.	BOSA Limited	Investment holding	Australia	**100**	100	**–**	–	**3,283**	3,283
+	13.	Bukit Investments Limited	Investment dealing	Hong Kong SAR, China	**–**	–	**100**	100	**–**	–
	14.	Church Street Properties Private Limited	Property development	Singapore	**–** **–**	– –	**100** **100 (Pref)**	100 100 (Pref)	**–** **–**	– –
	15.	Eastern Developers Private Limited	Property development and rental	Singapore	**–** **–**	– –	**100** **100 (Pref)**	100 100 (Pref)	**–** **–**	– –

35. SUBSIDIARY COMPANIES (continued)

		Principal activities	Country/Place of incorporation	Bank 2002 %	Bank 2001 %	Subsidiaries 2002 %	Subsidiaries 2001 %	Cost of Investment 2002 $'000	Cost of Investment 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 2002 %	Bank 2001 %	Subsidiaries 2002 %	Subsidiaries 2001 %	Cost of Investment 2002 $'000	Cost of Investment 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** **100(Pref)**	100 100(Pref)	**–** **–**	– –
	49. Kismis Properties Private Limited	Property development	Singapore	**–** **–**	– –	**100** **100(Pref)**	100 100(Pref)	**–** **–**	– –
+	50. Malaysia Nominees (Asing) Sendirian Berhad	Nominee services	Malaysia	**–**	–	**100**	100	**–**	–

35. SUBSIDIARY COMPANIES (continued)

			Principal activities	Country/Place of incorporation	Bank 2002 %	Bank 2001 %	Subsidiaries 2002 %	Subsidiaries 2001 %	Cost of Investment 2002 $'000	Cost of Investment 2001 $'000
+	51.	Malaysia Nominees (Tempatan) Sendirian Berhad	Nominee services	Malaysia	–	–	100	100	–	–
	52.	Mount Emily Properties Private Limited	Has not commenced operations	Singapore	– –	– –	100 100 (Pref)	100 100 (Pref)	– –	– –
@	53.	Myanmar Capital Management Private Limited (In voluntary liquidation)	Dormant	Singapore	–	–	73	73	–	–
	54.	OCBC Asset Management Limited	Investment management	Singapore	–	–	100	100	–	–
+	55.	OCBC Bank (Malaysia) Berhad	Banking [Note 35.5 (e)]	Malaysia	100	87	–	13	427,730	342,740
	56.	OCBC Bullion & Futures Limited	Commodity and financial futures broking	Singapore	100	100	–	–	9,000	9,000
	57.	OCBC Capital Investment Private Limited	Investment holding	Singapore	–	–	100	100	–	–
	58.	OCBC Capital Management Singapore Private Limited	Investment management	Singapore	–	–	100	100	–	–
	59.	OCBC Centre Private Limited	Investment holding and property rental	Singapore	100 100 (Pref)	100 100 (Pref)	– –	– –	20,000 40,000	20,000 40,000
+	60.	OCBC Credit Berhad	Leasing company	Malaysia	–	–	100	100	–	–
	61.	OCBC eVenture Fund I Pte Ltd	Investment holding	Singapore	–	–	100	100	–	–
	62.	OCBC eVenture Fund II Pte Ltd	Investment holding	Singapore	–	–	100	100	–	–
	63.	OCBC Finance Limited	Finance company [Note 35.3 (a)]	Singapore	63	60	37	40	190,842	153,442
	64.	OCBC Finance Nominees Private Limited	Nominee services	Singapore	–	–	100	100	–	–
	65.	OCBC Holdings Private Limited	Investment holding	Singapore	100	100	–	–	3,000	3,000
	66.	OCBC Land Private Limited	Investment holding	Singapore	–	–	100	100	–	–
	67.	OCBC Management Services Private Limited	Management services	Singapore	100	100	–	–	200	200
+	68.	OCBC Nominees (Australia) Pty. Limited	Nominee services	Australia	100	100	–	–	*	*

35. SUBSIDIARY COMPANIES (continued)

			Principal activities	Country/Place of incorporation	Bank 2002 %	Bank 2001 %	Subsidiaries 2002 %	Subsidiaries 2001 %	Cost of Investment 2002 $'000	Cost of Investment 2001 $'000
+	69.	OCBC Nominees (Hong Kong) Limited	Nominee services	Hong Kong SAR, China	100	100	–	–	2	2
+	70.	OCBC Nominees (London) Limited	Nominee services	United Kingdom	100	100	–	–	3	3
+	71.	OCBC Nominees (Malaysia) Sendirian Berhad	Nominee services	Malaysia	100	100	–	–	10	10
	72.	OCBC Nominees Singapore Private Limited	Nominee services	Singapore	100	100	–	–	10	10
	73.	OCBC Properties Private Limited	Investment holding	Singapore	100 100 (Pref)	100 100 (Pref)	– –	– –	71,000 15,000	71,000 15,000
	74.	OCBC Property Services Private Limited	Property management	Singapore	100	100	–	–	50	50
+	75.	OCBC Provident (Australia) Pty. Limited	Trustee	Australia	100	100	–	–	*	*
	76.	OCBC Realty Private Limited	Investment holding	Singapore	100 100 (Pref)	100 100 (Pref)	– –	– –	124,993 60,000	124,993 60,000
+	77.	OCBC Securities (Hong Kong) Limited	Stockbroking	Hong Kong SAR, China	–	–	100	100	–	–
+	78.	OCBC Securities Philippines, Inc.	Dormant	Philippines	–	–	100	100	–	–
	79.	OCBC Securities Private Limited	Stockbroking	Singapore	–	–	100	100	–	–
+	80.	OCBC Securities Research Sendirian Berhad	Has not commenced operations	Malaysia	–	–	100	100	–	–
	81.	OCBC Square Private Limited	Real estate owners and property rental [Note 35.5 (a)]	Singapore	100 100 (Pref) 69 (Series 2 Pref)	100 100 (Pref) 100 (Series 2 Pref)	– – 31 (Series 2 Pref)	– – –	20,000 10,000 59,100	20,000 10,000 39,100
	82.	OCBC Trustee Limited	Trustee services [Note 35.5 (f)]	Singapore Malaysia #	20	20	80	80	184	179
	83.	OCF Investments Limited	Investment holding	Singapore	15	15	85	85	19	19
	84.	Orient Holdings Private Limited	Investment holding	Singapore	100 100 (Pref)	100 100 (Pref)	– –	– –	3,400 132,000	3,400 132,000
+	85.	OSPL Holdings Sendirian Berhad	Investment holding	Malaysia	–	–	100	100	–	–
	86.	OSPL Nominees Private Limited	Nominee services	Singapore	–	–	100	100	–	–
	87.	Oversea-Chinese Bank Nominees Private Limited	Nominee services	Singapore	100	100	–	–	10	10
+	88.	PT Bank Keppel TatLee Buana	Banking [Note 35.5 (h)]	Indonesia	99	85	–	–	4,046	*

35. SUBSIDIARY COMPANIES (continued)

			Principal activities	Country/Place of incorporation	Bank 2002 %	Bank 2001 %	Subsidiaries 2002 %	Subsidiaries 2001 %	Cost of Investment 2002 $'000	Cost of Investment 2001 $'000
+	89.	PT Bank OCBC-NISP	Banking [Note 35.5 (i)]	Indonesia	99	85	–	–	82,835	76,733
+	90.	PT OCBC Sikap Securities	Stockbroking	Indonesia	–	–	70	70	–	–
	91.	Pasir Ris Properties Private Limited	Real estate owners and property rental	Singapore	– –	– –	55 55(Pref)	55 55(Pref)	– –	– –
+	92.	Phoenix Holdings Limited	Investment dealing	Hong Kong SAR, China	–	–	100	100	–	–
	93.	Premier Investment Private Limited	Investment dealing [Note 35.3(e)]	Singapore	100	–	–	100	9,243	–
	94.	Provident Securities Private Limited	Investment holding	Singapore	100	100	–	–	72,350	72,350
+	95.	Reliable Credit Company Sendirian Berhad	Has not commenced operations	Malaysia	100	100	–	–	*	*
+	96.	Select Executives Sendirian Berhad	Management services	Malaysia	100	100	–	–	24	24
+	97.	Select Securities Limited	Investment holding	Hong Kong SAR, China	100	100	–	–	445	475
	98.	Seletar Properties Private Limited	Property development	Singapore	–	–	100	100	–	–
	99.	Singapore Building Corporation Limited	Investment holding and property rental	Singapore	100	100	–	–	19,384	19,384
@	100.	Singapore Polyclinic Private Limited (In voluntary liquidation)	Dormant	Singapore	–	–	100	100	–	–
	101.	Specialists' Centre Private Limited	Investment holding and property rental	Singapore	– –	– –	100 100(Pref)	100 100(Pref)	– –	– –
@	102.	Tat Lee Asset Management Limited (In voluntary liquidation)	Dormant	Singapore	–	–	100	100	–	–
@	103.	Tat Lee Finance Nominees Pte Ltd (In voluntary liquidation)	Dormant	Singapore	–	–	100	100	–	–
	104.	Tat Lee Property Development Pte Ltd	Property investment and development [Note 35.3 (e)]	Singapore	100	–	–	100	13,648	–

