

## Directors' Report

for the financial year ended 31 December 2003

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2003 and the balance sheet of the Bank at 31 December 2003.

### DIRECTORS

The directors of the Bank in office at the date of this report are:

|  |                         |
|--|-------------------------|
| Cheong Choong Kong                       | Chairman                |
| Michael Wong Pakshong                    | Vice Chairman           |
| David Philbrick Conner                   | Chief Executive Officer |
| Fong Weng Phak                           |                         |
| Lee Seng Wee                             |                         |
| Lee Tih Shih (appointed on 4 April 2003) |                         |
| Nasruddin Bin Bahari                     |                         |
| Tsao Yuan, also known as Lee Tsao Yuan   |                         |
| David Wong Cheong Fook                   |                         |
| Wong Nang Jang                           |                         |
| Patrick Yeoh Khwai Hoh                   |                         |

Dr Cheong Choong Kong, Datuk Fong Weng Phak and Col (Ret) David Wong Cheong Fook 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.

### 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 by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than as disclosed in this report.

### DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, the directors holding office at the end of the financial year had interest in the share capital of the Bank as follows:

|  | Holdings registered in the name of directors or in which directors have a direct interest |                  | Holdings in which directors are deemed to have an interest |                             |
|--|---|------------------|--|-----------------------------|
|  | As at 1.1.2003 (or date of appointment)   | As at 31.12.2003 | As at 1.1.2003 (or date of appointment)                    | As at 31.12.2003            |
| <b>Ordinary stock units of \$1 each</b>  |   |                  |  |                             |
| Cheong Choong Kong                       | 30,923  | <b>30,923</b>    | Nil  | <b>Nil</b>                  |
| Michael Wong Pakshong                    | 45,053  | <b>45,053</b>    | 22,958   | <b>22,958</b>               |
| David Conner                             | Nil   | <b>121,000</b>   | 63,000 <sup>(1)</sup>                                      | <b>70,526<sup>(2)</sup></b> |
| Fong Weng Phak                           | 29,782  | <b>29,782</b>    | Nil  | <b>Nil</b>                  |
| Lee Seng Wee                             | 1,338,157   | <b>1,338,157</b> | 1,185,710  | <b>1,185,710</b>            |
| Lee Tih Shih (appointed on 4 April 2003) | 461,232   | <b>461,232</b>   | Nil  | <b>Nil</b>                  |
| Nasruddin Bin Bahari                     | Nil   | <b>Nil</b>       | Nil  | <b>Nil</b>                  |
| Tsao Yuan                                | Nil   | <b>Nil</b>       | 390  | <b>390</b>                  |
| David Wong Cheong Fook                   | 3,000   | <b>3,000</b>     | Nil  | <b>Nil</b>                  |
| Wong Nang Jang                           | 76,432  | <b>76,432</b>    | 42,743   | <b>42,743</b>               |
| Patrick Yeoh Khwai Hoh                   | Nil   | <b>Nil</b>       | Nil  | <b>Nil</b>                  |

## Directors' Report

for the financial year ended 31 December 2003

### DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

|   | Holdings registered in the name of directors or in which directors have a direct interest |                  | Holdings in which directors are deemed to have an interest |                  |
|---|---|------------------|--|------------------|
|   | As at 1.1.2003<br>(or date of appointment)  | As at 31.12.2003 | As at 1.1.2003<br>(or date of appointment)                 | As at 31.12.2003 |
| <b>4.2% non-cumulative non-convertible Class G preference shares of \$0.01 each</b> |   |                  |  |                  |
| Cheong Choong Kong  | Nil   | 15,000           | Nil  | Nil              |
| Michael Wong Pakshong   | Nil   | 22,000           | Nil  | Nil              |
| David Conner  | Nil   | 50,000           | Nil  | Nil              |
| Fong Weng Phak  | Nil   | 14,891           | Nil  | Nil              |
| Lee Seng Wee  | Nil   | 800,000          | Nil  | 600,000          |
| Lee Tih Shih (appointed on 4 April 2003)  | Nil   | 240,000          | Nil  | Nil              |
| Nasruddin Bin Bahari  | Nil   | Nil              | Nil  | Nil              |
| Tsao Yuan   | Nil   | Nil              | Nil  | 7,000            |
| David Wong Cheong Fook  | Nil   | Nil              | Nil  | Nil              |
| Wong Nang Jang  | Nil   | 38,216           | Nil  | 21,372           |
| Patrick Yeoh Khwai Hoh  | Nil   | Nil              | Nil  | Nil              |

(1) Deemed interest arising from contractual entitlement of 63,000 ordinary stock units pursuant to employment contract.

(2) Comprises deemed interest over 28,526 ordinary shares pursuant to an award granted under the OCBC Deferred Share Plan; and contractual entitlement of 42,000 ordinary stock units pursuant to employment contract. 21,000 ordinary stock units (out of the contractual entitlement of 63,000 ordinary stock units) were vested at the end of the financial year.

None of the directors have direct or deemed interest in the 4.5% non-cumulative non-convertible Class E preference shares of \$0.01 each.

(b) According to the register of directors' shareholdings, certain of the directors holding office at the end of the financial year had interest in the options to subscribe for ordinary shares of the Bank pursuant to the OCBC Share Option Schemes as set out below and under the heading "Share Options" in this report:

|                | Options held by directors in their own name      |                  | Options in which directors are deemed to have an interest |                  |
|----------------|--|------------------|---|------------------|
|                | As at 1.1.2003                                   | As at 31.12.2003 | As at 1.1.2003  | As at 31.12.2003 |
|                | (Number of unissued ordinary shares of \$1 each) |                  | (Number of unissued ordinary shares of \$1 each)          |                  |
| David Conner   | 300,000  | 600,000          | Nil   | Nil              |
| Wong Nang Jang | 319,796  | 394,796          | Nil   | Nil              |

Save as aforesaid, 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.

The directors' interests in shares and share options in the Bank as at 21 January 2004 were the same as that as at 31 December 2003.

### DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or 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 and in the financial statements.

## Directors' Report

for the financial year ended 31 December 2003

### SHARE OPTIONS

#### (a) OCBC Share Option Schemes

##### (i) OCBC Executives' Share Option Scheme 1994

The OCBC Executives' Share Option Scheme 1994 ("1994 Scheme") in respect of the grant of options to subscribe for ordinary shares of \$1 each in the Bank was approved at an extraordinary general meeting on 11 June 1994. Options were granted to executives of the Bank and OCBC Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, of the rank of Assistant Manager and above. The 1994 Scheme was terminated on 3 August 2001 and replaced by the OCBC Share Option Scheme 2001.

Outstanding options under the 1994 Scheme will remain valid until their respective dates of expiration of the options. Particulars of the 1995 Replacement Options, 1996 Replacement Options, 1997 Replacement Options, 1998 Options, 1998 Replacement Options, 1999 Options, 1999 Replacement Options, 2000 Options and 2001 Options were set out in the directors' reports for the financial years ended 31 December 1998 to 2001. The 1998 Options and 1999 Options expired on 21 January 2003 and 9 December 2003 respectively.

##### (ii) OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 ("2001 Scheme") in respect of the grant of options to subscribe for ordinary shares of \$1 each in the Bank was approved at an extraordinary general meeting on 17 May 2001, to replace the 1994 Scheme. Executives of the Group of the rank of Assistant Manager and above, including executive directors, as well as non-executive directors, are eligible to participate in the 2001 Scheme.

Particulars of the 2002 Options, 2002A Options and 2002B Options were set out in the directors' report for the financial year ended 31 December 2002.

The Schemes are administered by the Remuneration Committee and the members as at the date of this report are as follows:

- Michael Wong Pakshong (Chairman)
- Cheong Choong Kong
- David Conner
- Nasruddin Bin Bahari
- Tsao Yuan

David Conner did not participate in any deliberation or decision in respect of options granted to him.

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

During the financial year, in consideration of the payment of \$1 for each option issued, options to subscribe for 10,423,167 ordinary shares of \$1 each were granted pursuant to the 2001 Scheme (hereinafter called the "2003 Options") to 2,059 officers of the Group which included options granted to the following directors of the Bank:

| Name           | Designation at the time of granting the options | Number of options | Offering price per \$1 share | Exercise period        |
|----------------|---|-------------------|------------------------------|------------------------|
| David Conner   | Chief Executive Officer                         | 300,000           | \$ 9.76                      | 28.3.2004 to 26.3.2013 |
| Wong Nang Jang | Non-executive director                          | 75,000            | \$ 9.76                      | 28.3.2004 to 26.3.2008 |

No options have been granted to controlling shareholders or their associates. No participant has received 5% or more of the total number of options available under the schemes. No options were granted at a discount during the financial year.

Statutory and other information regarding the 2003 Options are as follows:

- (i) Options issued on 27 March 2003 ("2003 Options") to Group executives (including executive directors) will expire on 26 March 2013. The exercise period is 28 March 2004 to 26 March 2013, 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 \$9.76 per ordinary share of \$1 each.
- (ii) Options issued on 27 March 2003 ("2003 Options") to a non-executive director will expire on 26 March 2008. The exercise period is 28 March 2004 to 26 March 2008, 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 \$9.76 per ordinary share of \$1 each.

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for the financial year ended 31 December 2003

### SHARE OPTIONS (continued)

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

- (iii) The 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 over five consecutive trading days immediately prior to the date when an offer to grant an option was made to a grantee.
- (iv) Based on the current rules of the 2001 Scheme, options granted to executives including executive directors are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant. Options granted to non-executive directors are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 5th anniversary of the respective dates of grant or, if applicable laws permit, on such later date as the Remuneration Committee may determine.
- (v) In accordance with the vesting schedule adopted by the Remuneration Committee, the percentage of shares over which an option is exercisable is as follows:
- |  |     |
|--|-----|
| On or before the 1st anniversary of the date of grant                                | Nil |
| After the 1st anniversary but on or before the 2nd anniversary of the date of grant  | 33% |
| After the 2nd anniversary but on or before the 3rd anniversary of the date of grant  | 33% |
| After the 3rd anniversary but on or before the date of expiry of the exercise period | 34% |
- (vi) Unexercised options will lapse by reason of Rule 7.3 of the 2001 Scheme relating to the cessation of employment of the grantee unless otherwise determined by the Remuneration Committee.
- (vii) 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 variation in the issued ordinary share capital of the Bank (whether by way of rights issue or capitalisation of profits or reserves or otherwise) while an option remains unexercised.
- (viii) 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.

#### (c) Options outstanding

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

| Name of director | 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 |
|------------------|---|--|--|---|
| David Conner     | 300,000<br>(2003 Options)                 | 600,000  | –  | 600,000   |
| Wong Nang Jang   | 75,000<br>(2003 Options)                  | 454,171  | 59,375   | 394,796   |

## Directors' Report

for the financial year ended 31 December 2003

### SHARE OPTIONS (continued)

#### (c) Options outstanding (continued)

The options on ordinary shares of the Bank outstanding at the end of the financial year are as follows:

|                          | Number of<br>options<br>outstanding<br>as at end of<br>financial year | Offering<br>price per<br>\$1 share | Exercise period          |
|--------------------------|---|------------------------------------|--------------------------|
| 1995 Replacement Options | 197,478   | \$7.810                            | 25.5.1999 to 1.2.2005    |
| 1996 Replacement Options | 688,259   | \$8.150                            | 25.5.1999 to 29.1.2006   |
| 1997 Replacement Options | 1,139,735   | \$7.603                            | 30.1.2000 to 29.1.2007   |
| 1998 Replacement Options | 1,147,746   | \$6.419                            | 22.1.2001 to 21.1.2008   |
| 1999 Replacement Options | 2,088,002   | \$7.533                            | 10.12.2001 to 9.12.2008  |
| 2000 Options             | 4,563,789   | \$10.900                           | 6.12.2002 to 5.12.2009   |
| 2001 Options             | 5,914,098   | \$12.880                           | 5.12.2003 to 4.12.2010   |
| 2002 Options             | 7,493,700   | \$13.780                           | 9.4.2003 to 8.4.2012     |
| 2002A Options            | 300,000   | \$13.660                           | 23.4.2003 to 22.4.2012   |
| 2002B Options            | 100,000   | \$10.480                           | 24.10.2003 to 23.10.2012 |
| 2003 Options             | 75,000  | \$9.76                             | 28.3.2004 to 26.3.2008   |
| 2003 Options             | 9,817,167   | \$9.76                             | 28.3.2004 to 26.3.2013   |
|                          | 33,524,974  |                                    |                          |

Notes:

- (i) 1998 Options and 1999 Options expired on 21 January 2003 and 9 December 2003 respectively.
- (2) A total number of 75,976,248 options have been granted since the commencement of the 1994 and 2001 schemes to the end of the financial year under review.

### ISSUE OF SHARES PURSUANT TO OPTION SCHEMES

During the financial year, the Bank issued the following ordinary shares of \$1 each fully paid up in cash and converted into ordinary stock pursuant to the OCBC Share Option Schemes upon the exercise of options:

- (i) 150,872 ordinary shares of \$1 each at a price of \$7.810 per share for the 1995 Replacement Options;
- (ii) 119,707 ordinary shares of \$1 each at a price of \$8.150 per share for the 1996 Replacement Options;
- (iii) 305,233 ordinary shares of \$1 each at a price of \$7.603 per share for the 1997 Replacement Options;
- (iv) 33,600 ordinary shares of \$1 each at a price of \$6.419 per share for the 1998 Options;
- (v) 395,112 ordinary shares of \$1 each at a price of \$6.419 per share for the 1998 Replacement Options;
- (vi) 11,600 ordinary shares of \$1 each at a price of \$7.533 per share for the 1999 Options;
- (vii) 611,031 ordinary shares of \$1 each at a price of \$7.533 per share for the 1999 Replacement Options; and
- (viii) 288,361 ordinary shares of \$1 each at a price of \$10.900 per share for the 2000 Options.

### OCBC DEFERRED SHARE PLAN

During the financial year, the Bank implemented the OCBC Deferred Share Plan ("DSP"), a stock-based plan administered by the Remuneration Committee in accordance with the rules governing the DSP. The DSP is a discretionary incentive and retention award program extended to executives of the Group of the rank of Vice President and above at the absolute discretion of the Remuneration Committee. The awards are granted at no cost to the grantees, on a deferred basis as part of their performance bonus. Such awards shall lapse by reason of cessation of service but may be preserved at the absolute discretion of the Remuneration Committee. The DSP does not involve the issue of new shares. Instead, existing stock units will be purchased from the market for release to participants at the end of the respective vesting periods.

During the financial year, total awards of 466,777 ordinary shares (including an award of 28,526 ordinary shares granted to an executive director of the Bank) were granted to eligible executives under the DSP.

## Directors' Report

for the financial year ended 31 December 2003

### AUDIT COMMITTEE

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

Michael Wong Pakshong, Chairman

Fong Weng Phak

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,

### CHEONG CHOONG KONG

Director

### DAVID PHILBRICK CONNER

Director

Singapore

11 February 2004

**Statement by Directors**  
for the financial year ended 31 December 2003

In the opinion of the directors,

- (a) the balance sheet of the Bank and the financial statements of the Group as set out on pages 80 to 155 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 2003 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

**CHEONG CHOONG KONG**  
Director

**DAVID PHILBRICK CONNER**  
Director

Singapore  
11 February 2004

## Auditors' Report

to the members of Oversea-Chinese Banking Corporation Limited

We have audited the balance sheet of Oversea-Chinese Banking Corporation Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2003 set out on pages 80 to 155. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the accompanying balance sheet of the Bank and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2003, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding 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 are stated in Note 34 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  
11 February 2004

## Consolidated Income Statement

for the financial year ended 31 December 2003

|   | Note | 2003<br>\$'000   | 2002<br>\$'000   |
|---|------|------------------|------------------|
| Interest income   | 3    | 2,380,646        | 2,729,376        |
| Less: Interest expense  | 4    | 945,650          | 1,219,889        |
| <b>Net interest income</b>  |      | <b>1,434,996</b> | <b>1,509,487</b> |
| Fees and commissions  | 5    | 372,827          | 374,022          |
| Dividends   | 6    | 74,778           | 33,684           |
| Rental income   |      | 63,539           | 76,605           |
| Other income  | 7    | 246,885          | 227,833          |
| <b>Non-interest income</b>  |      | <b>758,029</b>   | <b>712,144</b>   |
| <b>Income before operating expenses</b>                                     |      | <b>2,193,025</b> | <b>2,221,631</b> |
| Less: Staff costs   |      | 477,850          | 464,765          |
| Other operating expenses  |      | 376,778          | 384,493          |
| Total operating expenses  | 8    | 854,628          | 849,258          |
| <b>Operating profit before provisions and amortisation of goodwill</b>      |      | <b>1,338,397</b> | <b>1,372,373</b> |
| Less: Amortisation of goodwill  | 36   | 126,644          | 126,995          |
| Provisions for possible loan losses and diminution in value of other assets | 9    | 224,959          | 500,608          |
| <b>Operating profit after provisions and amortisation of goodwill</b>       |      | <b>986,794</b>   | <b>744,770</b>   |
| Add: Share of profits less losses of associated companies                   |      | 234,865          | 160,822          |
| <b>Profit before tax</b>  |      | <b>1,221,659</b> | <b>905,592</b>   |
| Less: Tax   | 10   | 210,763          | 199,726          |
| Share of tax of associated companies  |      | 55,137           | 37,028           |
|   |      | 265,900          | 236,754          |
| <b>Profit after tax</b>   |      | <b>955,759</b>   | <b>668,838</b>   |
| Less: Minority interests  |      | 1,635            | 2,130            |
| <b>Profit attributable to shareholders</b>                                  |      | <b>954,124</b>   | <b>666,708</b>   |
| <b>Earnings per ordinary share (cents)</b>                                  | 11   |                  |                  |
| Basic   |      | 72               | 52               |
| Diluted   |      | 72               | 52               |

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

## Balance Sheets

as at 31 December 2003

|  | Note        | Group              |                    | Bank               |                    |
|--|-------------|--------------------|--------------------|--------------------|--------------------|
|  |             | 2003<br>\$'000     | 2002<br>\$'000     | 2003<br>\$'000     | 2002<br>\$'000     |
| <b>Shareholders' Equity</b>                        |             |                    |                    |                    |                    |
| <b>Share Capital</b>                               |             |                    |                    |                    |                    |
| Authorised   | 13          | 2,010,838          | 2,000,000          | 2,010,838          | 2,000,000          |
| Issued and fully paid                              | 13          | 1,284,084          | 1,290,299          | 1,284,084          | 1,290,299          |
| <b>Reserves</b>                                    |             |                    |                    |                    |                    |
| Capital reserves                                   | 14          | 2,329,076          | 1,505,515          | 2,205,333          | 1,395,457          |
| Statutory reserves                                 | 15          | 1,854,303          | 1,936,244          | 1,528,700          | 1,464,200          |
| Revenue reserves                                   | 16          | 4,591,450          | 4,492,164          | 3,177,056          | 2,865,742          |
| <b>Total shareholders' equity</b>                  |             | <b>10,058,913</b>  | <b>9,224,222</b>   | <b>8,195,173</b>   | <b>7,015,698</b>   |
| <b>Minority Interests</b>                          |             | <b>19,879</b>      | <b>18,928</b>      | <b>—</b>           | <b>—</b>           |
| <b>Liabilities</b>                                 |             |                    |                    |                    |                    |
| Deposits of non-bank customers                     | 17, 38.5    | 53,459,680         | 53,947,536         | 45,673,695         | 43,944,085         |
| Deposits and balances of banks                     | 17, 38.5    | 12,480,794         | 12,621,149         | 11,910,339         | 12,076,240         |
| Deposits of subsidiary companies                   |             | —                  | —                  | 1,268,267          | 1,168,228          |
| Deposits of associated companies                   |             | 1,457,708          | 1,454,366          | 878,968            | 976,602            |
| Bills payable                                      |             | 185,233            | 177,164            | 102,478            | 115,698            |
| Current tax  | 18          | 327,667            | 321,765            | 292,216            | 244,671            |
| Deferred tax                                       | 18          | 76,043             | 133,498            | 55,482             | 106,206            |
| Other liabilities                                  | 19          | 2,421,286          | 2,140,546          | 1,796,542          | 1,758,904          |
| Debt securities                                    | 20          | 4,010,223          | 4,012,214          | 3,882,473          | 3,879,214          |
| <b>Total liabilities and shareholders' equity</b>  |             | <b>84,497,426</b>  | <b>84,051,388</b>  | <b>74,055,633</b>  | <b>71,285,546</b>  |
| <b>Assets</b>                                      |             |                    |                    |                    |                    |
| Cash and placements with central banks             | 21          | 4,035,863          | 2,858,403          | 2,604,863          | 1,453,919          |
| Singapore government treasury bills and securities | 22          | 6,151,111          | 5,966,732          | 6,002,069          | 5,636,843          |
| Other government treasury bills and securities     | 23          | 1,054,618          | 984,145            | 203,599            | 131,026            |
| Dealing securities                                 | 24          | 235,541            | 173,076            | 134,929            | 147,950            |
| Placements with and loans to banks                 | 25, 38.5    | 9,649,818          | 14,458,968         | 8,874,153          | 13,875,891         |
| Bills receivable                                   | 26–29, 38.5 | 428,195            | 296,562            | 218,965            | 119,762            |
| Loans to customers                                 | 26–29, 38.5 | 49,726,922         | 47,070,651         | 42,675,233         | 38,006,482         |
| Investment securities                              | 30          | 6,294,827          | 5,310,085          | 5,310,599          | 4,489,327          |
| Deferred tax                                       | 18          | 53,670             | 70,416             | —                  | —                  |
| Other assets                                       | 31          | 2,182,934          | 2,044,580          | 1,759,742          | 1,767,475          |
| Associated companies                               | 33          | 79,813,499         | 79,233,618         | 67,784,152         | 65,628,675         |
| Subsidiary companies                               | 34          | 1,177,137          | 1,047,441          | 107,617            | 101,238            |
| Property, plant and equipment                      | 35          | —                  | —                  | 3,427,270          | 2,957,443          |
| Goodwill   | 36          | 1,434,736          | 1,571,646          | 748,439            | 823,053            |
|  |             | 2,072,054          | 2,198,683          | 1,988,155          | 1,775,137          |
| <b>Total assets</b>                                |             | <b>84,497,426</b>  | <b>84,051,388</b>  | <b>74,055,633</b>  | <b>71,285,546</b>  |
| <b>Off-Balance Sheet Items</b>                     |             |                    |                    |                    |                    |
| Contingent liabilities                             | 40          | —                  | —                  | —                  | —                  |
| Commitments  | 41          | 5,829,577          | 5,848,394          | 5,010,352          | 4,968,375          |
| Financial derivatives                              | 42          | 27,261,292         | 28,288,944         | 23,637,732         | 24,174,734         |
|  | 43          | 191,246,606        | 184,769,732        | 189,829,605        | 182,644,281        |
|  |             | <b>224,337,475</b> | <b>218,907,070</b> | <b>218,477,689</b> | <b>211,787,390</b> |

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

## Consolidated Statement of Changes in Shareholders' Equity

for the financial year ended 31 December 2003

|  | Share capital<br>\$'000 | Capital reserves<br>\$'000 | Statutory reserves<br>\$'000 | Revenue reserves<br>\$'000 | Total<br>\$'000   |
|--|-------------------------|----------------------------|------------------------------|----------------------------|-------------------|
| <b>Balance at 1 January 2003</b>   | <b>1,290,299</b>        | <b>1,505,515</b>           | <b>1,936,244</b>             | <b>4,492,164</b>           | <b>9,224,222</b>  |
| Profit attributable to shareholders  | –                       | –                          | –                            | 954,124                    | 954,124           |
| Foreign currency translation gains not recognised in the income statement  | –                       | –                          | –                            | 8,555                      | 8,555             |
| <b>Total recognised gains for the financial year</b>                       | <b>–</b>                | <b>–</b>                   | <b>–</b>                     | <b>962,679</b>             | <b>962,679</b>    |
| Transfers  | –                       | 13,685                     | (81,941)                     | 68,256                     | –                 |
| Class E preference shares issued for cash                                  | 50                      | 499,950                    | –                            | –                          | 500,000           |
| Class E preference dividends paid  | –                       | –                          | –                            | (20,096)                   | (20,096)          |
| Class G preference shares issued for cash                                  | 1,865                   | 184,877                    | –                            | –                          | 186,742           |
| Class G preference shares issued in lieu of special cash dividends         | 2,093                   | 206,171                    | –                            | (208,264)                  | –                 |
| Class G preference dividends paid  | –                       | –                          | –                            | (7,242)                    | (7,242)           |
| Expenses relating to the issue of preference shares                        | –                       | (1,648)                    | –                            | –                          | (1,648)           |
| Final dividends paid to ordinary stockholders                              | –                       | –                          | –                            | (151,081)                  | (151,081)         |
| Interim dividends paid to ordinary stockholders                            | –                       | –                          | –                            | (110,811)                  | (110,811)         |
| Special dividends paid in cash to ordinary stockholders                    | –                       | –                          | –                            | (434,155)                  | (434,155)         |
| Selective capital reduction  | (12,139)                | (92,620)                   | –                            | –                          | (104,759)         |
| Shares issued under Share Option Schemes                                   | 1,916                   | 13,146                     | –                            | –                          | 15,062            |
| <b>Balance at 31 December 2003</b>   | <b>1,284,084</b>        | <b>2,329,076</b>           | <b>1,854,303</b>             | <b>4,591,450</b>           | <b>10,058,913</b> |
| Comprise:  |                         |                            |                              |                            |                   |
| Share of reserves of associated companies                                  | –                       | 20,691                     | –                            | 1,021,463                  | 1,042,154         |
| <b>Balance at 1 January 2002</b>   | <b>1,286,606</b>        | <b>1,911,490</b>           | <b>1,889,924</b>             | <b>3,744,204</b>           | <b>8,832,224</b>  |
| Profit attributable to shareholders  | –                       | –                          | –                            | 666,708                    | 666,708           |
| Foreign currency translation losses not recognised in the income statement | –                       | –                          | –                            | (96,834)                   | (96,834)          |
| <b>Total recognised gains for the financial year</b>                       | <b>–</b>                | <b>–</b>                   | <b>–</b>                     | <b>569,874</b>             | <b>569,874</b>    |
| Transfers  | –                       | (429,693)                  | 46,320                       | 383,373                    | –                 |
| Adjustment in reserves of an associated company                            | –                       | –                          | –                            | (24,167)                   | (24,167)          |
| Final dividends paid to ordinary stockholders                              | –                       | –                          | –                            | (130,803)                  | (130,803)         |
| Interim dividends paid to ordinary stockholders                            | –                       | –                          | –                            | (50,317)                   | (50,317)          |
| Shares issued under Share Option Schemes                                   | 3,693                   | 23,718                     | –                            | –                          | 27,411            |
| <b>Balance at 31 December 2002</b>   | <b>1,290,299</b>        | <b>1,505,515</b>           | <b>1,936,244</b>             | <b>4,492,164</b>           | <b>9,224,222</b>  |
| Comprise:  |                         |                            |                              |                            |                   |
| Share of reserves of associated companies                                  | –                       | 19,232                     | –                            | 877,250                    | 896,482           |

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

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

## Consolidated Cash Flow Statement

for the financial year ended 31 December 2003

| Note  | 2003<br>\$'000     | 2002<br>\$'000    |
|---|--------------------|-------------------|
| <b>Cash flows from operating activities</b>                           |                    |                   |
| Operating profit before provisions and amortisation of goodwill       | 1,338,397          | 1,372,373         |
| <b>Adjustments for non-cash items</b>                                 |                    |                   |
| Amortisation of computer software costs                               | 20,248             | 10,863            |
| Depreciation of property, plant and equipment                         | 81,421             | 72,890            |
| Gains on disposal of investment securities                            | (92,406)           | (46,709)          |
| Gains on disposal of a subsidiary company                             | –                  | (305)             |
| Gains on disposal of interests in associated companies                | –                  | (9,677)           |
| (Gains)/losses on disposal of property, plant and equipment           | (45,883)           | 991               |
| Operating profit before changes in operating assets and liabilities   | 1,301,777          | 1,400,426         |
| <b>Increase/(decrease) in operating liabilities</b>                   |                    |                   |
| Deposits of non-bank customers  | (484,514)          | (513,908)         |
| Deposits and balances of banks  | (140,355)          | (1,429,849)       |
| Bills payable and other liabilities                                   | 292,678            | 94,723            |
| <b>(Increase)/decrease in operating assets</b>                        |                    |                   |
| Dealing securities  | (62,269)           | 180,451           |
| Placements with and loans to banks                                    | 4,809,150          | (31,700)          |
| Loans to customers and bills receivable                               | (2,944,192)        | 2,091,613         |
| Other assets  | (140,762)          | (249,455)         |
| Cash provided by operating activities                                 | 2,631,513          | 1,542,301         |
| Income tax paid   | (246,041)          | (226,991)         |
| <b>Net cash provided by operating activities</b>                      | <b>2,385,472</b>   | <b>1,315,310</b>  |
| <b>Cash flows from investing activities</b>                           |                    |                   |
| Acquisition of additional interest in subsidiary companies            | (288)              | (10,148)          |
| Capital return from an associated company                             | 1,000              | 9,000             |
| Dividends from associated companies                                   | 51,170             | 35,837            |
| Decrease in associated companies                                      | 5,727              | 5,173             |
| Purchase of investment securities                                     | (2,435,285)        | (2,064,132)       |
| Purchase of long-term Singapore government securities                 | (544,013)          | –                 |
| Purchase of property, plant and equipment                             | (46,536)           | (67,053)          |
| Net cash outflow from disposal of a subsidiary company                | –                  | (1,980)           |
| Proceeds from disposal of interests in associated companies           | –                  | 2,806             |
| Proceeds from disposal of investment securities                       | 1,526,826          | 1,370,992         |
| Proceeds from disposal of property, plant and equipment               | 69,444             | 8,143             |
| <b>Net cash used in investing activities</b>                          | <b>(1,371,955)</b> | <b>(711,362)</b>  |
| <b>Cash flows from financing activities</b>                           |                    |                   |
| (Decrease)/increase in debt securities                                | (5,250)            | 133,000           |
| Dividends paid  | (723,385)          | (181,120)         |
| Net proceeds from issue of preference shares                          | 685,094            | –                 |
| Proceeds from issue of ordinary shares                                | 15,062             | 27,411            |
| Selective capital reduction   | (104,759)          | –                 |
| Change in minority interests and dividends paid to minority interests | (535)              | (1,659)           |
| <b>Net cash used in financing activities</b>                          | <b>(133,773)</b>   | <b>(22,368)</b>   |
| <b>Net foreign currency translation adjustments</b>                   | <b>8,555</b>       | <b>(96,834)</b>   |
| <b>Net change in cash and cash equivalents</b>                        | <b>888,299</b>     | <b>484,746</b>    |
| <b>Cash and cash equivalents as at 1 January</b>                      | <b>9,809,280</b>   | <b>9,324,534</b>  |
| <b>Cash and cash equivalents as at 31 December</b>                    | <b>45</b>          | <b>10,697,579</b> |
|   |                    | <b>9,809,280</b>  |

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

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

#### 2.1 Basis of accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain treasury instruments to market value.

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory accounts in accordance with the Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Bank and the Group prepared their statutory accounts in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory accounts for financial year ended 31 December 2002.

