



2002

GROUP FINANCIAL RESULTS

For The Financial Year Ended
31 December 2002

25 February 2003

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Media Release

OCBC GROUP REPORTS 2002 RESULTS

Net profit fell 14% to S\$667 million due mainly to absence of one-off gains Underlying operating profit rose by 26% driven by higher revenue and lower costs

Singapore, 25 February 2003 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported an operating profit before provisions and goodwill amortisation of S\$1,372 million for the financial year ended 31 December 2002, representing a marginal increase of 1.9% compared to 2001. However, excluding a large one-off gain of S\$260 million from the disposal of Overseas Union Bank (OUB) shares recorded in 2001, the underlying operating profit growth in 2002 was a robust 26.2%. The improved performance was driven by revenue growth and realisation of cost savings in the first full year of the enlarged OCBC Group following the successful integration of Keppel Capital Holdings (“KCH”), which was acquired in August 2001. Operating profit before provisions and goodwill amortisation in the second half of 2002 was 2.2% higher than in first half 2002.

The Group’s net profit after tax declined by 14.3% in 2002 to S\$667 million, mainly due to higher goodwill amortisation, the S\$260 million gain from the sale of OUB shares in 2001, and a one-off gain of S\$65 million from associate PacificMas Berhad in 2001. The Group’s net profit in the second half of 2002 was S\$349 million, 10% higher than the first half’s S\$317 million, as operating profit improved and provisions fell compared to the first half.

The total provision charge for 2002 remained relatively high at S\$501 million although this represented a decrease of 3.3% from the charge of S\$518 million in 2001. The level of provisioning reflects the continuing soft economic conditions in Singapore and Malaysia, as well as the impact of weak property markets, particularly the industrial and commercial property in Singapore, on loan collateral values. Nevertheless, second half 2002 provisions of S\$205 million were 30.6% lower than the first half’s S\$295 million.

The Board of OCBC Bank has recommended a final dividend of 15 cents per share for shareholders, bringing the total dividend for 2002 to 20 cents, compared to a total dividend payment of 18 cents for 2001.

Revenue Growth Driven by Enlarged Operations and Robust Fee Income

Excluding the one-off gain in 2001, the Group achieved a 13.7% increase in total income to S\$2,222 million, underpinned by moderate growth in net interest income and robust fee-based revenue. Net interest income rose by 8.4% to S\$1,509 million in 2002 on the back of a higher interest earning asset base following the acquisition of KCH. Second half 2002 net interest income was 2.6% higher than in the first half.

Net interest margin declined by 15 basis points to 1.94% in 2002 largely due to lower returns on interbank placements arising from the low interest rate environment, as well as competitive pressure on the margins for Singapore and Malaysia loans. Net interest margin in second half 2002 was marginally higher than in the first half.

Fee and commission income rose by a robust 27.9% to S\$374 million, as the Group benefited from increased cross-selling opportunities to a broader consumer customer base. Most categories of fee and commission income recorded double-digit growth, with the strongest boost coming from loan-related fees, unit trust distribution, bancassurance, trade financing, stockbroking and service charges. Fee and commission income in the second half was 3.4% higher than in the first half. Fees and commissions as a proportion of total income (excluding the gain from OUB shares) rose from 15.0% in 2001 to 16.8% in 2002.

Improved Cost Efficiency

The Group achieved integration-related cost savings of approximately S\$74 million in 2002, surpassing the original expected savings of S\$55 million. Synergies were realised mainly from the rationalisation and optimisation of human resources, premises and equipment. Over and above the integration cost synergies, there were additional cost savings arising from tighter cost control and workflow rationalisation. As a result, total operating expenses decreased by 2% to S\$849 million, despite the enlarged operations in 2002 compared to 2001 which included only four and a half months of KCH's expenses. Expenses were also lower by 1.9% in the second half compared to the first half. The Group's cost-to-income ratio improved to 38.2% from 44.3% in 2001 (excluding the gain from the sale of OUB shares).

