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Front cover image: OCBC Bank's *WealthMap* is a proprietary financial planning and advisory tool that our Personal Financial Consultants (PFCs) use to help customers discover, prioritise and plan their financial goals. At the same time, *WealthMap* enables our PFCs to thoroughly analyse our customers' financial needs before recommending the most appropriate financial solutions for them. This one-stop tool, which harnesses the power of sophisticated technology, is also fully integrated with customer accounts and features straight-through processing capabilities for more efficient response delivery.

The use of smart technology in a secured, in-branch environment is just one of the many reasons why we continue to be Singapore's leading financial institution in wealth management, and a trusted financial partner.

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Purpose

We help individuals and businesses across communities achieve their aspirations by providing innovative financial services that meet their needs.

Values

Customers

- ▶ We listen to our customers and understand their needs
- ▶ We build enduring relationships with them by delivering superior products and quality service

People

- ▶ We treat each other fairly and with respect
- ▶ We support our colleagues and invest in their development to help them realise their full potential
- ▶ We recognise and reward outstanding performance

Teamwork

- ▶ We, as team members, actively support each other across the organisation as we work towards our common purpose
- ▶ As individuals, we expect total responsibility from ourselves

Integrity

- ▶ Fair dealing is the basis of our business
- ▶ We assume everything we do is in full public view

Prudent risk taking

- ▶ We are prudent risk takers because our customers rely on us for safety and soundness

Effectiveness

- ▶ We actively invest in infrastructure, process improvement and skills to lower our delivery costs
- ▶ We do the right things right the first time, on time, every time

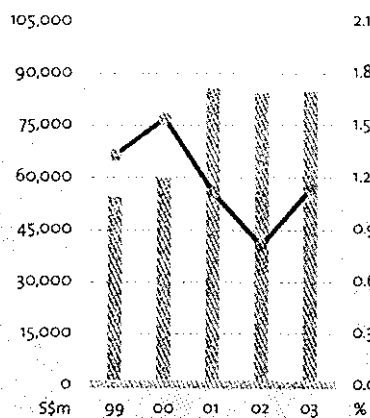
Financial Highlights

Group Five-Year Financial Summary Financial year ended 31 December

	2003	2002	2001	2000	1999
Income statement (\$ million)					
Income before operating expenses	2,193.0	2,221.6	2,213.6	1,726.9	1,787.2
Operating expenses	854.6	849.3	866.6	655.6	516.6
Operating profit	1,338.4	1,372.4	1,347.1	1,071.3	1,270.6
Amortisation of goodwill	126.6	127.0	51.5	—	—
Provisions for assets	225.0	500.6	517.5	139.2	515.7
Profit before tax	1,221.7	905.6	976.5	1,152.9	936.7
Profit attributable to stockholders	954.1	666.7	778.0	840.0	721.8
Cash basis profit attributable to stockholders ⁽¹⁾	1,080.7	793.7	829.5	840.0	721.8
Balance sheet (\$ million)					
Non-bank customer loans (net of provisions)	50,155.1	47,367.2	49,609.4	32,936.0	29,817.0
Non-bank customer deposits	53,459.7	53,947.5	54,675.1	37,942.4	36,762.4
Total assets	84,497.4	84,051.4	85,417.0	59,709.6	54,342.0
Total liabilities	74,438.5	74,827.2	76,584.8	51,554.4	46,724.0
Ordinary shareholders' equity	9,165.5	9,224.2	8,832.2	8,155.2	7,618.0
Total shareholders' equity	10,058.9	9,224.2	8,832.2	8,155.2	7,618.0
Per ordinary share (\$)					
Basic earnings	0.72	0.52	0.60	0.65	0.56
Cash earnings ⁽¹⁾	0.82	0.62	0.65	0.65	0.56
Gross dividend	0.87	0.20	0.18	0.40	0.34
Net asset value	7.16	7.15	6.86	6.34	5.93
Ratios (%)					
Return on average equity	9.79	7.35	9.28	10.66	9.68
Return on average assets	1.13	0.80	1.11	1.53	1.32
Dividend cover (number of times) ⁽²⁾	1.09	3.31	4.34	2.18	2.27
Cost-to-income ratio ⁽¹⁾	38.97	38.23	39.15	37.97	28.91
Capital adequacy ratio ("CAR")					
Tier 1	12.58	11.51	10.31	20.30	20.80
Total	21.77	20.85	19.73	24.10	25.00

⁽¹⁾ Exclude amortisation of goodwill.

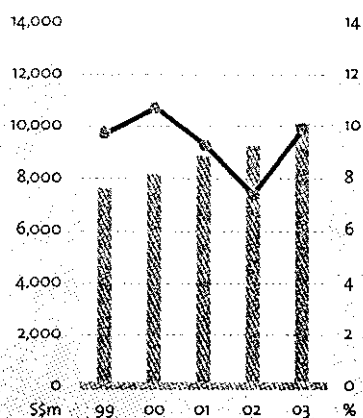
⁽²⁾ Dividend cover is the ratio of net profit after tax to dividends net of tax.



■ Total assets
■ Return on average assets

Total assets
2003: S\$84,497.4 million (+0.5%)
2002: S\$84,051.4 million

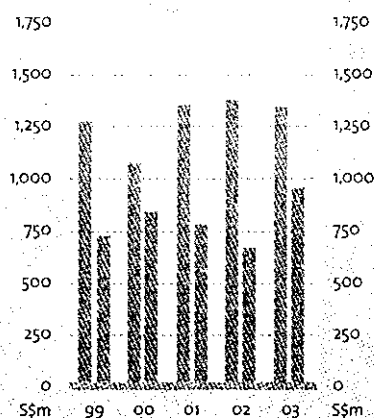
Return on average assets
2003: 1.13%
2002: 0.80%



■ Total shareholders' equity
■ Return on average equity

Total shareholders' equity
2003: S\$10,058.9 million (+9.1%)
2002: S\$9,224.2 million

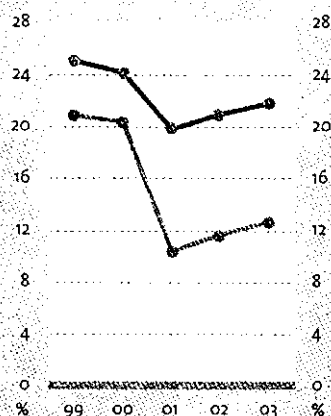
Return on average equity
2003: 9.79%
2002: 7.35%



■ Operating profit
■ Profit attributable to stockholders

Operating profit
2003: S\$1,338.4 million (-2.5%)
2002: S\$1,372.4 million

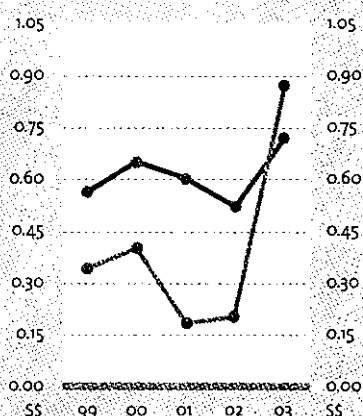
Profit attributable to stockholders
2003: S\$954.1 million (+43.1%)
2002: S\$666.7 million