35. SUBSIDIARY COMPANIES (continued)

			Principal activities	Country/Place of incorporation	Bank 2002 %	Bank 2001 %	Subsidiaries 2002 %	Subsidiaries 2001 %	Cost of Investment 2002 $'000	Cost of Investment 2001 $'000
@	105.	Tat Lee Securities Holdings Ltd (In voluntary liquidation)	Dormant	Singapore	–	–	100	100	–	–
	106.	Tat Lee Securities (Nominees) Pte Ltd	Liquidated on 11 April 2002 [Note 35.4 (c)]	Singapore	–	–	–	100	–	–
@	107.	Tat Lee Securities Pte Ltd (In voluntary liquidation)	Dormant	Singapore	–	–	100	100	–	–
	108.	Tat Lee Thomson Development Pte. Ltd.	Property investment and development [Note 35.3 (e)]	Singapore	100	–	–	100	12,869	–
	109.	Tat Lee Warehousing Pte Ltd	Property investment	Singapore	–	–	100	100	–	–
@	110.	TL Nominees Pte Ltd (In voluntary liquidation)	Dormant [Note 35.3 (e)]	Singapore	100	–	–	100	667	–
@	111.	TL Provident Ltd (In voluntary liquidation)	Dormant [Note 35.3 (e)]	Singapore	100	–	–	100	13,600	–
@	112.	TLB Bullion & Futures Pte Ltd (In voluntary liquidation)	Dormant [Note 35.3 (e)]	Singapore	–	–	100	100	–	–
@	113.	TLB Management Services Pte. Ltd. (In voluntary liquidation)	Dormant [Note 35.3 (e)]	Singapore	–	–	100	100	–	–
@	114.	TLF Limited (In voluntary liquidation)	Dormant	Singapore	–	–	100	100	–	–
	115.	Tanjong Rhu Properties Private Limited	Property development and rental	Singapore	– –	– –	100 100(Pref)	100 100(Pref)	– –	– –
@	116.	The Ho Hong Steamship Company (1932) Limited (In voluntary liquidation)	Dormant	Singapore	100	100	–	–	–	3,516
++	117.	Walden Malaysia Co II Ltd	Investment holding [Note 35.3 (e)]	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

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
Assets	
Cash	**413**
Investment securities	**167,377**
Other assets	**307**
Liabilities	
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.

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.

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.

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

36. PROPERTY, PLANT AND EQUIPMENT

	2002			2001		
Group	**Property $'000**	**Other $'000**	**Total $'000**	**Property $'000**	**Other $'000**	**Total $'000**
Cost						
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
Accumulated depreciation						
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)
Provision for diminution in value						
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)
Net book value, at 31 December	**1,359,908**	**211,738**	**1,571,646**	1,468,851	212,411	1,681,262
Net book value						
Freehold property	**491,996**			452,800		
Leasehold property	**867,912**			1,016,051		
	1,359,908			1,468,851		
Current valuation of property	**2,901,444**			3,128,381		

36. PROPERTY, PLANT AND EQUIPMENT (continued)

Bank	2002 Property $'000	2002 Other $'000	2002 Total $'000	2001 Property $'000	2001 Other $'000	2001 Total $'000
Cost						
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
Accumulated depreciation						
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)
Provision for diminution in value						
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)
Net book value, at 31 December	**682,907**	**140,146**	**823,053**	124,766	101,114	225,880
Net book value						
Freehold property	**108,058**			79,054		
Leasehold property	**574,849**			45,712		
	682,907			124,766		
Current valuation of property	**1,077,910**			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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 2001 $'000
Cost				
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**	–
Accumulated amortisation				
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)**	–
Net book value	**2,198,683**	2,324,523	**1,775,137**	–

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.

38. SEGMENTAL INFORMATION

38.1 Business segments

$ million	Consumer Banking	Business Banking	Global Treasury	Other	Group
Financial year ended 31 December 2002					
Segment income before operating expenses	872	950	273	187	2,282
Elimination					(60)
Income before operating expenses					2,222
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)
Profit attributable to stockholders					667
Segment assets	22,793	35,457	19,870	7,239	85,359
Associated companies' assets					896
Elimination					(2,204)
Total assets					84,051
Segment liabilities	30,892	27,258	11,240	7,167	76,557
Unallocated liabilities					455
Elimination					(2,204)
Total liabilities					74,808
Other information:					
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

38. SEGMENTAL INFORMATION (continued)

38.1 Business segments (continued)

$ million	Consumer Banking	Business Banking	Global Treasury	Other	Group
Financial year ended 31 December 2001					
Segment income before operating expenses	681	896	205	490	2,272
Elimination					(58)
Income before operating expenses					2,214
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)
Profit attributable to stockholders					778
Segment assets	20,694	38,988	22,778	8,575	91,035
Associated companies' assets					844
Elimination					(6,462)
Total assets					85,417
Segment liabilities	31,880	26,474	16,747	7,438	82,539
Unallocated liabilities					480
Elimination					(6,462)
Total liabilities					76,557
Other information:					
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

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:

(a) revenues and expenses are attributable to each segment based on the internal management reporting policies,
(b) in determining the segment results, balance sheet items are internally transfer price and
(c) 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.

38. SEGMENTAL INFORMATION (continued)

38.2 Geographical segments

$ million	Income before operating expenses	Profit before tax	Capital expenditure	Total assets	Total liabilities
2002					
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**
	2,222	**906**	**87**	**84,051**	**74,808**
2001					
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
	2,214	977	140	85,417	76,557

The Group's operations is in six main geographical areas:
(a) Singapore, the home country of the Bank where the primary business segments are located.
(b) Malaysia, mainly comprise the operations of the Group's banking subsidiary, OCBC Bank (Malaysia) Berhad.
(c) Other ASEAN, include business activities of branches and subsidiaries in Indonesia, the Philippines, Thailand and Vietnam.
(d) Greater China, include business activities of branches and subsidiaries in Hong Kong, China and Taiwan.
(e) Other Asia Pacific, includes business activities of branches and subsidiaries in Australia, Japan, Korea and India.
(f) North America, comprise branch operations in United States.
(g) 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.

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.

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.

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
Assets								
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 [(1)]	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
Total assets	15,641	15,099	14,617	16,415	8,066	6,176	8,037	84,051
Liabilities								
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
Total liabilities	24,765	19,021	12,261	9,722	728	4,315	3,996	74,808
Minority interests	–	–	–	–	–	–	19	19
Equity	–	–	–	–	–	–	9,224	9,224
Total liabilities and equity	24,765	19,021	12,261	9,722	728	4,315	13,239	84,051
On-balance sheet interest sensitivity gap	(9,124)	(3,922)	2,356	6,693	7,338	1,861	(5,202)	–
Off-balance sheet interest sensitivity gap	81	103	(1,398)	856	(1,053)	1,411	–	–
Net interest sensitivity gap	(9,043)	(3,819)	958	7,549	6,285	3,272	(5,202)	–

[(1)] The negative balance represents general provisions for possible loan losses.

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
Assets								
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 [(1)]	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
Total assets	16,263	19,740	12,950	11,380	9,446	7,616	8,022	85,417
Liabilities								
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
Total liabilities	25,090	18,035	10,177	12,138	829	4,635	5,653	76,557
Minority interests	–	–	–	–	–	–	28	28
Equity	–	–	–	–	–	–	8,832	8,832
Total liabilities and equity	25,090	18,035	10,177	12,138	829	4,635	14,513	85,417
On-balance sheet interest sensitivity gap	(8,827)	1,705	2,773	(758)	8,617	2,981	(6,491)	–
Off-balance sheet interest sensitivity gap	(373)	830	(3,073)	2,911	(2,373)	2,078	–	–
Net interest sensitivity gap	(9,200)	2,535	(300)	2,153	6,244	5,059	(6,491)	–

[(1)] The negative balance represents general provisions for possible loan losses.