Provisions Reflect Weak Economies and Asset Markets

Total provision charge in 2002 was S\$501 million, comprising specific provisions of S\$365 million for loans, specific provisions of S\$80 million for investment securities, S\$84 million for the Group's properties, and a net general provision writeback of S\$28 million.

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

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

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

Weak Loan Demand, Stable Asset Quality

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

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

CEO's Comments

Commenting on the 2002 performance, David Conner, Chief Executive Officer of OCBC Bank, said:

"This is a healthy set of results for the Group, given the weak economic environment in 2002. We have managed to grow our underlying operating profit by 26% by both growing revenue and controlling costs. Provisions were also lower in the second half compared to the first half, although they remained high."

"One of our priorities last year was to manage our credit process better in order to reduce loan losses going forward. In this regard, the Group had implemented a number of measures during the second half to further strengthen its credit process. These measures included an extensive portfolio review process to apply more stringent loan classification criteria, as well as the establishment of a Special Asset Management unit to consolidate the management of NPLs relating to Business Banking customers. The Special Asset Management unit reports to Group Risk Management and functions independently of the business units, thereby freeing the business units to focus on originating new loans and selling other products. The overall objective of the measures we have taken is to ensure that potential problem loans are recognised in a more timely fashion, so that remedial actions can be undertaken earlier to minimise future loan losses."

"2003 will no doubt be another challenging year for Singapore banks. Notwithstanding this, OCBC will continue to focus on growing its revenue, improving its operating performance and enhancing returns to shareholders."

FINANCIAL REVIEW

Highlights

- ◆ Group operating profit before provisions and goodwill amortisation rose 1.9% to S\$1,372 million in 2002. Excluding a one-off gain of \$260 million from the disposal of OUB shares in the second half of 2001, operating profit would show an increase of 26.2%.
- ◆ Total income increased by 13.7% (excluding the OUB gain in 2001), driven by higher net interest income and robust growth in fee income from the Group's enlarged operations following the integration of KCH. Cost-to-income ratio improved significantly from 44.3% to 38.2% as operating expenses fell 2%.
- ◆ Profit attributable to members however decreased by 14.3% to S\$667 million, mainly due to higher goodwill amortisation and the inclusion of one-off gains in 2001.
- ◆ EPS was 52 cents (2001: 60 cents) and ROE was 7.4% compared to 9.3% in 2001. Cash ROE before goodwill amortisation was 8.8% (2001: 9.9%).
- ◆ Loans to non-bank customers fell by 5.8% year-on-year to S\$49.8 billion as at 31 December 2002, as loan demand remained sluggish in the Singapore economy.
- ◆ Non-performing loans (NPLs) contracted by 16.0% from December 2001 to S\$4.36 billion as at 31 December 2002. The ratio of NPLs to non-bank loans fell correspondingly from 9.7% to 8.1%. Provision coverage of NPLs was 62.3% (December 2001: 64.7%).
- ◆ Total capital adequacy ratio based on BIS guidelines stood at 20.9% (December 2001: 19.7%), with Tier 1 capital ratio of 11.5% (December 2001: 10.3%).
- ◆ Net asset value per share grew from S\$6.86 to S\$7.15. Including the unrealised valuation surplus of S\$2.54 per share (December 2001: S\$2.79), net asset value per share was S\$9.69 (December 2001: S\$9.65).
- ◆ A final dividend of 15 cents per share has been proposed (2001: 13 cents), bringing the total dividend for 2002 to 20 cents (2001: 18 cents) and the dividend payout ratio to 30.2% (2001: 23.1%).