#### 2.2 Recognition of income

- 2.2.1 Interest income is recognised on an accrual basis.
- 2.2.2 Fee income relating to loans and guarantees is recognised over the period during which the related service is provided or credit risk is undertaken. When a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised.
- 2.2.3 Dividends from dealing securities are recognised when received. Dividends from investment securities are recognised when the right to receive dividends is established.
- 2.2.4 Rental income on tenanted areas of the buildings owned by the Group is recognised on an accrual basis in accordance with the substance of the relevant agreements.

#### 2.3 Basis of consolidation

##### 2.3.1 Subsidiary companies

Subsidiary companies are entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

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. The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary company acquired is recorded as goodwill. Please refer to Note 2.8 for the accounting policy on goodwill.

Intercompany balances, transactions and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency with those of the Group.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.3 Basis of consolidation (continued)

##### 2.3.2 Associated companies

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 in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising the Group's share of the results of associated companies in the consolidated income statement and the Group's share of post-acquisition movements in reserves in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of investment. 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 necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency with those of the Group. The results of associated companies are taken from audited financial statements or unaudited management accounts of the companies concerned, made up to dates not more than six months prior to the financial year end of the Group.

The Group's investments in associated companies are stated in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting 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.

##### 2.3.3 Special purpose entities

Special Purpose Entities ("SPE") are consolidated when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE, in accordance with the Interpretation of Financial Reporting Standard ("INT FRS") 12 on "Consolidation – Special Purpose Entities". The details of a SPE included in the consolidated financial statements are disclosed in Note 34.2.

##### 2.3.4 Transaction costs

External costs directly attributable to an acquisition is included as part of the cost of acquisition.

#### 2.4 Foreign currency translation

##### 2.4.1 Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("the measurement currency"). The consolidated financial statements and balance sheet of the Bank are presented in Singapore dollars, which is the measurement currency of the Bank.

##### 2.4.2 Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency monetary assets and liabilities are translated into Singapore dollars at exchange rates prevailing at the balance sheet date. Exchange differences arising from such translation are taken to income statement.

##### 2.4.3 Consolidated accounts

The assets and liabilities of foreign branch operations and subsidiary companies 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 exchange rates for the financial year. Exchange differences arising from such translation are taken directly to reserves. Similarly, the net assets of foreign associated companies are translated into Singapore dollar 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 exchange rates for the financial year. Exchange differences arising from such translation are taken directly to reserves. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.5 Basis of valuation of assets

##### 2.5.1 Loans

Loans are stated net of unearned interest and provision for loan losses. Provision for loan losses comprise specific provision against certain loans, interest-in-suspense and general provision. 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, an allowance of 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 Government securities

Singapore government securities, other than those held as long-term investments, are stated at the lower of cost and market value on a portfolio basis. Long-term government securities are stated at cost adjusted for the amortisation of premium or discount less provision for diminution in value considered to be other than temporary on a line-by-line basis.

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

##### 2.5.3 Dealing securities

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

##### 2.5.4 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 premium or discount less provision for diminution in value considered to be other than temporary on a line-by-line basis.

##### 2.5.5 Other assets

Specific provisions are made against other assets not covered above so as to write them down to their estimated net realisable values.

#### 2.6 Computer software costs

Computer software costs are capitalised and recognised as an asset when it is probable that the costs will generate economic benefits beyond one year and the costs are associated with identifiable software products controlled by the Group. Computer software costs are amortised on the straight-line basis over the estimated useful lives of the software ranging from 3 to 5 years. Where an indication of impairment exists, the carrying amount is assessed and written down to its recoverable amount.

#### 2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When an indication of impairment exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

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          |

Costs incurred in developing properties, including interest on borrowings to finance the development of such properties during the period of time that is required to complete and prepare each property for its intended use or sale, are capitalised and included in the carrying amount of the asset. All other borrowing costs are expensed.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.7 Property, plant and equipment (continued)

Repair and maintenance costs are taken to the income statement during the financial period in which they are incurred. The costs of major renovation and restorations is included in the carrying amount of an asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the asset will flow to the Group, and depreciated over the remaining life of the asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and recognised in the income statement.

#### 2.8 Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the Group's share of identifiable net assets of business, subsidiaries or associated companies at the date of acquisition. Goodwill is amortised on the 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 estimated economic useful 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, the goodwill taken to offset against reserves.

At each balance sheet date, the Group assesses whether there is an indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of goodwill is recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

#### 2.9 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 gains and losses are taken to 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.

#### 2.10 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 depreciation on property, plant and equipment, provisions for loan losses, provisions for pensions and other 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 bases. 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 and associated companies 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.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.11 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 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 value of assets.

#### 2.12 Employee benefits

Compensation package for staff comprises basic salary, allowances, variable cash performance bonus, contractual entitlement of shares, long-term share option schemes and deferred share plan. Further details of the share option schemes and deferred share plan are disclosed in Note 13.3 and Note 13.4 respectively.

Under the OCBC Share Option Scheme 2001 ("2001 Scheme"), share options are granted to Group executives of the rank of Assistant Manager and above as well as to non-executive directors. Under the 2001 Scheme, the Remuneration Committee has the discretion to grant share options to non-executive directors in recognition of their contributions. Options granted to Group executives have a validity period of up to 10 years from the date of grant, while options granted to non-executive directors have a validity period of 5 years. 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 taken to share capital (par value) and share premium.

Under the OCBC Deferred Share Plan, shares of the Bank are granted to executive directors and officers of the rank of Vice President and above. A trust is set up to administer the shares purchased under the plan. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period. The remuneration expense is amortised and recognised in the income statement on the straight-line basis over the vesting period.

#### 2.13 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 17). 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 22), other government treasury bills and securities (Note 23), placements with and loans to banks (Note 25) and investment securities (Note 30). Reverse repos are treated as collateralised lending and the amount lent is shown as an asset, included in cash and placements with central banks (Note 21) and placements with and loans to banks (Note 25). The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

### 3. INTEREST INCOME

|                                    | Group            |                |
|------------------------------------|------------------|----------------|
|                                    | 2003<br>\$'000   | 2002<br>\$'000 |
| Loans to customers                 | 1,791,417        | 2,046,318      |
| Placements with and loans to banks | 267,055          | 320,535        |
| Other interest-earning assets      | 322,174          | 362,523        |
|                                    | <b>2,380,646</b> | 2,729,376      |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 4. INTEREST EXPENSE

|                                | Group          |                |
|--------------------------------|----------------|----------------|
|                                | 2003<br>\$'000 | 2002<br>\$'000 |
| Deposits of non-bank customers | 681,294        | 895,500        |
| Deposits and balances of banks | 158,330        | 209,685        |
| Other borrowings               | 106,026        | 114,704        |
|                                | <b>945,650</b> | 1,219,889      |

### 5. FEES & COMMISSIONS

|                                  | Group          |                |
|----------------------------------|----------------|----------------|
|                                  | 2003<br>\$'000 | 2002<br>\$'000 |
| Fee and commission income        | 414,049        | 401,829        |
| Fee and commission expense       | (41,222)       | (27,807)       |
| Net fees and commissions         | <b>372,827</b> | 374,022        |
| Analysed by major sources:       |                |                |
| Bancassurance                    | 32,846         | 35,177         |
| Credit card                      | 29,603         | 26,774         |
| Fund management                  | 19,246         | 17,247         |
| Futures broking and stockbroking | 62,126         | 57,342         |
| Guarantees                       | 17,578         | 18,219         |
| Investment banking               | 11,734         | 13,706         |
| Loans-related                    | 73,525         | 68,014         |
| Service charges                  | 53,231         | 50,087         |
| Trade-related                    | 30,308         | 31,704         |
| Unit trust distribution          | 35,023         | 44,292         |
| Others                           | 7,607          | 11,460         |
|                                  | <b>372,827</b> | 374,022        |

### 6. DIVIDENDS

|                      | Group          |                |
|----------------------|----------------|----------------|
|                      | 2003<br>\$'000 | 2002<br>\$'000 |
| Quoted investments   | 66,729         | 29,041         |
| Unquoted investments | 8,049          | 4,643          |
|                      | <b>74,778</b>  | 33,684         |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 7. OTHER INCOME

|   | Group          |                |
|---|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 |
| Net (losses)/gains arising from:              |                |                |
| Dealing in securities and derivatives         |                |                |
| – Net proceeds less cost                      | (19,175)       | 55,384         |
| – (Provisions)/writeback (Note 32)            | (212)          | 5,716          |
|   | (19,387)       | 61,100         |
| Dealing in foreign exchange                   | 60,903         | 48,030         |
| Disposal of investment securities             | 92,406         | 46,709         |
| Disposal of a subsidiary company              | –              | 305            |
| Disposal of interests in associated companies | –              | 9,677          |
| Disposal of plant and equipment               | (1,314)        | (1,146)        |
| Disposal of property                          | 47,197         | 155            |
| Computer-related services income              | 30,733         | 31,528         |
| Property-related income                       | 14,524         | 11,422         |
| Hotel-related income                          | 3,050          | 3,233          |
| Others  | 18,773         | 16,820         |
|   | 246,885        | 227,833        |

### 8. STAFF COSTS AND OTHER OPERATING EXPENSES

|   | Group          |                |
|---|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>8.1 Staff costs</b>                      |                |                |
| Salaries and other costs                    | 422,391        | 412,282        |
| Provident fund contributions                | 45,904         | 42,386         |
|   | 468,295        | 454,668        |
| Directors' emoluments:                      |                |                |
| – Remuneration of Bank's directors          | 4,337          | 4,861          |
| – Remuneration of directors of subsidiaries | 4,419          | 4,537          |
| – Fees of Bank's directors                  | 669            | 630            |
| – Fees of directors of subsidiaries         | 130            | 69             |
|   | 9,555          | 10,097         |
| Total staff costs                           | 477,850        | 464,765        |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

|  | Group          |                |
|--|----------------|----------------|
|  | 2003           | 2002           |
|  | \$'000         | \$'000         |
| <b>8.2 Other operating expenses</b>                            |                |                |
| Property, plant and equipment:                                 |                |                |
| Depreciation   |                |                |
| – Bank premises and other property                             | 25,056         | 23,219         |
| – Computer and office equipment, furniture and fixtures        | 56,365         | 49,671         |
|  | 81,421         | 72,890         |
| Amortisation of computer software costs                        | 20,248         | 10,863         |
| Maintenance and hire of property, plant and equipment          | 36,264         | 24,360         |
| Rental expenses  | 18,229         | 22,023         |
| Others   | 68,537         | 62,158         |
|  | 224,699        | 192,294        |
| Auditors' remuneration:  |                |                |
| – Payable to PwC <sup>@</sup> Singapore                        | 1,260          | 1,344          |
| – Payable to other member firms of the PwC Global Organisation | 976            | 1,039          |
| – Payable to non-PwC firms                                     | 6              | 3              |
|  | 2,242          | 2,386          |
| Other fees:  |                |                |
| – Payable to PwC Singapore                                     | 136            | 202            |
| – Payable to other member firms of the PwC Global Organisation | –              | –              |
|  | 136            | 202            |
| Other integration costs  | 175            | 14,068         |
| Others   | 149,526        | 175,543        |
| Total other operating expenses                                 | 376,778        | 384,493        |
| <b>Staff costs and other operating expenses</b>                | <b>854,628</b> | <b>849,258</b> |
| <sup>@</sup> PricewaterhouseCoopers                            |                |                |

|                                | Group |       |
|--------------------------------|-------|-------|
|                                | 2003  | 2002  |
| <b>8.3 Number of employees</b> |       |       |
| Average for the year           | 7,350 | 7,777 |
| End of the year                | 7,424 | 7,477 |

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

|   | Group    |          |
|---|----------|----------|
|   | 2003     | 2002     |
|   | \$'000   | \$'000   |
| Specific provision for loan losses (Note 28)  | 193,682  | 364,704  |
| Writeback of general provision for loan losses (Note 29)  | (25,603) | (27,372) |
| Specific provision for diminution in value<br>of investment securities and other assets (Note 32) | 56,880   | 163,276  |
| Charge to income statements   | 224,959  | 500,608  |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 10. TAX

|   | Group          |                |
|---|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 |
| Current tax (Note 18)                   | 255,050        | 242,042        |
| Deferred tax (Note 18)                  | (41,002)       | (36,753)       |
|   | <b>214,048</b> | 205,289        |
| Over provision in prior years (Note 18) | (3,285)        | (5,563)        |
| Charge to income statements             | <b>210,763</b> | 199,726        |

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

|   | Group          |                |
|---|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 |
| Operating profit after provisions and amortisation of goodwill                                  | 986,794        | 744,770        |
| Prima facie tax calculated at a tax rate of 22.0% (2002: 22.0%)                                 | 217,095        | 163,849        |
| Effect of different tax rates in other countries  | 6,457          | 11,016         |
| Losses of subsidiaries and foreign branches not offset against taxable income of other entities | 2,109          | 19,057         |
| Income not assessable for tax   | (24,593)       | (25,245)       |
| Income taxed at concessionary rate  | (22,558)       | (13,760)       |
| Non-deductible expenses and provisions:   |                |                |
| – Amortisation of goodwill  | 27,862         | 27,737         |
| – Others  | 7,676          | 19,371         |
| Tax on foreign income to be remitted to Singapore   | –              | 3,264          |
|   | <b>214,048</b> | 205,289        |

### 11. EARNINGS PER ORDINARY SHARE

| \$'000   | Group            |           |
|--|------------------|-----------|
|  | 2003             | 2002      |
| Profit attributable to shareholders  | 954,124          | 666,708   |
| Less: Preference dividends paid  | (27,338)         | –         |
| Profit attributable to shareholders after adjustment of preference dividends | <b>926,786</b>   | 666,708   |
| <b>Weighted average number of ordinary shares in issue ('000)</b>            |                  |           |
| For basic earnings per ordinary share  | <b>1,287,986</b> | 1,289,331 |
| Adjustment for assumed conversion of share options                           | 2,138            | 2,873     |
| For diluted earnings per ordinary share                                      | <b>1,290,124</b> | 1,292,204 |
| <b>Earnings per ordinary share (cents)</b>                                   |                  |           |
| – Basic  | <b>72</b>        | 52        |
| – Diluted  | <b>72</b>        | 52        |

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

For purposes of calculating diluted earnings per ordinary 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 ordinary shares to be issued at the exercise prices under the options and the number of ordinary shares that would have been issued at the fair value based on the assumed proceeds from the issue of these ordinary 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 ordinary share.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 12. UNAPPROPRIATED PROFIT

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2003<br>\$'000   | 2002<br>\$'000 | 2003<br>\$'000   | 2002<br>\$'000 |
| Profit attributable to shareholders   | <b>954,124</b>   | 666,708        | <b>1,281,699</b> | 951,496        |
| Add: Unappropriated profit<br>At 1 January  | <b>3,059,474</b> | 1,838,020      | <b>1,966,383</b> | 1,244,007      |
| Total amount available for appropriation  | <b>4,013,598</b> | 2,504,728      | <b>3,248,082</b> | 2,195,503      |
| Dealt with as follows:  |                  |                |                  |                |
| In respect of the financial year ended 31 December 2001:  |                  |                |                  |                |
| – Final dividend of 13 cents for every \$1<br>ordinary stock unit less Singapore income tax at 22%      | –                | (130,803)      | –                | (130,803)      |
| In respect of the financial year ended 31 December 2002:  |                  |                |                  |                |
| – Interim dividend of 5 cents for every \$1<br>ordinary stock unit less Singapore income tax at 22%     | –                | (50,317)       | –                | (50,317)       |
| – Final dividend of 15 cents for every \$1<br>ordinary stock unit less Singapore income tax at 22%      | <b>(151,081)</b> | –              | <b>(151,081)</b> | –              |
| In respect of the financial year ended 31 December 2003: *  |                  |                |                  |                |
| – Special dividend of 63.78 cents for every \$1<br>ordinary stock unit less Singapore income tax at 22% | <b>(642,419)</b> | –              | <b>(642,419)</b> | –              |
| – Class E preference dividends of<br>4.5 per cent per annum (net of tax)                                | <b>(20,096)</b>  | –              | <b>(20,096)</b>  | –              |
| – Class G preference dividends of<br>4.2 per cent per annum (net of tax)                                | <b>(7,242)</b>   | –              | <b>(7,242)</b>   | –              |
| – Interim dividend of 11 cents for every \$1<br>ordinary stock unit less Singapore income tax at 22%    | <b>(110,811)</b> | –              | <b>(110,811)</b> | –              |
| Transfer from/(to):   |                  |                |                  |                |
| Capital reserves (Note 14)  | <b>(13,685)</b>  | 262,668        | –                | –              |
| Statutory reserves (Note 15)  | <b>81,941</b>    | (44,450)       | <b>(64,500)</b>  | (48,000)       |
| General reserves (Note 16)  | <b>93,064</b>    | 517,648        | –                | –              |
|   | <b>(770,329)</b> | 554,746        | <b>(996,149)</b> | (229,120)      |
| At 31 December (Note 16)  | <b>3,243,269</b> | 3,059,474      | <b>2,251,933</b> | 1,966,383      |

\* At the Annual General Meeting to be held, a final dividend of 12 cents per \$1 ordinary stock unit less Singapore income tax at 22% in respect of 2003, amounting to a total dividend of \$119.8 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 2004.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

#### 13.1 Authorised share capital

|  | Group and Bank   |                |
|--|------------------|----------------|
|  | 2003<br>\$'000   | 2002<br>\$'000 |
| 2,000,000,000 ordinary shares of \$1 each                                    | 2,000,000        | 2,000,000      |
| 1,075,000,000 preference shares comprising:                                  |                  |                |
| – 12,500,000 non-cumulative non-convertible Class A shares of \$0.01 each    | 125              | –              |
| – 12,500,000 non-cumulative non-convertible Class B shares of \$0.01 each    | 125              | –              |
| – 12,500,000 non-cumulative non-convertible Class C shares of \$0.01 each    | 125              | –              |
| – 12,500,000 non-cumulative non-convertible Class D shares of US\$0.01 each  | 213              | –              |
| – 12,500,000 non-cumulative non-convertible Class E shares of \$0.01 each    | 125              | –              |
| – 12,500,000 non-cumulative non-convertible Class F shares of \$0.01 each    | 125              | –              |
| – 1,000,000,000 non-cumulative non-convertible Class G shares of \$0.01 each | 10,000           | –              |
|  | <b>2,010,838</b> | 2,000,000      |

On 8 January 2003, the Bank increased its authorised share capital from \$2,000,000,000 to \$2,000,625,000 and US\$125,000 through the creation of Class A to Class F non-cumulative non-convertible preference shares of 62,500,000 shares of \$0.01 par value each and 12,500,000 shares of US\$0.01 par value each.

On 14 May 2003, the Bank increased its authorised share capital from \$2,000,625,000 and US\$125,000 to \$2,010,625,000 and US\$125,000 through the creation of Class G non-cumulative non-convertible preference shares of 1,000,000,000 shares of \$0.01 par value each.

#### 13.2 Issued share capital

|   | Group and Bank   |                |
|---|------------------|----------------|
|   | 2003<br>\$'000   | 2002<br>\$'000 |
| 1,280,075,893 (2002: 1,290,299,292) ordinary shares of \$1 each   | 1,280,076        | 1,290,299      |
| 5,000,000 (2002: Nil) non-cumulative non-convertible Class E preference shares of \$0.01 each and with a liquidation preference of \$100 each | 50               | –              |
| 395,830,884 (2002: Nil) non-cumulative non-convertible Class G preference shares of \$0.01 each and with a liquidation preference of \$1 each | 3,958            | –              |
|   | <b>1,284,084</b> | 1,290,299      |

|   | Number of shares   |            |
|---|--------------------|------------|
|   | 2003               | 2002       |
| <b>Shares held by associated companies of the Group</b> |                    |            |
| Ordinary shares   | 85,701,610         | 85,701,610 |
| Class E preference shares                               | 752,500            | –          |
| Class G preference shares                               | 29,092,653         | –          |
|   | <b>115,546,763</b> | 85,701,610 |

- (a) On 28 January 2003, the Bank issued 5,000,000 non-cumulative non-convertible Class E preference shares (“Class E Preference Shares”) of par value \$0.01 each at an issued price of \$100 each for cash, amounting to \$498,836,506 net proceeds. The issue is for working capital purpose, including the maintenance of required minimum capital adequacy ratios. 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 directors’ approval. The preference shares may be redeemed at the option of the Bank.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

#### 13.2 Issued share capital (continued)

(b) On 14 July 2003, the Bank issued 209,310,207 non-cumulative non-convertible Class G preference shares ("Class G Preference Shares") of par value \$0.01 each to stockholders who have elected to receive Class G Preference Shares in lieu of the one-off special cash dividend of \$0.4975 (net) per stock unit. On the same day, the Bank issued 36,520,677 Class G Preference Shares to stockholders who applied for excess shares at par value \$0.01 each at an issued price of \$0.995 each for cash, amounting to \$36,338,074. The Class G Preference Shares have a fixed dividend rate of 4.2 per cent per annum (net), payable semi-annually in arrears on 20 June and 20 December, subject to the directors' approval. The preference shares may be redeemed at the option of the Bank.

On 6 August 2003, the Bank issued 150,000,000 additional new Class G Preference Shares of par value \$0.01 each at an issued price of \$1.0027 each for cash, amounting to \$149,919,054 net proceeds. The issue is for working capital purpose, including the maintenance of required minimum capital adequacy ratios.

(c) On 17 September 2003, pursuant to a selective capital reduction exercise proposal ("OCBC Selective Capital Reduction") approved at an Extraordinary General Meeting held on 28 July 2003, the Bank cancelled 12,138,915 ordinary shares of \$1 each held by Fraser and Neave, Limited ("F&N") and made a cash distribution of \$104,758,836 or \$8.63 per share to F&N.

(d) During the financial year, pursuant to the Bank's Share Option Schemes, the Bank issued 1,915,516 (2002: 3,692,988) ordinary shares of \$1 each for cash, upon the exercise of the options granted.

All issued shares are fully paid and newly issued shares rank pari passu in all respects with the previously issued shares, except for the Class E and Class G Preference Shares' voting rights which are set out in the Articles of Association of the Bank.