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:

2002	SGD %	USD %	MYR %
Assets			
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
Liabilities			
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	–	–

2001	SGD %	USD %	MYR %
Assets			
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
Liabilities			
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	–	–

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
Assets							
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
Total assets	13,512	8,622	9,317	11,148	13,416	28,036	84,051
Liabilities							
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
Total liabilities	27,393	19,732	12,223	10,275	868	4,317	74,808
Minority interests	–	–	–	–	–	19	19
Equity	–	–	–	–	–	9,224	9,224
Total liabilities and equity	27,393	19,732	12,223	10,275	868	13,560	84,051
Net liquidity gap	(13,881)	(11,110)	(2,906)	873	12,548	14,476	–

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
Assets							
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
Total assets	17,739	9,579	9,010	8,356	8,514	32,219	85,417
Liabilities							
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
Total liabilities	29,211	18,612	10,262	12,650	1,038	4,784	76,557
Minority interests	–	–	–	–	–	28	28
Equity	–	–	–	–	–	8,832	8,832
Total liabilities and equity	29,211	18,612	10,262	12,650	1,038	13,644	85,417
Net liquidity gap	(11,472)	(9,033)	(1,252)	(4,294)	7,476	18,575	–

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
Assets					
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
Total assets	49,348	17,795	8,899	8,009	84,051
Liabilities					
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
Total liabilities	46,267	14,787	7,798	5,956	74,808
On-balance sheet open position	3,081	3,008	1,101	2,053	9,243
Off-balance sheet open position	4,327	(2,831)	(61)	(1,435)	–
Net open position	7,408	177	1,040	618	9,243
Of which:					
Net investments in overseas operations	–	131	1,044	614	1,789

39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Currency risk (continued)

2001 ($ million)	SGD	USD	MYR	Other	Total
Assets					
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
Total assets	50,850	18,258	8,874	7,435	85,417
Liabilities					
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
Total liabilities	45,899	16,170	8,039	6,449	76,557
On-balance sheet open position	4,951	2,088	835	986	8,860
Off-balance sheet open position	2,322	(1,891)	10	(441)	–
Net open position	7,273	197	845	545	8,860
Of which:					
Net investments in overseas operations	–	176	842	559	1,577

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.

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.

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

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 %
2002					
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**
2001					
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.

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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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	**–**	–
	5,848,394	6,368,741	**4,968,375**	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 2002 $'000	Group 2001 $'000	Bank 2002 $'000	Bank 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
	5,848,394	6,368,741	**4,968,375**	4,255,702

42.2 Analysed by industry

	Group $'000	Bank $'000
2002		
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**
	5,848,394	**4,968,375**

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

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
43.1 Credit commitments				
Undrawn credit facilities				
– Original term to maturity of one year or less	**22,809,389**	20,102,464	**20,356,982**	12,028,988
– Original term to maturity of more than one year	**4,205,886**	4,125,016	**2,597,118**	1,932,396
	27,015,275	24,227,480	**22,954,100**	13,961,384
Undrawn note issuance and revolving underwriting facilities	**90,269**	362,433	**72,005**	360,159
Forward asset purchases/sales	**1,096,962**	1,074,027	**1,096,962**	1,074,027
	28,202,506	25,663,940	**24,123,067**	15,395,570

	Group		Bank	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
43.2 Other commitments				
Operating lease commitments				
– Within 1 year	**9,640**	6,844	**7,335**	1,313
– After 1 year but within 5 years	**17,095**	8,307	**16,582**	4,726
– Over 5 years	**1,415**	–	**1,415**	–
	28,150	15,151	**25,332**	6,039
Capital expenditure authorised and contracted	**58,288**	72,526	**26,335**	19,770
	86,438	87,677	**51,667**	25,809
43.3 Total commitments	**28,288,944**	25,751,617	**24,174,734**	15,421,379

43.4 Analysed by geographic sector

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

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
2002			
Foreign exchange derivatives			
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**
Interest rate derivatives			
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**
Other derivatives			
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)
2001			
Foreign exchange derivatives			
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
Interest rate derivatives			
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
Other derivatives			
Options written	55,507	164	–
Options purchased	61,469	–	–
	116,976	164	–
Total	73,814,953	652,549	620,213
		(Note 32)	(Note 20)

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

44. FINANCIAL DERIVATIVES (continued)

Bank	Contractual or principal notional amount $'000	Fair value - assets $'000	Fair value - liabilities $'000
2002			
Foreign exchange derivatives			
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**
Interest rate derivatives			
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**
Other derivatives			
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)
2001			
Foreign exchange derivatives			
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
Interest rate derivatives			
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
Other derivatives			
Options written	55,507	164	–
Options purchased	2,616	–	–
	58,123	164	–
Total	53,457,636	436,169	448,426
		(Note 32)	(Note 20)

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
Current Assets				
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
Current Liabilities				
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:

(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 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$1.00 each ("Ordinary Shares") to S$2,000,625,000 and US$125,000 divided into 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.

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
Directors		
Directors and their related entities	**197**	177
Companies in which directors are represented on their boards	**1,574**	3,894
Group's related companies[1]		
Engaged in financial activities	**529**	2,990
Engaged in non-financial activities	**107**	115

[1] 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.

Group's Major Properties
as at 31 December 2002

Properties	Purpose	Net book value S$'000	Market value(1) S$'000	Effective stake (%)	Gross floor area (sq ft)
Singapore					
OCBC Centre, 65 Chulia Street	Office	38,157	506,000	100	993,089
OCBC Centre East, 63 Chulia Street	Office	118,482	206,000	100	242,385
OCBC Centre South, 18 Church Street	Office	80,000	80,000	100	118,909
		236,639	792,000		1,354,383
260 Tanjong Pagar Road	Office	6,529	20,500	100	44,940
101 Cecil Street #01-01/02 Tong Eng Building	Office	2,486	16,050	100	15,984
110 Robinson Road	Office	5,136	10,000	100	22,120
460 North Bridge Road	Office	3,464	9,550	100	26,576
277 Orchard Road, comprising Specialists' Shopping Centre & Hotel Phoenix (392 guest rooms)	Retail/Hotel	9,692	260,000	100	443,689
The Waterside, Block 9 & 13 Tanjong Rhu Road	Residential	46,893	129,225	100	251,889
Somerset Compass, 2 Mt Elizabeth Link	Residential	29,502	112,800	100	104,377
The Compass at Chancery, 6, 6A to H, J to N, P to U Chancery Hill Road	Residential	16,224	36,000	100	54,739
Valley Lodge, #02-00 to #10-00, 257 River Valley Road	Residential	3,273	8,600	100	24,421
Whitesands, 1 Pasir Ris Central Street 3	Shopping/ Entertainment complex	87,689	120,000	55	209,360
Land at Kim Seng Road, Lots 830L, 99391A & 1041K, Town subdivision 21	Land for development	56,153	192,000	100	159,075 (2)
Development at Telok Ayer Street, Lot 36-2, Town subdivision 1	Land for development	30,220	68,000	100	7,525 (2)
Land at Mt Emily & Niven Road, Lots 138-12 to 138-16 & 138-18, Town subdivision 19	Land for development	3,495	59,000	100	73,914 (2)
Land at Bassein Road, Lot 45L, Town subdivision 29	Land for development	105	12,600	100	17,203 (2)
63 Market Street	Office	275,000	275,000	100	248,906
11 Tampines Central 1	Office	72,000	72,000	100	115,782
31 Tampines Finance Park Avenue 4	Office	56,500	56,500	100	97,537
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building	Office	40,000	40,000	100	34,550
		981,000	2,289,825		
Malaysia					
Development at Lot 129, Jalan Tun Perak, Kuala Lumpur (site of proposed 20-storey OCBC Bank (Malaysia) Berhad Head Office Building)	Office building development in progress	27,631	28,971	100	21,464 (2)
		27,631	28,971		
Other properties located in					
Singapore		196,135	320,734		
Malaysia		39,056	98,631		
Other ASEAN		7,282	8,041		
Other Asia Pacific		105,945	146,724		
Rest of the World		2,859	8,518		
		351,277	582,648		
Total		1,359,908	2,901,444		

(1) *Valuations as at 31 December 2002 made by independent firms of professional valuers.*
(2) *Refers to land area.*

Group's Major Quoted Equity Securities

as at 31 December 2002

	Ordinary shares held %	Ordinary shares held Number	Net book value S$'000	Market value S$'000
Investment Securities				
Asia Pacific Breweries Limited	3.41	8,651,634	1,381	42,739
Fraser and Neave Limited	8.34	22,272,636	32,155	173,727
Raffles Holdings Limited	4.56	94,831,584	34,140	34,140
Robinson and Company Limited	16.84	14,473,250	1,764	79,603
The Straits Trading Company Limited	13.24	47,194,740	13,835	65,601
United Overseas Bank Limited	0.20	3,152,159	36,128	37,195
WBL Corporation Limited	8.34	14,371,573	18,266	23,569
			137,669	456,574
Other quoted equity holdings			180,717	200,692
Total quoted equity holdings			318,386	657,266
Associated Companies				
British and Malayan Trustees Limited	43.05	235,620	591	4,712
Great Eastern Holdings Limited	48.92	230,563,810	9,774	1,959,792
PacificMas Berhad	28.14	48,125,642	87,090	64,826
			97,455	2,029,330

Stockholding/Preference Shareholding Statistics

as at 12 March 2003

CLASS OF SHARES

Ordinary Shares of S$1.00 each converted into stock units transferable in amounts and multiples of S$1.00 each.