■ Tier 1 CAR
■ Total CAR

Tier 1 CAR
2003: 12.58%
2002: 11.51%

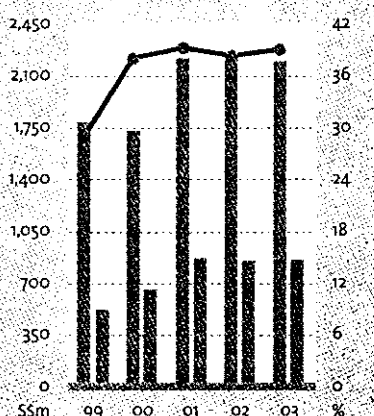
Total CAR
2003: 21.77%
2002: 20.85%



■ Gross dividend per share
■ Basic earnings per share

Gross dividend per share
2003: S\$0.87
2002: S\$0.20

Basic earnings per share
2003: S\$0.72
2002: S\$0.52



■ Income before operating expenses
■ Operating expenses
■ Cost-to-income ratio

Income before operating expenses
2003: S\$2,193.0 million (-1.3%)
2002: S\$2,221.6 million

Operating expenses
2003: S\$854.6 million (+0.6%)
2002: S\$849.3 million

Cost-to-income ratio
2003: 38.97%
2002: 38.23%

2003 turned out to be another difficult year for businesses in Singapore and the region. The first six months was a particularly trying period as the combined effects of economic uncertainties, the war in Iraq, terrorism fears and the SARS outbreak adversely affected business and consumer confidence.

Despite the recovery in the second half, the Singapore economy grew by only 0.8% in 2003, marking a second straight year of sluggish growth. Malaysia, OCBC's second largest market, performed better, with estimated GDP growth of 4.5%.

Financial Results Against this backdrop, OCBC posted an encouraging set of results. Group net profit in 2003 reached a record S\$954 million, an increase of 43% compared to S\$667 million in 2002. The earnings growth was driven by lower provisions for loan losses, gains from the divestment of non-core assets, and higher contributions from associates.

Our top-line revenues, however, were sluggish given the weak business environment. Group operating profit before provisions and goodwill amortisation fell by 2% in 2003 to S\$1,338 million. Net interest income declined by 5% as a result of lower interest margins in a competitive and low interest rate environment. The lower interest margins were partially offset by loan growth of 5.4%, achieved mainly through the strong expansion of housing and car loans. Fee and commission income was flat for the year, affected by the poor investment sentiments in the first half. Most importantly, we were disciplined in managing our expenses, and our cost base was little changed from 2002.

We have made substantial progress in strengthening the Group's credit processes since the second half of 2002. As a result, provisions declined from S\$501 million in 2002 to S\$225 million in 2003. Our non-performing loans ("NPLs") as a percentage of total loans improved from 8.1% to 6.9%. Our cumulative provision coverage also improved from 62.4% to 67.0% of NPLs.

Divestments of non-core assets during the year contributed a total net gain of S\$126 million. This comprised: S\$72 million from the disposal of shares in Fraser and Neave Limited ("F&N"); S\$36 million from the sale of the development site at Mount Emily Road; S\$14 million from sale of an associate's stake in Raffles Hotel; and S\$4 million from disposal of shares in WBL Corporation Limited.

Our capital base remains strong, with the Group's total capital adequacy ratio at 21.8% and our Tier-1 ratio at 12.6% as at the end of 2003. Our credit ratings remain strong as well, with Moody's rating at Aa3, S&P at A and Fitch at A+, all unchanged from the prior year.

Dividends The Board has recommended a final dividend of 12 cents per share for ordinary shareholders for the second half, bringing the total distribution for 2003 to 23 cents per share (excluding the special gross dividend of 63.8 cents paid in July 2003). This is a 15% increase compared to the 20 cents paid for 2002.

In 2003 we adopted a policy of targeting a minimum payout of 25% of our core earnings. Consistent with this policy, the estimated net dividends of S\$231 million for 2003 represent 28% of our core earnings (excluding the gains from disposal of non-core assets).

New Horizons Update We announced the New Horizons strategy in February 2003. This is a three-year plan to build OCBC into a high performance bank, with increasing market share in Singapore and Malaysia, which will then enable us to expand overseas by transferring successful customer-product solutions to other markets in Asia. We have made significant progress in the first year of New Horizons, which we briefly summarise here.

Customers: In 2003, our consumer and small and medium-sized enterprise ("SME") customers increased by 12% and 7% respectively. We conducted market research and customer satisfaction surveys to help us identify priority segments in the consumer market, and to tailor our marketing campaigns more effectively. We also introduced additional measures to benchmark customer service quality. In Malaysia, the focus throughout the year was on building up the infrastructure to acquire customers. We increased our Malaysia consumer banking sales force by 45%.

Our SME business model in Singapore and Malaysia was revamped so that we can grow the business more effectively while managing risks prudently. During the year, we introduced 11 new SME lending programmes that target specific SME segments or products, and achieved good results.

Product Strengths: We launched more than 50 new products during the year, including structured deposits, unit trusts, different bancassurance offerings, innovative loans and enhanced transactional banking products. We were the first bank in Asia to offer a cashflow lending product to SMEs, and the first bank in Singapore to introduce an SGS-linked structured deposit product. New products contributed about 6% of total revenues in the respective segments, short of our 2005 target of 15% but a significant improvement on 2002.

Retail sales of wealth management products in Singapore and Malaysia rose to a record S\$5.2 billion in 2003, from S\$3.9 billion in 2002. Our sales volume for treasury and structured products doubled from S\$1.5 billion to S\$3.0 billion. Total bancassurance sales premiums amounted to S\$1.0 billion and OCBC remains the bancassurance market leader in Singapore. We achieved total unit trust sales of S\$1.2 billion, growing more than four-fold over 2002 in Malaysia, and placing OCBC among the top distributors in Singapore.

OCBC's online cash management platform, *Velocity@ocbc*, was rated best-in-class in Singapore by *Global Finance* magazine for the third consecutive year. The number of corporate customers using *Velocity@ocbc* increased by 39%, while transaction volumes more than doubled.

OCBC gained market leadership in the new HDB home loan market with a 56% share based on caveats lodged, and in the private home loan market, with 21% share of new loans in Singapore.

Risk Management: We continued to grow our loan book prudently. In 2003, our domestic loans market share in Singapore increased from 19.9% to 20.7%, while our Malaysia loans market share increased from 4.7% to 4.9%. We also continued to maintain a highly liquid liability base, backed by diversified sources of funds, including a strong and stable customer deposit base and a healthy level of regulatory liquid assets.