Financial Summary

	1st Half	2nd Half	Full Year	Full Year	+ / (-)
	2002	2002	2002	2001	
	S\$m	S\$m	S\$m	S\$m	%
Selected profit and loss data :					
Net interest income	745	764	1,509	1,392	8.4
Fees and commissions	184	190	374	292	27.9
Dividends	26	7	34	36	(7.0)
Rental income	43	34	77	81	(5.2)
Other income	110	118	228	412	(44.7)
Total income	1,108	1,114	2,222	2,214	0.4
Less : Operating expenses	429	420	849	867	(2.0)
Operating profit	679	694	1,372	1,347	1.9
Less : Goodwill amortisation ^{1/}	65	62	127	51	146.7
Less : Total provisions	295	205	501	518	(3.3)
Add : Share of associated companies' results	103	57	161	198	(19.0)
Profit before tax	422	483	906	977	(7.3)
Less : Tax ^{1/}	104	133	237	195	21.3
Less : Minority interests	1	1	2	3	(34.8)
Net profit attributable to stockholders	317	349	667	778	(14.3)
Cash basis net profit attributable to stockholders ^{2/}	382	412	794	829	(4.3)

Selected balance sheet data :

Total assets	84,051	85,417	(1.6)
Loans to customers (net of provisions)	47,269	49,609	(4.7)
Deposits of non-bank customers	53,948	54,675	(1.3)
Total shareholders' equity	9,224	8,832	4.4

Key Indicators :

Return on equity (%)	7.4	9.3	
Return on equity (%) - Cash basis ^{2/}	8.8	9.9	
Return on assets (%)	0.80	1.11	
Return on assets (%) - Cash basis ^{2/}	0.95	1.19	
Basic Earnings per share (S\$)	0.52	0.60	(14.5)
Cash Earnings per share (S\$) ^{2/}	0.62	0.65	(4.6)
Gross dividends per share (S\$)			
- Interim dividend	0.05	0.05	
- Proposed final dividend	0.15	0.13	
Total	0.20	0.18	
Net asset value per share (S\$)			
- Before valuation surplus	7.15	6.86	4.1
- After valuation surplus	9.69	9.65	0.3

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

^{2/}Excluding goodwill amortisation charge

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

Net Interest Income

Net interest income increased by 8.4% to S\$1,509 million in 2002 mainly as a result of the higher interest earning asset base subsequent to the acquisition of KCH. Net interest margin however declined by 15 basis points to 1.94% largely due to lower returns on interbank placements arising from the low interest rate environment, as well as competitive pressure on margins for Singapore and Malaysia loans.

Average Balance Sheet ^{1/}

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

^{1/} Average balances are based on monthly averages

^{2/} Comprise debt securities, government securities and treasury bills

^{3/} Comprise debt securities issued, including the S\$3.88 billion Upper Tier 2 subordinated debt issued in July 2001, and bills payable

^{4/} 2001 figures have been restated to reflect the matching of swap interest expense against the interest income of the underlying hedged assets. The effect of this reclassification is a reduction in the average gross yield on interest earning assets from 5.36%

to 4.56% and the average cost of interest bearing liabilities from 3.67% to 2.77%

Net Interest Income

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

Volume and Rate Analysis

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

Non-Interest Income

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

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

Operating Expenses

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

^{1/} These include remuneration and fees paid to directors of the Bank and its subsidiaries

^{2/} Excluding the \$260million gain from sale of OUB Shares, cost-to-income ratio would be 44.3%

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

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

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

Provision Charge

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

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

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

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

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

Loans and Advances

	31 Dec 2002	31 Dec 2001	+ / (-)	30 June 2002
	S\$m	S\$m	%	S\$m
Loans to customers	49,485	52,543	(5.8)	50,400
Bills receivable	297	306	(2.8)	316
Gross loans to customers	49,782	52,849	(5.8)	50,716
Less Provisions:				
Specific provisions	(1,306)	(1,993)	(34.5)	(2,013)
General provisions	(1,206)	(1,246)	(3.2)	(1,210)
Net loans to customers	47,269	49,609	(4.7)	47,494

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

	31 Dec 2002		31 Dec 2001		30 June 2002	
	S\$m	%	S\$m	%	S\$m	%
By Maturity						
Less than 7 days	9,190	18	11,615	22	9,874	19
1 week to 1 month	3,630	7	4,039	8	3,796	7
Over 1 month to 3 months	3,077	6	3,835	7	3,409	7
Over 3 months to 12 months	5,026	10	4,395	8	4,704	9
Over 1 year to 3 years	8,206	16	5,520	10	5,540	11
Over 3 years	20,652	43	23,445	45	23,394	47
	49,782	100	52,849	100	50,716	100