#### 13.3 Share option schemes

The Bank offers share options under the OCBC Share Option Scheme 1994 and 2001 to Group executives, of the rank of Assistant Manager and above, including executive directors and to non-executive directors. 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:

| 2003                       | At 1<br>January | Granted    | Exercised   | Lapsed      | At 31<br>December | Offering<br>price per<br>\$1 share | Date of expiration |
|----------------------------|-----------------|------------|-------------|-------------|-------------------|------------------------------------|--------------------|
| 1995 RO *                  | 365,997         | –          | (150,872)   | (17,647)    | 197,478           | \$7.810                            | 1 February 2005    |
| 1996 RO *                  | 838,017         | –          | (119,707)   | (30,051)    | 688,259           | \$8.150                            | 29 January 2006    |
| 1997 RO *                  | 1,451,881       | –          | (305,233)   | (6,913)     | 1,139,735         | \$7.603                            | 29 January 2007    |
| 1998 Options               | 33,700          | –          | (33,600)    | (100)       | –                 | \$6.419                            | 21 January 2003    |
| 1998 RO *                  | 1,543,458       | –          | (395,112)   | (600)       | 1,147,746         | \$6.419                            | 21 January 2008    |
| 1999 Options               | 29,240          | –          | (11,600)    | (17,640)    | –                 | \$7.533                            | 9 December 2003    |
| 1999 RO *                  | 2,705,862       | –          | (611,031)   | (6,829)     | 2,088,002         | \$7.533                            | 9 December 2008    |
| 2000 Options               | 5,170,450       | –          | (288,361)   | (318,300)   | 4,563,789         | \$10.900                           | 5 December 2009    |
| 2001 Options               | 6,586,411       | –          | –           | (672,313)   | 5,914,098         | \$12.880                           | 4 December 2010    |
| 2002 Options               | 8,211,433       | –          | –           | (717,733)   | 7,493,700         | \$13.780                           | 8 April 2012       |
| 2002A Options <sup>#</sup> | 300,000         | –          | –           | –           | 300,000           | \$13.660                           | 22 April 2012      |
| 2002B Options              | 100,000         | –          | –           | –           | 100,000           | \$10.480                           | 23 October 2012    |
| 2003 Options <sup>@</sup>  | –               | 75,000     | –           | –           | 75,000            | \$9.760                            | 26 March 2008      |
| 2003 Options               | –               | 10,348,167 | –           | (531,000)   | 9,817,167         | \$9.760                            | 26 March 2013      |
|                            | 27,336,449      | 10,423,167 | (1,915,516) | (2,319,126) | 33,524,974        |                                    |                    |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

#### 13.3 Share option schemes (continued)

| 2002           | At 1<br>January | Granted   | Exercised   | Lapsed      | At 31<br>December | Offering<br>price per<br>\$1 share | Date of expiration |
|----------------|-----------------|-----------|-------------|-------------|-------------------|------------------------------------|--------------------|
| 1995 RO *      | 534,334         | –         | (164,743)   | (3,594)     | 365,997           | \$7.810                            | 1 February 2005    |
| 1996 RO *      | 1,256,406       | –         | (418,389)   | –           | 838,017           | \$8.150                            | 29 January 2006    |
| 1997 Options   | 46,384          | –         | (46,384)    | –           | –                 | \$7.603                            | 29 January 2002    |
| 1997 RO *      | 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 RO *      | 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 RO *      | 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        |                                    |                    |

\* Replacement Options

# Share options granted to an executive director of the Bank

@ Share options granted to a non-executive director of the Bank

During the financial year ended 31 December 2003, the number of share options that was granted to the directors of the Bank was 375,000 (2002: 300,000). The share options were granted on the same terms and conditions as those offered to other employees of the Group, except for options granted to a non-executive director, which will expire on 26 March 2008. As at 31 December 2003, the aggregate outstanding number of share options granted to the directors of the Bank was 994,796 (2002: 619,796).

#### 13.4 Deferred share plan

The Group implemented the OCBC Deferred Share Plan ("DSP"), a stock-based plan, during the financial year. The DSP is a discretionary incentive and retention award program that provides eligible officers of the rank of Vice President and above with an award of deferred ordinary shares of the Bank. During the financial year, 466,777 deferred ordinary shares were granted free to eligible staff as part of their performance bonus, of which 28,526 deferred ordinary shares were granted to an executive director of the Bank.

### 14. CAPITAL RESERVES

|                            | Group          |                | Bank           |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Share premium              | 2,160,782      | 1,350,906      | 2,160,782      | 1,350,906      |
| Capital redemption reserve | 3,721          | 3,721          | 3,721          | 3,721          |
| Other capital reserves     | 164,573        | 150,888        | 40,830         | 40,830         |
|                            | 2,329,076      | 1,505,515      | 2,205,333      | 1,395,457      |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 14. CAPITAL RESERVES (continued)

#### 14.1 Share premium

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 |
| At 1 January   | 1,350,906      | 1,327,188      |
| Issue of Class E Preference Shares [Note 13.2(a)]                | 499,950        | –              |
| Issue of Class G Preference Shares [Note 13.2(b)]                | 391,048        | –              |
| OCBC Selective Capital Reduction [Note 13.2(c)]                  | (92,620)       | –              |
| Ordinary shares issued under Share Option Schemes [Note 13.2(d)] | 13,146         | 23,718         |
| Expenses relating to the issue of preference shares              | (1,648)        | –              |
| At 31 December   | 2,160,782      | 1,350,906      |

#### 14.2 Other capital reserves

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| At 1 January                                       | 150,888        | 580,581        | 40,830         | 40,830         |
| Transfer from/(to) unappropriated profit (Note 12) | 13,685         | (262,668)      | –              | –              |
| Transfer to general reserves (Note 16)             | –              | (167,025)      | –              | –              |
| At 31 December                                     | 164,573        | 150,888        | 40,830         | 40,830         |

### 15. STATUTORY RESERVES

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| At 1 January                                       | 1,936,244      | 1,889,924      | 1,464,200      | 1,416,200      |
| Transfer (to)/from unappropriated profit (Note 12) | (81,941)       | 44,450         | 64,500         | 48,000         |
| Transfer from general reserves (Note 16)           | –              | 1,870          | –              | –              |
| At 31 December                                     | 1,854,303      | 1,936,244      | 1,528,700      | 1,464,200      |

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

### 16. REVENUE RESERVES

|                                       | Group          |                | Bank           |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Unappropriated profit (Note 12)       | 3,243,269      | 3,059,474      | 2,251,933      | 1,966,383      |
| General reserves                      | 1,579,715      | 1,672,779      | 976,000        | 976,000        |
| Foreign currency translation reserves | (231,534)      | (240,089)      | (50,877)       | (76,641)       |
|                                       | 4,591,450      | 4,492,164      | 3,177,056      | 2,865,742      |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 16. REVENUE RESERVES (continued)

#### 16.1 General reserves

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| At 1 January                                    | 1,672,779      | 2,049,439      | 976,000        | 976,000        |
| Transfer to unappropriated profit (Note 12)     | (93,064)       | (517,648)      | –              | –              |
| Transfer from capital reserves (Note 14)        | –              | 167,025        | –              | –              |
| Transfer to statutory reserves (Note 15)        | –              | (1,870)        | –              | –              |
| Adjustment in reserves of an associated company | –              | (24,167)       | –              | –              |
| At 31 December                                  | 1,579,715      | 1,672,779      | 976,000        | 976,000        |

#### 16.2 Foreign currency translation reserves

|                | Group          |                | Bank           |                |
|----------------|----------------|----------------|----------------|----------------|
|                | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| At 1 January   | (240,089)      | (143,255)      | (76,641)       | (54,245)       |
| Net adjustment | 8,555          | (96,834)       | 25,764         | (22,396)       |
| At 31 December | (231,534)      | (240,089)      | (50,877)       | (76,641)       |

The foreign currency translation reserves relate to translation differences arising from the use of exchange rates as at balance sheet date versus historical rates in translating the net assets of overseas branches, subsidiaries and associated companies.

### 17. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS AND BANKS

|                                | Group          |                | Bank           |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Current accounts               | 6,108,421      | 5,293,790      | 5,214,109      | 4,602,311      |
| Savings deposits               | 11,131,117     | 10,801,597     | 10,425,679     | 10,151,654     |
| Term deposits                  | 34,272,427     | 36,175,794     | 28,987,562     | 28,173,672     |
| Certificate of deposits issued | 392,099        | 553,090        | 378,447        | 534,141        |
| Other deposits                 | 1,555,616      | 1,123,265      | 667,898        | 482,307        |
| Deposits of non-bank customers | 53,459,680     | 53,947,536     | 45,673,695     | 43,944,085     |
| Deposits and balances of banks | 12,480,794     | 12,621,149     | 11,910,339     | 12,076,240     |
|                                | 65,940,474     | 66,568,685     | 57,584,034     | 56,020,325     |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 17. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS AND BANKS (continued)

#### Analysed by currency

##### 17.1 Deposits of non-bank customers

|                   | Group             |                   | Bank              |                   |
|-------------------|-------------------|-------------------|-------------------|-------------------|
|                   | 2003<br>\$'000    | 2002<br>\$'000    | 2003<br>\$'000    | 2002<br>\$'000    |
| Singapore dollar  | 33,981,763        | 34,159,178        | 33,901,387        | 31,608,408        |
| US dollar         | 7,441,154         | 8,167,228         | 7,310,414         | 7,999,882         |
| Malaysian ringgit | 7,495,563         | 7,138,478         | –                 | –                 |
| Japanese yen      | 77,175            | 125,085           | 75,764            | 64,829            |
| Hong Kong dollar  | 309,063           | 425,788           | 309,063           | 424,233           |
| British pound     | 1,082,474         | 1,028,513         | 1,077,343         | 1,022,099         |
| Australian dollar | 1,923,499         | 1,625,895         | 1,906,649         | 1,606,222         |
| Euro              | 512,242           | 662,592           | 510,941           | 658,919           |
| Others            | 636,747           | 614,779           | 582,134           | 559,493           |
|                   | <b>53,459,680</b> | <b>53,947,536</b> | <b>45,673,695</b> | <b>43,944,085</b> |

##### 17.2 Deposits and balances of banks

|                   | Group             |                   | Bank              |                   |
|-------------------|-------------------|-------------------|-------------------|-------------------|
|                   | 2003<br>\$'000    | 2002<br>\$'000    | 2003<br>\$'000    | 2002<br>\$'000    |
| Singapore dollar  | 2,846,247         | 5,041,676         | 2,837,242         | 5,014,586         |
| US dollar         | 6,691,858         | 6,149,478         | 6,445,965         | 5,736,644         |
| Malaysian ringgit | 293,222           | 85,289            | –                 | –                 |
| Japanese yen      | 160,926           | 135,465           | 160,713           | 135,363           |
| Hong Kong dollar  | 528,156           | 488,342           | 528,156           | 488,342           |
| British pound     | 378,944           | 291,061           | 377,690           | 291,061           |
| Australian dollar | 681,451           | 113,886           | 680,692           | 113,386           |
| Euro              | 368,812           | 86,176            | 368,812           | 85,941            |
| Others            | 531,178           | 229,776           | 511,069           | 210,917           |
|                   | <b>12,480,794</b> | <b>12,621,149</b> | <b>11,910,339</b> | <b>12,076,240</b> |

### 18. CURRENT TAX AND DEFERRED TAX

#### 18.1 Current tax

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| At 1 January                                 | 321,765        | 315,404        | 244,671        | 102,730        |
| Foreign currency translation adjustments     | (522)          | (3,127)        | 825            | 1,210          |
| Arising from scheme/merger with subsidiaries | –              | –              | 28,078         | 105,206        |
| Income tax paid                              | (246,041)      | (226,991)      | (374,603)      | (169,428)      |
| Charge to income statements (Note 10)        | 255,050        | 242,042        | 394,654        | 206,067        |
| Over provision in prior years (Note 10)      | (3,285)        | (5,563)        | (1,409)        | (1,114)        |
| Transfer from deferred tax                   | 700            | –              | –              | –              |
| At 31 December                               | <b>327,667</b> | <b>321,765</b> | <b>292,216</b> | <b>244,671</b> |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

#### 18.2 Deferred tax

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| At 1 January                                 | 63,082         | 98,649         | 106,206        | 27,603         |
| Foreign currency translation adjustments     | 993            | 1,186          | –              | –              |
| Arising from scheme/merger with subsidiaries | –              | –              | (18,736)       | 103,200        |
| Credit to income statements (Note 10)        | (41,002)       | (36,753)       | (31,988)       | (24,597)       |
| Transfer to current tax                      | (700)          | –              | –              | –              |
| At 31 December                               | 22,373         | 63,082         | 55,482         | 106,206        |

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

|                          | Group          |                | Bank           |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Deferred tax liabilities | 76,043         | 133,498        | 55,482         | 106,206        |
| Deferred tax assets      | (53,670)       | (70,416)       | –              | –              |
|                          | 22,373         | 63,082         | 55,482         | 106,206        |

#### 18.3 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) are attributable to the following items:

| Group                                    | Accelerated<br>tax depreciation<br>\$'000 | Unremitted<br>income<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
|--|---|--------------------------------|------------------|-----------------|
| <b>Deferred tax liabilities</b>          |   |                                |                  |                 |
| At 1 January 2003                        | 133,275                                   | 24,263                         | 2,722            | 160,260         |
| Foreign currency translation adjustments | (28)                                      | –                              | (34)             | (62)            |
| (Credit)/charge to income statement      | (16,002)                                  | (24,263)                       | 1,586            | (38,679)        |
| Reclassification                         | (185)                                     | –                              | (774)            | (959)           |
| Transfer to current tax                  | (700)                                     | –                              | –                | (700)           |
| At 31 December 2003                      | 116,360                                   | –                              | 3,500            | 119,860         |

| Group                                    | Provisions<br>for assets<br>\$'000 | Pension<br>and other<br>retirement<br>benefits<br>\$'000 | Tax<br>losses<br>\$'000 | Total<br>\$'000 |
|--|------------------------------------|--|-------------------------|-----------------|
| <b>Deferred tax assets</b>               |                                    |  |                         |                 |
| At 1 January 2003                        | (97,093)                           | (26)   | (59)                    | (97,178)        |
| Foreign currency translation adjustments | 1,056                              | (1)  | –                       | 1,055           |
| (Credit)/charge to income statement      | (2,389)                            | 66   | –                       | (2,323)         |
| Reclassification                         | 1,047                              | (88)   | –                       | 959             |
| At 31 December 2003                      | (97,379)                           | (49)   | (59)                    | (97,487)        |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

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

| Bank  | Accelerated<br>tax depreciation<br>\$'000 | Unremitted<br>income<br>\$'000 | Total<br>\$'000 |
|---|---|--------------------------------|-----------------|
| <b>Deferred tax liabilities</b>               |   |                                |                 |
| At 1 January 2003                             | 103,029                                   | 24,263                         | 127,292         |
| Arising from scheme with a subsidiary company | 874                                       | –                              | 874             |
| Credit to income statement                    | (7,725)                                   | (24,263)                       | (31,988)        |
| At 31 December 2003                           | 96,178                                    | –                              | 96,178          |
| <b>Deferred tax assets</b>                    |   |                                |                 |
| At 1 January 2003                             | (21,017)                                  | (69)                           | (21,086)        |
| Arising from scheme with a subsidiary company | (19,368)                                  | (242)                          | (19,610)        |
| At 31 December 2003                           | (40,385)                                  | (311)                          | (40,696)        |

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 2003 of the Group amounted to \$161.9 million (31 December 2002: \$156.6 million) and that for the Bank amounted to \$139.7 million (31 December 2002: \$134.6 million).

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 \$1,482.7 million for the Group (31 December 2002: \$1,305.8 million) and \$1,129.0 million for the Bank (31 December 2002: \$807.9 million) as at 31 December 2003.

### 19. OTHER LIABILITIES

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Financial derivatives at fair value (Note 43) | 1,101,163      | 1,008,212      | 1,101,968      | 1,006,945      |
| Interest payable                              | 351,199        | 434,233        | 301,958        | 372,124        |
| Sundry creditors                              | 719,242        | 486,467        | 159,000        | 184,044        |
| Others  | 249,682        | 211,634        | 233,616        | 195,791        |
|   | 2,421,286      | 2,140,546      | 1,796,542      | 1,758,904      |

### 20. DEBT SECURITIES

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Subordinated term notes (unsecured)      | 3,857,473      | 3,879,214      | 3,882,473      | 3,879,214      |
| Collateralised debt securities (secured) | 152,750        | 133,000        | –              | –              |
|  | 4,010,223      | 4,012,214      | 3,882,473      | 3,879,214      |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 20. DEBT SECURITIES (continued)

#### 20.1 Subordinated term notes (unsecured)

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2003<br>\$'000   | 2002<br>\$'000 | 2003<br>\$'000   | 2002<br>\$'000 |
| EUR 400 million 7.25% fixed rate note 2011                    | 615,070          | 614,428        | 615,070          | 614,428        |
| SGD 975 million (Bank: SGD 1 billion) 5% fixed rate note 2011 | 969,968          | 994,311        | 994,968          | 994,311        |
| USD 1.25 billion 7.75% fixed rate note 2011                   | 2,272,435        | 2,270,475      | 2,272,435        | 2,270,475      |
|   | <b>3,857,473</b> | 3,879,214      | <b>3,882,473</b> | 3,879,214      |

The subordinated fixed rate 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.

In January 2003, KTF Limited, a wholly-owned subsidiary of the Bank, purchased \$25 million of the SGD fixed rate subordinated term note.

The Bank has entered into interest rate and currency swaps to manage the interest rate and exchange rate risks of the subordinated term notes. The average interest rate for the notes incorporating the effects of these derivative instruments was 2.68% (2002: 2.94%).

#### 20.2 Collateralised debt securities (secured)

The collateralised debt securities issued are short-dated fixed rate notes issued by Pioneer Funding Ltd, a special purpose entity (details are disclosed in Note 34.2). Details of the short-dated fixed rate notes issued are:

| Group                                      | Issue date | Maturity date | Interest rate (%) | Amount \$'000  |
|--|------------|---------------|-------------------|----------------|
| <b>31 December 2003</b>                    |            |               |                   |                |
| Commercial mortgaged backed series 1 notes | 24/11/2003 | 23/02/2004    | 1.300             | 42,750         |
|  | 01/12/2003 | 23/02/2004    | 1.300             | 11,750         |
|  | 22/12/2003 | 26/01/2004    | 1.100             | 23,250         |
| Commercial mortgaged backed series 2 notes | 26/11/2003 | 25/02/2004    | 1.300             | 21,000         |
|  | 08/12/2003 | 08/03/2004    | 0.875             | 13,750         |
| Premium series 1 notes                     | 29/12/2003 | 29/03/2004    | 1.250             | 15,750         |
| Premium series 3 notes                     | 29/12/2003 | 27/01/2004    | 1.100             | 9,250          |
| Premium series 6 notes                     | 29/12/2003 | 29/03/2004    | 1.250             | 15,250         |
|  |            |               |                   | <b>152,750</b> |
| <b>31 December 2002</b>                    |            |               |                   |                |
| Commercial mortgaged backed series 1 notes | 22/11/2002 | 24/02/2003    | 1.300             | 50,000         |
|  | 05/12/2002 | 24/02/2003    | 1.300             | 4,500          |
|  | 23/12/2002 | 22/01/2003    | 1.375             | 23,250         |
| Commercial mortgaged backed series 2 notes | 23/11/2002 | 25/02/2003    | 1.250             | 10,000         |
|  | 03/12/2002 | 25/02/2003    | 1.350             | 5,000          |
| Premium series 1 notes                     | 09/12/2002 | 10/03/2003    | 1.000             | 14,500         |
| Premium series 3 notes                     | 27/12/2002 | 27/03/2003    | 1.550             | 6,500          |
| Premium series 6 notes                     | 27/12/2002 | 27/01/2003    | 1.420             | 8,000          |
|  | 27/12/2002 | 27/03/2003    | 1.550             | 11,250         |
|  |            |               |                   | <b>133,000</b> |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 21. CASH AND PLACEMENTS WITH CENTRAL BANKS

|   | Group            |                  | Bank             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Cash in hand                              | 250,798          | 262,823          | 212,045          | 216,569          |
| Balances with central banks               | 1,533,762        | 1,635,395        | 1,162,580        | 1,237,350        |
| Money market placements and reverse repos | 2,251,303        | 960,185          | 1,230,238        | —                |
|   | <b>4,035,863</b> | <b>2,858,403</b> | <b>2,604,863</b> | <b>1,453,919</b> |

Balances with central banks include mandatory reserve deposits of \$1,277.6 million (31 December 2002: \$1,390.1 million) and \$1,011.4 million (31 December 2002: \$1,079.7 million) for the Group and Bank respectively. These funds are not available to finance the day-to-day operations of the Group and Bank.

### 22. SINGAPORE GOVERNMENT TREASURY BILLS AND SECURITIES

|  | Group            |                  | Bank             |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Long-term investments, at cost adjusted for premium and discount | 544,013          | —                | 394,972          | —                |
| Others   | 5,607,098        | 5,966,732        | 5,607,097        | 5,636,843        |
|  | <b>6,151,111</b> | <b>5,966,732</b> | <b>6,002,069</b> | <b>5,636,843</b> |
| Market value:  |                  |                  |                  |                  |
| Long-term investments  | 508,125          | —                | 358,950          | —                |
| Others   | 5,644,256        | 6,056,152        | 5,644,256        | 5,710,950        |
|  | <b>6,152,381</b> | <b>6,056,152</b> | <b>6,003,206</b> | <b>5,710,950</b> |

### 23. OTHER GOVERNMENT TREASURY BILLS AND SECURITIES

|   | Group            |                  | Bank           |                |
|---|------------------|------------------|----------------|----------------|
|   | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000 | 2002<br>\$'000 |
| Cost, adjusted for premium and discount           | 1,054,697        | 984,240          | 203,678        | 131,121        |
| Less: Provision for diminution in value (Note 32) | (79)             | (95)             | (79)           | (95)           |
| Net book value                                    | <b>1,054,618</b> | <b>984,145</b>   | <b>203,599</b> | <b>131,026</b> |
| Market value                                      | <b>1,071,319</b> | <b>1,020,418</b> | <b>215,833</b> | <b>145,038</b> |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 24. DEALING SECURITIES

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Equity  | 14,728         | 13,292         | 2,740          | 626            |
| Debt  | 220,969        | 166,347        | 132,301        | 154,011        |
|   | <b>235,697</b> | 179,639        | <b>135,041</b> | 154,637        |
| Less: Provision for diminution in value (Note 32) | (156)          | (6,563)        | (112)          | (6,687)        |
| Net book value                                    | <b>235,541</b> | 173,076        | <b>134,929</b> | 147,950        |
| Market value                                      | <b>237,572</b> | 173,298        | <b>136,202</b> | 147,950        |
| <b>Analysed by issuer</b>                         |                |                |                |                |
| Public sector                                     | 35,530         | 35,600         | 35,530         | 35,600         |
| Banks   | 26,652         | 7,122          | 26,652         | 7,122          |
| Corporations                                      | 173,515        | 136,917        | 72,859         | 111,915        |
|   | <b>235,697</b> | 179,639        | <b>135,041</b> | 154,637        |

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

### 25. PLACEMENTS WITH AND LOANS TO BANKS

|  | Group            |                | Bank             |                |
|--|------------------|----------------|------------------|----------------|
|  | 2003<br>\$'000   | 2002<br>\$'000 | 2003<br>\$'000   | 2002<br>\$'000 |
| Placements with and loans to banks           | 7,994,386        | 11,660,400     | 7,649,820        | 11,281,843     |
| Negotiable certificates of deposit purchased | 1,338,304        | 1,365,779      | 1,107,790        | 1,273,601      |
| Market bills purchased                       | 200,831          | 112,714        | 246              | 372            |
| Reverse repos                                | 116,297          | 1,320,075      | 116,297          | 1,320,075      |
|  | <b>9,649,818</b> | 14,458,968     | <b>8,874,153</b> | 13,875,891     |
| <b>Analysed by currency</b>                  |                  |                |                  |                |
| Singapore dollar                             | 2,357,453        | 3,318,135      | 2,342,945        | 3,301,203      |
| US dollar                                    | 3,723,622        | 7,973,713      | 3,674,030        | 7,779,417      |
| Malaysian ringgit                            | 667,995          | 248,104        | 140              | 250            |
| Japanese yen                                 | 621,212          | 757,851        | 605,936          | 706,662        |
| Hong Kong dollar                             | 116,176          | 118,643        | 105,200          | 111,834        |
| British pound                                | 898,264          | 665,498        | 898,018          | 664,806        |
| Australian dollar                            | 346,272          | 546,084        | 339,619          | 542,048        |
| Euro   | 321,581          | 364,359        | 318,519          | 307,806        |
| Others                                       | 597,243          | 466,581        | 589,746          | 461,865        |
|  | <b>9,649,818</b> | 14,458,968     | <b>8,874,153</b> | 13,875,891     |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

|                                    | Group              |                | Bank               |                |
|------------------------------------|--------------------|----------------|--------------------|----------------|
|                                    | 2003<br>\$'000     | 2002<br>\$'000 | 2003<br>\$'000     | 2002<br>\$'000 |
| Gross loans                        | <b>52,588,876</b>  | 49,884,031     | <b>44,886,775</b>  | 39,990,481     |
| Less: Specific provision (Note 28) | <b>(1,250,762)</b> | (1,306,276)    | <b>(955,667)</b>   | (940,383)      |
| General provision (Note 29)        | <b>(1,182,997)</b> | (1,210,542)    | <b>(1,036,910)</b> | (923,854)      |
| Net loans                          | <b>50,155,117</b>  | 47,367,213     | <b>42,894,198</b>  | 38,126,244     |
| Net loans comprise:                |                    |                |                    |                |
| Bills receivable                   | <b>428,195</b>     | 296,562        | <b>218,965</b>     | 119,762        |
| Loans                              | <b>49,726,922</b>  | 47,070,651     | <b>42,675,233</b>  | 38,006,482     |
|                                    | <b>50,155,117</b>  | 47,367,213     | <b>42,894,198</b>  | 38,126,244     |

Included in loans is an amount of \$1.17 billion (31 December 2002: \$1.14 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 41.