Our NPLs and provisions were reduced by 12% and 55% respectively compared to 2002. We also established a new credit risk review team which emphasises credit process during their portfolio reviews. This team, which is part of our internal audit function, conducted 21 credit risk reviews Bank-wide in 2003. More than 500 bank officers involved in business banking

credit have undergone credit process training during the year. We have also begun work on unit-by-unit self assessments as we work towards achieving our target of 100% "pass" audits with tighter controls.

Productivity: We are in the process of transforming our branches in Malaysia to centralise processing activities to the extent possible. This project is expected to be completed in the fourth quarter of 2004. Another major project is underway to centralise our operations in two locations – in Singapore and in Malaysia, with each backing the other as disaster recovery centre.

A quality awareness training programme was rolled out bank-wide in 2003. During the year, we embarked on five cross-functional process improvement projects, including projects covering letter of credit ("LC") issuance, mortgage loan processing, and new product approval processes. The results are encouraging. With the new LC issuance process, we are now close to achieving 6-sigma for same day turnaround for LC applications, despite an extended 6 p.m. cut-off time, making OCBC the most efficient LC issuing bank in Singapore. The re-engineering of our mortgage loan processes has resulted in our sales executives being better equipped and more efficient in responding to customers' needs. Our new product approval time is expected to be reduced by more than 50%, paving the way for faster product innovation. Altogether, we estimate that these process improvement projects will lead to S\$30 million in revenue increases and/or cost savings every year.

Employee Commitment: To develop and reward talent, we have enhanced our career development programmes and further differentiated our incentive compensation programmes. Training for staff has been stepped up, including performance coaching and career best workshops. Our average training days per staff was 5.3, exceeding our initial target of 5 days. We introduced a Deferred Share Plan for senior managers, which helped increase the percentage of our employees who own OCBC shares to 10%, from 6% previously, a good start on our 30% target. We also began a process to fill job vacancies through increasing internal transfers, achieving a significant improvement over 2002.

Overseas Expansion: Strengthening our Malaysia business is an integral part of the New Horizons strategy as it will prepare the Group for further overseas expansion. In 2003, we implemented various measures to accelerate cross-border business development and the sharing of experiences. This began by an alignment of the organisation structure Group-wide. We also began executing our plans to increase market share in Malaysia, which focussed on enhancing our capabilities in sales and distribution, product development, processing and overall operational efficiency.

For the year, OCBC Malaysia's net profit rose 6.6% to RM205 million (S\$94 million), driven by higher fee and commission income and lower provisions. Housing loans and wealth management did well, with housing loans surging by 24% to RM4.7 billion, and unit trust sales rising four-fold. We obtained central bank approval to distribute life insurance products and launched three of such products during the year, achieving strong sales. We have an existing strategic tie-up with Great Eastern Life Assurance (Malaysia) Berhad to distribute their mortgage reducing term assurance and single premium endowment products. We also placed greater emphasis on our Islamic Banking products and services in line with the growing importance of Malaysia as a regional Islamic financial centre.

Enhancing Shareholder Value: Our New Horizons target is to achieve 12% ROE by 2005, and deliver annual earnings per share growth of 10% or more. For 2003, we achieved 10.0% return on ordinary shareholders' funds. Excluding the non-core gains, our ROE was 8.7%, up from 7.4% in 2002. Our core EPS growth was 20%, indicating good progress towards our longer term goal.

Much was accomplished on the capital management front. As part of our efforts to restructure our Tier 1 capital and utilise lower-cost capital, we raised a total of S\$895 million of Tier 1 preference shares during the year. We paid a special cash dividend of S\$0.4975 per share (S\$0.6378 gross) in July 2003, and at the same time gave shareholders the option to elect to receive preference shares in lieu of cash. We also cancelled 0.94% of our shares in conjunction with our F&N share divestment.

During the year we reduced our stakes in F&N and WBL Corporation to below 10% to comply with regulatory guidelines. We also sold a development property site at Mount Emily Road through a public tender. Our associate, Raffles Investments, sold its remaining stake in Raffles Hotel.

Following the recent decision by Robinsons not to sell its retail business, we will review our options with regard to our stake in Robinsons, taking into account the regulatory guidelines on divestments of non-core assets, and our shareholders' interests.

Challenges Ahead 2004 is expected to be a better year as many leading indicators, including the stock market indices, continue to pick up. The Government projects Singapore's GDP growth this year to improve to 3 – 5%, while Malaysia's GDP is expected to grow by 5.5 – 6%. Globally, there are signs of a synchronised global economic recovery led by the US, Japan and Europe, with China continuing to be a growth engine for Asia. If there are no major shocks to the global or regional economies, such a scenario bodes well for our revenues, particularly if domestic employment prospects improve.

In today's fast changing financial services industry, it is not sufficient to rely on traditional lending activity for our revenue. We continue to seek to reduce our reliance on interest income, and develop skills in designing and marketing new financial products and services to meet our customers' needs so as to grow our non-interest income.

While size is not necessarily a measure of quality, it nevertheless confers significant economies of scale. We will grow, organically and through joint ventures, alliances and acquisitions in Singapore and elsewhere, but at a time and in a manner of our choice. In the meantime we will continue to invest in our people and our infrastructure, making further improvements to our information systems and refining our risk management skills. We will push forward aggressively in Malaysia, organising to take full advantage of our traditional strengths there. We will also strengthen our culture of customer focus and make service excellence a hallmark that will increasingly distinguish OCBC from other financial institutions over time.

We remain committed to restructuring our capital to make it more efficient. The disposal of non-core assets will continue, not just in response to the requirements of the monetary authority, but also to support growth in our core business and to enhance shareholder value.

A Word of Thanks Looking back on 2003, we feel a sense of satisfaction. In spite of the difficult environment, we launched our New Horizons strategy and made good progress in building OCBC into a high performance bank. We were able to stay the course in pursuing our longer term strategic goals, and we came through with solid financial results for the year.

Clearly, these achievements would not have been possible without the support of our customers, whom we thank for their continuing loyalty to OCBC. We also thank all our colleagues for their hard work throughout a difficult year. With their dedication and commitment, we are well on our way towards building OCBC into the financial institution that will deliver on its purpose, which is to help individuals and businesses across communities achieve their aspirations by providing innovative financial services.

Our appreciation also goes to our fellow Board members for contributing their invaluable time and expertise. Mr Lee Seng Wee, who served eminently as Chairman for eight years, stepped down on 1 July 2003. We are pleased that he remains on the Board as a non-executive Director and continues to share his wealth of experience. On behalf of the Board, we express our deep gratitude to Mr Lee for his many years of leadership, and for his tireless work in furthering OCBC's interests.

Finally, we wish to thank you, our shareholders, for your continued support.

“Looking back on 2003, we feel a sense of satisfaction. In spite of the difficult environment, we launched our New Horizons strategy and made good progress in building OCBC into a high performance bank. We were able to stay the course in pursuing our longer term strategic goals, and we came through with solid financial results for the year.”



A stylized handwritten signature of Cheong Choong Kong.