NUMBER OF STOCKHOLDERS

The number of stockholders of the Bank as at 12 March 2003 is 39,639.

VOTING RIGHTS

The Articles of Association provide for:
(a) on a show of hands: 1 vote
(b) on a poll: 1 vote for each ordinary stock unit held

DISTRIBUTION OF STOCKHOLDERS

Size of Holdings	Number of Stockholders (Members)	%	Stock Held S$	%
1 – 999	6,764	17.06	1,822,888	0.14
1,000 – 10,000	27,511	69.40	79,243,736	6.14
10,001 – 1,000,000	5,298	13.37	246,945,281	19.14
1,000,001 and above	66	0.17	962,378,289	74.58
Total	39,639	100.00	1,290,390,194	100.00

TWENTY LARGEST STOCKHOLDERS

Stockholders (Members)	Amount of ordinary stock held S$	%
1. DBS Nominees (Pte) Ltd	174,549,539	13.53
2. Raffles Nominees (Pte) Ltd	116,469,485	9.03
3. Selat (Pte) Limited	107,759,061	8.35
4. HSBC (Singapore) Nominees Pte Ltd	70,688,831	5.48
5. Citibank Nominees Singapore Pte Ltd	57,276,763	4.44
6 Lee Foundation	46,160,018	3.58
7. The Great Eastern Life Assurance Co Ltd	45,803,140	3.55
8. Lee Rubber Company (Private) Limited	37,128,170	2.88
9. United Overseas Bank Nominees (Pte) Ltd	30,210,698	2.34
10. DB Nominees (S) Pte Ltd	28,644,950	2.22
11. Great Eastern Life Assurance (Malaysia) Berhad	27,321,849	2.12
12. Singapore Investments (Pte) Limited	21,285,525	1.65
13. PSA Corporation Limited	18,533,221	1.44
14. Lee Latex Private Limited	17,218,863	1.33
15. Fraser & Neave Ltd	12,138,915	0.94
16. Kallang Development (Pte) Limited	12,004,515	0.93
17. Oversea-Chinese Bank Nominees Pte Ltd	9,686,209	0.75
18. Lee Pineapple Co. (Pte) Ltd	8,059,450	0.62
19. Kew Estate Limited	7,997,302	0.62
20. Oh Chin Kiat & Co Pte Ltd	7,779,633	0.60
Total	856,716,137	66.40

Approximately 72.56% of the issued stock are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

Stockholding/Preference Shareholding Statistics

as at 12 March 2003

SUBSTANTIAL STOCKHOLDERS

According to the register required to be kept under section 88 of the Companies Act, Cap. 50, the following are the only substantial stockholders of the Bank having an interest of 5 per cent or more of the aggregate of the nominal amount of all the voting stock in the Bank as undernoted:

Substantial stockholders	Stockholdings registered in the name of the substantial stockholders	Stockholdings held by the substantial stockholders in the name of nominees	Stockholdings in which the substantial stockholders are deemed to be interested	Total	Percentage of issued stock
	As at 12.3.2003 S$	As at 12.3.2003 S$	As at 12.3.2003 S$	As at 12.3.2003 S$	
Great Eastern Holdings Limited	–	–	80,192,220[1]	80,192,220	6.21
Lee Foundation	46,160,018	–	137,850,403[2]	184,010,421	14.26
Lee Foundation, States of Malaya	–	–	117,296,135[3]	117,296,135	9.09
Selat (Pte) Limited	107,759,061	–	477,648[4]	108,236,709	8.39
The Great Eastern Life Assurance Company Limited	45,803,140	117,600	27,321,849[5]	73,242,589	5.68

(1) This represents Great Eastern Holdings Limited's deemed interest in (a) the S$45,920,740 stock held by The Great Eastern Life Assurance Company Limited, (b) the S$6,949,631 stock held by The Overseas Assurance Corporation Limited and (c) the S$27,321,849 stock held by Great Eastern Life Assurance (Malaysia) Berhad.

(2) This represents Lee Foundation's deemed interest in (a) the S$8,059,450 stock held by Lee Pineapple Co. (Pte) Ltd, (b) the S$107,759,061 stock held by Selat (Pte) Limited, (c) the S$21,285,525 stock held by Singapore Investments (Pte) Limited and (d) the S$746,367 stock held by Peninsula Plantations Sdn Bhd.

(3) This represents Lee Foundation, States of Malaya's deemed interest in (a) the S$8,059,450 stock held by Lee Pineapple Co. (Pte) Ltd, (b) the S$107,759,061 stock held by Selat (Pte) Limited, (c) the S$731,257 stock held by Peninsula Investment Co. Sdn Bhd and (d) the S$746,367 stock held by Peninsula Plantations Sdn Bhd.

(4) This represents Selat (Pte) Limited's deemed interest in the S$477,648 stock held by South Asia Shipping Co. Pte Ltd.

(5) This represents The Great Eastern Life Assurance Company Limited's deemed interest in the S$27,321,849 stock held by Great Eastern Life Assurance (Malaysia) Berhad.

Stockholding/Preference Shareholding Statistics
as at 12 March 2003

CLASS OF SHARES
Non-Cumulative Non-Convertible Class E Preference Shares of S$0.01 each.

NUMBER OF CLASS E PREFERENCE SHAREHOLDERS
The number of Class E Preference Shareholders of the Bank as at 12 March 2003 is 370.

VOTING RIGHTS
Except as provided below, the Class E Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class E Preference Shareholders shall be entitled to attend a class meeting of the Class E Preference Shareholders. Every Class E Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class E Preference Share of which he is the holder.

If dividends with respect to the Class E Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class E Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class E Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class E Preference Shareholders). Every Class E Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class E Preference Share of which he is the holder.

DISTRIBUTION OF CLASS E PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Preference Shareholders	%	Preference Shares Held	%
1 – 999	–	–	–	–
1,000 – 10,000	331	89.46	1,132,400	22.65
10,001 – 1,000,000	39	10.54	3,867,600	77.35
1,000,001 and above	–	–	–	–
Total	370	100.00	5,000,000	100.00

TWENTY LARGEST CLASS E PREFERENCE SHAREHOLDERS

	Class E Preference Shareholders	Class E Preference Shares held Number	%
1.	DBS Nominees Pte Ltd	807,500	16.15
2.	Raffles Nominees Pte Ltd	737,500	14.75
3.	United Overseas Bank Nominees (Pte) Ltd	517,600	10.35
4.	DB Nominees (S) Pte Ltd	290,000	5.80
5.	Citibank Nominees Singapore Pte Ltd	212,500	4.25
6.	Ho Bee Investment Ltd	150,000	3.00
7.	HSBC (Singapore) Nominees Pte Ltd	107,500	2.15
8.	HSBC Republic Bank (Suisse) SA	102,500	2.05
9.	National Council of Social Service	80,000	1.60
10.	Seapac Investment Pte Ltd	72,500	1.45
11.	Oversea-Chinese Bank Nominees Pte Ltd	60,000	1.20
12.	PCI Limited	50,000	1.00
13.	Ventrade (Asia) Pte Ltd	50,000	1.00
14.	Archer I Limited	40,000	0.80
15.	E M Services Pte Ltd	40,000	0.80
16.	Tang Wee Loke	40,000	0.80
17.	Auric Pacific Enterprise Pte Ltd	30,000	0.60
18.	AXA Insurance Singapore Pte Ltd	30,000	0.60
19.	Comfort Nominees Pte Ltd	30,000	0.60
20.+	Hobee Print Pte Ltd	30,000	0.60
	Total	3,477,600	69.55

+ *As at 12 March 2003, there is a total of 8 holders (including those reported above), each holding 30,000 Class E Preference Shares.*

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap. 50 in relation to the Class E Preference Shares.