By Industry

Agriculture, mining & quarrying	437	1	503	1	415	1
Transport, storage and communication	1,753	4	2,786	5	1,868	4
Building and construction	7,453	15	9,099	17	8,610	17
Manufacturing	3,455	7	3,697	7	3,601	7
Financial institutions, investment and holding companies	9,047	18	9,798	18	9,047	17
General commerce	3,208	6	3,576	7	3,261	6
Professionals and individuals	7,510	15	7,544	14	7,423	15
Housing loans	12,313	25	11,174	21	11,785	23
Others	4,605	9	4,672	10	4,706	10
	49,782	100	52,849	100	50,716	100

Non-Performing Loans

By grading, security coverage and countries

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

^{1/} Comprise non-bank loans, debt securities and contingent facilities

^{2/} Excluding debt securities

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

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

Non-Performing Loans *continued*

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

	31 Dec 2002		31 Dec 2001		30 June 2002	
	Amount S\$m	As % of Gross Customer Loans	Amount S\$m	As % of Gross Customer Loans	Amount S\$m	As % of Gross Customer Loans
<u>By industry</u>						
Agriculture, mining & quarrying	39	8.9	38	7.6	42	10.2
Transport, storage and communication	72	4.1	139	5.0	127	6.8
Building and construction	756	10.1	996	10.9	756	8.8
Manufacturing	680	19.7	679	18.4	614	17.1
Financial institutions, investment and holding companies	768	8.5	1,139	11.6	1,191	13.2
General commerce	539	16.8	666	18.6	660	20.2
Professionals and individuals	582	7.7	618	8.2	682	9.2
Housing loans	227	1.8	336	3.0	301	2.6
Others	379	8.2	508	10.9	500	10.6
Sub-total	4,042	8.1	5,119	9.7	4,875	9.6
Debt securities	314		64		105	
Total	4,356	8.8	5,183	9.8	4,979	9.8
	Amount S\$m	As % of Total NPLs	Amount S\$m	As % of Total NPLs	Amount S\$m	As % of Total NPLs
<u>By period overdue</u>						
Over 180 days	2,339	54	3,168	61	3,162	64
Over 90 days to 180 days	567	13	582	11	434	9
30 days to 90 days	267	6	331	6	311	6
Less than 30 days	208	5	229	4	268	5
No overdue	975	22	873	17	804	16
	4,356	100	5,183	100	4,979	100

Cumulative Provisions

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

^{1/} Include provisions for debt securities

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

Exposure to the Five Regional Countries, Hong Kong and China

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

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

Deposits

	31 Dec 2002	31 Dec 2001	+ / (-)	30 June 2002
	S\$m	S\$m	%	S\$m
Deposits of non-bank customers	53,948	54,675	(1.3)	54,898
Deposits and balances of banks	12,621	14,051	(10.2)	11,559
	66,569	68,726	(3.1)	66,457
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	87.6%	90.7%		86.5%

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

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

	31 Dec 2002		31 Dec 2001		+ / (-)	30 June 2002	
	S\$m	%	S\$m	%	%	S\$m	%
Total Deposits By Maturity							
Less than 7 days	25,715	38	27,718	40	(7.2)	26,193	39
1 week to 1 month	18,327	28	17,705	26	3.5	17,399	26
Over 1 month to 3 months	11,779	18	9,859	14	19.5	9,754	15
Over 3 months to 12 months	9,598	14	11,881	17	(19.2)	11,832	18
Over 1 year to 3 years	714	1	847	1	(15.7)	684	1
Over 3 years	436	1	715	1	(39.1)	596	1
	66,569	100	68,726	100	(3.1)	66,457	100