CHEONG CHOONG KONG
Chairman



A stylized handwritten signature of David Conner.

DAVID CONNER
Chief Executive Officer

11 February 2004

Board of Directors

Tan Sri Dr Tan Chin Tuan, Honorary Life President

1 Dr Cheong Choong Kong

Chairman

Dr Cheong was first appointed to the Board on 1 July 1999 and last re-elected as a Director on 15 May 2002. On 1 July 2003, he was appointed Chairman, after having served as Vice Chairman from 26 March 2002 to 30 June 2003. Dr Cheong brings with him a wealth of experience gained in his extensive career, including 28 years at Singapore Airlines Ltd, where he last held the position of Deputy Chairman and Chief Executive Officer. He is presently Chairman of the National University of Singapore Council and a Director at Singapore Press Holdings Ltd and OCBC Management Services Pte Ltd. Dr Cheong holds a Bachelor of Science with First Class Honours in Mathematics from the University of Adelaide and a Master of Science and a Ph. D. in Mathematics from the Australian National University. Age 62.

2 Mr Michael Wong Pakshong

Vice Chairman

Mr Wong Pakshong was first appointed to the Board on 21 April 1989 and last re-elected as a Director on 14 May 2003. On 26 March 2002, he was appointed Vice Chairman. He is presently Chairman of Great Eastern Holdings Ltd, Robinson & Company Ltd and Sime Singapore Ltd, and serves as a Director at The Straits Trading Company Ltd, WBL Corporation Ltd, Bukit Sembawang Estates Ltd and Sime Darby Berhad. Mr Wong Pakshong holds a Bachelor of Arts with Honours and a Hon. L.L.D. from the University of Bristol. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Institute of Certified Public Accountants of Singapore. Age 72.

3 Mr David Philbrick Conner

Chief Executive Officer

Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 15 May 2002. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently a Director at Bank of Singapore Ltd, Asean Finance Corporation Ltd and KTB Ltd. Mr Conner holds a Bachelor of Arts from Washington University and a Master of Business Administration from Columbia University. Age 55.

4 Datuk Fong Weng Phak

Datuk Fong was first appointed to the Board on 22 January 2002 and last re-elected as a Director on 15 May 2002. He presently serves as a Director on the Boards of several prominent companies, including United Malacca Bhd, Fraser & Neave Holdings Bhd and Genesis Malaysia Maju Fund Ltd. Datuk Fong holds a Bachelor of Arts with Honours in Economics from the University of Malaya and a Master of Public Administration from Harvard University. Age 62.

5 Mr Lee Seng Wee

Mr Lee was first appointed to the Board on 25 February 1966 and last re-elected as a Director on 14 May 2003. He was Chairman of OCBC Bank from August 1995 to 30 June 2003, and continues to serve on the Board Executive Committee and the Board Nominating Committee. He is presently a Director at Great Eastern Holdings Ltd,

GIC Real Estate Pte Ltd and Lee Rubber Group of Companies. Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario. Age 73.

6 Dr Lee Tih Shih

Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 14 May 2003. He is a medical practitioner licensed in Singapore and the United States, and had also previously worked in senior executive positions at the Monetary Authority of Singapore and OCBC Bank. He is presently a Director at Fraser and Neave Ltd, Singapore Investments Pte Ltd and Selat Pte Ltd. Dr Lee holds a Master of Business Administration with Distinction from Imperial College, London, and a M.D. (Doctor of Medicine) from Yale University, where he is a Fellow. Age 40.

7 Tan Sri Dato Nasruddin Bin Bahari

Tan Sri Dato Nasruddin was first appointed to the Board on 13 November 2000 and last re-elected as a Director on 14 May 2003. He is presently Chairman of OCBC Bank (Malaysia) Bhd, Affin Money Brokers Sendirian Berhad and Sumber Petroleum Cemerlang (SPC) Sendirian Berhad. He is also a Director at Lingkaran Trans Kota Holdings Bhd (LITRAK), The Pacific Insurance Berhad, Road Builder (M) Holdings Bhd. Tan Sri Dato Nasruddin holds a Bachelor of Arts with Honours from the University of Malaya and a Master of Public Administration from the University of Pittsburgh. Age 66.

8 Dr Tsao Yuan (also known as Dr Lee Tsao Yuan)

Dr Tsao Yuan was first appointed to the Board on 3 April 2002 and last re-elected as a Director on 15 May 2002. She is presently a Director at Keppel Corporation Limited, Pacific Internet Ltd and SDC Consulting. Dr Tsao Yuan holds a Bachelor of Economics and Statistics with First Class Honours from the University of Singapore and a Ph. D. in Economics from Harvard University. Age 48.

9 Col (Ret) David Wong Cheong Fook

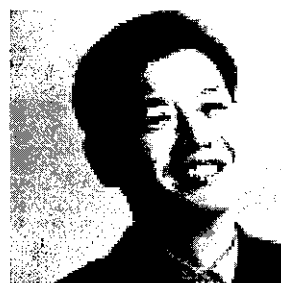
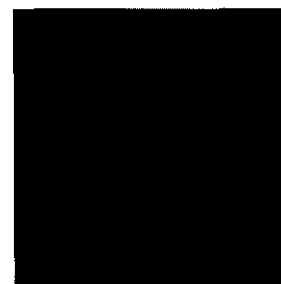
Col (Ret) Wong was first appointed to the Board on 1 August 1999 and last re-elected as a Director on 15 May 2002. He is presently Chairman of EM Services Pte Ltd and a Director at Bank of Singapore Ltd, Ascendas-MGM Funds Management Ltd and BCS Information Systems Pte Ltd. Col (Ret) Wong holds a Bachelor of Arts with Honours in Economics and a Master of Arts from the University of Cambridge. He is also a Member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants in Singapore. Age 50.

10 Mr Wong Nang Jang

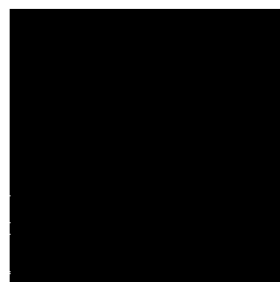
Mr Wong was first appointed to the Board on 1 August 1998 and last re-elected as a Director on 14 May 2003. He is presently Chairman of Banking Computer Services Pte Ltd and BCS Information Systems Pte Ltd, and a Director at Bank of Singapore Ltd, SIA Engineering Co Ltd, WBL Corporation Ltd and PacificMas Berhad. Mr Wong holds a Bachelor of Arts with Honours in Economics from the University of Singapore. Age 64.

11 Mr Patrick Yeoh Khwai Hoh

Mr Yeoh was first appointed to the Board on 9 July 2001 and last re-elected as a Director on 14 May 2003. He is presently Chairman of Tuan Sing Holdings Ltd and a Director at Singapore Food Industries Ltd, MobileOne Ltd and Times Publishing Ltd. Mr Yeoh holds a Bachelor of Science with Honours from the University of Malaya. Age 66.