Stockholding/Preference Shareholding Statistics

as at 12 March 2003

DIRECTORS' INTERESTS IN SHARES AND CONVERTIBLE SECURITIES OF THE BANK

as at 21 January 2003

According to the register maintained under section 164 of the Companies Act, Cap. 50, the Directors had an interest in the shares of the Bank on the 21st day after the end of the financial year as undernoted:

	Stockholdings registered in the name of Directors or in which Directors have a direct interest As at 21.1.2003 S$	Stockholdings in which Directors are deemed to have an interest As at 21.1.2003 S$
Lee Seng Wee	1,338,157	1,185,710
Michael Wong Pakshong	45,053	22,958
Cheong Choong Kong	30,923	Nil
David Conner	Nil	Nil
Fong Weng Phak	29,782	Nil
Nasruddin Bin Bahari	Nil	Nil
Tsao Yuan	Nil	390
David Wong Cheong Fook	3,000	Nil
Wong Nang Jang	76,432	42,743
Patrick Yeoh Khwai Hoh	Nil	Nil

	Share Options held by Directors in their own name As at 21.1.2003 (Number of unissued ordinary shares of S$1.00 each)	Share Options in which Directors are deemed to have an interest As at 21.1.2003 (Number of unissued ordinary shares of S$1.00 each)
David Conner	300,000	Nil
Wong Nang Jang	319,796	Nil

DEALING IN SECURITIES

OCBC Group issues circulars to their directors and employees, prohibiting them from dealing in securities when they are in possession of unpublished material price-sensitive information in relation to those securities. The circulars also prohibit directors and employees from dealing in the Bank's shares during the period commencing one month before the announcement of the half-year and year-end financial results and ending on the date of announcement.

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Mr Lee Seng Wee

Academic and Professional Qualifications
Bachelor of Applied Science (Engineering) from University of Toronto
Master of Business Administration from University of Western Ontario

Serving on OCBC Board Committees
Chairman, Executive Committee
Member, Nominating Committee
Member, Compensation Committee

Date of First Appointment as a Director of OCBC
Director since 25 February 1966
Chairman since 1 August 1995

Date of Last Re-appointment as a Director of OCBC
15 May 2002

Independent Status (as defined in the Code of Corporate Governance)
Executive Director

Current Directorships

1	Great Eastern Holdings Ltd	Director
2	Government of Singapore Investment Corporation Pte Ltd	Director
3	GIC Real Estate Pte Ltd	Director
4	Lee Rubber Group of Companies	Director
5	Lee Foundation	Director

Directorships for the past 3 years

1	Council of Presidential Advisors of the Republic of Singapore	Member
2	Singapore International Foundation	Chairman
3	Lee Kuan Yew Exchange Fellowship	Director
4	Keppel Capital Holdings Ltd	Chairman

Mr Michael Wong Pakshong

Academic and Professional Qualifications
Bachelor of Arts (Honours) from University of Bristol, United Kingdom
Hon. L.L.D. from University of Bristol
Fellow of the Institute of Chartered Accountants in England and Wales
Member of the Institute of Certified Public Accountants of Singapore

Serving on OCBC Board Committees
Chairman, Audit Committee
Member, Executive Committee
Member, Compensation Committee

Date of First Appointment as a Director of OCBC
Director since 21 April 1989
Vice Chairman since 26 March 2002

Date of Last Re-election as a Director of OCBC
15 May 2002

Independent Status (as defined in the Code of Corporate Governance)
Independent Director

Current Directorships

1	Great Eastern Holdings Ltd	Chairman
2	Robinson & Company Ltd	Chairman
3	The Straits Trading Company Ltd	Director
4	WBL Corporation Ltd	Director
5	Bukit Sembawang Estates Ltd	Director
6	Sime Darby Berhad	Director
7	The Esplanade Company Ltd	Chairman
8	Sime Singapore Ltd	Chairman
9	Dover Park Hospice Endowment Fund	Trustee
10	OCBC Management Services Pte Ltd	Director

Directorships for the past 3 years

1	Keppel Capital Holdings Ltd	Director
2	Wearne Brothers Services (Pte) Ltd	Director

Dr Cheong Choong Kong

Academic and Professional Qualifications
Bachelor of Science (First Class Honours in Mathematics) from University of Adelaide
Master of Science degree and Ph. D. in Mathematics from Australian National University in Canberra

Serving on OCBC Board Committees
Chairman, Nominating Committee
Chairman, Compensation Committee
Member, Executive Committee

Date of First Appointment as a Director of OCBC
Director since 1 July 1999
Vice Chairman since 26 March 2002

Date of Last Re-election as a Director of OCBC
15 May 2002

Independent Status (as defined in the Code of Corporate Governance)
Independent Director (Dr Cheong is Dy Chairman & CEO of SIA to which the Bank has granted credit facilities. Nevertheless, he is deemed independent because the facilities given to SIA were on an arms-length basis, in line with facilities given to any customer of the Bank.)

Current Directorships

1	SIA Engineering Co Ltd	Chairman
2	Singapore Airport Terminal Services Ltd	Chairman
3	Singapore Airlines Ltd	Deputy Chairman and CEO
4	Singapore Press Holdings Ltd	Director
5	National University of Singapore 11th Council	Chairman
6	Singapore – US Business Council	Vice-Chairman

Directorships for the past 3 years

1	Air New Zealand Limited	Director
2	Keppel Capital Holdings Ltd	Director
3	Abacus International Ltd	Director
4	Abacus International Holdings Ltd	Director
5	Abacus Distribution Systems Pte Ltd (in voluntary liquidation)	Director
6	Ansett Holdings Ltd	Director
7	Institute of Defence & Strategic Studies	Director
8	Singapore International Foundation	Governor
9	Asia-Australia Institute	Advisory Council Member
10	Virgin Atlantic Ltd	Director
11	Virgin Atlantic Airways Ltd	Director
12	Virgin Travel Group Ltd	Director

Mr David Philbrick Conner

Academic and Professional Qualifications
Bachelor of Arts degree in Anthropology from Washington University in St. Louis, Missouri
Master in Business Administration degree from Columbia University in New York, with specialisation in Finance and International Businesses

Serving on OCBC Board Committees
Member, Executive Committee
Member, Nominating Committee

Date of First Appointment as a Director of OCBC
Director since 15 April 2002

Date of Last Re-election as a Director of OCBC
15 May 2002

Independent Status (as defined in the Code of Corporate Governance)
Executive Director

Current Directorships

1	Asean Supreme Fund Ltd	Director
2	Dr Goh Keng Swee Scholarship Fund	Director
3	Asean Finance Corporation Ltd	Director
4	OCBC Bank (Malaysia) Berhad	Director
5	Bank of Singapore Ltd	Chairman
6	KTB Ltd	Director
7	Asian Pacific Bankers Club	Director
8	Association of Banks in Singapore	Council Chairman
9	International Advisory Council for Asia, Washington University in St Louis	Member
10	Singapore Business Federation	Council Member
11	Advisory Council of The American Chamber of Commerce in Singapore	Member
12	The f-Next Council, Institute of Banking & Finance	Member
13	Financial Sector Development Fund Advisory Committee	Committee Member

Directorships for the past 3 years

1	Citicorp Finance (India) Limited	Director
2	Citicorp Overseas Software Limited (now called Orbitech Limited)	Director
3	Citicorp Information Technology Industries Limited (now called I-flex Solutions Ltd)	Director
4	CitiNational Investment Bank Sri Lanka	Director
5	Bhutan National Bank	Director

Datuk Fong Weng Phak

Academic and Professional Qualifications
Bachelor of Arts (Honours) in Economics from University of Malaya
Master of Public Administration from Harvard University

Serving on OCBC Board Committees
Member, Nominating Committee
Member, Audit Committee

Date of First Appointment as a Director of OCBC
Director since 22 January 2002

Date of Last Re-election as a Director of OCBC
15 May 2002

Independent Status (as defined in the Code of Corporate Governance)
Independent Director

Current Directorships

1	United Malacca Berhad	Director
2	Fraser & Neave Holdings Berhad	Director
3	Genesis Malaysia Maju Fund Ltd	Director
4	Assunta Hospital	Director
5	Yayasan De La Salle	Director
6	Pacific Mutual Fund Berhad	Director
7	The Tan Sri Tan Foundation	Director

Directorships for the past 3 years

1	Pacific Mas Berhad	Director
2	Pacific Insurance Berhad	Director

Tan Sri Dato Nasruddin Bin Bahari

Academic and Professional Qualifications
Bachelor of Arts (Honours) from University of Malaya (Singapore)
Masters Degree in Public Administration from University of Pittsburg, U.S.A.