#### 26.1 Analysed by currency

|                   | Group             |                | Bank              |                |
|-------------------|-------------------|----------------|-------------------|----------------|
|                   | 2003<br>\$'000    | 2002<br>\$'000 | 2003<br>\$'000    | 2002<br>\$'000 |
| Singapore dollar  | <b>34,575,493</b> | 32,465,426     | <b>34,365,583</b> | 29,424,667     |
| US dollar         | <b>7,489,594</b>  | 7,255,041      | <b>6,445,819</b>  | 6,433,181      |
| Malaysian ringgit | <b>6,248,176</b>  | 5,984,153      | <b>27</b>         | 30             |
| Japanese yen      | <b>793,046</b>    | 789,500        | <b>653,547</b>    | 777,630        |
| Hong Kong dollar  | <b>776,815</b>    | 948,110        | <b>774,984</b>    | 947,489        |
| British pound     | <b>601,924</b>    | 617,050        | <b>601,458</b>    | 616,896        |
| Australian dollar | <b>1,504,247</b>  | 1,177,808      | <b>1,478,389</b>  | 1,161,867      |
| Euro              | <b>264,944</b>    | 278,333        | <b>243,198</b>    | 276,522        |
| Others            | <b>334,637</b>    | 368,610        | <b>323,770</b>    | 352,199        |
|                   | <b>52,588,876</b> | 49,884,031     | <b>44,886,775</b> | 39,990,481     |

#### 26.2 Analysed by industry

|  | Group             |                | Bank              |                |
|--|-------------------|----------------|-------------------|----------------|
|  | 2003<br>\$'000    | 2002<br>\$'000 | 2003<br>\$'000    | 2002<br>\$'000 |
| Agriculture, mining and quarrying                        | <b>519,058</b>    | 437,235        | <b>150,317</b>    | 139,152        |
| Manufacturing  | <b>3,264,701</b>  | 3,454,693      | <b>1,963,463</b>  | 1,949,148      |
| Building and construction                                | <b>7,302,389</b>  | 7,452,586      | <b>6,516,386</b>  | 6,523,120      |
| Housing  | <b>15,382,054</b> | 12,312,729     | <b>13,299,913</b> | 9,841,655      |
| General commerce   | <b>3,065,039</b>  | 3,208,119      | <b>2,686,970</b>  | 2,525,088      |
| Transport, storage and communication                     | <b>1,525,285</b>  | 1,753,468      | <b>1,271,074</b>  | 1,604,263      |
| Financial institutions, investment and holding companies | <b>8,923,914</b>  | 9,047,463      | <b>8,427,179</b>  | 8,144,913      |
| Professionals and individuals                            | <b>8,128,668</b>  | 7,612,563      | <b>7,561,311</b>  | 6,146,900      |
| Others   | <b>4,477,768</b>  | 4,605,175      | <b>3,010,162</b>  | 3,116,242      |
|  | <b>52,588,876</b> | 49,884,031     | <b>44,886,775</b> | 39,990,481     |

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for the financial year ended 31 December 2003

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

#### 26.3 Analysed by product

|  | Group             |                   | Bank              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2003<br>\$'000    | 2002<br>\$'000    | 2003<br>\$'000    | 2002<br>\$'000    |
| Overdrafts   | 5,685,842         | 6,994,335         | 4,028,539         | 5,132,963         |
| Short term loans                                     | 3,497,612         | 3,837,045         | 3,496,113         | 3,779,257         |
| Revolving credit                                     | 3,584,424         | 3,522,714         | 2,969,412         | 2,855,629         |
| Long term loans                                      | 12,817,987        | 12,649,834        | 10,393,354        | 10,511,252        |
| Housing loans  | 15,278,244        | 12,380,022        | 13,257,121        | 9,781,727         |
| Commercial property loans                            | 2,365,971         | 2,459,365         | 2,365,971         | 2,091,841         |
| Car loans  | 2,955,112         | 2,220,962         | 2,955,112         | 1,263,356         |
| Syndicated loans                                     | 2,543,065         | 2,240,890         | 2,372,691         | 2,039,486         |
| Transferable loan certificates                       | 977,851           | 979,395           | 977,851           | 979,395           |
| Trade finance  | 830,780           | 889,183           | 571,325           | 662,895           |
| Credit card receivables                              | 401,318           | 384,233           | 320,024           | 308,196           |
| Loans under government loan schemes                  | 191,882           | 264,172           | 167,493           | 81,236            |
| Block discounting, leasing and factoring receivables | 223,760           | 199,457           | 212,903           | –                 |
| Hire purchase loans (exclude car loans)              | 70,533            | 72,426            | 15,239            | –                 |
| Share margin financing                               | 203,724           | 115,944           | –                 | –                 |
| Staff loans  | 102,809           | 115,205           | 54,648            | 66,417            |
| Others   | 857,962           | 558,849           | 728,799           | 436,831           |
|  | <b>52,588,876</b> | <b>49,884,031</b> | <b>44,886,775</b> | <b>39,990,481</b> |

#### 26.4 Analysed by geographical sector

|                    | Group             |                   | Bank              |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|
|                    | 2003<br>\$'000    | 2002<br>\$'000    | 2003<br>\$'000    | 2002<br>\$'000    |
| Singapore          | 38,243,682        | 36,097,765        | 38,012,998        | 33,035,715        |
| Malaysia           | 7,978,457         | 7,001,332         | 608,160           | 295,214           |
| Other ASEAN        | 398,628           | 493,411           | 297,568           | 368,029           |
| Greater China      | 1,881,821         | 2,100,623         | 1,881,761         | 2,100,623         |
| Other Asia Pacific | 1,118,293         | 1,520,924         | 1,118,293         | 1,520,924         |
| North America      | 1,747,334         | 1,502,340         | 1,747,334         | 1,502,340         |
| Rest of the World  | 1,220,661         | 1,167,636         | 1,220,661         | 1,167,636         |
|                    | <b>52,588,876</b> | <b>49,884,031</b> | <b>44,886,775</b> | <b>39,990,481</b> |

Loans to and bills receivable from customers by geographical sector risk concentration are determined based on where the credit risk resides regardless of where the transactions are booked.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

#### 26.5 Analysed by interest rate sensitivity

| Group              | 2003              |                    | 2002            |                    |
|--------------------|-------------------|--------------------|-----------------|--------------------|
|                    | Fixed<br>\$'000   | Variable<br>\$'000 | Fixed<br>\$'000 | Variable<br>\$'000 |
| <b>Group</b>       |                   |                    |                 |                    |
| Singapore          | 16,067,115        | 24,189,371         | 13,735,091      | 24,759,827         |
| Malaysia           | 686,921           | 7,139,230          | 610,831         | 6,283,650          |
| Other ASEAN        | 696               | 166,285            | 1,452           | 208,016            |
| Greater China      | 725               | 1,466,419          | 967             | 1,722,501          |
| Other Asia Pacific | 84,804            | 1,327,144          | 212,524         | 1,025,397          |
| North America      | –                 | 882,170            | –               | 803,326            |
| Rest of the World  | 2,863             | 575,133            | 3,474           | 516,975            |
|                    | <b>16,843,124</b> | <b>35,745,752</b>  | 14,564,339      | 35,319,692         |
| <b>Bank</b>        |                   |                    |                 |                    |
| Singapore          | 16,065,549        | 23,928,311         | 11,699,943      | 23,725,388         |
| Malaysia           | 27                | 487,612            | 30              | 195,823            |
| Other ASEAN        | 378               | 65,640             | 1,233           | 82,900             |
| Greater China      | 725               | 1,466,419          | 967             | 1,722,501          |
| Other Asia Pacific | 84,804            | 1,327,144          | 212,524         | 1,025,397          |
| North America      | –                 | 882,170            | –               | 803,326            |
| Rest of the World  | 2,863             | 575,133            | 3,474           | 516,975            |
|                    | <b>16,154,346</b> | <b>28,732,429</b>  | 11,918,171      | 28,072,310         |

The analysis by interest rate sensitivity is based on where the loans and bills receivable are booked.

### 27. NON-PERFORMING LOANS (“NPLs”) AND DEBT SECURITIES

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

|  | Group            |                | Bank             |                |
|--|------------------|----------------|------------------|----------------|
|  | 2003<br>\$'000   | 2002<br>\$'000 | 2003<br>\$'000   | 2002<br>\$'000 |
| <b>Total classified loans to customers</b>           |                  |                |                  |                |
| Substandard  | 2,502,030        | 2,814,060      | 1,912,451        | 1,916,858      |
| Doubtful   | 728,627          | 863,132        | 697,356          | 766,098        |
| Loss   | 395,460          | 364,854        | 168,784          | 117,345        |
|  | <b>3,626,117</b> | 4,042,046      | <b>2,778,591</b> | 2,800,301      |
| <b>Total classified debt securities</b>              |                  |                |                  |                |
| Substandard  | 94,118           | 138,975        | 76,486           | 96,371         |
| Doubtful   | 76,752           | 73,198         | 76,752           | 73,198         |
| Loss   | 37,485           | 101,709        | –                | 54,036         |
|  | <b>208,355</b>   | 313,882        | <b>153,238</b>   | 223,605        |
| <b>Total classified assets</b>                       | <b>3,834,472</b> | 4,355,928      | <b>2,931,829</b> | 3,023,906      |
| <b>Specific provision made for classified assets</b> |                  |                |                  |                |
| Substandard  | 240,591          | 166,972        | 223,651          | 151,618        |
| Doubtful   | 724,784          | 795,449        | 692,920          | 718,751        |
| Loss   | 387,063          | 484,446        | 119,101          | 183,615        |
|  | <b>1,352,438</b> | 1,446,867      | <b>1,035,672</b> | 1,053,984      |

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for the financial year ended 31 December 2003

### 27. NON-PERFORMING LOANS (“NPLs”) AND DEBT SECURITIES (continued)

#### 27.1 Analysed by period overdue

|                          | Group              |                    | Bank               |                    |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
|                          | 2003<br>\$ million | 2002<br>\$ million | 2003<br>\$ million | 2002<br>\$ million |
| Over 180 days            | 2,223              | 2,339              | 1,680              | 1,585              |
| Over 90 days to 180 days | 302                | 567                | 263                | 439                |
| 30 days to 90 days       | 242                | 267                | 188                | 173                |
| Less than 30 days        | 136                | 208                | 132                | 200                |
| No overdue               | 931                | 975                | 669                | 627                |
|                          | <b>3,834</b>       | <b>4,356</b>       | <b>2,932</b>       | <b>3,024</b>       |

#### 27.2 Analysed by collateral type

|                                  | Group              |                    | Bank               |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                  | 2003<br>\$ million | 2002<br>\$ million | 2003<br>\$ million | 2002<br>\$ million |
| Property                         |                    |                    |                    |                    |
| – Residential                    | 553                | 618                | 460                | 485                |
| – Commercial/Industrial          | 1,258              | 1,593              | 828                | 916                |
| – Hotel                          | 204                | 163                | 155                | 149                |
| – Budget Hotel/Boarding School   | 14                 | 3                  | 14                 | 3                  |
|                                  | <b>2,029</b>       | <b>2,377</b>       | <b>1,457</b>       | <b>1,553</b>       |
| Fixed deposit                    |                    |                    |                    |                    |
| – In same currency as loan       | 18                 | 37                 | 18                 | 33                 |
| – In different currency          | 5                  | 1                  | 5                  | 1                  |
|                                  | <b>23</b>          | <b>38</b>          | <b>23</b>          | <b>34</b>          |
| Stock and shares                 | 188                | 309                | 168                | 219                |
| Motor vehicles                   | 70                 | 33                 | 70                 | 13                 |
| Others                           | 141                | 102                | 116                | 87                 |
| Unsecured                        |                    |                    |                    |                    |
| – Clean                          | 763                | 846                | 478                | 555                |
| – Corporate and other guarantees | 620                | 651                | 620                | 563                |
|                                  | <b>1,383</b>       | <b>1,497</b>       | <b>1,098</b>       | <b>1,118</b>       |
|                                  | <b>3,834</b>       | <b>4,356</b>       | <b>2,932</b>       | <b>3,024</b>       |

#### 27.3 Analysed by industry

|  | Group              |                    | Bank               |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2003<br>\$ million | 2002<br>\$ million | 2003<br>\$ million | 2002<br>\$ million |
| Agriculture, mining and quarrying                        | 33                 | 39                 | 15                 | 21                 |
| Manufacturing  | 517                | 736                | 312                | 449                |
| Building and construction                                | 783                | 761                | 584                | 516                |
| Housing  | 223                | 227                | 193                | 162                |
| General commerce   | 463                | 539                | 372                | 432                |
| Transport, storage and communication                     | 133                | 92                 | 121                | 81                 |
| Financial institutions, investment and holding companies | 684                | 965                | 579                | 693                |
| Professionals and individuals                            | 600                | 581                | 575                | 491                |
| Others   | 398                | 416                | 181                | 179                |
|  | <b>3,834</b>       | <b>4,356</b>       | <b>2,932</b>       | <b>3,024</b>       |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 27. NON-PERFORMING LOANS (“NPLs”) AND DEBT SECURITIES (continued)

#### 27.4 Analysed by geographical sector

| Group<br>\$ million     | Singapore    | Malaysia     | Other<br>ASEAN | Greater<br>China | Rest of<br>the World | Total        |
|-------------------------|--------------|--------------|----------------|------------------|----------------------|--------------|
| <b>31 December 2003</b> |              |              |                |                  |                      |              |
| Substandard             | 1,725        | 699          | 17             | 50               | 105                  | 2,596        |
| Doubtful                | 498          | 126          | 100            | 70               | 11                   | 805          |
| Loss                    | 166          | 243          | 24             | –                | –                    | 433          |
|                         | <b>2,389</b> | <b>1,068</b> | <b>141</b>     | <b>120</b>       | <b>116</b>           | <b>3,834</b> |
| Specific provisions     | (767)        | (397)        | (110)          | (70)             | (8)                  | (1,352)      |
|                         | <b>1,622</b> | <b>671</b>   | <b>31</b>      | <b>50</b>        | <b>108</b>           | <b>2,482</b> |
| <b>31 December 2002</b> |              |              |                |                  |                      |              |
| Substandard             | 1,952        | 831          | 23             | 97               | 50                   | 2,953        |
| Doubtful                | 502          | 183          | 156            | 72               | 23                   | 936          |
| Loss                    | 192          | 186          | 28             | 7                | 54                   | 467          |
|                         | <b>2,646</b> | <b>1,200</b> | <b>207</b>     | <b>176</b>       | <b>127</b>           | <b>4,356</b> |
| Specific provisions     | (774)        | (374)        | (147)          | (78)             | (74)                 | (1,447)      |
|                         | <b>1,872</b> | <b>826</b>   | <b>60</b>      | <b>98</b>        | <b>53</b>            | <b>2,909</b> |

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

#### 27.5 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 23.8% (31 December 2002: 18.8%) and 26.6% (31 December 2002: 23.3%) for the Group and the Bank respectively.

|              | 2003                 |                         | 2002                 |                         |
|--------------|----------------------|-------------------------|----------------------|-------------------------|
|              | Amount<br>\$ million | Provision<br>\$ million | Amount<br>\$ million | Provision<br>\$ million |
| <b>Group</b> |                      |                         |                      |                         |
| Substandard  | 580                  | 79                      | 507                  | 78                      |
| Doubtful     | 329                  | 247                     | 256                  | 135                     |
| Loss         | 2                    | 1                       | 56                   | 57                      |
|              | <b>911</b>           | <b>327</b>              | 819                  | 270                     |
| <b>Bank</b>  |                      |                         |                      |                         |
| Substandard  | 509                  | 78                      | 450                  | 78                      |
| Doubtful     | 270                  | 227                     | 247                  | 131                     |
| Loss         | 2                    | 1                       | 7                    | 7                       |
|              | <b>781</b>           | <b>306</b>              | 704                  | 216                     |

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for the financial year ended 31 December 2003

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

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

| Group   | 2003                         |                                |                 | 2002                         |                                |                 |
|---|------------------------------|--------------------------------|-----------------|------------------------------|--------------------------------|-----------------|
|   | Specific provision<br>\$'000 | Interest-in-suspense<br>\$'000 | Total<br>\$'000 | Specific provision<br>\$'000 | Interest-in-suspense<br>\$'000 | Total<br>\$'000 |
| <b>Group</b>  |                              |                                |                 |                              |                                |                 |
| At 1 January  | 1,131,721                    | 174,555                        | 1,306,276       | 1,608,705                    | 384,568                        | 1,993,273       |
| Foreign currency translation adjustments  | (4,044)                      | (1,259)                        | (5,303)         | (37,360)                     | (1,301)                        | (38,661)        |
| Bad debts written off   | (230,497)                    | (78,619)                       | (309,116)       | (724,372)                    | (249,807)                      | (974,179)       |
| Recovery of amounts previously provided   | (38,983)                     | –                              | (38,983)        | (19,804)                     | –                              | (19,804)        |
| Provision made  | 232,665                      | –                              | 232,665         | 384,508                      | –                              | 384,508         |
| Net charge to income statement (Note 9)   | 193,682                      | –                              | 193,682         | 364,704                      | –                              | 364,704         |
| Net interest suspended  | –                            | 65,590                         | 65,590          | –                            | 88,408                         | 88,408          |
| Transfer from/(to) other assets   | 8,461                        | 2,939                          | 11,400          | –                            | (41,379)                       | (41,379)        |
| Transfer from general provisions (Note 29)  | 25                           | –                              | 25              | –                            | –                              | –               |
| Transfer to provision for diminution<br>in value of investment securities<br>and other assets (Note 32) | (11,792)                     | –                              | (11,792)        | (79,956)                     | (5,934)                        | (85,890)        |
| At 31 December (Note 26)  | 1,087,556                    | 163,206                        | 1,250,762       | 1,131,721                    | 174,555                        | 1,306,276       |
| <b>Bank</b>   |                              |                                |                 |                              |                                |                 |
| At 1 January  | 827,234                      | 113,149                        | 940,383         | 787,503                      | 211,079                        | 998,582         |
| Foreign currency translation adjustments  | 1,593                        | (14)                           | 1,579           | (19,260)                     | (81)                           | (19,341)        |
| Bad debts written off   | (157,877)                    | (40,915)                       | (198,792)       | (574,053)                    | (205,231)                      | (779,284)       |
| Recovery of amounts previously provided   | (26,920)                     | –                              | (26,920)        | (14,284)                     | –                              | (14,284)        |
| Provision made  | 146,906                      | –                              | 146,906         | 245,848                      | –                              | 245,848         |
| Net charge to income statement  | 119,986                      | –                              | 119,986         | 231,564                      | –                              | 231,564         |
| Net interest suspended  | –                            | 37,531                         | 37,531          | –                            | 51,901                         | 51,901          |
| Transfer from/(to) other assets   | 8,461                        | –                              | 8,461           | –                            | (14,099)                       | (14,099)        |
| Transfer from general provisions (Note 29)  | 25                           | –                              | 25              | –                            | –                              | –               |
| Transfer to provision for diminution<br>in value of investment securities<br>and other assets (Note 32) | (11,420)                     | –                              | (11,420)        | (70,882)                     | (5,117)                        | (75,999)        |
| Arising from scheme/<br>merger with subsidiaries  | 43,752                       | 14,162                         | 57,914          | 472,362                      | 74,697                         | 547,059         |
| At 31 December (Note 26)  | 831,754                      | 123,913                        | 955,667         | 827,234                      | 113,149                        | 940,383         |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 29. GENERAL PROVISIONS

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

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| At 1 January  | 1,210,542      | 1,250,043      | 923,854        | 602,801        |
| Foreign currency translation adjustments  | (2,085)        | (9,593)        | 664            | (629)          |
| Writeback to income statements (Note 9)   | (25,603)       | (27,372)       | (29,780)       | (29,029)       |
| Transfer to specific provision for loan losses (Note 28)  | (25)           | –              | (25)           | –              |
| Transfer to provision for diminution in value of investment securities and other assets (Note 32) | –              | (2,536)        | –              | (2,536)        |
| Transfer from other provisions  | 168            | –              | 168            | –              |
| Arising from scheme/merger with subsidiaries  | –              | –              | 142,029        | 353,247        |
| At 31 December (Note 26)  | 1,182,997      | 1,210,542      | 1,036,910      | 923,854        |

### 30. INVESTMENT SECURITIES

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>Quoted debt securities:</b>                    |                |                |                |                |
| Cost, adjusted for premium and discount           | 3,438,900      | 2,714,372      | 2,567,507      | 2,059,299      |
| Less: Provision for diminution in value           | (103)          | (33,460)       | (103)          | (33,460)       |
| Net book value                                    | 3,438,797      | 2,680,912      | 2,567,404      | 2,025,839      |
| <b>Quoted equity securities:</b>                  |                |                |                |                |
| Cost  | 322,884        | 402,184        | 249,344        | 306,289        |
| Less: Provision for diminution in value           | (76,496)       | (83,798)       | (73,578)       | (69,664)       |
| Net book value                                    | 246,388        | 318,386        | 175,766        | 236,625        |
| <b>Unquoted debt securities:</b>                  |                |                |                |                |
| Cost, adjusted for premium and discount           | 2,706,459      | 2,424,622      | 2,636,228      | 2,313,262      |
| Less: Provision for diminution in value           | (133,669)      | (166,643)      | (87,967)       | (111,547)      |
| Net book value                                    | 2,572,790      | 2,257,979      | 2,548,261      | 2,201,715      |
| <b>Unquoted equity securities:</b>                |                |                |                |                |
| Cost  | 120,038        | 151,505        | 37,569         | 38,436         |
| Less: Provision for diminution in value           | (83,186)       | (98,697)       | (18,401)       | (13,288)       |
| Net book value                                    | 36,852         | 52,808         | 19,168         | 25,148         |
| <b>Total investment securities</b>                |                |                |                |                |
| Cost or cost, adjusted for premium and discount   | 6,588,281      | 5,692,683      | 5,490,648      | 4,717,286      |
| Less: Provision for diminution in value (Note 32) | (293,454)      | (382,598)      | (180,049)      | (227,959)      |
| Net book value                                    | 6,294,827      | 5,310,085      | 5,310,599      | 4,489,327      |
| <b>Market value of quoted securities</b>          |                |                |                |                |
| Debt securities                                   | 3,499,804      | 2,749,596      | 2,640,014      | 2,090,698      |
| Equity securities                                 | 691,694        | 657,266        | 535,204        | 483,137        |
|   | 4,191,498      | 3,406,862      | 3,175,218      | 2,573,835      |

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### 30. INVESTMENT SECURITIES (continued)

Included in unquoted debt securities is an amount of \$0.60 billion (31 December 2002: \$0.49 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 41.

Included in quoted debt securities is an amount of \$153.4 million (31 December 2002: \$167.4 million) relating to Pioneer Funding Ltd, a special purpose entity (Note 34.2). These investment securities are pledged as collaterals for the debt securities issued by Pioneer Funding Ltd (Note 20.2).

#### 30.1 Analysed by issuer

|               | Group            |                  | Bank             |                  |
|---------------|------------------|------------------|------------------|------------------|
|               | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Public sector | 173,096          | 561,801          | 159,461          | 547,894          |
| Banks         | 1,140,639        | 750,187          | 1,140,639        | 749,338          |
| Corporations  | 5,274,546        | 4,380,695        | 4,190,548        | 3,420,054        |
|               | <b>6,588,281</b> | <b>5,692,683</b> | <b>5,490,648</b> | <b>4,717,286</b> |

#### 30.2 Analysed by industry

|  | Group            |                  | Bank             |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Agriculture, mining and quarrying                        | 16,145           | 14,977           | 15,309           | —                |
| Manufacturing  | 539,348          | 535,669          | 536,255          | 516,348          |
| Building and construction                                | 559,544          | 670,057          | 330,538          | 482,337          |
| General commerce   | 34,045           | 105,734          | 18,242           | 90,065           |
| Transport, storage and communication                     | 594,992          | 527,143          | 458,453          | 428,431          |
| Financial institutions, investment and holding companies | 3,533,583        | 2,596,582        | 2,998,090        | 2,129,160        |
| Others   | 1,310,624        | 1,242,521        | 1,133,761        | 1,070,945        |
|  | <b>6,588,281</b> | <b>5,692,683</b> | <b>5,490,648</b> | <b>4,717,286</b> |

#### 30.3 Analysed by geographical sector

|                    | Group            |                  | Bank             |                  |
|--------------------|------------------|------------------|------------------|------------------|
|                    | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Singapore          | 2,218,554        | 2,068,981        | 1,983,150        | 1,801,662        |
| Malaysia           | 1,210,613        | 924,209          | 411,378          | 319,523          |
| Other ASEAN        | 27,146           | 37,932           | 27,073           | 23,762           |
| Greater China      | 222,153          | 215,388          | 221,906          | 215,136          |
| Other Asia Pacific | 764,926          | 453,296          | 764,926          | 453,296          |
| North America      | 834,626          | 761,751          | 801,799          | 717,671          |
| Rest of the World  | 1,310,263        | 1,231,126        | 1,280,416        | 1,186,236        |
|                    | <b>6,588,281</b> | <b>5,692,683</b> | <b>5,490,648</b> | <b>4,717,286</b> |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 31. OTHER ASSETS

|   | Group            |                  | Bank             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Financial derivatives at fair value (Note 43)     | 1,114,806        | 1,148,523        | 1,113,341        | 1,148,523        |
| Interest receivable (net of interest-in-suspense) | 377,835          | 481,224          | 344,264          | 436,026          |
| Sundry debtors (net)                              | 415,684          | 209,886          | 63,717           | 23,502           |
| Others  | 274,609          | 204,947          | 238,420          | 159,424          |
|   | <b>2,182,934</b> | <b>2,044,580</b> | <b>1,759,742</b> | <b>1,767,475</b> |

### 32. 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 are as follows:

| Group   | Singapore<br>government<br>securities<br>\$'000 | Other<br>government<br>securities<br>\$'000 | Dealing<br>securities<br>\$'000 | Investment<br>securities<br>\$'000 | Property<br>\$'000 | Other<br>assets<br>\$'000 | Total<br>\$'000 |
|---|---|---|---------------------------------|------------------------------------|--------------------|---------------------------|-----------------|
| <b>2003</b>   |   |   |                                 |                                    |                    |                           |                 |
| At 1 January  | –   | 95  | 6,563                           | 382,598                            | 132,882            | 43,270                    | 565,408         |
| Foreign currency translation adjustments  | –   | –   | 41                              | (2,079)                            | 7                  | 191                       | (1,840)         |
| Amounts written off   | –   | –   | (6,464)                         | (103,189)                          | (2,939)            | (1,838)                   | (114,430)       |
| Provisions for dealing securities for the year (Note 7)<br>(Writeback)/provisions for the year (Note 9)                 | –   | –   | 212                             | –                                  | –                  | –                         | 212             |
|   | –   | (16)  | –                               | 684                                | 49,054             | 7,158                     | 56,880          |
| Transfers from specific provisions for<br>loan losses (Note 28)   | –   | –   | –                               | 11,792                             | –                  | –                         | 11,792          |
| Transfers from other assets   | –   | –   | –                               | 3,452                              | –                  | 1,856                     | 5,308           |
| Transfers   | –   | –   | (196)                           | 196                                | –                  | –                         | –               |
| At 31 December  | –   | 79  | 156                             | 293,454                            | 179,004            | 50,637                    | 523,330         |
|   |   | (Note 23)                                   | (Note 24)                       | (Note 30)                          | (Note 35)          |                           |                 |
| <b>2002</b>   |   |   |                                 |                                    |                    |                           |                 |
| At 1 January  | 7,148   | 58  | 25,747                          | 221,490                            | 49,403             | 46,601                    | 350,447         |
| 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 provisions for dealing securities<br>for the year (Note 7)<br>(Writeback)/provisions for the year (Note 9) | –   | –   | (5,716)                         | –                                  | –                  | –                         | (5,716)         |
|   | (7,148)   | 41  | –                               | 87,044                             | 83,782             | (443)                     | 163,276         |
| Transfers from specific provisions for<br>loan losses (Note 28)   | –   | –   | –                               | 85,890                             | –                  | –                         | 85,890          |
| Transfers from general provisions (Note 29)   | –   | –   | 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            | 43,270                    | 565,408         |
|   |   | (Note 23)                                   | (Note 24)                       | (Note 30)                          | (Note 35)          |                           |                 |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