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Principal Officers

1 Mr David Conner

Chief Executive Officer

2 Mr Tan Ngai Poo

Group Business Banking

Mr Tan was appointed Deputy President in December 2001. He joined the OCBC Group in 1990 and was Executive Director and CEO of Bank of Singapore (Australia) for seven years. A veteran banker with 33 years of banking experience, Mr Tan currently oversees the Group's efforts in managing and growing both corporate and SME customers globally. Prior to joining the Group, he was with a foreign financial institution for 20 years. Mr Tan holds a Bachelor of Arts from the University of Western Australia. Age 58.

3 Dato Albert Yeoh

Director and CEO, OCBC Bank Malaysia

Dato Yeoh was appointed Senior Executive Vice President in January 2001. He joined the OCBC Group in March 1996, initially as Director and CEO of OCBC Bank Malaysia and subsequently as Head of Retail Banking, OCBC Bank. Dato Yeoh has been heading the Group's Malaysian operations since January 1999, and is a seasoned banker with more than 24 years of banking experience. He holds a Bachelor of Economics (double major in Economics and Operations Research) from the Monash University of Australia, and a Master of Science in Management from the University of Salford, England. Age 54.

4 Mr Chin Yuen Yin

Group Consumer Financial Services

Mr Chin was appointed Executive Vice President in July 1999, and is responsible for the Group's efforts in managing and growing consumer customers globally. Prior to joining the OCBC Group, Mr Chin worked in Standard Chartered Bank and Hong Leong Bank, in Malaysia, serving in various capacities. He was also an Adviser to the President Director of a local bank in Indonesia. Mr Chin holds a Bachelor of Economics with Honours from the University of Malaya and a Master of Business Administration in Strategic Marketing from the University of Hull, UK. Age 56.

5 Mr Andrew Lee Kok Keng

Group Consumer Financial Services

Mr Lee was appointed Executive Vice President in November 2003, and is responsible for OCBC Bank's consumer finance business in Singapore. He joined the OCBC Group in October 1999 as Head of Channel Management and was appointed Head of Consumer Financial Services, Singapore, in May 2003. Prior to joining the Group, Mr Lee was with Standard Chartered Bank for 20 years, where he held senior level executive positions. He holds a Bachelor of Social Science with Honours from the University of Singapore. Age 51.

6 Mr Ching Wei Hong

Group Transaction Banking

Mr Ching was appointed Senior Vice President in November 1999, and is responsible for the Group's corporate transaction-related services, including cash management, trade finance, trustee and

nominee services. He has more than 20 years of experience in regional finance, corporate banking and cash management, having worked in Philips Electronics Asia Pacific Pte Ltd, Bank of America and Union Carbide Asia Pacific Inc. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. Age 44.

7 Mr George Lee Lap Wah

Group Investment Banking

Mr Lee was appointed Senior Vice President in July 1999. Previously Head of Corporate and Institutional Banking and Head of Capital Markets, he currently oversees the Group's Investment Banking Division, which comprises the debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr Lee has more than 25 years of banking experience and has held senior level positions in Credit Suisse First Boston, Credit Suisse Singapore and Security Pacific National Bank. Mr Lee holds a Bachelor of Business Administration with Honours from the University of Singapore and is a Chartered Financial Analyst. Age 51.

8 Mr Na Wu Beng

International

Mr Na was appointed Executive Vice President in March 2001, and currently oversees the Group's operations outside of Singapore and Malaysia. He joined the OCBC Group in February 1990 and was General Manager of its Hong Kong branches for nine years, after which he was responsible for the Bank's operations in North Asia. Prior to that, Mr Na was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honours from Coventry (Lanchester) University, UK. Age 47.

9 Mr Tan Eng Huat

Group Treasury

Mr Tan was appointed Executive Vice President and Head of Group Treasury in April 2001. He oversees the Group's foreign exchange, fixed income, money market and derivatives businesses. Mr Tan has over 25 years of treasury experience in the financial services industry, and was previously General Manager and Managing Director of Dresdner Bank Group, Singapore, and Treasurer of Swiss Bank Corporation, Singapore. Mr Tan holds a Bachelor of Social Sciences (Honours) in Economics from the University of Singapore. Age 51.

10 Mr Lawrence Wong

Group Asset Management

Mr Wong was appointed Senior Vice President in July 1999. He was formerly Head of Investment Banking for three years, and is now responsible for managing and growing the Group's fund management business. Prior to joining the OCBC Group, he was with the Schroder Group for 20 years, holding senior positions in corporate finance. Mr Wong holds a Bachelor of Business Administration from the University of Singapore. Age 49.

Principal Officers

11 Mr Chong Meng

Group Audit

Mr Chong was appointed Executive Vice President in October 2000, and is responsible for formulating and administering a comprehensive programme of internal audit within the OCBC Group. Prior to that, he was Head of Group Risk Management for two years. A veteran banker with over 27 years of experience, Mr Chong has previously held senior level positions at Deutsche Bank AG, Singapore and Bankers Trust Company, Singapore. He holds a Bachelor of Business Administration with Honours from the University of Singapore. Age 54.

12 Mr John Dahlberg

Group Operations and Technology

Mr Dahlberg was appointed Executive Vice President in January 2003, and is responsible for the Group's back-office operations and Information Technology initiatives. He was formerly Head of Global Private Banking at the Development Bank of Singapore. Prior to that, Mr Dahlberg was with Citibank in Asia for 11 years in various IT and operations roles. He holds a Master of Science in Management from Stanford University, USA, and a Bachelor of Arts in International Affairs from Texas Christian University, USA. Age 45.

13 Mr Lai Teck Poh

Group Risk Management

Mr Lai was appointed Executive Vice President in January 1988. He currently oversees the management of credit, market and operational risks for the Bank and its financial subsidiaries. Prior to that, he had responsibilities for Corporate Banking, IT, Investment Management and Central Operations. Mr Lai has more than 35 years of banking experience, including 20 years in Citibank N.A., Singapore, with overseas assignments in Jakarta, New York and London. He holds a Bachelor of Arts with Honours from the University of Singapore. Age 59.

14 Mr Soon Tit Koon

Group Finance

Mr Soon was appointed Chief Financial Officer in September 2002, with responsibilities that include capital management, financial and management accounting, management information systems, legal and compliance, and investor relations. He was formerly the Chief Financial Officer of Wilmar Holdings Private Limited for about three years and was with Citicorp Investment Bank, Singapore, for 17 years. Mr Soon holds a Master of Business Administration from the University of Chicago and a Bachelor of Science with Honours from the University of Singapore. Age 52.

15 Mr Winston Tan Cheow Kim

Group Property Management

Mr Tan was appointed Executive Vice President in June 1999, and is currently responsible for managing the Group's properties and Hotel Phoenix. He joined the Group in 1974 and has served as Chief Accountant and Head of Corporate Services, with responsibilities for Finance, Legal and Secretariat, Capital Management, Corporate Communications and Investor Relations. Mr Tan is a Fellow of the Institute of Chartered Accountants in England and Wales. Age 57.