Date of First Appointment as a Director of OCBC
Director since 13 November 2000

Date of Last Re-election as a Director of OCBC
17 May 2001

Independent Status (as defined in the Code of Corporate Governance)
Independent Director

Current Directorships

1	Lingkaran Trans Kota Holdings Bhd (LITRAK)	Director
2	Road Builder (M) Holdings Berhad	Director
3	OCBC Bank (Malaysia) Berhad	Chairman
4	OCBC Credit Berhad	Chairman
5	Affin Money Brokers Sendirian Berhad	Chairman
6	Binalogamaya Sendirian Berhad	Chairman
7	The Pacific Insurance Berhad	Director
8	Sumber Petroleum Cemerlang (SPC) Sendirian Berhad	Chairman
9	PacificMas Fidelity Sendirian Berhad	Director
10	Besraya (M) Sendirian Berhad	Director

Directorship for the past 3 years

1	Keppel Capital Holdings Ltd	Director

Further Information on Directors
Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Dr Tsao Yuan

Academic and Professional Qualifications
Bachelor of Economics and Statistics (First Class Honours) from University of Singapore
Ph. D. in Economics from Harvard University

Serving on OCBC Board Committees
Member, Compensation Committee

Date of First Appointment as a Director of OCBC
Director since 3 April 2002

Date of Last Re-election as a Director of OCBC
15 May 2002

Independent Status (as defined in the Code of Corporate Governance)
Independent Director

Current Directorships

1	Keppel Corporation Limited	Director
2	Pacific Internet Ltd	Director
3	International Trade Institute of Singapore Pte Ltd	Chairman
4	Pacfusion Ltd (formerly known as Pacfusion.com Ltd)	Director
5	Skills Development Centre Pte Ltd	Director
6	Singapore International Foundation	Governor
7	United World College of South East Asia	Governor

Directorships for the past 3 years

1	Keppel Capital Holdings Ltd	Director
2	Keppel FELS Energy and Infrastructure Ltd (now called Keppel Offshore & Marine Ltd)	Director
3	Keppel TatLee Bank Ltd	Director
4	Land Transport Authority of Singapore	Director
5	Inchone.com Pte Ltd	Deputy Chairman

Col (NS) David Wong Cheong Fook

Academic and Professional Qualifications
Bachelor of Arts (Honours) in Economics from University of Cambridge, United Kingdom
Master of Arts from University of Cambridge, United Kingdom
Member of the Institute of Chartered Accountants in England and Wales
Member of the Institute of Certified Public Accountants in Singapore

Serving on OCBC Board Committees
Member, Nominating Committee
Member, Audit Committee

Date of First Appointment as a Director of OCBC
Director since 1 August 1999

Date of Last Re-election as a Director of OCBC
15 May 2002

Independent Status (as defined in the Code of Corporate Governance)
Independent Director

Current Directorships

1	Ascendas-MGM Funds Management Ltd	Director
2	Housing & Development Board	Member
3	Civil Service College	Director
4	Defence Science & Technology Agency	Member
5	YMCA of Singapore	President
6	Singapore Island Country Club	President
7	BCS Information Systems Pte Ltd	Director
8	Banking Computer Services Pte Ltd	Director
9	Bank of Singapore Ltd	Director
10	Singapore Chinese Girls' School	Director
11	EM Services Pte Ltd	Chairman
12	Public Transport Council	Member

Directorships for the past 3 years

1	I-Comm Technology Ltd	Director
2	Keppel Capital Holdings Ltd	Director
3	National Dental Centre	Director
4	DSO National Laboratories	Director
5	eBworx Ltd	Director
6	Jurong Town Corporation	Director
7	The Esplanade Co Ltd	Director
8	Ang Mo Kio Community Hospital Medifund Committee	Chairman
9	National Council of Social Service	Vice President
10	Wearnes Technology (Pte) Ltd	Director
11	MFS Technology Ltd	Chairman

Mr Wong Nang Jang

Academic and Professional Qualifications
Bachelor of Arts in Economics (Honours) from University of Singapore

Serving on OCBC Board Committees
Member, Executive Committee

Date of First Appointment as a Director of OCBC
Director since 1 August 1998

Date of Last Re-election as a Director of OCBC
26 April 2000

Independent Status (as defined in the Code of Corporate Governance)
Non-executive Director (Although Mr Wong Nang Jang relinquished his post as an Executive Director on 4 June 2002, he is considered as a non-independent and non-executive director of the Bank for the following three years, according to the Code of Corporate Governance)

Current Directorships

1	SIA Engineering Co Ltd	Director
2	PacificMas Berhad	Director
3	WBL Corporation Ltd	Director
4	BCS Information Systems Pte Ltd	Chairman
5	Banking Computer Services Pte Ltd	Chairman
6	Bank of Singapore Ltd	Director
7	Singapore Symphonia Co Ltd	Director
8	Global Investment Holdings Ltd	Director

Directorships for the past 3 years

1	Keppel Capital Holdings Ltd	Director
2	Institute of Southeast Asian Studies	Trustee
3	OCBC Finance Ltd	Chairman
4	Wearne Brothers Services (Pte) Ltd	Director
5	OCBC Land Pte Ltd	Director
6	Asean Finance Corporation Ltd	Director
7	BOSA Ltd	Director
8	FSB Holdings Ltd	Director
9	Singapore Totalisator Board	Director
10	Central China International Leasing Co Ltd	Vice Chairman
11	PT Bank OCBC – NISP	Commissioner

Mr Patrick Yeoh

Academic and Professional Qualifications
Bachelor of Science (Honours) from University of Malaya (Singapore)

Date of First Appointment as a Director of OCBC
Director since 9 July 2001

Date of Last Re-election as a Director of OCBC
15 May 2002

Independent Status (as defined in the Code of Corporate Governance)
Independent Director

Current Directorships

1	Tuan Sing Holdings Ltd	Chairman
2	Singapore Food Industries Ltd	Director
3	MobileOne Ltd	Director
4	Economic Development Board Entrepreneur Development Fund Loans Committee	Member
5	The EDB Society	Advisor
6	Nuri Holdings (S) Pte Ltd	Advisor
7	Singapore Aerospace Manufacturing Pte Ltd	Director
8	Time Publishing Ltd	Director
9	Shanghai GT Courtyard Cultural Investments Co Ltd	Director

Directorships for the past 3 years

1	Gul Technologies Singapore Ltd	Chairman
2	Raffles Holdings Ltd	Chairman
3	Inchcape Motors Ltd	Director
4	Keppel Capital Holdings Ltd	Director
5	Laguna National Golf & Country Club Ltd	Director

Principal Network

BANKING
OVERSEA-CHINESE BANKING CORPORATION LIMITED

Singapore (Head Office)
65 Chulia Street
OCBC Centre
Singapore 049513
Tel: (65) 6318 7222
Fax: (65) 6533 7955

Australia
Sydney
Level 2, 75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61)(2) 9235 2022
Fax: (61)(2) 9223 5703

Melbourne
Level 3, 565 Bourke Street
Melbourne VIC 3000
Australia
Tel: (61)(2) 9612 7588
Fax: (61)(2) 9614 2286

China
Chengdu
68 Ren Min Zhong Road
Section 2
Unit 1515 Quanxing Building
Chengdu, Sichuan Province
Postal Code: 610031
People's Republic of China
Tel: (86) 28 8663 9888
Fax: (86) 28 8663 6622

Pudong, Shanghai
23F Tomson Commercial Building
710 Dong Fang Road
Pudong, Shanghai
Postal Code: 200122
People's Republic of China
Tel: (86) 21 5820 0200
Fax: (86) 21 5830 1925

Puxi, Shanghai
120 Kiukiang Road
Post Box No 002-030
Shanghai
Postal Code: 200002
People's Republic of China
Tel: (86) 21 6323 3888
Fax: (86) 21 6329 0888

Tianjin
Room 511 Tianjin International Building
75 Nanjing Road
Tianjin
Postal Code: 300050
People's Republic of China
Tel: (86) 22 2339 2911
Fax: (86) 22 2339 9611

Xiamen
23E International Plaza
8 Lu Jiang Dao
Postal Code: 361001
People's Republic of China
Tel: (86) 592 202 2653
Fax: (86) 592 203 5182

China Regional Office
23F Tomson Commercial Building
710 Dong Fang Road
Pudong, Shanghai
Postal Code: 200122
People's Republic of China
Tel: (86) 21 5820 1201
Fax: (86) 21 5830 1925

Beijing Representative Office
Unit 920, Tower 2
Bright China Changan Building
No. 7 Jianguomennei Avenue
Beijing, Dong Cheng District
Postal Code: 100005
People's Republic of China
Tel: (86) 10 6510 1920/1
Fax: (86) 10 6510 1923

Qingdao Representative Office
7th floor, Unit 07-00
9 Nanhai Road
Huiquan Dynasty Hotel
Qingdao, Shandong Province
Postal Code: 266003
People's Republic of China
Tel: (86) 532 296 2398
Fax: (86) 532 296 1092

Hong Kong SAR
Hong Kong Main Branch
9/F Nine Queen's Road Central
Hong Kong SAR
Tel: (852) 2868 2086
Fax: (852) 2845 3439