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

| Bank   | Other<br>government<br>securities<br>\$'000 | Dealing<br>securities<br>\$'000 | Investment<br>securities<br>\$'000 | Associated<br>companies<br>\$'000 | Subsidiary<br>companies<br>\$'000 | Property<br>\$'000 | Other<br>assets<br>\$'000 | Total<br>\$'000 |
|--|---|---------------------------------|------------------------------------|-----------------------------------|-----------------------------------|--------------------|---------------------------|-----------------|
| <b>2003</b>  |   |                                 |                                    |                                   |                                   |                    |                           |                 |
| At 1 January   | 95  | 6,687                           | 227,959                            | 37,298                            | 107,789                           | 102,316            | 39,535                    | 521,679         |
| Foreign currency<br>translation adjustments  | –   | 42                              | (622)                              | –                                 | –                                 | 106                | –                         | (474)           |
| Amounts written off  | –   | (6,464)                         | (63,193)                           | (22,285)                          | (18)                              | –                  | (805)                     | (92,765)        |
| Provisions for dealing securities<br>(Writeback)/provisions for the year                 | (16)  | (153)                           | –                                  | –                                 | –                                 | –                  | –                         | (153)           |
| Transfers from specific provisions<br>for loan losses (Note 28)                          | –   | –                               | 837                                | (8,519)                           | (19,664)                          | 38,914             | 762                       | 12,314          |
| Transfers from other assets<br>Arising from scheme with<br>a subsidiary company          | –   | –                               | 11,420                             | –                                 | –                                 | –                  | –                         | 11,420          |
|  | –   | –                               | 3,452                              | –                                 | –                                 | –                  | –                         | 3,452           |
|  | –   | –                               | 196                                | –                                 | –                                 | 301                | –                         | 497             |
| At 31 December   | 79  | 112                             | 180,049                            | 6,494                             | 88,107                            | 141,637            | 39,492                    | 455,970         |
|  | (Note 23)                                   | (Note 24)                       | (Note 30)                          | (Note 33)                         | (Note 34)                         | (Note 35)          |                           |                 |
| <b>2002</b>  |   |                                 |                                    |                                   |                                   |                    |                           |                 |
| At 1 January   | 58  | 19,497                          | 63,341                             | 30,291                            | 42,579                            | 4,773              | 716                       | 161,255         |
| Foreign currency<br>translation adjustments  | (4)   | (492)                           | (5,383)                            | –                                 | –                                 | (68)               | 3                         | (5,944)         |
| Amounts written off  | –   | (61)                            | (15,419)                           | –                                 | –                                 | –                  | (1,546)                   | (17,026)        |
| Writeback of provisions for<br>dealing securities<br>(Writeback)/provisions for the year | (331)                                       | (2,705)                         | –                                  | –                                 | –                                 | –                  | –                         | (2,705)         |
| Transfers from specific provisions<br>for loan losses (Note 28)                          | –   | –                               | 34,993                             | 5,867                             | 62,630                            | 59,873             | 282                       | 163,314         |
| Transfers from general<br>provisions (Note 29)   | –   | –                               | 75,999                             | –                                 | –                                 | –                  | –                         | 75,999          |
| Transfers from subsidiary companies  | –   | 488                             | 1,217                              | –                                 | –                                 | –                  | 831                       | 2,536           |
| Transfers from other assets  | 372   | (25)                            | 53,128                             | 1,140                             | 2,580                             | 37,738             | 39,249                    | 134,182         |
| Transfers  | –   | –                               | 10,068                             | –                                 | –                                 | –                  | –                         | 10,068          |
|  | –   | (10,015)                        | 10,015                             | –                                 | –                                 | –                  | –                         | –               |
| At 31 December   | 95  | 6,687                           | 227,959                            | 37,298                            | 107,789                           | 102,316            | 39,535                    | 521,679         |
|  | (Note 23)                                   | (Note 24)                       | (Note 30)                          | (Note 33)                         | (Note 34)                         | (Note 35)          |                           |                 |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 33. ASSOCIATED COMPANIES

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Quoted equity securities, at cost                 | 97,429         | 97,455         | 94,843         | 94,843         |
| Unquoted equity securities, at cost               | 28,757         | 52,570         | 19,268         | 43,068         |
|   | 126,186        | 150,025        | 114,111        | 137,911        |
| Less: Provision for diminution in value (Note 32) | –              | –              | (6,494)        | (37,298)       |
| Net book value                                    | 126,186        | 150,025        | 107,617        | 100,613        |
| Share of post-acquisition reserves                | 1,042,154      | 896,482        | –              | –              |
|   | 1,168,340      | 1,046,507      | 107,617        | 100,613        |
| Amounts due from associated companies             | 8,797          | 934            | –              | 625            |
|   | 1,177,137      | 1,047,441      | 107,617        | 101,238        |
| Market value of quoted associated companies       | 2,599,547      | 2,029,330      | 2,469,728      | 1,933,348      |

33.1 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/<br>Place of<br>incorporation | Group's<br>interest        |           | Cost of<br>investment |                |        |
|-----------------|--|---------------------------------------|----------------------------|-----------|-----------------------|----------------|--------|
|                 |  |                                       | 2003<br>%                  | 2002<br>% | 2003<br>\$'000        | 2002<br>\$'000 |        |
| <b>Quoted</b>   |  |                                       |                            |           |                       |                |        |
| 1.              | British and Malayan Trustees Limited                 | Trustee services                      | Singapore                  | 43        | 43                    | 591            | 591    |
| 2.              | Great Eastern Holdings Limited                       | Insurance                             | Singapore                  | 49        | 49                    | 9,774          | 9,774  |
| 3.              | PacificMas Berhad                                    | Investment holding                    | Malaysia                   | 28        | 28                    | 87,064         | 87,090 |
|                 |  |                                       |                            |           |                       | 97,429         | 97,455 |
| <b>Unquoted</b> |  |                                       |                            |           |                       |                |        |
| 4.              | Ace Net Financial Services Pte Ltd                   | Marketing and management services     | Singapore                  | 50        | 50                    | 2,841          | 2,841  |
| 5.              | Alverdine Private Limited (In voluntary liquidation) | Dormant                               | Singapore                  | 50        | 50                    | –              | 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 [Note 33.3]          | Singapore                  | 33        | 33                    | 4,040          | 5,040  |
| 9.              | iQB Pte Ltd  | Application service provider          | Singapore                  | 49        | 49                    | 5,000          | 5,000  |
| 10.             | Malaysian Trustees Berhad                            | Trustee services                      | Malaysia                   | 20        | 20                    | 148            | 151    |
| 11.             | Network For Electronic Transfers (Singapore) Pte Ltd | Electronic funds transfers            | Singapore                  | 33        | 33                    | 5,718          | 5,718  |
| 12.             | OCBC-Perdana Futures Sendirian Berhad                | Futures and options broking           | Malaysia                   | 49        | 49                    | 2,107          | 2,108  |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 33. ASSOCIATED COMPANIES (continued)

|                 | Principal activities                               | Country/<br>Place of<br>incorporation | Group's<br>interest |           | Cost of<br>investment |                |         |
|-----------------|--|---------------------------------------|---------------------|-----------|-----------------------|----------------|---------|
|                 |  |                                       | 2003<br>%           | 2002<br>% | 2003<br>\$'000        | 2002<br>\$'000 |         |
| <b>Unquoted</b> |  |                                       |                     |           |                       |                |         |
| 13.             | OCBC Wearnes & Walden Management (S) Pte Ltd       | Venture capital fund management       | Singapore           | 25        | 25                    | 45             | 45      |
| 14.             | Raffles Investments Limited                        | Investment holding                    | Singapore           | 50        | 50                    | 638            | 647     |
| 15.             | Singapore Consortium Investment Management Limited | Unit trust fund management            | Singapore           | 33        | 33                    | 388            | 388     |
| 16.             | Specialists' Services (Private) Limited            | Management services                   | Singapore           | 40        | 40                    | 84             | 84      |
| 17.             | TX123 Pte Ltd                                      | e-Procurement hub<br>[Note 33.2]      | Singapore           | -         | 39                    | -              | 2,800   |
|                 |  |                                       |                     |           |                       | <b>28,757</b>  | 52,570  |
| At 31 December  |  |                                       |                     |           |                       | <b>126,186</b> | 150,025 |

**33.2** On 16 June 2003, the Bank disposed of its entire stake of 39% equity interest or 2,800,000 ordinary shares, in TX123 Pte Ltd ("TX123") to Singapore Computer Systems Limited, for a nominal cash consideration of \$1. Following the completion of the sale, TX123 ceased to be an associated company of the Bank.

**33.3** On 1 September 2003, Clearing & Payment Services Pte Ltd ("CLS") gave notice to the Bank for the redemption of 10,000 Redeemable Preference Shares ("RPS") of \$100 each held by the Bank in CLS. Subsequent to the redemption of RPS, the Bank's investment in CLS was reduced by \$1,000,000 to \$4,040,000.

### 34. SUBSIDIARY COMPANIES

|   | Bank             |                |
|---|------------------|----------------|
|   | 2003<br>\$'000   | 2002<br>\$'000 |
| Unquoted equity securities, at cost               | 1,991,733        | 2,534,270      |
| Less: Provision for diminution in value (Note 32) | (88,107)         | (107,789)      |
| Net book value                                    | 1,903,626        | 2,426,481      |
| Amount due from subsidiary companies              | 1,523,644        | 530,962        |
|   | <b>3,427,270</b> | 2,957,443      |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

34.1 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/<br>Place of<br>incorporation | Bank                    |                                | Subsidiaries     |                                | Cost of Bank's<br>Investment |                              |                |
|-------|---|---------------------------------------|-------------------------|--------------------------------|------------------|--------------------------------|------------------------------|------------------------------|----------------|
|       |   |                                       | 2003<br>%               | 2002<br>%                      | 2003<br>%        | 2002<br>%                      | 2003<br>\$'000               | 2002<br>\$'000               |                |
| 1.    | Asia Commercial Enterprise Pte Ltd  | Dissolved<br>[Note 34.4(a)]           | Singapore               | –                              | 100              | –                              | –                            | –                            | 952            |
| 2.    | Asia Commercial Investment (Private) Limited                                      | Investment Holding                    | Singapore               | <b>67</b>                      | 67               | <b>33</b>                      | 33                           | <b>2,000</b>                 | 2,000          |
| 3.    | Asia Commercial Realty Co. Pte. Ltd.  | Property holding                      | Singapore               | <b>100</b>                     | 100              | –                              | –                            | <b>1,383</b>                 | 1,500          |
| @ 4.  | Associated Investments & Securities Private Limited<br>(In voluntary liquidation) | Dormant                               | Singapore               | <b>100</b><br><b>100(Pref)</b> | 100<br>100(Pref) | –                              | –                            | –                            | 1,006<br>2,979 |
| 5.    | Bank of Singapore Limited   | e-financial services                  | Singapore               | <b>98</b>                      | 98               | <b>2</b>                       | 2                            | <b>93,287</b>                | 93,287         |
| 6.    | Bank of Singapore Nominees Private Limited  | Nominee services                      | Singapore               | <b>100</b>                     | 100              | –                              | –                            | <b>10</b>                    | 10             |
| 7.    | Banking Computer Services Private Limited   | Computer banking services             | Singapore               | <b>100</b><br><b>100(Pref)</b> | 100<br>100(Pref) | –                              | –                            | <b>5,160</b><br><b>4,000</b> | 5,160<br>4,000 |
| + 8.  | Bathurst Enterprises Limited  | Investment holding                    | Hong Kong SAR, China    | –                              | –                | <b>100</b>                     | 100                          | –                            | –              |
| 9.    | BCS Information Systems Private Limited   | Computer consultancy services         | Singapore<br>Malaysia # | <b>100</b>                     | 100              | –                              | –                            | <b>105</b>                   | 105            |
| @ 10. | BOS Venture Management Pte Ltd<br>(In voluntary liquidation)                      | Dormant                               | Singapore               | –                              | –                | <b>100</b>                     | 100                          | –                            | –              |
| @ 11. | BOSA Limited<br>(In voluntary liquidation)  | Dormant                               | Australia               | <b>100</b>                     | 100              | –                              | –                            | <b>3,283</b>                 | 3,283          |
| @ 12. | Bukit Investments Limited<br>(In voluntary liquidation)                           | Dormant                               | Hong Kong SAR, China    | –                              | –                | <b>100</b>                     | 100                          | –                            | –              |
| 13.   | Church Street Properties Private Limited  | Property development                  | Singapore               | –                              | –                | <b>100</b><br><b>100(Pref)</b> | 100<br>100(Pref)             | –                            | –              |
| 14.   | Eastern Developers Private Limited  | Property development and rental       | Singapore               | –                              | –                | <b>100</b><br><b>100(Pref)</b> | 100<br>100(Pref)             | –                            | –              |
| + 15. | Eastern Holdings Limited  | Investment holding                    | Hong Kong SAR, China    | <b>100</b>                     | 100              | –                              | –                            | <b>75,399</b>                | 76,558         |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

|        | Principal activities   | Country/<br>Place of<br>incorporation       | Bank                       |           | Subsidiaries |           | Cost of Bank's<br>Investment |                |         |
|--------|--|---|----------------------------|-----------|--------------|-----------|------------------------------|----------------|---------|
|        |  |   | 2003<br>%                  | 2002<br>% | 2003<br>%    | 2002<br>% | 2003<br>\$'000               | 2002<br>\$'000 |         |
| 16.    | Eastern Realty Company Limited   | Investment holding and property development | Singapore<br>Malaysia #    | 100       | 100          | –         | –                            | 27,704         | 27,704  |
| 17.    | Excel Holdings Private Limited   | Investment holding and property rental      | Singapore                  | 100       | 100          | –         | –                            | 200            | 200     |
| 18.    | Federal Securities Private Limited   | Investment holding                          | Singapore                  | 100       | 100          | –         | –                            | 9,000          | 9,000   |
| 19.    | Focal Nominees Private Limited (formerly Focal Finance Nominees Private Limited) | Nominee services                            | Singapore                  | –         | –            | 100       | 100                          | –              | –       |
| + 20.  | Four Seas Nominees (Hong Kong) Limited   | Nominee services                            | Hong Kong<br>SAR, China    | –         | –            | 100       | 100                          | –              | –       |
| 21.    | Four Seas Nominees Private Limited   | Nominee services                            | Singapore                  | 100       | 100          | –         | –                            | 10             | 10      |
| 22.    | FSB Holdings Limited   | Dormant                                     | Singapore                  | 100       | 100          | –         | –                            | –              | –       |
| 23.    | General & Commercial Holdings Private Limited                                    | Dissolved [Note 34.4(a)]                    | Singapore                  | –         | 100          | –         | –                            | –              | 155     |
| ++ 24. | Guangzhou Yangyi Property Technology Co Ltd                                      | Dormant                                     | People's Republic of China | –         | –            | 60        | 60                           | –              | –       |
| 25.    | Hotel Phoenix Singapore Private Limited  | Hotel                                       | Singapore                  | –         | –            | 100       | 100                          | –              | –       |
| @ 26.  | iPropertyNet Pte Ltd (In voluntary liquidation)                                  | Dormant                                     | Singapore                  | –         | –            | 57        | 57                           | –              | –       |
| 27.    | IP Technology Solutions Pte Ltd  | Dormant [Note 34.4(b)]                      | Singapore                  | –         | –            | –         | 100                          | –              | –       |
| 28.    | KAC Holdings Limited   | Investment holding                          | Singapore                  | 100       | 100          | –         | –                            | 19,028         | 19,028  |
| 29.    | KB Nominees Pte Ltd  | Nominee services                            | Singapore                  | 100       | 100          | –         | –                            | *              | *       |
| @ 30.  | KBF Pte Ltd (In voluntary liquidation)   | Dormant                                     | Singapore                  | –         | –            | 100       | 100                          | –              | –       |
| 31.    | Keppel Capital Holdings Ltd  | Investment holding [Note 34.3(c)]           | Singapore                  | 100       | 100          | –         | –                            | 319,877        | 866,117 |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

|       |   | Principal activities                 | Country/<br>Place of<br>incorporation | Bank      |           | Subsidiaries                 |                              | Cost of Bank's<br>Investment |                |
|-------|---|--------------------------------------|---------------------------------------|-----------|-----------|------------------------------|------------------------------|------------------------------|----------------|
|       |   |                                      |                                       | 2003<br>% | 2002<br>% | 2003<br>%                    | 2002<br>%                    | 2003<br>\$'000               | 2002<br>\$'000 |
| @ 32. | Keppel Factors Pte Ltd<br>(In voluntary liquidation)                | Dormant                              | Singapore                             | –         | –         | 100                          | 100                          | –                            | –              |
| 33.   | KF Nominees Pte Ltd   | Nominee services                     | Singapore                             | –         | –         | 100                          | 100                          | –                            | –              |
| 34.   | KIM Limited   | Investment holding                   | Singapore                             | –         | –         | 100                          | 100                          | –                            | –              |
| + 35. | Keppel Securities<br>Hong Kong Ltd                                  | Stockbroking                         | Hong Kong<br>SAR, China               | –         | –         | 100                          | 100                          | –                            | –              |
| @ 36. | Keppel Securities<br>Nominees Pte Ltd<br>(In voluntary liquidation) | Dormant                              | Singapore                             | –         | –         | 100                          | 100                          | –                            | –              |
| @ 37. | KS Pte Ltd<br>(In voluntary liquidation)                            | Dormant                              | Singapore                             | –         | –         | 100                          | 100                          | –                            | –              |
| 38.   | KTB Limited   | Dormant                              | Singapore                             | 100       | 100       | –                            | –                            | –                            | –              |
| 39.   | KTF Limited   | Investment holding<br>[Note 34.3(c)] | Singapore                             | 100       | 100       | –                            | –                            | 199,989                      | ##             |
| 40.   | Keppel TatLee Nominee<br>(HK) Limited                               | Dissolved<br>[Note 34.4(a)]          | Hong Kong<br>SAR, China               | –         | 100       | –                            | –                            | –                            | *              |
| 41.   | KF Limited  | Dissolved<br>[Note 34.4(a)]          | Singapore                             | –         | –         | –                            | 100                          | –                            | –              |
| 42.   | KTB Investments Ltd   | Dissolved<br>[Note 34.4(a)]          | Singapore                             | –         | 100       | –                            | –                            | –                            | 4,606          |
| 43.   | Kim Seng Properties<br>Private Limited                              | Property development                 | Singapore                             | –         | –         | 100<br>100 <sup>(Pref)</sup> | 100<br>100 <sup>(Pref)</sup> | –                            | –              |
| 44.   | Kismis Properties Private Limited                                   | Property development                 | Singapore                             | –         | –         | 100<br>100 <sup>(Pref)</sup> | 100<br>100 <sup>(Pref)</sup> | –                            | –              |
| + 45. | Malaysia Nominees (Asing)<br>Sendirian Berhad                       | Nominee services                     | Malaysia                              | –         | –         | 100                          | 100                          | –                            | –              |
| + 46. | Malaysia Nominees (Tempatan)<br>Sendirian Berhad                    | Nominee services                     | Malaysia                              | –         | –         | 100                          | 100                          | –                            | –              |
| 47.   | Mount Emily Properties<br>Private Limited                           | Has not commenced<br>operations      | Singapore                             | –         | –         | 100<br>100 <sup>(Pref)</sup> | 100<br>100 <sup>(Pref)</sup> | –                            | –              |
| 48.   | Myanmar Capital Management<br>Private Limited                       | Dissolved<br>[Note 34.4(a)]          | Singapore                             | –         | –         | –                            | 73                           | –                            | –              |

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for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

|     | Principal activities          | Country/<br>Place of<br>incorporation  | Bank                                   |                      | Subsidiaries     |                  | Cost of Bank's<br>Investment |                |                  |                  |
|-----|-------------------------------|--|--|----------------------|------------------|------------------|------------------------------|----------------|------------------|------------------|
|     |                               |  | 2003<br>%                              | 2002<br>%            | 2003<br>%        | 2002<br>%        | 2003<br>\$'000               | 2002<br>\$'000 |                  |                  |
| 49. | OCBC Asset Management Limited | Investment management  | Singapore                              | –                    | –                | 100              | 100                          | –              | –                |                  |
| +   | 50.                           | OCBC Bank (Malaysia) Berhad  | Banking                                | Malaysia             | 100              | 100              | –                            | –              | 427,730          | 427,730          |
| @   | 51.                           | OCBC Bullion & Futures Limited (In voluntary liquidation)                    | Dormant [Note 34.3(a)]                 | Singapore            | 100              | 100              | –                            | –              | –                | 9,000            |
|     | 52.                           | OCBC Capital Investment Private Limited                                      | Investment holding                     | Singapore            | –                | –                | 100                          | 100            | –                | –                |
| @   | 53.                           | OCBC Capital Management Singapore Private Limited (In voluntary liquidation) | Dormant                                | Singapore            | –                | –                | 100                          | 100            | –                | –                |
|     | 54.                           | OCBC Centre Private Limited  | Investment holding and property rental | Singapore            | 100<br>100(Pref) | 100<br>100(Pref) | –<br>–                       | –<br>–         | 20,000<br>40,000 | 20,000<br>40,000 |
| +   | 55.                           | OCBC Credit Berhad   | Leasing company                        | Malaysia             | –                | –                | 100                          | 100            | –                | –                |
|     | 56.                           | OCBC eVenture Fund I Pte Ltd   | Investment holding                     | Singapore            | –                | –                | 100                          | 100            | –                | –                |
|     | 57.                           | OCBC eVenture Fund II Pte Ltd  | Investment holding                     | Singapore            | –                | –                | 100                          | 100            | –                | –                |
|     | 58.                           | OCF Limited (formerly OCBC Finance Limited)                                  | Investment holding [Note 34.3(c)]      | Singapore            | 100              | 63               | –                            | 37             | 14,726           | 190,842          |
|     | 59.                           | OCF Nominees Pte. Ltd. (formerly OCBC Finance Nominees Private Limited)      | Nominee services                       | Singapore            | –                | –                | 100                          | 100            | –                | –                |
|     | 60.                           | OCBC Holdings Private Limited  | Investment holding                     | Singapore            | 100              | 100              | –                            | –              | 3,000            | 3,000            |
|     | 61.                           | OCBC Land Private Limited  | Investment holding                     | Singapore            | –                | –                | 100                          | 100            | –                | –                |
|     | 62.                           | OCBC Management Services Private Limited                                     | Management services                    | Singapore            | 100              | 100              | –                            | –              | 200              | 200              |
| +   | 63.                           | OCBC Nominees (Australia) Pty. Limited                                       | Nominee services                       | Australia            | 100              | 100              | –                            | –              | *                | *                |
| +   | 64.                           | OCBC Nominees (Hong Kong) Limited  | Nominee services                       | Hong Kong SAR, China | 100              | 100              | –                            | –              | 2                | 2                |
| +   | 65.                           | OCBC Nominees (London) Limited   | Nominee services                       | United Kingdom       | 100              | 100              | –                            | –              | 3                | 3                |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

|       | Principal activities                          | Country/<br>Place of<br>incorporation         | Bank                    |   | Subsidiaries                              |                                 | Cost of Bank's<br>Investment    |                            |                            |
|-------|---|---|-------------------------|---|---|---------------------------------|---------------------------------|----------------------------|----------------------------|
|       |   |   | 2003<br>%               | 2002<br>%                                 | 2003<br>%                                 | 2002<br>%                       | 2003<br>\$'000                  | 2002<br>\$'000             |                            |
| 66.   | OCBC Nominees (Malaysia) Sendirian Berhad     | Dissolved [Note 34.4(a)]                      | Malaysia                | –   | 100                                       | –                               | –                               | –                          | 10                         |
| 67.   | OCBC Nominees Singapore Private Limited       | Nominee services                              | Singapore               | 100                                       | 100                                       | –                               | –                               | 10                         | 10                         |
| 68.   | OCBC Properties Private Limited               | Investment holding                            | Singapore               | 100<br>100(Pref)                          | 100<br>100(Pref)                          | –<br>–                          | –<br>–                          | 71,000<br>15,000           | 71,000<br>15,000           |
| 69.   | OCBC Property Services Private Limited        | Property management                           | Singapore               | 100                                       | 100                                       | –                               | –                               | 50                         | 50                         |
| + 70. | OCBC Provident (Australia) Pty. Limited       | Trustee                                       | Australia               | 100                                       | 100                                       | –                               | –                               | *                          | *                          |
| 71.   | OCBC RealtyPrivate Limited                    | Investment holding                            | Singapore               | 100<br>100(Pref)                          | 100<br>100(Pref)                          | –<br>–                          | –<br>–                          | 124,993<br>60,000          | 124,993<br>60,000          |
| + 72. | OCBC Securities (Hong Kong) Limited           | Stockbroking                                  | Hong Kong SAR, China    | –   | –   | 100                             | 100                             | –                          | –                          |
| + 73. | OCBC Securities Philippines, Inc.             | Dormant                                       | Philippines             | –   | –   | 100                             | 100                             | –                          | –                          |
| 74.   | OCBC Securities Private Limited               | Futures broking & stockbroking [Note 34.3(a)] | Singapore               | –   | –   | 100                             | 100                             | –                          | –                          |
| + 75. | OCBC Securities Research Sendirian Berhad     | Has not commenced operations                  | Malaysia                | –   | –   | 100                             | 100                             | –                          | –                          |
| 76.   | OCBC Square Private Limited                   | Real estate owners and property rental        | Singapore               | 100<br>100(Pref)<br>69<br>(Series 2 Pref) | 100<br>100(Pref)<br>69<br>(Series 2 Pref) | –<br>–<br>31<br>(Series 2 Pref) | –<br>–<br>31<br>(Series 2 Pref) | 20,000<br>10,000<br>59,100 | 20,000<br>10,000<br>59,100 |
| 77.   | OCBC Trustee Limited                          | Trustee Services                              | Singapore<br>Malaysia # | 20  | 20  | 80                              | 80                              | 184                        | 184                        |
| 78.   | OCF Investments Limited                       | Investment holding                            | Singapore               | 15  | 15  | 85                              | 85                              | 19                         | 19                         |
| 79.   | Orient Holdings Private Limited               | Investment holding                            | Singapore               | 100<br>100(Pref)                          | 100<br>100(Pref)                          | –<br>–                          | –<br>–                          | 3,400<br>132,000           | 3,400<br>132,000           |
| + 80. | OSPL Holdings Sendirian Berhad                | Investment holding                            | Malaysia                | –   | –   | 100                             | 100                             | –                          | –                          |
| 81.   | OSPL Nominees Private Limited                 | Nominee services                              | Singapore               | –   | –   | 100                             | 100                             | –                          | –                          |
| 82.   | Oversea-Chinese Bank Nominees Private Limited | Nominee services                              | Singapore               | 100                                       | 100                                       | –                               | –                               | 10                         | 10                         |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

|   |     | Principal activities                                   | Country/<br>Place of<br>incorporation        | Bank                    |           | Subsidiaries |                              | Cost of Bank's<br>Investment |                |        |
|---|-----|--|--|-------------------------|-----------|--------------|------------------------------|------------------------------|----------------|--------|
|   |     |  |  | 2003<br>%               | 2002<br>% | 2003<br>%    | 2002<br>%                    | 2003<br>\$'000               | 2002<br>\$'000 |        |
| + | 83. | PT Bank Keppel<br>TatLee Buana                         | Dissolved<br>[Note 34.3(b);<br>Note 34.4(a)] | Indonesia               | -         | 99           | -                            | -                            | -              | 4,046  |
| + | 84. | PT Bank OCBC Indonesia<br>(formerly PT Bank OCBC-NISP) | Banking<br>[Note 34.3(b)]                    | Indonesia               | 99        | 99           | -                            | -                            | 87,123         | 82,835 |
| @ | 85. | PT OCBC Sikap Securities<br>(In voluntary liquidation) | Dormant                                      | Indonesia               | -         | -            | 70                           | 70                           | -              | -      |
|   | 86. | Pasir Ris Properties<br>Private Limited                | Real estate owners<br>and property rental    | Singapore               | -         | -            | 55<br>55 <sup>(Pref)</sup>   | 55<br>55 <sup>(Pref)</sup>   | -              | -      |
| @ | 87. | Phoenix Holdings Limited<br>(In voluntary liquidation) | Dormant                                      | Hong Kong<br>SAR, China | -         | -            | 100                          | 100                          | -              | -      |
|   | 88. | Premier Investment<br>Private Limited                  | Investment dealing                           | Singapore               | 100       | 100          | -                            | -                            | 9,243          | 9,243  |
|   | 89. | Provident Securities<br>Private Limited                | Investment holding                           | Singapore               | 100       | 100          | -                            | -                            | 72,350         | 72,350 |
|   | 90. | Reliable Credit Company<br>Sendirian Berhad            | Dissolved<br>[Note 34.4(a)]                  | Malaysia                | -         | 100          | -                            | -                            | -              | *      |
|   | 91. | Select Executives Sendirian<br>Berhad                  | Dissolved<br>[Note 34.4(a)]                  | Malaysia                | -         | 100          | -                            | -                            | -              | 24     |
| + | 92. | Select Securities Limited                              | Investment holding                           | Hong Kong<br>SAR, China | 100       | 100          | -                            | -                            | 438            | 445    |
|   | 93. | Seletar Properties Private Limited                     | Property development                         | Singapore               | -         | -            | 100                          | 100                          | -              | -      |
|   | 94. | Singapore Building<br>Corporation Limited              | Investment holding<br>and property rental    | Singapore               | 100       | 100          | -                            | -                            | 19,384         | 19,384 |
|   | 95. | Singapore Polyclinic<br>Private Limited                | Dissolved<br>[Note 34.4(a)]                  | Singapore               | -         | -            | -                            | 100                          | -              | -      |
|   | 96. | Specialists' Centre Private<br>Limited                 | Investment holding<br>and property rental    | Singapore               | -         | -            | 100<br>100 <sup>(Pref)</sup> | 100<br>100 <sup>(Pref)</sup> | -              | -      |
|   | 97. | Tat Lee Asset Management<br>Limited                    | Dissolved<br>[Note 34.4(a)]                  | Singapore               | -         | -            | -                            | 100                          | -              | -      |
|   | 98. | Tat Lee Finance Nominees<br>Pte Ltd                    | Dissolved<br>[Note 34.4(a)]                  | Singapore               | -         | -            | -                            | 100                          | -              | -      |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