16 Ms Cynthia Tan Guan Hiang

Group Human Resources

Ms Tan was appointed Senior Vice President and Head of Group Human Resources in September 2000. She has more than 20 years of experience in human resources as well as training and development, having held senior level positions in DFS Ventures, Mentor Graphics, Apple Computer and National Semiconductor. Ms Tan was also a former lecturer in Business Studies at Ngee Ann Polytechnic. She holds a Masters in Business Administration from the University of Hull, UK. Age 53.

17 Mrs Teng Soon Lang

Group Quality and Process Innovation

Mrs Teng was appointed Executive Vice President and Head of Group Quality and Process Innovation in January 2003. She is currently responsible for cross-functional process innovations and building a quality culture across the OCBC Group. Mrs Teng joined the Group in 1996 and was responsible for Group information technology management. Prior to that, she worked in DBS Bank and the Institute of System Science. Mrs Teng holds a Master of Computer Science and Information Systems, a Bachelor of Accounting with Honours from the National University of Singapore and a Post Graduate Qualification from the Institute of Cost and Management Accountants, UK. Age 53.

18 Mr Peter Yeoh Ban Aik

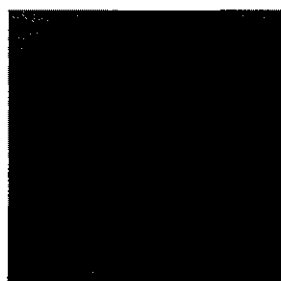
Group Secretariat

Mr Yeoh was appointed Senior Vice President in January 1997 and Company Secretary in August 2002. He joined the Group in January 1984 and has held responsibilities in finance, accounting and management information services. Mr Yeoh was previously with Price Waterhouse. He holds a Bachelor of Commerce from the University of Western Australia, and is an Associate Member of the Institute of Chartered Accountants in Australia and a Member of the Institute of Certified Public Accountants of Singapore. Age 49.

19 Mr Peter Zheng Kang Xin

Group Corporate Communications

Mr Zheng was appointed Senior Vice President in January 2000, when he joined the Bank as Head of Credit Cards. He assumed the appointment of Head, Group Corporate Communications in November 2001 and is responsible for communications with the media and the general public, and helping to shape the OCBC brand. Mr Zheng has more than 19 years of experience in brand management, marketing and advertising, having held senior level positions in leading advertising agency, Batey Ads, and in companies with well-known brands like Visa International and Quaker Oats Asia. He holds a Bachelor of Arts (Honours) from the University of Westminster, UK. Age 48.



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New Horizons »

The New Horizons strategy is our three-year plan to seek international growth via a build-and-transfer approach, and to build a high performance bank by focusing our efforts utilising a balanced business scorecard approach.

Seeking international growth:

We will strengthen our market position in our two existing core markets of Singapore and Malaysia, and use this as a platform to transfer successful business models and product solutions to other ASEAN countries and China. Our aim is to establish a presence in a third country in 2005, and be poised to add another country, by 2006

Building a high performance bank:

Customers

We aim to expand our consumer and SME customer base, and to become a Top 3 consumer and SME bank in the combined Singapore-Malaysia market by 2005

Products

We will build best-in-class products and target 15% revenue contribution from new products annually. In the combined Singapore-Malaysia market, we aim to be Top 3 in wealth management, transaction banking, treasury and investment banking

Risk management

We will build our consumer and business loan books prudently, and continually improve our credit processes to maintain a sound credit portfolio and a strong credit rating

Productivity

We will improve cross functional processes to lower our unit costs and become an efficient, low cost service provider

People

We will develop and foster human capital, and seek to have at least 30% of our employees as shareholders by 2005

Shareholder value

We aim to achieve 10% earnings per share growth annually, a minimum dividend payout of 25% of core earnings, and a 12% ROE by 2005. We will seek to swap non-core assets for core financial services growth opportunities, and to return excess capital to shareholders via share buyback programmes

Report card

With initiatives under the New Horizons strategy already showing encouraging progress in the first year, OCBC Bank will actively capitalise on growth opportunities as these capability-building initiatives gather further momentum in 2004.

Customers	Products	Risk management	Productivity
<ul style="list-style-type: none"> ✓ 12% increase in number of consumer customers ✓ Retained #1 position in Bancassurance sales ✓ 7% growth in SME customers; cross-sell ratio improved 33% ✓ Completed SME and consumer customer satisfaction surveys and market research ✓ Introduced 11 new SME lending programmes targeting industry segments 	<ul style="list-style-type: none"> ✓ Launched 58 new products, which contributed 6% of revenues ✓ <i>Velocity@ocbc</i> rated best-in-class in Singapore by <i>Global Finance</i> magazine for 3rd consecutive year ✓ Wealth management product sales grew at a record rate of 35% ✓ Customer-related earnings in treasury activities increased by 50% ✓ Improved to 4th position for SGD bond issues and Malaysia syndicated loans 	<ul style="list-style-type: none"> ✓ Continued to be one of Asia's highest rated banks: Aa3 by Moodys, A+ by Fitch and A by S&P ✓ Provision coverage ratio improved to 67% ✓ NPL ratio improved from 8.1% to 6.9% ✓ Established new credit review team under Audit function, and conducted 21 credit risk reviews 	<ul style="list-style-type: none"> ✓ Productivity improved 39% ✓ Executed 5 process improvement projects with expected margin improvement of \$30 million ✓ Twin hubbing project in Singapore and Kuala Lumpur well underway

People	Shareholders	Overseas expansion
<ul style="list-style-type: none"> ✓ Over 1,100 employees completed career management training; Internal job posting success rate doubled ✓ Over 3,000 and 500 employees trained in quality and credit process concepts respectively ✓ Average training days per staff increased 15% ✓ Percentage of performance-linked compensation increased 20% ✓ 10% of employees hold OCBC shares 	<ul style="list-style-type: none"> ✓ Core EPS growth of 20% ✓ Total dividends increased 15% to 23 cents, yielding 28% payout ratio ✓ Paid special dividend of S\$0.4975 per share (net) ✓ Achieved ROE of 10% ✓ Realised \$126 m gain from non-core asset divestments ✓ Tier 1 capital and total capital improved to 12.6% and 21.8% ✓ Raised S\$895 m of Tier 1 preference shares ✓ Cancelled 0.94% of share capital in conjunction with F&N share divestment 	<p>Strengthened market positions in core markets in preparation for regional growth:</p> <ul style="list-style-type: none"> ✓ Increased Malaysia consumer sales force by 45% ✓ Unit Trust sales in Malaysia grew four-fold ✓ Malaysia home loans rose 24% ✓ In Singapore, achieved top position in sales of Bancassurance, HDB home loans and new car loans; Top 2 in Unit Trust sales