Bonham West
49-51 Bonham Strand West
Hong Kong SAR
Tel: (852) 2543 4932
Fax: (852) 2543 7881

Kowloon
Unit G3-5, Ground Floor
East Ocean Centre
No. 98 Granville Road
Kowloon, Hong Kong SAR
Tel: (852) 2723 9080
Fax: (852) 2721 8522

India
146 Maker Chambers VI
Nariman Point
Mumbai 400021
India
Tel: (91) 22 2283 2722
Fax: (91) 22 2283 2835

Indonesia
PT Bank OCBC Indonesia
Wisma GKBI Suite 2201
Jalan Jendral Sudirman No. 28
Jakarta 10210
Indonesia
Tel: (62) 21 574 0222
Fax: (62) 21 574 2666

Surabaya
Mandiri Tower Suite Z09
(01-03A)
Jl. Basuki Rakhmad 2-6
Surabaya 60262
Indonesia
Tel: (62) 31 532 6736
Fax: (62) 31 532 6697

Medan
Wisma Bank International Indonesia
6th Floor Suite 602
Jl. Diponegoro No. 18
Medan 20152
Indonesia
Tel: (62) 61 415 8779
Fax: (62) 61 415 5990

Bandung
Graha Bumi Putera
3rd Floor Suite 302
Jl. Asia Afrika No. 141-149
Bandung 40112 Java Barat
Indonesia
Tel: (62) 22 420 2132 / 420 2133
Fax: (62) 22 420 2455

Japan
Akasaka Twin Tower
Main Building
15th Floor
17-22 Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan
Tel: (81) 3 5570 3421
Fax: (81) 3 5570 3426

Labuan
Level 8 (C), Main Office Tower
Financial Park Labuan
Jalan Merdeka, 87000 Labuan
Federal Territory
Malaysia
Tel: (087) 42 3381 / 82
Fax: (087) 42 3390

Malaysia
OCBC Bank (Malaysia) Berhad
Kuala Lumpur (Head Office)
Wisma Lee Rubber
Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel: (60) 3 2692 0344
Fax: (60) 3 2698 4363, 2692 6518
Online Banking:
http://ecafe.ocbc.com.my
OCBC PhoneBank:
(60) 3 2055 1000 (Central Region)
(60) 4 201 7788 (Northern Region)
(60) 7 220 8888 (Southern Region)

Myanmar
Sakura Tower
Unit 1202, 12th Floor
339 Bogyoke Aung San Road
Kyauktada Township
Yangon
Union of Myanmar
Tel: (95) 1 25 5409
Fax: (95) 1 25 5410

South Korea
Ace Tower 20th Floor
1-170 Soonhwa-dong
Chung-ku, Seoul
Republic of Korea
Tel: (82) 2 754 4355
Fax: (82) 2 754 2343

Principal Network

Taiwan
Bank Tower, Suite 403, 4th Floor
205 Tun Hwa North Road
Taipei 105, Taiwan
Republic of China
Tel: (886) 2 2718 8819
Fax: (886) 2 2718 0138

Thailand
2nd Floor, Charn Issara Tower
942/80 Rama IV Road
Suriwongse, Bangrak
Bangkok 10500
Thailand
Tel: (66) 2 236 6730
Fax: (66) 2 237 7390

United Kingdom
London Stonehouse
111 Cannon Street
London EC4N 5AS
United Kingdom
Tel: (44) 20 7337 8822
Fax: (44) 20 7626 1756

United States of America
Los Angeles
1000 Wilshire Boulevard
Suite 1940
Los Angeles CA 90017
United States of America
Tel: (1) 213 624 1189
Fax: (1) 213 624 1386

New York
1700 Broadway 18/F
New York NY 10019
United States of America
Tel: (1) 212 586 6222
Fax: (1) 212 586 0636

Vietnam
Vung Tau City
PetroVietnam Towers
8 Hoang Dieu Street
Ward 1, Level 4, Suite No. 470
Vung Tau City
Vietnam
Tel: (84) 64 857 438 / 857 439
Fax: (84) 64 857 440

Ho Chi Minh City Representative Office
Unit 1, Floor 11
Harbour View Tower
35 Nguyen Hue Street
District 1
Ho Chi Minh City
Vietnam
Tel: (84) 88 214 120
Fax: (84) 88 214 121

BANK OF SINGAPORE LIMITED
Registered Address:
65 Chulia Street
#29-02/04 OCBC Centre
Singapore 049513

Business Address:
55 Market Street
#13-00 Sinsov Building
Singapore 048941
Tel: (65) 6586 3200
Fax: (65) 6438 0339

FINANCE
Singapore
OCBC Finance Limited
53/55 New Bridge Road
Singapore 059402
Tel: (65) 6535 7888
Fax: (65) 6438 4695

ASSET MANAGEMENT
Singapore
OCBC Asset Management Limited
63 Chulia Street
#05-01 OCBC Centre East
Singapore 049514
Tel: (65) 6318 7222
Fax: (65) 6534 1985

NOMINEES
Singapore
Oversea-Chinese Bank Nominees Private Limited
63 Chulia Street
#03-01 OCBC Centre East
Singapore 049514
Tel: (65) 6530 6066
Fax: (65) 6533 3770

Australia
OCBC Nominees (Australia) Pty Limited
Level 2, 75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9221 4360

Hong Kong SAR
OCBC Nominees (Hong Kong) Limited
9/F Nine Queen's Road
Central, Hong Kong SAR
Tel: (852) 2840 6247
Fax: (852) 2845 3439

Malaysia
Malaysia Nominees (Asing) Sendirian Berhad
Malaysia Nominees (Tempatan) Sendirian Berhad
14th Floor Wisma Lee Rubber
Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel: (60) 3 2692 0344, 2692 0177
Fax: (60) 3 2698 4420, 2694 3691

United Kingdom
OCBC Nominees (London) Limited
London Stonehouse
111 Cannon Street
London EC4N 5AS
United Kingdom
Tel: (44) 20 7337 8822
Fax: (44) 20 7626 3394

PROPERTY MANAGEMENT
Singapore
OCBC Property Services Private Limited
9 Battery Road
#07-00 Straits Trading Building
Singapore 049910
Tel: (65) 6437 3803
Fax: (65) 6536 5532

STOCKBROKING
Singapore
OCBC Securities Private Limited
18 Church Street
#06-00 OCBC Centre South
Singapore 049479
Tel: (65) 6535 2882
Fax: (65) 6538 9115

Hong Kong SAR
OCBC Securities (Hong Kong) Limited
10/F New World Tower II
18 Queen's Road Central
Hong Kong SAR
Tel: (852) 2249 8222
Fax: (852) 2521 7531

Indonesia
P.T. OCBC Sikap Securities
Bank Bali Tower, 9th Floor
Jl. Jend. Sudirman Kav. 27
Jakarta 12920
Indonesia
Tel: (62) 21 250 0575
Fax: (62) 21 523 7555

TRUSTEE
Singapore
OCBC Trustee Limited
65 Chulia Street
#40-08 OCBC Centre
Singapore 049513
Tel: (65) 6530 1786
Fax: (65) 6538 6916

Notice of Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Notice is hereby given that the Sixty-Sixth Annual General Meeting of Oversea-Chinese Banking Corporation Limited (the "Company") will be held at 65 Chulia Street, #50-00 OCBC Centre, Singapore 049513, on Wednesday, 14 May 2003 at 11.00 a.m. to transact the following business:

1 To receive and consider the audited Accounts for the year ended 31 December 2002 and the reports of the Directors and Auditors thereon.

2 (a) To pass the following resolutions under section 153(6) of the Companies Act, Cap. 50:

(i) That pursuant to section 153(6) of the Companies Act, Cap. 50, Mr Lee Seng Wee be and is hereby re-appointed as a Director of the Company to hold such office from the date of this annual general meeting until the next annual general meeting of the Company.

(ii) That pursuant to section 153(6) of the Companies Act, Cap. 50, Mr Michael Wong Pakshong be and is hereby re-appointed as a Director of the Company to hold such office from the date of this annual general meeting until the next annual general meeting of the Company.

(b) To elect Directors retiring by rotation:

(i) Tan Sri Dato Nasruddin Bin Bahari

(ii) Mr Wong Nang Jang

(iii)Mr Patrick Yeoh Khwai Hoh

(c) To elect Dr Lee Tih Shih, a Director retiring under the provisions of Article 111 of the Company's Articles of Association.

3 To approve the amounts proposed to be transferred to Reserves.

4 To declare a dividend.

5 To approve Directors' Fees of S$559,000 for 2002 (2001 - S$567,000).

6 To appoint Auditors and fix their remuneration.

7 As Special Business

To consider and, if thought fit, to pass the following Resolutions with or without amendments as ordinary resolutions:

Ordinary Resolutions

(a) That the Directors of the Company be and are hereby authorised, pursuant to section 161 of the Companies Act, Cap. 50, to issue shares of any class in the Company at any time upon such terms and conditions and for such purposes as the Directors may deem fit, PROVIDED ALWAYS that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed ten per cent of the total issued share capital of the Company for the time being.