|                | Principal activities                                     | Country/<br>Place of<br>incorporation | Bank                   |           | Subsidiaries |                  | Cost of Bank's<br>Investment |                |           |           |
|----------------|--|---------------------------------------|------------------------|-----------|--------------|------------------|------------------------------|----------------|-----------|-----------|
|                |  |                                       | 2003<br>%              | 2002<br>% | 2003<br>%    | 2002<br>%        | 2003<br>\$'000               | 2002<br>\$'000 |           |           |
| 99.            | Tat Lee Property Development Pte Ltd                     | Property investment and development   | Singapore              | 100       | 100          | –                | –                            | 13,648         | 13,648    |           |
| 100.           | Tat Lee Securities Holdings Ltd                          | Dissolved<br>[Note 34.4(a)]           | Singapore              | –         | –            | –                | 100                          | –              | –         |           |
| @ 101.         | Tat Lee Securities Pte Ltd<br>(In voluntary liquidation) | Dormant                               | Singapore              | –         | –            | 100              | 100                          | –              | –         |           |
| 102.           | Tat Lee Thomson Development Pte. Ltd.                    | Property investment and development   | Singapore              | 100       | 100          | –                | –                            | 12,599         | 12,869    |           |
| 103.           | Tat Lee Warehousing Pte Ltd                              | Property investment                   | Singapore              | –         | –            | 100              | 100                          | –              | –         |           |
| @ 104.         | TL Nominees Pte Ltd<br>(In voluntary liquidation)        | Dormant                               | Singapore              | 100       | 100          | –                | –                            | 667            | 667       |           |
| @ 105.         | TL Provident Ltd<br>(In voluntary liquidation)           | Dormant                               | Singapore              | 100       | 100          | –                | –                            | 13,600         | 13,600    |           |
| 106.           | TLB Bullion & Futures Pte Ltd                            | Dissolved<br>[Note 34.4(a)]           | Singapore              | –         | –            | –                | 100                          | –              | –         |           |
| 107.           | TLB Management Services Pte. Ltd.                        | Dissolved<br>[Note 34.4(a)]           | Singapore              | –         | 100          | –                | –                            | –              | –         |           |
| 108.           | TLF Limited  | Dissolved<br>[Note 34.4(a)]           | Singapore              | –         | –            | –                | 100                          | –              | –         |           |
| 109.           | Tanjong Rhu Properties Private Limited                   | Property development and rental       | Singapore              | –<br>–    | –<br>–       | 100<br>100(Pref) | 100<br>100(Pref)             | –<br>–         | –<br>–    |           |
| 110.           | The Ho Hong Steamship Company (1932) Limited             | Dissolved<br>[Note 34.4(a)]           | Singapore              | –         | 100          | –                | –                            | –              | –         |           |
| ++ 111.        | Walden Malaysia Co II Ltd                                | Investment holding                    | British Virgin Islands | 73        | 73           | –                | –                            | 819            | 946       |           |
| At 31 December |  |                                       |                        |           |              |                  |                              |                | 1,991,733 | 2,534,270 |

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 or to be dissolved

Pref Preference shares

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

#### 34.2 Special purpose entities

The Group has consolidated the financial statements of a special purpose entity, Pioneer Funding Ltd ("PFL"). 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. Accordingly, the assets and liabilities of PFL have been included in the Group's consolidated financial statements in accordance with the Interpretation of Financial Reporting Standard ("INT FRS") 12: Consolidation - Special Purpose Entities. The assets and liabilities of PFL that have been included in the Group's consolidated financial statements are as follows:

| Group                 | 2003<br>\$'000 | 2002<br>\$'000 |
|-----------------------|----------------|----------------|
| <b>Assets</b>         |                |                |
| Cash                  | –              | 413            |
| Investment securities | 153,398        | 167,377        |
| Other assets          | 831            | 307            |
| <b>Liabilities</b>    |                |                |
| Secured notes issued  | 152,750        | 133,000        |
| Bank borrowings       | –              | 20,000         |
| Other liabilities     | 729            | 15,097         |

#### 34.3 Group restructuring

(a) On 2 January 2003, a Scheme of Arrangement and Amalgamation ("Scheme") pursuant to sections 210 and 212 of the Companies Act, Cap. 50, for the merger of the Bank's subsidiary companies, OCBC Bullion & Futures Limited ("OBFL") 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 2 January 2003. The consideration pursuant to the Scheme was satisfied wholly by a cash payment of \$25,192,124 to OBFL.
- As part of the Scheme, the capital of OBFL was reduced from \$10,000,000 to \$500,000, by the cancellation of 9,500,000 ordinary shares of \$1 each, held by the Bank.
- OBFL ceased operations as a licensed future broker on 2 January 2003 and will remain inactive.

(b) On 6 March 2003, pursuant to a sale and purchase agreement dated 30 August 2002, the Bank acquired the remaining 10 shares of Rp1000 each or 1% equity stake in PT Bank Keppel TatLee Buana ("PKTL") from PT Bank Buana Indonesia for a cash consideration of Rp1,239,035,460. On completion of the acquisition, PKTL became a wholly-owned subsidiary of the Bank.

On 6 March 2003, approval was obtained from the Ministry of Justice and Human Rights for the merger of the Bank's subsidiaries, PT Bank OCBC-NISP ("PTON") and PKTL. Pursuant to the merger, the following events took place:

- All business undertakings, assets and liabilities were transferred to PTON at their respective book values as at 17 March 2003 using the pooling of interest method of accounting. Total assets, liabilities and off-balance sheet items of PKTL as at 14 March 2003 amounting to Rp720,844.884 million, Rp606,518.293 million and Rp544,867.695 million were transferred to PTON as of that date.
- Following the merger, PKTL was legally dissolved without liquidation and PTON changed its name to PT Bank OCBC Indonesia on 17 March 2003.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 34. SUBSIDIARY COMPANIES (continued)

#### 34.3 Group restructuring (continued)

(c) On 3 November 2003, a Scheme of Arrangement and Amalgamation ("Scheme") pursuant to sections 210 and 212 of the Companies Act, Cap. 50, for the merger of the Bank's finance subsidiary, OCBC Finance Limited ("OFL") and the Bank, 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 the Bank at their respective book values as at 3 November 2003. Total assets, liabilities and off-balance sheet items of \$2,683,111,375, \$2,067,175,878 and \$335,458,166 were transferred to the Bank. The consideration pursuant to the Scheme was satisfied wholly by a cash payment of \$615,935,497 to OFL.
- As part of the Scheme, the capital of OFL was reduced from \$136,685,843 to \$7,850,000, by the cancellation of 128,835,843 ordinary shares of \$1 each, held by the Bank and its wholly-owned subsidiary company, Eastern Realty Company Limited. Total consideration of \$319,512,891 or \$2.48 per ordinary share was returned to the shareholders for each share cancelled.
- OFL ceased to operate as a licensed finance company on 3 November 2003 and will remain inactive, except for the holding of investments in properties and subsidiary companies. Following the Scheme, OFL changed its name to OCF Limited.

Following the integration of the finance business into the Bank under the Scheme, the goodwill relating to the finance business from the acquisition of Keppel Capital Holdings Limited at 16 August 2001 of \$312,610,222 was transferred to the Bank.

On 24 December 2003, Eastern Realty Company Limited, a wholly-owned subsidiary of the Bank, transferred 2,926,198 ordinary shares of \$1 each in OFL at a book value of \$3,765,534 to the Bank. Following the transfer, OFL became a wholly-owned subsidiary of the Bank.

#### 34.4 Disposal and dissolution of subsidiary companies

(a) During the financial year, the following companies (in voluntary liquidation) were dissolved and ceased to be subsidiary companies of the Group:

| Name of subsidiary company                    | Date of dissolution |
|---|---------------------|
| Tat Lee Securities Holdings Ltd               | 29 January 2003     |
| TLB Management Services Pte. Ltd.             | 29 January 2003     |
| Singapore Polyclinic Private Limited          | 1 February 2003     |
| The Ho Hong Steamship Company (1932) Limited  | 9 March 2003        |
| TLB Bullion & Futures Pte Ltd                 | 16 March 2003       |
| PT Bank Keppel TatLee Buana                   | 17 March 2003       |
| KTB Investments Ltd                           | 2 July 2003         |
| Tat Lee Asset Management Limited              | 2 July 2003         |
| TLF Limited                                   | 2 July 2003         |
| General & Commercial Holdings Private Limited | 10 October 2003     |
| Tat Lee Finance Nominees Limited              | 10 October 2003     |
| OCBC Nominees (Malaysia) Sendirian Berhad     | 4 December 2003     |
| Reliable Credit Company Sendirian Berhad      | 4 December 2003     |
| Select Executives Sendirian Berhad            | 4 December 2003     |
| Myanmar Capital Management Private Limited    | 12 December 2003    |
| Asia Commercial Enterprise Pte Ltd            | 15 December 2003    |
| KF Limited                                    | 15 December 2003    |
| Keppel TatLee Nominees (HK) Limited           | 17 December 2003    |

(b) On 24 March 2003, iPropertyNet Pte Ltd ("iProp"), a subsidiary of the Bank, disposed of its 100% stake in IP Technology Solutions Pte Ltd ("ITS") for a nominal cash consideration of \$1. The disposal is part of iProp's ongoing winding-up process. Following the disposal, ITS ceased to be a subsidiary of the Bank.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 35. PROPERTY, PLANT AND EQUIPMENT

| Group                                    | Property<br>\$'000 | 2003<br>Others<br>\$'000 | Total<br>\$'000  | Property<br>\$'000 | 2002<br>Others<br>\$'000 | Total<br>\$'000 |
|--|--------------------|--------------------------|------------------|--------------------|--------------------------|-----------------|
| <b>Cost</b>                              |                    |                          |                  |                    |                          |                 |
| At 1 January                             | 1,704,501          | 555,424                  | 2,259,925        | 1,707,534          | 519,717                  | 2,227,251       |
| Foreign currency translation adjustments | (1,809)            | (1,128)                  | (2,937)          | (18,637)           | (6,778)                  | (25,415)        |
| Additions, at cost                       | 7,586              | 38,950                   | 46,536           | 17,273             | 69,576                   | 86,849          |
| Disposals, at cost                       | (29,396)           | (41,713)                 | (71,109)         | (2,584)            | (26,176)                 | (28,760)        |
| Transfers                                | (163)              | 163                      | –                | 915                | (915)                    | –               |
| At 31 December                           | 1,680,719          | 551,696                  | 2,232,415        | 1,704,501          | 555,424                  | 2,259,925       |
| <b>Accumulated depreciation</b>          |                    |                          |                  |                    |                          |                 |
| At 1 January                             | (211,711)          | (343,686)                | (555,397)        | (189,280)          | (307,306)                | (496,586)       |
| Foreign currency translation adjustments | 214                | 987                      | 1,201            | 820                | 4,496                    | 5,316           |
| Disposals                                | 8,744              | 28,446                   | 37,190           | 659                | 18,967                   | 19,626          |
| Depreciation charge (Note 8)             | (25,056)           | (76,613)                 | (101,669)        | (23,219)           | (60,534)                 | (83,753)        |
| Transfers                                | 127                | (127)                    | –                | (691)              | 691                      | –               |
| At 31 December                           | (227,682)          | (390,993)                | (618,675)        | (211,711)          | (343,686)                | (555,397)       |
| <b>Provision for diminution in value</b> |                    |                          |                  |                    |                          |                 |
| At 1 January                             | (132,882)          | –                        | (132,882)        | (49,403)           | –                        | (49,403)        |
| Foreign currency translation adjustments | (7)                | –                        | (7)              | 303                | –                        | 303             |
| Amount written off                       | 2,939              | –                        | 2,939            | –                  | –                        | –               |
| Provisions charged to income statements  | (49,054)           | –                        | (49,054)         | (83,782)           | –                        | (83,782)        |
| At 31 December (Note 32)                 | (179,004)          | –                        | (179,004)        | (132,882)          | –                        | (132,882)       |
| <b>Net book value, at 31 December</b>    | <b>1,274,033</b>   | <b>160,703</b>           | <b>1,434,736</b> | 1,359,908          | 211,738                  | 1,571,646       |
| <b>Net book value</b>                    |                    |                          |                  |                    |                          |                 |
| Freehold property                        | 413,232            |                          |                  | 455,298            |                          |                 |
| Leasehold property                       | 860,801            |                          |                  | 904,610            |                          |                 |
|  | 1,274,033          |                          |                  | 1,359,908          |                          |                 |
| <b>Current valuation of property</b>     | <b>2,663,641</b>   |                          |                  | 2,901,444          |                          |                 |

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for the financial year ended 31 December 2003

### 35. PROPERTY, PLANT AND EQUIPMENT (continued)

| Bank   | 2003               |                  |                 | 2002               |                  |                 |
|--|--------------------|------------------|-----------------|--------------------|------------------|-----------------|
|  | Property<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 | Property<br>\$'000 | Others<br>\$'000 | Total<br>\$'000 |
| <b>Cost</b>                                  |                    |                  |                 |                    |                  |                 |
| At 1 January                                 | 839,412            | 304,455          | 1,143,867       | 149,635            | 233,191          | 382,826         |
| Foreign currency translation adjustments     | 167                | 795              | 962             | (1,252)            | (519)            | (1,771)         |
| Additions, at cost                           | 7,134              | 30,281           | 37,415          | 1,572              | 45,457           | 47,029          |
| Disposals, at cost                           | (4,670)            | (32,906)         | (37,576)        | (770)              | (8,467)          | (9,237)         |
| Arising from scheme/merger with subsidiaries | 3,968              | 427              | 4,395           | 690,227            | 34,793           | 725,020         |
| At 31 December                               | 846,011            | 303,052          | 1,149,063       | 839,412            | 304,455          | 1,143,867       |
| <b>Accumulated depreciation</b>              |                    |                  |                 |                    |                  |                 |
| At 1 January                                 | (54,189)           | (164,309)        | (218,498)       | (20,096)           | (132,077)        | (152,173)       |
| Foreign currency translation adjustments     | 51                 | (694)            | (643)           | 234                | 584              | 818             |
| Disposals                                    | –                  | 21,579           | 21,579          | 201                | 7,038            | 7,239           |
| Depreciation charge                          | (12,268)           | (47,792)         | (60,060)        | (10,435)           | (32,234)         | (42,669)        |
| Arising from scheme/merger with subsidiaries | (1,014)            | (351)            | (1,365)         | (24,093)           | (7,620)          | (31,713)        |
| At 31 December                               | (67,420)           | (191,567)        | (258,987)       | (54,189)           | (164,309)        | (218,498)       |
| <b>Provision for diminution in value</b>     |                    |                  |                 |                    |                  |                 |
| At 1 January                                 | (102,316)          | –                | (102,316)       | (4,773)            | –                | (4,773)         |
| Foreign currency translation adjustments     | (106)              | –                | (106)           | 68                 | –                | 68              |
| Provisions charged to income statements      | (38,914)           | –                | (38,914)        | (59,873)           | –                | (59,873)        |
| Arising from scheme/merger with subsidiaries | (301)              | –                | (301)           | (37,738)           | –                | (37,738)        |
| At 31 December (Note 32)                     | (141,637)          | –                | (141,637)       | (102,316)          | –                | (102,316)       |
| <b>Net book value, at 31 December</b>        | <b>636,954</b>     | <b>111,485</b>   | <b>748,439</b>  | <b>682,907</b>     | <b>140,146</b>   | <b>823,053</b>  |
| <b>Net book value</b>                        |                    |                  |                 |                    |                  |                 |
| Freehold property                            | 107,129            |                  |                 | 108,058            |                  |                 |
| Leasehold property                           | 529,825            |                  |                 | 574,849            |                  |                 |
|  | 636,954            |                  |                 | 682,907            |                  |                 |
| <b>Current valuation of property</b>         | <b>964,046</b>     |                  |                 | <b>1,077,910</b>   |                  |                 |

As at 31 December 2003, included in property are investment property with net book value of \$928.5 million (31 December 2002: \$890.8 million) and \$390.3 million (31 December 2002: \$348.3 million) for the Group and Bank respectively. Based on valuations carried out by independent professional valuers, the estimated market values of these investment property as at 31 December 2003 were \$1,725.6 million (31 December 2002: \$1,811.7 million) and \$602.8 million (31 December 2002: \$596.3 million) for the Group and Bank respectively. The excess of the market value over the net book value of property was not recognised in the financial statements.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 36. GOODWILL

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2003<br>\$'000   | 2002<br>\$'000 | 2003<br>\$'000   | 2002<br>\$'000 |
| <b>Cost</b>   |                  |                |                  |                |
| At 1 January  | <b>2,377,164</b> | 2,376,009      | <b>1,855,392</b> | –              |
| Arising from Scheme with OFL [Note 34.3(c)]         | –                | –              | <b>312,610</b>   | –              |
| Arising from merger with a subsidiary               | –                | –              | –                | 1,855,392      |
| Acquisition of additional interests in subsidiaries | <b>15</b>        | 1,155          | –                | –              |
| At 31 December                                      | <b>2,377,179</b> | 2,377,164      | <b>2,168,002</b> | 1,855,392      |
| <b>Accumulated amortisation</b>                     |                  |                |                  |                |
| At 1 January  | <b>(178,481)</b> | (51,486)       | <b>(80,255)</b>  | –              |
| Amortisation charged to income statements           | <b>(126,644)</b> | (126,995)      | <b>(99,592)</b>  | (80,255)       |
| At 31 December                                      | <b>(305,125)</b> | (178,481)      | <b>(179,847)</b> | (80,255)       |
| <b>Net book value, at 31 December</b>               | <b>2,072,054</b> | 2,198,683      | <b>1,988,155</b> | 1,775,137      |

The goodwill related to the finance business in the acquisition of Keppel Capital Holdings Limited (“KCH”) on 16 August 2001 was transferred from the cost of investment in KCH to the goodwill account upon integration of the finance business into the Bank under a Scheme of Arrangement and Amalgamation sanctioned by the High Court and effective on 3 November 2003.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 37. SEGMENTAL INFORMATION

#### 37.1 Business segments

| \$ million   | Consumer<br>Banking | Business<br>Banking | Global<br>Treasury | Others | Group         |
|--|---------------------|---------------------|--------------------|--------|---------------|
| <b>Financial year ended 31 December 2003</b>               |                     |                     |                    |        |               |
| Segment income before operating expenses                   | 832                 | 903                 | 238                | 308    | 2,281         |
| Elimination  |                     |                     |                    |        | (88)          |
| <b>Income before operating expenses</b>                    |                     |                     |                    |        | <b>2,193</b>  |
| Profit before tax and goodwill amortisation                | 310                 | 599                 | 183                | 22     | 1,114         |
| Less: Tax  | (65)                | (117)               | (45)               | 16     | (211)         |
| Net profit before goodwill amortisation                    | 245                 | 482                 | 138                | 38     | 903           |
| Less: Goodwill amortisation                                |                     |                     |                    |        | (127)         |
| Profit after tax   |                     |                     |                    |        | 776           |
| Add: Share of profits of associated companies (net of tax) |                     |                     |                    |        | 180           |
| Less: Minority interests                                   |                     |                     |                    |        | (2)           |
| <b>Profit attributable to shareholders</b>                 |                     |                     |                    |        | <b>954</b>    |
| <b>31 December 2003</b>                                    |                     |                     |                    |        |               |
| Segment assets   | 25,781              | 35,236              | 17,888             | 5,546  | 84,451        |
| Associated companies' assets                               |                     |                     |                    |        | 1,042         |
| Unallocated assets   |                     |                     |                    |        | 2,124         |
| Elimination  |                     |                     |                    |        | (3,120)       |
| <b>Total assets</b>  |                     |                     |                    |        | <b>84,497</b> |
| Segment liabilities  | 30,346              | 28,552              | 13,292             | 4,945  | 77,135        |
| Unallocated liabilities                                    |                     |                     |                    |        | 404           |
| Elimination  |                     |                     |                    |        | (3,120)       |
| <b>Total liabilities</b>                                   |                     |                     |                    |        | <b>74,419</b> |
| <b>Other information</b>                                   |                     |                     |                    |        |               |
| Loans  | 24,400              | 28,033              | –                  | 156    | 52,589        |
| Investment securities:                                     |                     |                     |                    |        |               |
| – Debt   | 6                   | 5,460               | 500                | 179    | 6,145         |
| – Equity   | 6                   | 28                  | –                  | 409    | 443           |
|  | 12                  | 5,488               | 500                | 588    | 6,588         |
| NPLs and debt securities:                                  |                     |                     |                    |        |               |
| – Substandard  | 543                 | 2,053               | –                  | –      | 2,596         |
| – Doubtful   | 168                 | 637                 | –                  | –      | 805           |
| – Loss   | 171                 | 262                 | –                  | –      | 433           |
|  | 882                 | 2,952               | –                  | –      | 3,834         |
| Specific provision   | (274)               | (1,078)             | –                  | –      | (1,352)       |
|  | 608                 | 1,874               | –                  | –      | 2,482         |
| <b>Financial year ended 31 December 2003</b>               |                     |                     |                    |        |               |
| Capital expenditure  | 12                  | 3                   | –                  | 32     | 47            |
| Depreciation of property, plant and equipment              | 12                  | 9                   | 1                  | 59     | 81            |
| Amortisation of software                                   | 5                   | 1                   | –                  | 14     | 20            |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 37. SEGMENTAL INFORMATION (continued)

#### 37.1 Business segments (continued)

| \$ million   | Consumer Banking | Business Banking | Global Treasury | Others | Group         |
|--|------------------|------------------|-----------------|--------|---------------|
| <b>Financial year ended 31 December 2002</b>               |                  |                  |                 |        |               |
| Segment income before operating expenses                   | 872              | 950              | 273             | 187    | 2,282         |
| Elimination  |                  |                  |                 |        | (60)          |
| <b>Income before operating expenses</b>                    |                  |                  |                 |        | <b>2,222</b>  |
| Profit before tax and goodwill amortisation                | 430              | 380              | 235             | (173)  | 872           |
| Less: Tax  | (99)             | (97)             | (37)            | 33     | (200)         |
| Net profit before goodwill amortisation                    | 331              | 283              | 198             | (140)  | 672           |
| Less: Goodwill amortisation                                |                  |                  |                 |        | (127)         |
| Profit after tax   |                  |                  |                 |        | 545           |
| Add: Share of profits of associated companies (net of tax) |                  |                  |                 |        | 124           |
| Less: Minority interests                                   |                  |                  |                 |        | (2)           |
| <b>Profit attributable to shareholders</b>                 |                  |                  |                 |        | <b>667</b>    |
| <b>31 December 2002</b>                                    |                  |                  |                 |        |               |
| Segment assets   | 22,756           | 35,969           | 19,311          | 5,054  | 83,090        |
| Associated companies' assets                               |                  |                  |                 |        | 896           |
| Unallocated assets   |                  |                  |                 |        | 2,269         |
| Elimination  |                  |                  |                 |        | (2,204)       |
| <b>Total assets</b>  |                  |                  |                 |        | <b>84,051</b> |
| Segment liabilities  | 30,892           | 27,258           | 11,240          | 7,167  | 76,557        |
| Unallocated liabilities                                    |                  |                  |                 |        | 455           |
| Elimination  |                  |                  |                 |        | (2,204)       |
| <b>Total liabilities</b>                                   |                  |                  |                 |        | <b>74,808</b> |
| <b>Other information</b>                                   |                  |                  |                 |        |               |
| Loans  | 21,342           | 28,413           | 1               | 128    | 49,884        |
| Investment securities:                                     |                  |                  |                 |        |               |
| – Debt   | –                | 4,949            | –               | 190    | 5,139         |
| – Equity   | 6                | 28               | –               | 520    | 554           |
|  | 6                | 4,977            | –               | 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         |
| <b>Financial year ended 31 December 2002</b>               |                  |                  |                 |        |               |
| 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            |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 37. SEGMENTAL INFORMATION (continued)

#### 37.1 Business segments (continued)

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.

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

#### 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.

#### Others

– The "Others" segment include asset management, property development and investment holding, support units, other investments and unallocated items including one-time divestment gains 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 priced, 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.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 37. SEGMENTAL INFORMATION (continued)

#### 37.2 Geographical segments

| \$ million         | Income<br>before<br>operating<br>expenses | Profit<br>before tax | Capital<br>expenditure | Total<br>assets | Total<br>liabilities |
|--------------------|---|----------------------|------------------------|-----------------|----------------------|
| <b>2003</b>        |   |                      |                        |                 |                      |
| Singapore          | 1,706                                     | 983                  | 43                     | 65,267          | 58,723               |
| Malaysia           | 332                                       | 150                  | 4                      | 11,579          | 8,921                |
| Other ASEAN        | 18  | 12                   | –                      | 347             | 160                  |
| Greater China      | 70  | 35                   | –                      | 2,954           | 2,733                |
| Other Asia Pacific | 30  | 16                   | –                      | 1,775           | 1,227                |
| North America      | 19  | 14                   | –                      | 961             | 777                  |
| Rest of the World  | 18  | 12                   | –                      | 1,614           | 1,878                |
|                    | <b>2,193</b>                              | <b>1,222</b>         | <b>47</b>              | <b>84,497</b>   | <b>74,419</b>        |
| <b>2002</b>        |   |                      |                        |                 |                      |
| Singapore          | 1,710                                     | 692                  | 72                     | 66,552          | 60,119               |
| Malaysia           | 332                                       | 103                  | 13                     | 10,016          | 8,316                |
| Other ASEAN        | 21  | 2                    | 2                      | 353             | 173                  |
| Greater China      | 101                                       | 71                   | –                      | 3,035           | 2,703                |
| Other Asia Pacific | 25  | 16                   | –                      | 1,476           | 966                  |
| North America      | 16  | 11                   | –                      | 817             | 707                  |
| Rest of the World  | 17  | 11                   | –                      | 1,802           | 1,824                |
|                    | <b>2,222</b>                              | <b>906</b>           | <b>87</b>              | <b>84,051</b>   | <b>74,808</b>        |

The Group's operations are 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.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION

#### 38.1 Strategy in using financial instruments

Managing risks is central to the Group's business strategy. The Group's activities involve the extensive use of financial instruments including derivatives, which expose the Group to the risk of loss due to change in the values of these 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 to protect the Group against severe losses from unlikely but plausible stress events. Various risk management committees have been set up to manage specific areas of risks as outlined in the sections below.