Business banking goes high velocity



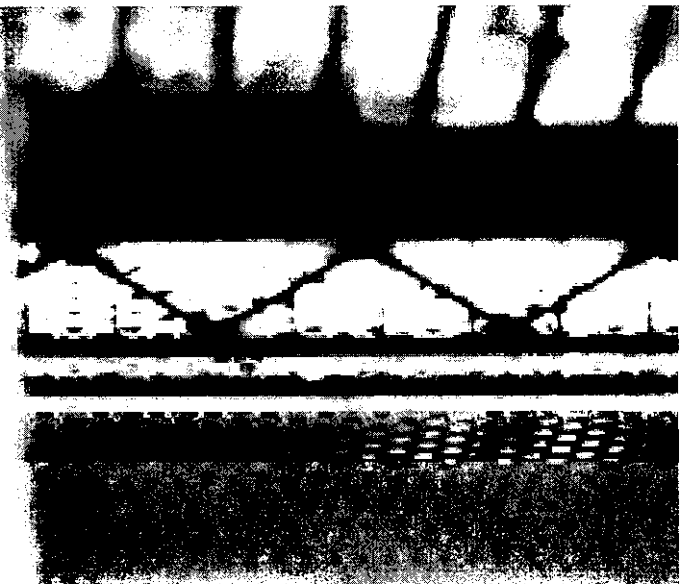

Recognising that business customers are facing an increasingly dynamic and competitive landscape, we re-organised our Business Banking team to be even more responsive, and to provide stronger support to customers at different stages of development. Several new initiatives were launched in 2003, including specially tailored credit programmes for highly specialised SME segments, such as high-technology manufacturing (at right), in both Singapore and Malaysia. We also re-engineered our business process to dramatically improve the turnaround time for the issuance of Letters of Credit, resulting in same-day approvals increasing from 30% to 95%. Our corporate Internet banking platform, *Velocity@ocbc*, revolutionised the customer cash management experience, both in terms of speed and ease-of-use, and has won the prestigious Best Corporate /Institutional Internet Bank in Singapore award by US-based *Global Finance* magazine for three years running.



"2003 WAS AN INTERESTING YEAR FOR OUR BUSINESS BANKING CUSTOMERS AND FOR OURSELVES. MANY CUSTOMERS WELCOMED THE IMPROVEMENTS WE HAVE MADE TO OUR BUSINESS PROCESSES, FINANCIAL SOLUTIONS AS WELL AS TECHNOLOGICAL TOOLS TO TAKE AWAY THE HASSLES OF BANKING. INITIATIVES SUCH AS *VELOCITY@OCBC* REALLY HELPED LIGHTEN THEIR CASH MANAGEMENT WORKLOAD, AND ENABLED THEM TO FOCUS ON THE MORE IMPORTANT TASK OF MAKING THEIR BUSINESSES SUCCESSFUL."

MAYA LIM

Vice President, Enterprise Banking
OCBC Bank



Automation

JCS Automation, a leading provider of fully integrated, customised cleaning systems for high-tech industries, including the aerospace, electronics and semiconductor industries, is a business banking customer of OCBC Bank, which employs a wide range of products, including *Velocity@ocbc*, to help them manage their financial needs more effectively.



No, you can relax, too.

Delighting in the results achieved through the thoughtful bundling of wealth management products available through OCBC Bank, many young couples like them have found investing with us a good way to make their money work harder for them.

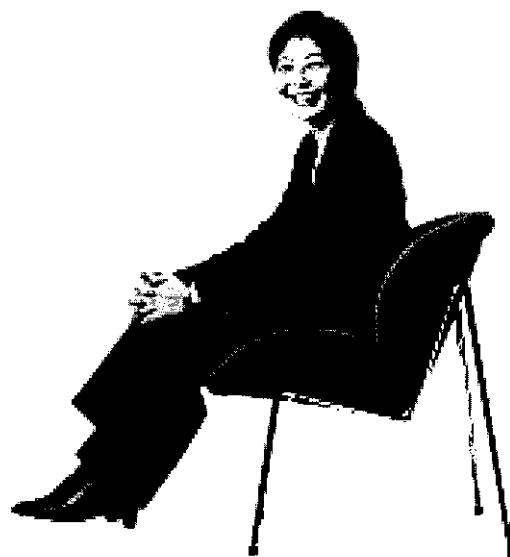
Leading the way in wealth management

To meet the diverse financial needs of our mass retail customers, we have been working hard to broaden our palette of products and services. These initiatives range from providing greater convenience in financial transactions and deposits to increasing the number of options in home and car loans, credit cards, and wealth management products. In Wealth Management, we continue to be the market leader in bancassurance, and one of the top two unit trust distributors in Singapore. We have proven to be a market innovator by pioneering objective, third-party evaluation of unit trusts by Mercer Investment Consulting* to help customers better assess investment options. We were also the first to introduce a range of innovative products like the *Three-Year Growth Plus Fund* and *Bond-Linked Structured Deposit*, which have shorter tenures.

* An independent global investment consulting firm which administers the Mercer Retail Fund Ratings, the first-of-its kind rating system in Singapore.

"OUR CUSTOMERS COME TO OCBC BANK BECAUSE WE TAKE THE TIME TO LISTEN TO THEM AND MAKE AN EFFORT TO UNDERSTAND THEIR GOALS AND ASPIRATIONS BEFORE OFFERING SOLUTIONS. IT IS THIS QUALITY THAT MAKES OCBC A TRUSTED NAME AND THE ACCLAIMED MARKET LEADER IN WEALTH MANAGEMENT IN SINGAPORE."

ANNE TAY
Vice President, Wealth Management
OCBC Bank



Strengthening our presence in Malaysia

Building on our 25-branch network, OCBC Bank in Malaysia continues to make in-roads to increase our market share in both consumer and business banking. In 2003, we successfully replicated a number of products, services and business models that have performed well in Singapore. By increasing our consumer banking sales force by 45%, we saw growth across several product segments – sales of unit trusts and home loans grew four-fold and 10% respectively. We also introduced a suite of products for our SME customers, including new credit programmes for equipment financing, cash management services, and small business loans. To better serve our customers, the overall banking experience at OCBC is being transformed with new branch interiors (at right) as well as improved call centre and back-office processes.



"THE NEWLY RETROFITTED BRANCHES HAVE REALLY CHANGED THE WAY OUR CUSTOMERS VIEW OCBC BANK. THE NEW-LOOK BRANCHES ARE DESIGNED TO MAKE BANKING AT OCBC SIMPLIER AND MORE COMFORTABLE. OUR SERVICE LEVELS HAVE ALSO BEEN RAISED FURTHER AND OUR OFFERING OF PRODUCTS EXPANDED TO INCLUDE MORE WEALTH MANAGEMENT PRODUCTS, ADDITIONAL SME LOANS, A WIDER RANGE OF ISLAMIC BANKING PRODUCTS, AND MORE."