Non-Bank Deposits By Product

Fixed deposits	36,176	67	37,441	68	(3.4)	37,156	68
Savings deposits	10,802	20	10,837	20	(0.3)	11,160	20
Current account	5,294	10	5,057	9	4.7	5,196	9
Others	1,676	3	1,340	2	25.1	1,386	3
	53,948	100	54,675	100	(1.3)	54,898	100

Dividends

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

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

Capital Adequacy Ratios

	31 Dec 2002	31 Dec 2001	30 June 2002
	S\$m	S\$m	S\$m
Tier 1 Capital			
Paid-up ordinary shares	1,290	1,287	1,290
Disclosed reserves/others ^{1/}	7,802	7,432	7,635
Less: Goodwill ^{1/}	2,199	2,325	2,260
	6,894	6,394	6,666
Tier 2 Capital			
Asset revaluation reserves ^{2/}	1,121	1,374	1,326
Cumulative general provisions	597	600	599
Hybrid (debt / equity) capital instruments ^{3/}	3,879	3,875	3,877
	5,597	5,849	5,801
Less : Capital deductions for private equity and venture capital investments	5	14	10
Total Capital	12,486	12,229	12,457
Risk weighted assets including market risk	59,884	61,986	60,352
Tier 1 ratio	11.5%	10.3%	11.0%
Total capital adequacy ratio	20.9%	19.7%	20.6%

^{1/} The figures as at 31 December 2001 and 30 June 2002 have been restated following the adoption of SAS 12

^{2/} After discount of 55% based on BIS guidelines

^{3/} Subsequent to 30 June 2002, the S\$3.88 billion subordinated term notes were re-classified as a hybrid debt capital instrument which under the BIS guidelines, qualifies fully as Tier 2 capital

^{4/} As a result of 1/ and 3/, the total capital adequacy ratios as at 31 December 2001 and 30 June 2002 were restated from 18.8% to 19.7% and 19.9% to 20.6% respectively

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

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

Valuation Surplus

	31 Dec 2002			31 Dec 2001			30 June 2002		
	Net book value	Market value	Surplus	Net book value	Market value	Surplus	Net book value	Market value	Surplus
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m
Properties	1,360	2,901	1,542	1,469	3,129	1,660	1,421	2,996	1,575
Equity securities	1,431	2,911	1,480	1,620	3,522	1,902	1,501	3,258	1,756
Debt securities*	12,050	12,301	252	11,844	11,872	28	12,118	12,281	163
Total investments	14,840	18,114	3,273	14,933	18,523	3,590	15,040	18,534	3,494

* Includes government treasury bills and securities

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

Performance by Business Segment

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

For the purpose of reporting business segment results, the Group's global structure is presented under four main segments representing the key customer and product groups: Consumer Banking, Business Banking, Global Treasury and Others. The 2001 comparatives have been adjusted to reflect the new classification.

Net Profit by Business Segment

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

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

Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, checking accounts, consumer loans such as housing loans and other personal loans, stock brokerage, unit trusts, bancassurance products and credit cards. The segment's net profit rose by 171.7% from 2001 to S\$326 million in 2002 as net interest income and fee income were boosted by the enlarged customer base.

Performance by Business Segment *continued*

Business Banking

Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management, capital markets, corporate finance, trustee and custodian services. Business Banking's net profit increased 34.8% to S\$283 million in 2002, due to higher operating income, as well as lower provisions.

Global Treasury

Global Treasury engages and assists customers in foreign exchange activities, financial futures trading and money market operations, as well as customer-driven derivatives business. It has responsibility over the Group's treasury businesses in Singapore, Malaysia, Hong Kong, London and Sydney. The division's net profit of S\$198 million was 61% higher than 2001 due to the enlarged operations of the merged Group.