#### 38.2 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 and adhered to.

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.

#### New Product Approval

A New Product Approving Committee ("NPAC") has been formed in 2003 to review and approve all new products including credit programmes. The NPAC consists of senior representatives from the Bank's business, support and risk management units. The representation of key stakeholders in the membership of the NPAC is to ensure objectivity and independence in, and to inject functional expertise into, the decision-making process. The NPAC is also reviewing existing programmes on a regular basis.

#### Country risk

A framework for managing country risk 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.

#### Credit concentration

Limits are set on specific customer or industry segments to avoid over-concentration of credit risks. Prudent 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.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

#### 38.2 Credit risk management (continued)

##### Problem loans (continued)

##### (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

##### (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 31) 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 26           Loans to and bills receivable from customers
- Note 27           Non-performing loans and debt securities
- Note 28           Specific provision for loan losses and interest-in-suspense
- Note 30           Investment securities
- Note 37           Segmental information
- Note 39           Country risk

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

#### 38.3 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, and equity prices. The Group's primary exposure to market risk is associated with the maturity and re-pricing mismatches of assets and liabilities arising from its core banking business. Trading activities, involving both derivative and non-derivative instruments, are used to complement the banking business. To manage the market risk from its trading activities, a framework of market risk policies and operational limits is in place. A Value-at-Risk (VaR) methodology is adopted to quantify the risk arising from the trading activities. VaR measures the potential losses that could arise from adverse movements in interest rates, foreign exchange rates, equity prices and volatility that could affect the value of the financial instruments over a specific period. In addition to VaR limits, factor sensitivity measures, such as present value per basis point and Greeks, are used as risk monitoring mechanism on a daily basis. To manage abnormal market behaviour, stress tests and scenario analyses are used to quantify the market risk arising from low probability, abnormal market movements.

The Market Risk Management Committee ("MRMC") is the principal senior management group that supports the Board and Chief Executive Officer in managing market risk. The committee comprises senior managers from both the business and support units.

#### 38.4 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. This enables new business opportunities to be pursued in a risk controlled manner.

The Bank has an overall framework with 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 position the Group to qualify for the more proactive risk management approaches recommended by the Basel Committee.

#### 38.5 Asset and liability management

Asset and liability management involves managing funding liquidity, interest rate and foreign exchange rate risks arising from the core banking business. 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's non-trading activities, while maintaining a prudent level of liquidity to meet financial obligations at all times. A senior management forum, the Asset and Liability Management Committee ("ALCO"), reviews these risks on a monthly basis.

##### 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 Group's lending activities are funded largely by demand, savings and fixed deposits, resulting in natural mismatch positions. A system is in place to manage the interest rate mismatches arising from these activities. The mismatches are monitored against defined sensitivity limits and net interest income changes.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

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

##### Interest rate risk (continued)

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.

| 31 December 2003<br>\$ million                        | Less<br>than<br>7 days | 1 week<br>to<br>1 month | Over 1<br>month<br>to 3<br>months | Over 3<br>months<br>to 12<br>months | Over 1<br>year to<br>3 years | Over<br>3 years | Non-<br>interest<br>sensitive | Total         |
|---|------------------------|-------------------------|-----------------------------------|-------------------------------------|------------------------------|-----------------|-------------------------------|---------------|
| <b>Assets</b>   |                        |                         |                                   |                                     |                              |                 |                               |               |
| Cash and placement with<br>central banks              | 824                    | 941                     | 314                               | 432                                 | –                            | –               | 1,525                         | 4,036         |
| Singapore government<br>treasury bills and securities | 159                    | 784                     | 1,828                             | 1,486                               | 564                          | 1,330           | –                             | 6,151         |
| Other government<br>treasury bills and securities     | 96                     | –                       | 84                                | 310                                 | 314                          | 251             | –                             | 1,055         |
| Dealing securities                                    | 87                     | –                       | –                                 | 16                                  | 24                           | 93              | 15                            | 235           |
| Placement with and loans to banks                     | 2,078                  | 1,955                   | 3,491                             | 2,046                               | 60                           | –               | 20                            | 9,650         |
| Loans to customers <sup>(1)</sup>                     | 13,806                 | 10,337                  | 6,690                             | 9,080                               | 8,454                        | 2,964           | (1,176)                       | 50,155        |
| Investment securities                                 | 70                     | 500                     | 1,401                             | 453                                 | 1,818                        | 1,817           | 236                           | 6,295         |
| Deferred tax  | –                      | –                       | –                                 | –                                   | –                            | –               | 54                            | 54            |
| Other assets  | –                      | –                       | –                                 | –                                   | –                            | –               | 2,182                         | 2,182         |
| Associated companies                                  | –                      | 9                       | –                                 | –                                   | –                            | –               | 1,168                         | 1,177         |
| Property, plant and equipment                         | –                      | –                       | –                                 | –                                   | –                            | –               | 1,435                         | 1,435         |
| Goodwill  | –                      | –                       | –                                 | –                                   | –                            | –               | 2,072                         | 2,072         |
| <b>Total assets</b>                                   | <b>17,120</b>          | <b>14,526</b>           | <b>13,808</b>                     | <b>13,823</b>                       | <b>11,234</b>                | <b>6,455</b>    | <b>7,531</b>                  | <b>84,497</b> |
| <b>Liabilities</b>                                    |                        |                         |                                   |                                     |                              |                 |                               |               |
| Deposits of non-bank customers                        | 21,339                 | 14,306                  | 5,796                             | 7,704                               | 601                          | 312             | 3,402                         | 53,460        |
| Deposits and balances of banks                        | 3,897                  | 3,434                   | 3,638                             | 1,496                               | 16                           | –               | –                             | 12,481        |
| Deposits of associated companies                      | 419                    | 406                     | 197                               | 220                                 | 85                           | –               | 131                           | 1,458         |
| Bills payable   | –                      | –                       | –                                 | –                                   | –                            | –               | 185                           | 185           |
| Current tax   | –                      | –                       | –                                 | –                                   | –                            | –               | 327                           | 327           |
| Deferred tax  | –                      | –                       | –                                 | –                                   | –                            | –               | 76                            | 76            |
| Other liabilities                                     | –                      | –                       | –                                 | –                                   | –                            | –               | 2,421                         | 2,421         |
| Debt securities                                       | –                      | 33                      | 120                               | –                                   | –                            | 3,857           | –                             | 4,010         |
| <b>Total liabilities</b>                              | <b>25,655</b>          | <b>18,179</b>           | <b>9,751</b>                      | <b>9,420</b>                        | <b>702</b>                   | <b>4,169</b>    | <b>6,542</b>                  | <b>74,418</b> |
| Minority interests                                    | –                      | –                       | –                                 | –                                   | –                            | –               | 20                            | 20            |
| Equity  | –                      | –                       | –                                 | –                                   | –                            | –               | 10,059                        | 10,059        |
| <b>Total liabilities and equity</b>                   | <b>25,655</b>          | <b>18,179</b>           | <b>9,751</b>                      | <b>9,420</b>                        | <b>702</b>                   | <b>4,169</b>    | <b>16,621</b>                 | <b>84,497</b> |
| <b>On-balance sheet</b>                               |                        |                         |                                   |                                     |                              |                 |                               |               |
| interest sensitivity gap                              | (8,535)                | (3,653)                 | 4,057                             | 4,403                               | 10,532                       | 2,286           | (9,090)                       | –             |
| <b>Off-balance sheet</b>                              |                        |                         |                                   |                                     |                              |                 |                               |               |
| interest sensitivity gap                              | 355                    | (519)                   | 3,664                             | (848)                               | (3,970)                      | 1,318           | –                             | –             |
| <b>Net interest sensitivity gap</b>                   | <b>(8,180)</b>         | <b>(4,172)</b>          | <b>7,721</b>                      | <b>3,555</b>                        | <b>6,562</b>                 | <b>3,604</b>    | <b>(9,090)</b>                | <b>–</b>      |

<sup>(1)</sup> The negative balance represents mainly general provisions for possible loan losses.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

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

##### Interest rate risk (continued)

| 31 December 2002<br>\$ million                        | Less<br>than<br>7 days | 1 week<br>to<br>1 month | Over 1<br>month<br>to 3<br>months | Over 3<br>months<br>to 12<br>months | Over 1<br>year to<br>3 years | Over<br>3 years | Non-<br>interest<br>sensitive | Total         |
|---|------------------------|-------------------------|-----------------------------------|-------------------------------------|------------------------------|-----------------|-------------------------------|---------------|
| <b>Assets</b>   |                        |                         |                                   |                                     |                              |                 |                               |               |
| Cash and placement with<br>central banks              | 278                    | 673                     | 131                               | 7                                   | –                            | –               | 1,769                         | 2,858         |
| Singapore government<br>treasury bills and securities | 109                    | 677                     | 1,914                             | 516                                 | 1,654                        | 1,097           | –                             | 5,967         |
| Other government<br>treasury bills and securities     | 108                    | 29                      | 59                                | 150                                 | 504                          | 134             | –                             | 984           |
| Dealing securities                                    | 12                     | –                       | –                                 | 5                                   | 4                            | 139             | 13                            | 173           |
| Placement with and loans to banks                     | 2,126                  | 3,185                   | 4,087                             | 5,018                               | 38                           | 2               | 3                             | 14,459        |
| Loans to customers <sup>(1)</sup>                     | 12,839                 | 10,138                  | 7,038                             | 6,876                               | 8,515                        | 3,172           | (1,211)                       | 47,367        |
| Investment securities                                 | 84                     | 362                     | 1,133                             | 560                                 | 1,112                        | 1,632           | 427                           | 5,310         |
| Deferred tax  | –                      | –                       | –                                 | –                                   | –                            | –               | 70                            | 70            |
| Other assets  | –                      | –                       | –                                 | –                                   | –                            | –               | 2,045                         | 2,045         |
| Associated companies                                  | –                      | –                       | –                                 | –                                   | –                            | –               | 1,047                         | 1,047         |
| Property, plant and equipment                         | –                      | –                       | –                                 | –                                   | –                            | –               | 1,572                         | 1,572         |
| Goodwill  | –                      | –                       | –                                 | –                                   | –                            | –               | 2,199                         | 2,199         |
| <b>Total assets</b>                                   | <b>15,556</b>          | <b>15,064</b>           | <b>14,362</b>                     | <b>13,132</b>                       | <b>11,827</b>                | <b>6,176</b>    | <b>7,934</b>                  | <b>84,051</b> |
| <b>Liabilities</b>                                    |                        |                         |                                   |                                     |                              |                 |                               |               |
| Deposits of non-bank customers                        | 19,630                 | 13,733                  | 7,480                             | 8,737                               | 689                          | 436             | 3,243                         | 53,948        |
| Deposits and balances of banks                        | 2,863                  | 4,592                   | 4,429                             | 712                                 | 25                           | –               | –                             | 12,621        |
| Deposits of associated companies                      | 118                    | 665                     | 250                               | 273                                 | 14                           | –               | 134                           | 1,454         |
| Bills payable   | –                      | –                       | –                                 | –                                   | –                            | –               | 177                           | 177           |
| Current tax   | –                      | –                       | –                                 | –                                   | –                            | –               | 322                           | 322           |
| Deferred tax  | –                      | –                       | –                                 | –                                   | –                            | –               | 133                           | 133           |
| Other liabilities                                     | –                      | –                       | –                                 | –                                   | –                            | –               | 2,141                         | 2,141         |
| Debt securities                                       | –                      | 31                      | 102                               | –                                   | –                            | 3,879           | –                             | 4,012         |
| <b>Total liabilities</b>                              | <b>22,611</b>          | <b>19,021</b>           | <b>12,261</b>                     | <b>9,722</b>                        | <b>728</b>                   | <b>4,315</b>    | <b>6,150</b>                  | <b>74,808</b> |
| Minority interests                                    | –                      | –                       | –                                 | –                                   | –                            | –               | 19                            | 19            |
| Equity  | –                      | –                       | –                                 | –                                   | –                            | –               | 9,224                         | 9,224         |
| <b>Total liabilities and equity</b>                   | <b>22,611</b>          | <b>19,021</b>           | <b>12,261</b>                     | <b>9,722</b>                        | <b>728</b>                   | <b>4,315</b>    | <b>15,393</b>                 | <b>84,051</b> |
| <b>On-balance sheet</b>                               |                        |                         |                                   |                                     |                              |                 |                               |               |
| <b>interest sensitivity gap</b>                       | <b>(7,055)</b>         | <b>(3,957)</b>          | <b>2,101</b>                      | <b>3,410</b>                        | <b>11,099</b>                | <b>1,861</b>    | <b>(7,459)</b>                | <b>–</b>      |
| <b>Off-balance sheet</b>                              |                        |                         |                                   |                                     |                              |                 |                               |               |
| <b>interest sensitivity gap</b>                       | <b>81</b>              | <b>103</b>              | <b>(1,398)</b>                    | <b>856</b>                          | <b>(1,053)</b>               | <b>1,411</b>    | <b>–</b>                      | <b>–</b>      |
| <b>Net interest sensitivity gap</b>                   | <b>(6,974)</b>         | <b>(3,854)</b>          | <b>703</b>                        | <b>4,266</b>                        | <b>10,046</b>                | <b>3,272</b>    | <b>(7,459)</b>                | <b>–</b>      |

<sup>(1)</sup> The negative balance represents general provisions for possible loan losses.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

#### 38.5 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:

| 31 December 2003                                  | SGD<br>% | USD<br>% | MYR<br>% |
|---|----------|----------|----------|
| <b>Assets</b>                                     |          |          |          |
| Placement with central banks                      | 0.77     | 0.01     | 2.87     |
| Placement with and loans to banks                 | 0.71     | 1.27     | 2.96     |
| Loans to customers                                | 3.23     | 2.14     | 5.78     |
| Securities and other interest-earning assets      | 1.52     | 4.04     | 3.76     |
| <b>Liabilities</b>                                |          |          |          |
| Deposits and balances of banks                    | 0.60     | 1.17     | 2.89     |
| Deposits and other accounts of non-bank customers | 0.55     | 0.80     | 2.85     |
| Debt securities                                   | 2.68     | –        | –        |
| <b>31 December 2002</b>                           |          |          |          |
| <b>Assets</b>                                     |          |          |          |
| Placement with central banks                      | –        | 0.63     | 2.91     |
| Placement with and loans to banks                 | 0.84     | 1.91     | 2.56     |
| Loans to customers                                | 4.17     | 2.61     | 6.78     |
| Securities and other interest-earning assets      | 2.86     | 4.22     | 3.76     |
| <b>Liabilities</b>                                |          |          |          |
| Deposits and balances of banks                    | 0.79     | 1.58     | 2.07     |
| Deposits and other accounts of non-bank customers | 0.72     | 1.14     | 3.04     |
| Debt securities                                   | 2.94     | –        | –        |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

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

##### Liquidity risk

The Group's policy of liquidity management is to ensure that there are sufficient funds to meet the Group's financial obligations as they become due.

Liquidity risk is managed through a combination of static financial ratios, cash flow projections and stress tests. Static ratios monitor and ensure adequate diversification in the Group's funding sources. This restricts the dependency on particular sources of funds and exposure to any particular group of lenders. Projections for each of the next 30 days are closely monitored based on the contractual and actuarial patterns of the cash flow. The movements are analysed under both a business-as-usual and stressed scenarios and monitored against a set of cumulative maximum outflow limits. Stress tests assumptions 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.

| 31 December 2003<br>\$ million        | Less<br>than<br>7 days | 1 week<br>to<br>1 month | Over 1<br>month<br>to 3<br>months | Over 3<br>months<br>to 12<br>months | Over 1<br>year to<br>3 years | Over<br>3 years | Total         |
|---------------------------------------|------------------------|-------------------------|-----------------------------------|-------------------------------------|------------------------------|-----------------|---------------|
| <b>Assets</b>                         |                        |                         |                                   |                                     |                              |                 |               |
| Cash and placement with central banks | 2,088                  | 941                     | 314                               | 432                                 | –                            | 261             | 4,036         |
| Singapore government                  |                        |                         |                                   |                                     |                              |                 |               |
| treasury bills and securities         | 159                    | 784                     | 1,828                             | 1,486                               | 564                          | 1,330           | 6,151         |
| Other government                      |                        |                         |                                   |                                     |                              |                 |               |
| treasury bills and securities         | 96                     | –                       | 84                                | 310                                 | 314                          | 251             | 1,055         |
| Dealing securities                    | 102                    | –                       | –                                 | 16                                  | 24                           | 93              | 235           |
| Placement with and loans to banks     | 2,095                  | 1,941                   | 3,386                             | 2,077                               | 151                          | –               | 9,650         |
| Loans to customers                    | 7,015                  | 3,037                   | 3,128                             | 5,245                               | 9,686                        | 22,044          | 50,155        |
| Investment securities                 | 12                     | 20                      | 432                               | 514                                 | 2,897                        | 2,420           | 6,295         |
| Deferred tax                          | –                      | –                       | –                                 | –                                   | 54                           | –               | 54            |
| Other assets                          | 1,463                  | 518                     | 51                                | 125                                 | 22                           | 3               | 2,182         |
| Associated companies                  | –                      | 9                       | –                                 | –                                   | –                            | 1,168           | 1,177         |
| Property, plant and equipment         | –                      | –                       | –                                 | –                                   | –                            | 1,435           | 1,435         |
| Goodwill                              | –                      | –                       | –                                 | –                                   | –                            | 2,072           | 2,072         |
| <b>Total assets</b>                   | <b>13,030</b>          | <b>7,250</b>            | <b>9,223</b>                      | <b>10,205</b>                       | <b>13,712</b>                | <b>31,077</b>   | <b>84,497</b> |
| <b>Liabilities</b>                    |                        |                         |                                   |                                     |                              |                 |               |
| Deposits of non-bank customers        | 24,591                 | 14,460                  | 5,793                             | 7,590                               | 601                          | 425             | 53,460        |
| Deposits and balances of banks        | 3,900                  | 3,438                   | 3,627                             | 1,500                               | 16                           | –               | 12,481        |
| Deposits of associated companies      | 550                    | 406                     | 197                               | 220                                 | 85                           | –               | 1,458         |
| Bills payable                         | 123                    | 62                      | –                                 | –                                   | –                            | –               | 185           |
| Current tax                           | 1                      | 4                       | –                                 | 320                                 | 2                            | –               | 327           |
| Deferred tax                          | –                      | –                       | –                                 | –                                   | 76                           | –               | 76            |
| Other liabilities                     | 1,592                  | 550                     | 36                                | 127                                 | 110                          | 6               | 2,421         |
| Debt securities                       | –                      | 33                      | 120                               | –                                   | –                            | 3,857           | 4,010         |
| <b>Total liabilities</b>              | <b>30,757</b>          | <b>18,953</b>           | <b>9,773</b>                      | <b>9,757</b>                        | <b>890</b>                   | <b>4,288</b>    | <b>74,418</b> |
| Minority interests                    | –                      | –                       | –                                 | –                                   | –                            | 20              | 20            |
| Equity                                | –                      | –                       | –                                 | –                                   | –                            | 10,059          | 10,059        |
| <b>Total liabilities and equity</b>   | <b>30,757</b>          | <b>18,953</b>           | <b>9,773</b>                      | <b>9,757</b>                        | <b>890</b>                   | <b>14,367</b>   | <b>84,497</b> |
| <b>Net liquidity gap</b>              | <b>(17,727)</b>        | <b>(11,703)</b>         | <b>(550)</b>                      | <b>448</b>                          | <b>12,822</b>                | <b>16,710</b>   | <b>–</b>      |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

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

##### Liquidity risk (continued)

| 31 December 2002<br>\$ million                        | Less<br>than<br>7 days | 1 week<br>to<br>1 month | Over 1<br>month<br>to 3<br>months | Over 3<br>months<br>to 12<br>months | Over 1<br>year to<br>3 years | Over<br>3 years | Total         |
|---|------------------------|-------------------------|-----------------------------------|-------------------------------------|------------------------------|-----------------|---------------|
| <b>Assets</b>   |                        |                         |                                   |                                     |                              |                 |               |
| Cash and placement with central banks                 | 1,814                  | 673                     | 131                               | 7                                   | –                            | 233             | 2,858         |
| Singapore government<br>treasury bills and securities | 109                    | 677                     | 1,914                             | 516                                 | 1,654                        | 1,097           | 5,967         |
| Other government<br>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                                    | 7,982                  | 3,630                   | 3,077                             | 5,026                               | 8,206                        | 19,446          | 47,367        |
| Investment securities                                 | –                      | 18                      | 75                                | 573                                 | 2,515                        | 2,129           | 5,310         |
| Deferred tax  | –                      | –                       | –                                 | –                                   | 70                           | –               | 70            |
| Other assets  | 1,344                  | 487                     | 54                                | 52                                  | 108                          | –               | 2,045         |
| Associated companies                                  | –                      | –                       | 1                                 | –                                   | –                            | 1,046           | 1,047         |
| Property, plant and equipment                         | –                      | –                       | –                                 | –                                   | –                            | 1,572           | 1,572         |
| Goodwill  | –                      | –                       | –                                 | –                                   | –                            | 2,199           | 2,199         |
| <b>Total assets</b>                                   | <b>13,512</b>          | <b>8,622</b>            | <b>9,317</b>                      | <b>11,148</b>                       | <b>13,416</b>                | <b>28,036</b>   | <b>84,051</b> |
| <b>Liabilities</b>                                    |                        |                         |                                   |                                     |                              |                 |               |
| Deposits of non-bank customers                        | 22,872                 | 13,734                  | 7,478                             | 8,739                               | 689                          | 436             | 53,948        |
| Deposits and balances of banks                        | 2,843                  | 4,592                   | 4,302                             | 859                                 | 25                           | –               | 12,621        |
| Deposits of associated companies                      | 252                    | 665                     | 250                               | 273                                 | 14                           | –               | 1,454         |
| Bills payable   | 131                    | 46                      | –                                 | –                                   | –                            | –               | 177           |
| Current tax   | 2                      | 2                       | 13                                | 305                                 | –                            | –               | 322           |
| Deferred tax  | –                      | –                       | –                                 | –                                   | 133                          | –               | 133           |
| Other liabilities                                     | 1,293                  | 662                     | 78                                | 99                                  | 7                            | 2               | 2,141         |
| Debt securities                                       | –                      | 31                      | 102                               | –                                   | –                            | 3,879           | 4,012         |
| <b>Total liabilities</b>                              | <b>27,393</b>          | <b>19,732</b>           | <b>12,223</b>                     | <b>10,275</b>                       | <b>868</b>                   | <b>4,317</b>    | <b>74,808</b> |
| Minority interests                                    | –                      | –                       | –                                 | –                                   | –                            | 19              | 19            |
| Equity  | –                      | –                       | –                                 | –                                   | –                            | 9,224           | 9,224         |
| <b>Total liabilities and equity</b>                   | <b>27,393</b>          | <b>19,732</b>           | <b>12,223</b>                     | <b>10,275</b>                       | <b>868</b>                   | <b>13,560</b>   | <b>84,051</b> |
| <b>Net liquidity gap</b>                              | <b>(13,881)</b>        | <b>(11,110)</b>         | <b>(2,906)</b>                    | <b>873</b>                          | <b>12,548</b>                | <b>14,476</b>   | <b>–</b>      |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

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

##### Currency risk

The banking activities of providing financial products and services to corporate and retail customers expose the Group to foreign exchange risk. Foreign exchange risk is centrally managed by Group Treasury against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group by major currencies, which are mainly in the Singapore dollar, the US dollar and the Malaysian ringgit. The "Others" foreign exchange risks include mainly exposure to the Australian dollar, the Euro, the Japanese yen, the Sterling pound and the Hong Kong dollar.

| 31 December 2003<br>\$ million                     | SGD           | USD           | MYR          | Others       | Total         |
|--|---------------|---------------|--------------|--------------|---------------|
| <b>Assets</b>                                      |               |               |              |              |               |
| Cash and placement with central banks              | 2,445         | 8             | 1,321        | 262          | 4,036         |
| Singapore government treasury bills and securities | 6,151         | –             | –            | –            | 6,151         |
| Other government treasury bills and securities     | –             | 86            | 851          | 118          | 1,055         |
| Dealing securities                                 | 85            | 61            | 89           | –            | 235           |
| Placement with and loans to banks                  | 2,358         | 3,724         | 668          | 2,900        | 9,650         |
| Loans to customers                                 | 32,851        | 7,257         | 5,869        | 4,178        | 50,155        |
| Investment securities                              | 1,852         | 2,729         | 787          | 927          | 6,295         |
| Deferred tax                                       | 5             | –             | 49           | –            | 54            |
| Other assets                                       | 1,625         | 422           | 54           | 81           | 2,182         |
| Associated companies                               | 1,063         | –             | 114          | –            | 1,177         |
| Property, plant and equipment                      | 1,210         | –             | 83           | 142          | 1,435         |
| Goodwill   | 2,072         | –             | –            | –            | 2,072         |
| <b>Total assets</b>                                | <b>51,717</b> | <b>14,287</b> | <b>9,885</b> | <b>8,608</b> | <b>84,497</b> |
| <b>Liabilities</b>                                 |               |               |              |              |               |
| Deposits of non-bank customers                     | 33,983        | 7,441         | 7,496        | 4,540        | 53,460        |
| Deposits and balances of banks                     | 2,847         | 6,692         | 293          | 2,649        | 12,481        |
| Deposits of associated companies                   | 776           | 32            | 567          | 83           | 1,458         |
| Bills payable                                      | 97            | 5             | 82           | 1            | 185           |
| Current tax  | 313           | 1             | 9            | 4            | 327           |
| Deferred tax                                       | 76            | –             | –            | –            | 76            |
| Other liabilities                                  | 1,277         | 908           | 98           | 138          | 2,421         |
| Debt securities                                    | 4,010         | –             | –            | –            | 4,010         |
| <b>Total liabilities</b>                           | <b>43,379</b> | <b>15,079</b> | <b>8,545</b> | <b>7,415</b> | <b>74,418</b> |
| <b>On-balance sheet open position</b>              | <b>8,338</b>  | <b>(792)</b>  | <b>1,340</b> | <b>1,193</b> | <b>10,079</b> |
| <b>Off-balance sheet open position</b>             | <b>(158)</b>  | <b>948</b>    | <b>(441)</b> | <b>(349)</b> | <b>–</b>      |
| <b>Net open position</b>                           | <b>8,180</b>  | <b>156</b>    | <b>899</b>   | <b>844</b>   | <b>10,079</b> |
| Of which:  |               |               |              |              |               |
| <b>Net investments in overseas operations</b>      | <b>–</b>      | <b>129</b>    | <b>905</b>   | <b>823</b>   | <b>1,857</b>  |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

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

##### Currency risk (continued)

| 31 December 2002<br>\$ million                     | SGD           | USD            | MYR          | Others         | Total         |
|--|---------------|----------------|--------------|----------------|---------------|
| <b>Assets</b>                                      |               |                |              |                |               |
| Cash and placement with central banks              | 1,485         | 9              | 1,239        | 125            | 2,858         |
| Singapore government treasury bills and securities | 5,967         | –              | –            | –              | 5,967         |
| Other government treasury bills and securities     | –             | 36             | 853          | 95             | 984           |
| Dealing securities                                 | 150           | 11             | 12           | –              | 173           |
| Placement with and loans to banks                  | 3,318         | 7,974          | 248          | 2,919          | 14,459        |
| Loans to customers                                 | 30,664        | 6,978          | 5,628        | 4,097          | 47,367        |
| Investment securities                              | 1,692         | 2,439          | 606          | 573            | 5,310         |
| Deferred tax                                       | 23            | –              | 47           | –              | 70            |
| Other assets                                       | 1,562         | 348            | 63           | 72             | 2,045         |
| Associated companies                               | 939           | –              | 108          | –              | 1,047         |
| Property, plant and equipment                      | 1,349         | –              | 95           | 128            | 1,572         |
| Goodwill   | 2,199         | –              | –            | –              | 2,199         |
| <b>Total assets</b>                                | <b>49,348</b> | <b>17,795</b>  | <b>8,899</b> | <b>8,009</b>   | <b>84,051</b> |
| <b>Liabilities</b>                                 |               |                |              |                |               |
| Deposits of non-bank customers                     | 34,159        | 8,167          | 7,138        | 4,484          | 53,948        |
| Deposits and balances of banks                     | 5,042         | 6,149          | 85           | 1,345          | 12,621        |
| Deposits of associated companies                   | 982           | 27             | 413          | 32             | 1,454         |
| Bills payable                                      | 110           | 6              | 61           | –              | 177           |
| Current tax  | 300           | 1              | 18           | 3              | 322           |
| Deferred tax                                       | 133           | –              | –            | –              | 133           |
| Other liabilities                                  | 1,529         | 437            | 83           | 92             | 2,141         |
| Debt securities                                    | 4,012         | –              | –            | –              | 4,012         |
| <b>Total liabilities</b>                           | <b>46,267</b> | <b>14,787</b>  | <b>7,798</b> | <b>5,956</b>   | <b>74,808</b> |
| <b>On-balance sheet open position</b>              | <b>3,081</b>  | <b>3,008</b>   | <b>1,101</b> | <b>2,053</b>   | <b>9,243</b>  |
| <b>Off-balance sheet open position</b>             | <b>4,327</b>  | <b>(2,831)</b> | <b>(61)</b>  | <b>(1,435)</b> | <b>–</b>      |
| <b>Net open position</b>                           | <b>7,408</b>  | <b>177</b>     | <b>1,040</b> | <b>618</b>     | <b>9,243</b>  |
| Of which:  |               |                |              |                |               |
| <b>Net investments in overseas operations</b>      | <b>–</b>      | <b>131</b>     | <b>1,044</b> | <b>614</b>     | <b>1,789</b>  |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

#### 38.6 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 are 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 Financial Reporting Standard 32 ("FRS 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.