(b) That the Directors of the Company be and are hereby authorised, pursuant to section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the OCBC Executives' Share Option Scheme 1994, approved by Ordinary Resolution No. 1 passed at the Extraordinary General Meeting of the Company on 11 June 1994 (the "1994 Scheme"), PROVIDED ALWAYS that the aggregate number of ordinary shares to be issued pursuant to the 1994 Scheme shall not exceed five per cent of the total issued ordinary share capital of the Company from time to time and that the aggregate number of ordinary shares to be issued to any Executive under the 1994 Scheme shall not, subject to such adjustments as may be made in accordance with the 1994 Scheme, exceed 25 per cent of the aggregate number of ordinary shares which may be issued by the Company (including any ordinary shares which may be issued pursuant to adjustments, if any, made under the 1994 Scheme) pursuant to the exercise of options under the 1994 Scheme.

(c) That the Directors of the Company be and are hereby authorised, pursuant to section 161 of the Companies Act, Cap. 50, to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001, approved by Ordinary Resolution passed at the Extraordinary General Meeting of the Company on 17 May 2001 (the "2001 Scheme"), and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the 2001 Scheme, PROVIDED ALWAYS that the aggregate number of ordinary shares to be issued pursuant to the 2001 Scheme shall not exceed ten per cent of the total issued ordinary share capital of the Company from time to time.

(d) That contingent upon any of the ordinary shares in the Company being issued and being credited as fully paid, the same be and shall hereby be converted into stock units transferable in amounts and multiples of S$1.00 each.

8 To transact any other ordinary business.

By order of the Board,

Peter Yeoh
Secretary

Singapore
11 April 2003

Notes: A member of the Company entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Company's registered office not less than 48 hours before the time set for holding the Meeting.

Dear Members

We set out below a statement regarding the effect of the resolutions under the heading "Special Business" in the Notice of the forthcoming Annual General Meeting, namely –

The Ordinary Resolution set out as Item 7(a), if passed, will allow the Directors of the Company from the date of that meeting until the next annual general meeting to issue or agree to issue shares of any class in the Company up to an amount not exceeding in total ten per cent of the total issued share capital of the Company for the time being. The Directors would only issue further shares under this Resolution where they consider this necessary and in the interests of the Company.

The Ordinary Resolution set out as Item 7(b) authorises the Directors to allot and issue ordinary shares pursuant to the exercise of options granted under the OCBC Executives' Share Option Scheme 1994 which was approved at the Extraordinary General Meeting of the Company on 11 June 1994 (the "1994 Scheme"). A copy of the Regulations of the 1994 Scheme is available for inspection during normal office hours at the Company's registered office by Members.

The Ordinary Resolution set out as Item 7(c) authorises the Directors to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 which was approved at the Extraordinary General Meeting of the Company on 17 May 2001 (the "2001 Scheme") and to allot and issue ordinary shares thereunder. A copy of the Regulations of the 2001 Scheme is available for inspection during normal office hours at the Company's registered office by Members.

The Ordinary Resolution set out as Item 7(d) is merely procedural allowing for the conversion of fully paid ordinary shares into stock units.

By order of the Board,

Peter Yeoh
Secretary

Singapore
11 April 2003

Proxy Form

OVERSEA-CHINESE BANKING CORPORATION LIMITED (INCORPORATED IN SINGAPORE)

IMPORTANT:

1. The Annual Report will be sent only upon the request of ordinary stockholders.
2. The Annual Report will be also be sent upon the request of holders of all classes of non-cumulative, non-convertible preference shares.
   FOR INFORMATION ONLY
3. This Proxy Form is not valid for use by CPF investors who have used their CPF monies to buy OCBC ordinary stock units and holders of all classes of non-cumulative, non-convertible preference shares and shall be ineffective for all intents and purposes if used or purposes to be used by them.

I/We, ____

of ____

being a stockholder/stockholders of Oversea-Chinese Banking Corporation Limited (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Stockholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the annual general meeting of the Company to be held at 65 Chulia Street, #50-00 OCBC Centre, Singapore 049513, on 14 May 2003 at 11.00 a.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Resolutions		For	Against
1	Adoption of Report and Accounts			
2	(a) Reappointment of Directors under section 153(6) of the Companies Act, Cap. 50	(i) Mr Lee Seng Wee		
		(ii) Mr Michael Wong Pakshong		
	(b) Election of Directors retiring by rotation	(i) Tan Sri Dato Nasruddin Bin Bahari		
		(ii) Mr Wong Nang Jang		
		(iii) Mr Patrick Yeoh Khwai Hoh		
	(c) Election of Director retiring under Article 111	Dr Lee Tih Shih		
3	Approval of amounts proposed to be transferred to Reserves			
4	Declaration of dividend			
5	Approval of amount proposed as Directors' Fees			
6	Appointment of Auditors and fixing their remuneration			
7	Special Business	(a) Authority to issue shares (General)		
		(b) Authority to allot and issue ordinary shares (OCBC Executives' Share Option Scheme 1994)		
		(c) Authority to grant options and allot and issue ordinary shares (OCBC Share Option Scheme 2001)		
		(d) Conversion of ordinary shares into stock		

Dated this ______________ day of ______________ 2003

Total Number of Stock Units Held

____

Signature(s) of Stockholder(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1 Please insert the total number of stock units held by you. If you have stock units entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of stock units. If you have stock units registered in your name in the Register of Members, you should insert that number of stock units. If you have stock units entered against your name in the Depository Register and stock units registered in your name in the Register of Members, you should insert the aggregate number of stock units entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the stock units held by you.

2 A stockholder of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a stockholder of the Company.

3 Where a stockholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his stockholding (expressed as a percentage of the whole) to be represented by each proxy.

4 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 65 Chulia Street, #29-02/04. OCBC Centre, Singapore 049513, not less than 48 hours before the time set for holding the annual general meeting.

5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.

6 A corporation which is a stockholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the annual general meeting, in accordance with section 179 of the Companies Act, Cap. 50 of Singapore.

7 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a stockholder whose stock units are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the stockholder, being the appointor, is not shown to have stock units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the annual general meeting, as certified by The Central Depository (Pte) Limited to the Company.

1st fold here

2nd fold here

AFFIX
POSTAGE
STAMP

OCBC Group Secretariat
Oversea-Chinese Banking Corporation Limited
65 Chulia Street, #29-02/04
OCBC Centre, Singapore 049513

Fold along this line and glue overleaf

Corporate Information

Tan Sri Dr Tan Chin Tuan
Honorary Life President

Board of Directors
Mr Lee Seng Wee
Chairman

Mr Michael Wong Pakshong
Vice Chairman

Dr Cheong Choong Kong
Vice Chairman

Mr David Conner
Chief Executive Officer

Datuk Fong Weng Phak
Tan Sri Dato Nasruddin Bin Bahari
Dr Tsao Yuan
(also known as Dr Lee Tsao Yuan)
Col (NS) David Wong
Mr Wong Nang Jang
Mr Patrick Yeoh

Nominating Committee
Dr Cheong Choong Kong
Chairman

Mr David Conner
Datuk Fong Weng Phak
Mr Lee Seng Wee
Col (NS) David Wong

Executive Committee
Mr Lee Seng Wee
Chairman

Dr Cheong Choong Kong
Mr David Conner
Mr Michael Wong Pakshong
Mr Wong Nang Jang

Audit Committee
Mr Michael Wong Pakshong
Chairman

Datuk Fong Weng Phak
Col (NS) David Wong

Compensation Committee
Dr Cheong Choong Kong
Chairman

Mr Lee Seng Wee
Dr Tsao Yuan
Mr Michael Wong Pakshong

Secretary
Mr Peter Yeoh

Registered Office
65 Chulia Street
#29-02/04 OCBC Centre
Singapore 049513
Tel: (65) 6318 7222 (Main Line)
Fax: (65) 6533 7955
Email: ContactUs@ocbc.com.sg
Website: www.ocbc.com

Share Registration Office
KPMG (Share Registrars)
138 Robinson Road #17-00
The Corporate Office
Singapore 068906
Tel: (65) 6223 3036

Auditors
PricewaterhouseCoopers
8 Cross Street
#17-00 PWC Building
Singapore 048424
Tel: (65) 6236 3388

Partner in charge of the audit
Ms Deborah Ong
(Year of Appointment: 2002)

Concept and Design by Equus
www.equus-design.com