Others

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

Performance by Business Segment *continued*

2002

S\$ million	Consumer Banking	Business Banking	Global Treasury	Others	Group
Segment income before operating expenses	872	950	273	187	2,282
Elimination					(60)
Income before operating expenses					2,222
Profit before tax and goodwill amortisation	425	380	235	(168)	872
Goodwill amortisation	-	-	-	(127)	(127)
Tax	(99)	(97)	(37)	33	(200)
Profit after tax	326	283	198	(262)	545
Share of associates' profits (net of tax)					124
Minority interests					(2)
Profit attributable to stockholders					667
Segment assets	22,793	35,457	19,870	7,239	85,359
Associated companies' assets					896
Elimination					(2,204)
Total assets					84,051
Segment liabilities	30,892	27,258	11,240	7,167	76,557
Elimination					(2,204)
Unallocated liabilities					455
Total liabilities					74,808
Other information					
Loans	21,240	28,413	1	128	49,782
NPLs and debt securities:					
- Substandard	623	2,330	-	-	2,953
- Doubtful	153	783	-	-	936
- Loss	100	367	-	-	467
	876	3,480	-	-	4,356
Cumulative Specific Provisions for NPLs	(260)	(1,187)	-	-	(1,447)
	616	2,293	-	-	2,909
Capital expenditure	15	3	2	67	87
Depreciation of property, plant and equipment	14	4	1	54	73
Amortisation of software	4	1	-	6	11

Performance by Business Segment *continued*

2001

S\$ million	Consumer Banking	Business Banking	Global Treasury	Others	Group
Segment income before operating expenses	681	896	205	490	2,272
Elimination					(58)
Income before operating expenses					2,214
Profit before tax and goodwill amortisation	169	261	143	256	829
Goodwill amortisation	-	-	-	(51)	(51)
Tax	(49)	(51)	(20)	(36)	(156)
Profit after tax	120	210	123	169	622
Share of associates' profits (net of tax)					159
Minority interests					(3)
Profit attributable to stockholders					778
Segment assets	20,694	38,988	22,778	8,575	91,035
Associated companies' assets					844
Elimination					(6,462)
Total assets					85,417
Segment liabilities	31,880	26,474	16,747	7,438	82,539
Elimination					(6,462)
Unallocated liabilities					480
Total liabilities					76,557
Other information					
Loans	19,907	32,796	2	144	52,849
NPLs and debt securities:					
- Substandard	690	2,764	-	-	3,454
- Doubtful	196	865	-	-	1,061
- Loss	112	556	-	-	668
	998	4,185	-	-	5,183
Cumulative Specific Provisions for NPLs	(406)	(1,574)	-	-	(1,980)
	592	2,611	-	-	3,203
Capital expenditure	33	9	2	96	140
Depreciation of property, plant and equipment	17	5	2	47	71
Amortisation of software	5	1	-	4	10

Performance by Geographical Segment

	2002		2001	
	S\$m	%	S\$m	%
Income before operating expenses				
Singapore	1,710	77	1,675	76
Malaysia	332	15	305	14
Other ASEAN	21	1	18	1
Asia Pacific	126	6	187	8
Rest of the world	33	1	29	1
	2,222	100	2,214	100
Profit before tax				
Singapore	692	76	717	73
Malaysia	103	11	179	18
Other ASEAN	2	0	(55)	(5)
Asia Pacific	86	10	118	12
Rest of the world	22	3	18	2
	906	100	977	100
	31 Dec 2002		31 Dec 2001	
	S\$m	%	S\$m	%
Total assets				
Singapore	66,553	79	67,307	79
Malaysia	10,016	12	10,391	12
Other ASEAN	353	0	368	0
Asia Pacific	4,511	5	4,765	6
Rest of the world	2,619	4	2,586	3
	84,051	100	85,417	100