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

| \$ million   | 2003            |               | 2002            |            |
|--|-----------------|---------------|-----------------|------------|
|  | Carrying amount | Fair value    | Carrying amount | Fair value |
| <b>Financial assets</b>                                      |                 |               |                 |            |
| Assets for which fair value approximates carrying value      | <b>15,868</b>   | <b>15,868</b> | 19,460          | 19,460     |
| Dealing securities   | <b>235</b>      | <b>238</b>    | 173             | 173        |
| Government securities  | <b>7,206</b>    | <b>7,223</b>  | 6,951           | 7,076      |
| Investment securities  | <b>6,295</b>    | <b>6,911</b>  | 5,310           | 5,814      |
| <b>Financial liabilities</b>                                 |                 |               |                 |            |
| Liabilities for which fair value approximates carrying value | <b>35,668</b>   | <b>35,668</b> | 33,934          | 33,934     |
| Non-bank customer term deposits                              | <b>34,273</b>   | <b>34,272</b> | 36,176          | 36,380     |
| Debt securities issued and other borrowed funds              | <b>4,402</b>    | <b>5,032</b>  | 4,565           | 5,026      |

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.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 38. RISK MANAGEMENT INFORMATION (continued)

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

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 fixed rate subordinated term notes are based on quoted market prices. The difference between the fair value and the carrying amount of the subordinated term notes will be largely offset by the corresponding fair value of the hedging interest rate and currency swaps entered into by the Bank. Fair values of other borrowed funds are obtained from independent broker offer prices.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 39. COUNTRY RISK

At 31 December 2003, the countries where OCBC's cross-border transfer risk exceeded 1% of assets were Malaysia, Hong Kong SAR, United Kingdom, Cayman Islands, China and Japan 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 \$84,497 million (2002: \$84,051 million) as shown in the consolidated balance sheet at 31 December 2003.

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

|                | Banks<br>\$ million | Government<br>and official<br>institutions<br>\$ million | Financial<br>institutions,<br>private<br>sector and<br>individuals<br>\$ million | Total<br>\$ million | As %<br>of total<br>assets<br>% |
|----------------|---------------------|--|--|---------------------|---------------------------------|
| <b>2003</b>    |                     |  |  |                     |                                 |
| Malaysia       | 3,034               | 615  | 1,095  | 4,744               | 5.61                            |
| Hong Kong SAR  | 1,099               | –  | 753  | 1,852               | 2.19                            |
| United Kingdom | 1,312               | –  | 55   | 1,367               | 1.62                            |
| Cayman Islands | –                   | –  | 1,090  | 1,090               | 1.29                            |
| China          | 644                 | –  | 360  | 1,004               | 1.19                            |
| Japan          | 927                 | –  | 19   | 946                 | 1.12                            |
| <b>2002</b>    |                     |  |  |                     |                                 |
| Malaysia       | 2,220               | 416  | 604  | 3,240               | 3.85                            |
| United Kingdom | 2,250               | –  | 158  | 2,408               | 2.86                            |
| Hong Kong SAR  | 1,339               | 48   | 664  | 2,051               | 2.44                            |
| Japan          | 1,533               | –  | 34   | 1,567               | 1.86                            |
| Germany        | 1,517               | –  | –  | 1,517               | 1.80                            |
| Cayman Islands | –                   | –  | 1,075  | 1,075               | 1.28                            |
| United States  | 350                 | –  | 715  | 1,065               | 1.27                            |
| Indonesia      | 285                 | 16   | 573  | 874                 | 1.04                            |
| China          | 451                 | –  | 415  | 866                 | 1.03                            |

### 40. OFF-BALANCE SHEET ITEMS

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

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 41. CONTINGENT LIABILITIES

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

|   | Group            |                  | Bank             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Acceptances and endorsements  | 544,211          | 587,465          | 56,450           | 87,577           |
| Guarantees and standby letters of credit                            | 4,724,914        | 4,808,521        | 4,520,851        | 4,565,514        |
| Documentary credits and other short term trade-related transactions | 505,923          | 393,567          | 433,051          | 315,284          |
| Others  | 54,529           | 58,841           | –                | –                |
|   | <b>5,829,577</b> | <b>5,848,394</b> | <b>5,010,352</b> | <b>4,968,375</b> |

Included in guarantees and standby letters of credit is an amount of \$1.17 billion (31 December 2002: \$1.14 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 26) and an amount of \$0.60 billion (31 December 2002: \$0.49 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 30).

#### 41.1 Analysed by geographical sector

|                    | Group            |                  | Bank             |                  |
|--------------------|------------------|------------------|------------------|------------------|
|                    | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Singapore          | 4,503,965        | 4,665,317        | 4,567,257        | 4,614,153        |
| Malaysia           | 1,054,941        | 851,570          | 174,241          | 51,048           |
| Other ASEAN        | 14,760           | 34,192           | 5,022            | 6,292            |
| Greater China      | 124,794          | 154,876          | 132,502          | 154,443          |
| Other Asia Pacific | 25,314           | 41,153           | 25,314           | 41,153           |
| North America      | 41,507           | 41,476           | 41,720           | 41,476           |
| Rest of the World  | 64,296           | 59,810           | 64,296           | 59,810           |
|                    | <b>5,829,577</b> | <b>5,848,394</b> | <b>5,010,352</b> | <b>4,968,375</b> |

#### 41.2 Analysed by industry

|  | Group            |                  | Bank             |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000   | 2002<br>\$'000   |
| Agriculture, mining and quarrying                        | 25,049           | 31,241           | 213              | 2,187            |
| Manufacturing  | 751,404          | 850,326          | 321,862          | 370,291          |
| Building and construction                                | 835,420          | 1,010,761        | 898,693          | 946,872          |
| Housing  | 18               | 47               | –                | –                |
| General commerce   | 608,143          | 676,128          | 488,611          | 522,165          |
| Transport, storage and communication                     | 211,368          | 188,886          | 196,123          | 155,923          |
| Financial institutions, investment and holding companies | 2,343,431        | 2,464,687        | 2,339,452        | 2,416,308        |
| Professionals and individuals                            | 89,896           | 129,138          | 89,777           | 125,187          |
| Others   | 964,848          | 497,180          | 675,621          | 429,442          |
|  | <b>5,829,577</b> | <b>5,848,394</b> | <b>5,010,352</b> | <b>4,968,375</b> |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 42. 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              |                |
|---|-------------------|----------------|-------------------|----------------|
|   | 2003<br>\$'000    | 2002<br>\$'000 | 2003<br>\$'000    | 2002<br>\$'000 |
| <b>42.1 Credit commitments</b>                              |                   |                |                   |                |
| Undrawn credit facilities:                                  |                   |                |                   |                |
| – Original term to maturity of one year or less             | <b>20,146,688</b> | 22,809,389     | <b>18,114,455</b> | 20,356,982     |
| – Original term to maturity of more than one year           | <b>5,705,254</b>  | 4,205,886      | <b>4,229,772</b>  | 2,597,118      |
|   | <b>25,851,942</b> | 27,015,275     | <b>22,344,227</b> | 22,954,100     |
| Undrawn note issuance and revolving underwriting facilities | <b>270,070</b>    | 90,269         | <b>191,740</b>    | 72,005         |
| Forward asset purchases/sales                               | <b>1,065,179</b>  | 1,096,962      | <b>1,065,179</b>  | 1,096,962      |
|   | <b>27,187,191</b> | 28,202,506     | <b>23,601,146</b> | 24,123,067     |
| <b>42.2 Other commitments</b>                               |                   |                |                   |                |
| Operating lease commitments:                                |                   |                |                   |                |
| – Within 1 year   | <b>13,528</b>     | 9,640          | <b>12,370</b>     | 7,335          |
| – After 1 year but within 5 years                           | <b>13,980</b>     | 17,095         | <b>13,801</b>     | 16,582         |
| – Over 5 years  | <b>813</b>        | 1,415          | <b>813</b>        | 1,415          |
|   | <b>28,321</b>     | 28,150         | <b>26,984</b>     | 25,332         |
| Capital expenditure authorised and contracted               | <b>45,780</b>     | 58,288         | <b>9,602</b>      | 26,335         |
|   | <b>74,101</b>     | 86,438         | <b>36,586</b>     | 51,667         |
| <b>42.3 Total commitments</b>                               | <b>27,261,292</b> | 28,288,944     | <b>23,637,732</b> | 24,174,734     |
| <b>42.4 Analysed by geographic sector</b>                   |                   |                |                   |                |
|   | Group             |                | Bank              |                |
|   | 2003<br>\$'000    | 2002<br>\$'000 | 2003<br>\$'000    | 2002<br>\$'000 |
| Singapore   | <b>21,496,521</b> | 23,071,237     | <b>21,904,793</b> | 22,539,119     |
| Malaysia  | <b>4,412,789</b>  | 3,539,163      | <b>404,326</b>    | 16,899         |
| Other ASEAN   | <b>120,898</b>    | 141,208        | <b>73,495</b>     | 79,951         |
| Greater China   | <b>447,370</b>    | 594,530        | <b>471,076</b>    | 595,959        |
| Other Asia Pacific  | <b>275,553</b>    | 231,359        | <b>275,881</b>    | 231,359        |
| North America   | <b>382,951</b>    | 397,764        | <b>382,951</b>    | 397,764        |
| Rest of the World   | <b>125,210</b>    | 313,683        | <b>125,210</b>    | 313,683        |
|   | <b>27,261,292</b> | 28,288,944     | <b>23,637,732</b> | 24,174,734     |

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### 43. 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 exceed 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.

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for the financial year ended 31 December 2003

### 43. FINANCIAL DERIVATIVES (continued)

The financial derivatives shown in the following tables are held for both trading and hedging purposes. The contractual 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.

| Group  | Contractual or<br>principal<br>notional amount<br>\$'000 | Fair value –<br>assets<br>\$'000 | Fair value –<br>liabilities<br>\$'000 |
|--|--|----------------------------------|---------------------------------------|
| <b>31 December 2003</b>  |  |                                  |                                       |
| <b>Foreign exchange derivatives</b>  |  |                                  |                                       |
| Forwards   | 3,206,356  | 34,054                           | 25,595                                |
| Swaps  | 53,374,342   | 709,772                          | 596,079                               |
| OTC options – bought and sold  | 759,216  | 3,065                            | 6,462                                 |
|  | <b>57,339,914</b>  | <b>746,891</b>                   | <b>628,136</b>                        |
| <b>Interest rate derivatives</b>   |  |                                  |                                       |
| Forwards   | 18,703,100   | 6,419                            | 6,085                                 |
| Swaps  | 107,645,204  | 966,529                          | 763,192                               |
| OTC options – bought and sold  | 1,985,168  | 2,793                            | 6,397                                 |
| Exchange traded futures – bought and sold  | 5,534,326  | 1,532                            | 2,036                                 |
|  | <b>133,867,798</b>                                       | <b>977,273</b>                   | <b>777,710</b>                        |
| <b>Equity derivatives</b>  |  |                                  |                                       |
| Futures  | 218  | –                                | 4                                     |
| Options bought   | 10,785   | 1                                | 81                                    |
|  | <b>11,003</b>  | <b>1</b>                         | <b>85</b>                             |
| <b>Credit derivatives</b>  |  |                                  |                                       |
| Credit default swaps   | 8,505  | –                                | 1,234                                 |
| <b>Other derivatives</b>   |  |                                  |                                       |
| Gold forwards – bought and sold  | 19,105   | 28                               | 274                                   |
| Silver forwards – bought and sold  | 281  | 9                                | 10                                    |
|  | <b>19,386</b>  | <b>37</b>                        | <b>284</b>                            |
| <b>Total</b>   | <b>191,246,606</b>                                       | <b>1,724,202</b>                 | <b>1,407,449</b>                      |
| Fair value of trading derivatives included in other assets and other liabilities |  | <b>1,114,806</b>                 | <b>1,101,163</b>                      |
|  |  | (Note 31)                        | (Note 19)                             |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 43. FINANCIAL DERIVATIVES (continued)

| Group  | Contractual or<br>principal<br>notional amount<br>\$'000 | Fair value –<br>assets<br>\$'000 | Fair value –<br>liabilities<br>\$'000 |
|--|--|----------------------------------|---------------------------------------|
| <b>31 December 2002</b>  |  |                                  |                                       |
| <b>Foreign exchange derivatives</b>  |  |                                  |                                       |
| Forwards   | 3,272,815  | 28,922                           | 27,299                                |
| Swaps  | 64,013,947   | 824,813                          | 632,044                               |
| OTC options – bought and sold  | 305,570  | 716                              | 484                                   |
|  | 67,592,332   | 854,451                          | 659,827                               |
| <b>Interest rate derivatives</b>   |  |                                  |                                       |
| Forwards   | 30,674,000   | 17,812                           | 18,139                                |
| Swaps  | 85,642,770   | 1,012,072                        | 732,108                               |
| OTC options – bought and sold  | 326,096  | 1,172                            | 839                                   |
| Exchange traded futures – bought and sold  | 446,073  | 14                               | 228                                   |
|  | 117,088,939  | 1,031,070                        | 751,314                               |
| <b>Equity derivatives</b>  |  |                                  |                                       |
| Futures  | 824  | –                                | 6                                     |
| Options bought   | 759  | 15                               | 2                                     |
|  | 1,583  | 15                               | 8                                     |
| <b>Credit derivatives</b>  |  |                                  |                                       |
| Credit default swaps   | 86,760   | 984                              | 250                                   |
| <b>Other derivatives</b>   |  |                                  |                                       |
| Gold forwards – bought and sold  | 118  | 1                                | 1                                     |
| <b>Total</b>   | <b>184,769,732</b>                                       | <b>1,886,521</b>                 | <b>1,411,400</b>                      |
| Fair value of trading derivatives included in other assets and other liabilities |  | 1,148,523                        | 1,008,212                             |
|  |  | (Note 31)                        | (Note 19)                             |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 43. FINANCIAL DERIVATIVES (continued)

| Bank   | Contractual or<br>principal<br>notional amount<br>\$'000 | Fair value –<br>assets<br>\$'000 | Fair value –<br>liabilities<br>\$'000 |
|--|--|----------------------------------|---------------------------------------|
| <b>31 December 2003</b>  |  |                                  |                                       |
| <b>Foreign exchange derivatives</b>  |  |                                  |                                       |
| Forwards   | 2,238,855  | 26,077                           | 15,386                                |
| Swaps  | 52,596,517   | 708,458                          | 596,875                               |
| OTC options – bought and sold  | 759,216  | 3,065                            | 6,462                                 |
|  | <b>55,594,588</b>  | <b>737,600</b>                   | <b>618,723</b>                        |
| <b>Interest rate derivatives</b>   |  |                                  |                                       |
| Forwards   | 18,703,100   | 6,419                            | 6,085                                 |
| Swaps  | 107,986,006  | 977,131                          | 763,241                               |
| OTC options – bought and sold  | 1,985,168  | 2,793                            | 6,397                                 |
| Exchange traded futures – bought and sold  | 5,534,326  | 1,532                            | 2,036                                 |
|  | <b>134,208,600</b>                                       | <b>987,875</b>                   | <b>777,759</b>                        |
| <b>Equity derivatives</b>  |  |                                  |                                       |
| Options bought   | 10,785   | 1                                | 81                                    |
| <b>Credit derivatives</b>  |  |                                  |                                       |
| Credit default swaps   | 8,505  | –                                | 1,234                                 |
| <b>Other derivatives</b>   |  |                                  |                                       |
| Gold forwards – bought and sold  | 7,025  | –                                | –                                     |
| Silver forwards – bought and sold  | 102  | –                                | –                                     |
|  | <b>7,127</b>   | <b>–</b>                         | <b>–</b>                              |
| <b>Total</b>   | <b>189,829,605</b>                                       | <b>1,725,476</b>                 | <b>1,397,797</b>                      |
| Fair value of trading derivatives included in other assets and other liabilities |  | <b>1,113,341</b>                 | <b>1,101,968</b>                      |
|  |  | (Note 31)                        | (Note 19)                             |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 43. FINANCIAL DERIVATIVES (continued)

| Bank   | Contractual or<br>principal<br>notional amount<br>\$'000 | Fair value –<br>assets<br>\$'000 | Fair value –<br>liabilities<br>\$'000 |
|--|--|----------------------------------|---------------------------------------|
| <b>31 December 2002</b>  |  |                                  |                                       |
| <b>Foreign exchange derivatives</b>  |  |                                  |                                       |
| Forwards   | 1,774,160  | 15,585                           | 9,520                                 |
| Swaps  | 63,205,159   | 825,880                          | 632,044                               |
| OTC options – bought and sold  | 305,570  | 716                              | 484                                   |
|  | 65,284,889   | 842,181                          | 642,048                               |
| <b>Interest rate derivatives</b>   |  |                                  |                                       |
| Forwards   | 30,674,000   | 17,812                           | 18,139                                |
| Swaps  | 85,825,704   | 1,021,774                        | 732,119                               |
| OTC options – bought and sold  | 326,096  | 1,172                            | 839                                   |
| Exchange traded options – bought and sold  | 446,073  | 14                               | 228                                   |
|  | 117,271,873  | 1,040,772                        | 751,325                               |
| <b>Equity derivatives</b>  |  |                                  |                                       |
| Options bought   | 759  | 15                               | 2                                     |
| <b>Other derivatives</b>   |  |                                  |                                       |
| Credit default swaps   | 86,760   | 984                              | 250                                   |
| <b>Total</b>   | 182,644,281  | 1,883,952                        | 1,393,625                             |
| Fair value of trading derivatives included in other assets and other liabilities |  | 1,148,523                        | 1,006,945                             |
|  |  | (Note 31)                        | (Note 19)                             |

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.

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 44. 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           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Singapore government treasury bills and securities | 150,658        | 272,775        | 150,658        | 272,775        |
| Other government treasury bills and securities     | 268,847        | 209,809        | –              | –              |
| Investment securities                              | 345,497        | 298,733        | –              | –              |
| Total securities pledged                           | 765,002        | 781,317        | 150,658        | 272,775        |
| Others   | 391,782        | 86,316         | 149,033        | –              |
|  | 1,156,784      | 867,633        | 299,691        | 272,775        |

### 45. CASH AND CASH EQUIVALENTS

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

|   | Group          |                |
|---|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 |
| Cash and placements with central banks                                    | 4,035,863      | 2,858,403      |
| Singapore government securities excluding long-term investments (Note 22) | 5,607,098      | 5,966,732      |
| Other government securities   | 1,054,618      | 984,145        |
|   | 10,697,579     | 9,809,280      |

### 46. MINIMUM LEASE RENTAL RECEIPTS

The future minimum lease rental receipts under non-cancellable operating leases by remaining period to lease expiry are as follows:

|                        | Group          |                |
|------------------------|----------------|----------------|
|                        | 2003<br>\$'000 | 2002<br>\$'000 |
| Less than 1 year       | 44,083         | 35,629         |
| Over 1 year to 5 years | 45,685         | 58,040         |
| Over 5 years           | 3,876          | 4,300          |
|                        | 93,644         | 97,969         |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 47. CURRENT ASSETS AND LIABILITIES

|  | Group             |                   | Bank              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2003<br>\$'000    | 2002<br>\$'000    | 2003<br>\$'000    | 2002<br>\$'000    |
| <b>Current Assets</b>                              |                   |                   |                   |                   |
| Cash and placements with central banks             | 4,035,863         | 2,858,403         | 2,604,863         | 1,453,919         |
| Singapore government treasury bills and securities | 4,257,739         | 3,215,984         | 4,257,739         | 3,094,386         |
| Other government treasury bills and securities     | 490,017           | 345,553           | 86,424            | 28,902            |
| Dealing securities                                 | 235,541           | 173,076           | 134,929           | 147,950           |
| Placements with and loans to banks                 | 9,499,071         | 14,062,719        | 8,723,406         | 13,481,643        |
| Loans to and bills receivable from customers       | 18,425,319        | 19,715,453        | 15,359,378        | 15,832,861        |
| Investment securities                              | 978,047           | 666,422           | 781,176           | 455,066           |
| Other assets                                       | 2,157,499         | 1,936,667         | 1,757,988         | 1,528,103         |
| Loans to associated companies                      | 8,799             | 935               | –                 | 625               |
| Loans to subsidiary companies                      | –                 | –                 | 1,353,544         | 530,963           |
|  | <b>40,087,895</b> | <b>42,975,212</b> | <b>35,059,447</b> | <b>36,554,418</b> |
| <b>Current Liabilities</b>                         |                   |                   |                   |                   |
| Deposits of non-bank customers                     | 52,434,245        | 52,822,722        | 45,162,854        | 43,566,611        |
| Deposits and balances of banks                     | 12,464,856        | 12,595,995        | 11,910,339        | 12,076,240        |
| Deposits of associated companies                   | 1,372,440         | 1,440,527         | 878,968           | 976,479           |
| Deposits of subsidiary companies                   | –                 | –                 | 1,268,267         | 1,168,228         |
| Bills payable                                      | 185,233           | 177,164           | 102,478           | 115,698           |
| Current tax  | 327,667           | 321,765           | 292,216           | 244,671           |
| Other liabilities                                  | 2,305,308         | 2,132,181         | 1,699,097         | 1,574,362         |
| Debt securities                                    | 152,750           | 133,000           | –                 | –                 |
|  | <b>69,242,499</b> | <b>69,623,354</b> | <b>61,314,219</b> | <b>59,722,289</b> |

### 48. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the financial statements, the related party balances and transactions during the financial year are as follows:

|  | 2003<br>\$ million | 2002<br>\$ million |
|--|--------------------|--------------------|
| (a) Loans and advances                                     |                    |                    |
| – Associated companies engaged in financial activities     | 9                  | –                  |
| – Associated companies engaged in non-financial activities | #                  | 1                  |
| – Directors-related parties                                | 2,240              | 2,598              |
| (b) Deposits   |                    |                    |
| – Associated companies engaged in financial activities     | 1,417              | 1,372              |
| – Associated companies engaged in non-financial activities | 41                 | 82                 |
| – Directors-related parties                                | 910                | 1,006              |
| (c) Off-balance sheet credit facilities <sup>(1)</sup>     |                    |                    |
| – Associated companies engaged in financial activities     | 1                  | 5                  |
| – Associated companies engaged in non-financial activities | –                  | –                  |
| – Directors-related parties                                | 340                | 284                |
| (d) Interest income  |                    |                    |
| – Associated companies engaged in financial activities     | #                  | #                  |
| – Associated companies engaged in non-financial activities | –                  | –                  |
| – Directors-related parties                                | 51                 | 54                 |

## Notes to the Financial Statements

for the financial year ended 31 December 2003

### 48. RELATED PARTY TRANSACTIONS (continued)

|  | 2003<br>\$ million | 2002<br>\$ million |
|--|--------------------|--------------------|
| (e) Interest expense                                       |                    |                    |
| – Associated companies engaged in financial activities     | 12                 | 9                  |
| – Associated companies engaged in non-financial activities | #                  | 1                  |
| – Directors-related parties                                | 4                  | 3                  |
| (f) Rental income  |                    |                    |
| – Associated companies engaged in financial activities     | #                  | #                  |
| – Associated companies engaged in non-financial activities | #                  | #                  |
| – Directors-related parties                                | 4                  | 4                  |
| (g) Fee and commission income and other income             |                    |                    |
| – Associated companies engaged in financial activities     | 26                 | 31                 |
| – Associated companies engaged in non-financial activities | #                  | #                  |
| – Directors-related parties                                | 3                  | 2                  |

<sup>(1)</sup> Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies.

<sup>(2)</sup> # refers to amount less than \$500,000.

Related parties included in this note are:

(a) Associated companies in which the Group holds interest of between 20% and 50% in the entities and includes subsidiary companies of these entities.

(b) Directors-related parties:

- (i) Immediate family members of the Bank's directors, being individuals who may be influenced by or be influenced by the directors of the Bank in their dealings with the Group;
- (ii) Companies that are majority-owned by the Director or family members;
- (iii) Companies in which the Director or family members control the composition of the board of directors;
- (iv) Associated companies of the Director;
- (v) Any individual, company or firm guaranteed by the Director; and
- (vi) Companies, other than group-related companies, in which the Bank's directors serve as directors.

All transactions with related parties are conducted on an arm's length basis. Loans to and deposits from related parties are not treated any differently from loans to and deposits from other customers of the Bank and Group. Credit facilities granted 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.

### 49. SUBSEQUENT EVENT

Subsequent to the financial year end, on 9 February 2004, OCBC Securities (Hong Kong) Limited, held through the Bank's wholly-owned subsidiary company, Provident Securities Private Limited, ceased its securities business activities. This will not have any material impact on the Group's results.

### 50. AUTHORISATION OF FINANCIAL STATEMENTS

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 11 February 2004.