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

Group Income Statement

For the financial year ended 31 December 2002

Appendix I

	1st Half 2002	2nd Half 2002	Full year 2002	Full year 2001	(+/-)
	S\$'000	S\$'000	S\$'000	S\$'000	%
Interest income	1,390,187	1,355,859	2,746,046	3,040,364	(9.7)
Less: Interest expense	645,194	591,365	1,236,559	1,648,463	(25.0)
Net interest income	744,993	764,494	1,509,487	1,391,901	8.4
Fees and commissions	183,845	190,177	374,022	292,347	27.9
Dividends	26,404	7,280	33,684	36,229	(7.0)
Rental income	42,597	34,008	76,605	80,839	(5.2)
Other income	109,721	118,112	227,833	412,319	(44.7)
Income before operating expenses	1,107,560	1,114,071	2,221,631	2,213,635	0.4
Less: Staff costs	240,047	224,718	464,765	475,925	(2.3)
Other operating expenses	188,739	195,754	384,493	390,641	(1.6)
	428,786	420,472	849,258	866,566	(2.0)
Operating profit before provisions and goodwill amortisation	678,774	693,599	1,372,373	1,347,069	1.9
Less: Goodwill amortisation ^{1/}	64,600	62,395	126,995	51,486	146.7
Less: Provisions for possible loan losses and diminution in value of other assets	295,441	205,167	500,608	517,530	(3.3)
Operating profit after provisions and goodwill amortisation	318,733	426,037	744,770	778,053	(4.3)
Share of profits less losses of associated companies	103,404	57,418	160,822	198,472	(19.0)
Profit before tax	422,137	483,455	905,592	976,525	(7.3)
Less: Tax ^{1/}	74,459	125,267	199,726	155,909	28.1
Share of tax of associated companies	29,059	7,969	37,028	39,351	(5.9)
	103,518	133,236	236,754	195,260	21.3
Profit after tax	318,619	350,219	668,838	781,265	(14.4)
Less: Minority interests	1,352	778	2,130	3,265	(34.8)
Profit attributable to stockholders of the Bank	317,267	349,441	666,708	778,000	(14.3)

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

Group Balance Sheet

As at 31 December 2002

Appendix II

	31 Dec 2002	30 Jun 2002	31 Dec 2001
	S\$'000	S\$'000	S\$'000
SHAREHOLDERS' EQUITY			
Share Capital			
Authorised	2,000,000	2,000,000	2,000,000
Issued and fully paid	1,290,299	1,290,060	1,286,606
Reserves			
Capital reserves	1,505,515	1,675,946	1,911,490
Statutory reserves	1,936,244	1,889,466	1,889,924
Revenue reserves	4,492,164	4,108,274	3,744,204
Total shareholders' equity	9,224,222	8,963,746	8,832,224
MINORITY INTERESTS	18,928	28,001	28,082
LIABILITIES			
Deposits of non-bank customers	53,947,536	54,898,111	54,675,125
Deposits and balances of banks	12,621,149	11,559,378	14,050,998
Deposits of associated companies	1,454,366	992,736	1,011,814
Bills payable	177,164	159,297	123,068
Current tax	321,765	276,719	315,404
Deferred tax	133,498	139,170	164,453
Other liabilities	2,140,546	2,632,918	2,111,597
Debt securities	4,012,214	4,097,972	4,104,212
Total liabilities and shareholders' equity	84,051,388	83,748,048	85,416,977
ASSETS			
Cash and placements with central banks	2,858,403	2,834,434	2,014,096
Singapore Government treasury bills and securities	5,966,732	6,399,115	6,308,646
Other government treasury bills and securities	984,145	835,681	1,001,792
Dealing securities	173,076	207,749	399,958
Placements with and loans to banks	14,458,968	13,315,891	14,427,268
Loans to customers (including bills receivable)	47,269,015	47,493,635	49,609,375
Investment securities	5,310,085	5,101,861	4,714,498
Deferred Tax	70,416	65,804	65,804
Other assets	2,142,778	2,522,629	1,819,966
	79,233,618	78,776,799	80,361,403
Associated companies	1,047,441	1,085,632	1,049,789
Property, plant and equipment	1,571,646	1,625,694	1,681,262
Goodwill	2,198,683	2,259,923	2,324,523
Total assets	84,051,388	83,748,048	85,416,977
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	5,848,394	6,391,458	6,368,741
Commitments	28,288,944	29,297,661	25,751,617
Financial derivatives	178,008,937	150,856,267	73,814,953
	212,146,275	186,545,386	105,935,311

Statement of Changes in Shareholders' Equity – Group

For the financial year ended 31 December 2002

Appendix III

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2002

Appendix IV

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