CHOK SIEW WEI
Branch Manager, Ampang Branch
OCBC Bank Malaysia

► Putting our best
foot forward

The new face of Ampang
branch in Kuala Lumpur,
Malaysia. The look and
feel of branches in Malaysia
and Singapore are now
consistent across the OCBC
network, emphasising our
commitment to deliver a
high standard of customer
service in both personal
and business banking.

get more from
my credit card

Ask OCBC

Operations Review

The operating environment in 2003 posed significant challenges to businesses and individuals in Singapore and in the region, as they faced the combined onslaught of economic uncertainties, the Iraq war, lingering terrorism fears and the SARS outbreak.

Despite these challenges, OCBC remained focused on implementing the initiatives and achieving the goals set forth in the New Horizons strategy, and we made good progress in further strengthening our market position in our key markets of Singapore and Malaysia.

Consumer Financial Services

Group Consumer Financial Services offers an array of consumer products and services to more than one and a half million OCBC customers in Singapore and Malaysia. Notwithstanding the weak investment sentiment in the first six months, our consumer banking business still managed to notch up several notable achievements for the year as a whole.

We achieved record sales of retail wealth management products in Singapore and Malaysia in 2003, amounting to S\$5.2 billion, as compared to S\$3.9 billion in 2002. Our sales volume for treasury and structured products doubled from S\$1.5 billion to S\$3.0 billion. Total bancassurance sales premiums amounted to S\$1.0 billion while unit trust sales were S\$1.2 billion.

In bancassurance, OCBC maintained its lead in Singapore with a strong 40% market share. We successfully launched several new products including the *US\$ and S\$ Guaranteed Return Plan*, *New Secured Cash Saver Plan* and *Easi Cash Saver Plan*. Our bancassurance business model was successfully replicated in Malaysia, with similar products tailored to meet Malaysian customer requirements. With approval from Bank Negara Malaysia, we started distributing three third-party life insurance products during the year, achieving strong sales. Under an existing strategic tie-up with Great Eastern Life Assurance (Malaysia) Berhad, we continue to distribute Great

Eastern's mortgage reducing term assurance product and single premium endowment products in Malaysia.

OCBC maintained its position among the top two distributors of unit trusts in Singapore. Capital protected funds and structured deposits continued to be in demand, and new and innovative structured funds were successfully launched to offer investors regular payouts over shorter tenures. In Malaysia, our unit trust sales increased more than four-fold compared to 2002, as we launched four new unit trusts during the year. Helping these sales was our exclusive distributorship for Pacific Mutual Berhad's *Pacific Select Balance Fund* and *Pacific Select Income Fund*. OCBC Malaysia now offers customers a total of 51 approved funds from eight fund management companies.

In Singapore's competitive private home loan market, we sought to meet different customers' needs by introducing a "combo" package, which charges fixed



Helping our customers to achieve their aspirations, with a comprehensive suite of financial products, including housing loans, car loans, credit cards, etc.

rates for a portion of the loan and variable rates for the remainder. With our strong customer focus, service culture and process efficiency, we remained the number one provider of new private home loans for a fourth straight year, achieving a 21% market share based on caveats lodged.

Building on our strengths in the private home loan business, our HDB (Housing Development Board) Home Loan product that was launched in January 2003 proved to be a resounding success. We captured 56% share of the HDB bank loans market based on caveats lodged. Our success in originating new loans resulted from our strong relationship with the housing agents, our immediate in-principle approval via the Internet and our ability to generate offer letters within an hour. An OCBC HDB Home Loans Centre was also set up at the Toa Payoh HDB Hub to provide one-stop service for HDB buyers.

In Malaysia, our housing loan book also grew strongly by 24% to RM4.7 billion. Taking the cue from positive sentiments in the property market, we participated in six home ownership campaigns in Klang Valley, Johor Bahru, Melaka, Ipoh and Kuantan. The various home loan packages we launched met with good response. Apart from targeting new developments, we also increased the number of mobile sales personnel to reach out to more customers, particularly those in the secondary trading market.

Our vehicle financing business in Singapore continued to grow strongly as we focused on acquiring quality dealerships and providing superior customer service. Car loans approved during the year increased by 78% over 2002, while our outstanding car loans surged 33%.

Usage of OCBC Credit Cards in Singapore grew by more than 25% in 2003. The "OCBC Rewards" programme with new rewards every fortnight and every quarter, as well as "OCBC Privileges" that offered discounts at over 500 merchant outlets, helped increase card usage. The OCBC Robinsons Visa card, first introduced in 2002, cemented our position as issuer of the most successful retail co-brand



Responding to customer requests with a big smile. Our call centre has been upgraded to enable us to deliver an even higher standard of service.

card in Singapore. During the year, we also rolled out a multi-million dollar cards processing system to provide increased flexibility, reduce time-to-market and further enhance our ability to offer better product features to our customers.

Recognising the needs of our affluent client base, we re-organised our relationship management and customer service teams within Premier Banking, and enhanced our Private Banking offering. In addition, the range of financial products offered to affluent customers was expanded to include structured products such as range accrual notes, target redemption notes, step-up notes and inverse floaters.

To cater to the needs of small businesses such as sole proprietorships and partnerships, a new product called *Business Credit* was launched to provide these businesses with working capital at an affordable interest rate, along with free life insurance. OCBC also remains a leading provider of *Micro Loans*, a government assistance programme designed to help very small local enterprises gain better access to financing.

Our stockbroking subsidiary, OCBC Securities, benefited from the significant pick-up in trading volume in the second half of 2003. We launched the *Equity Investment Account*, an online discount brokerage trading account linked to the client's bank account that also comes with an automatic margin facility. During the year we began offering interest-



The latest design of *FastLanes*, our off-site auto-banking lobbies, aimed at improving the overall customer experience.

rate and forex-linked structured notes to stockbroking customers, in addition to equity structured products.

In our efforts to be more customer focused, we have re-organised our customer service functions, and a Customer Experience unit has been established to enrich the experience that OCBC delivers to our customers through every interaction. The team is dedicated to total service quality and process improvement. Enhancements made to our customer touchpoints during the year include the upgrading of our call centre, the addition of personalised transaction capabilities for our ATMs, and enhanced security features for our Internet banking service. We continue to see more of our customers banking online, with our Internet Banking user base growing by 24% in 2003 to 176,000.

Business Banking

Group Business Banking serves small and medium enterprises (SMEs), large corporations, real estate

companies, government entities and institutional customers in our key markets. In 2003, we implemented major initiatives under the New Horizons strategy to deepen relationships with our existing Business Banking customers as well as to expand our customer base.

A major initiative was the re-alignment of our business model for the SME market so that we can be even more responsive to changing market and customer needs. Several lending and product programmes were developed and launched to address specific segments of the SME market. An asset-based finance team was also established following the integration of the former OCBC Finance with the Bank in November 2003, to leverage on OCBC Finance's strong franchise in vehicle and equipment financing and factoring. Portfolio and risk management for SME accounts was strengthened, with differentiated risk management approaches and processes applied to different segments of the SME market. The Enterprise Banking department was also reorganised to support the revised business

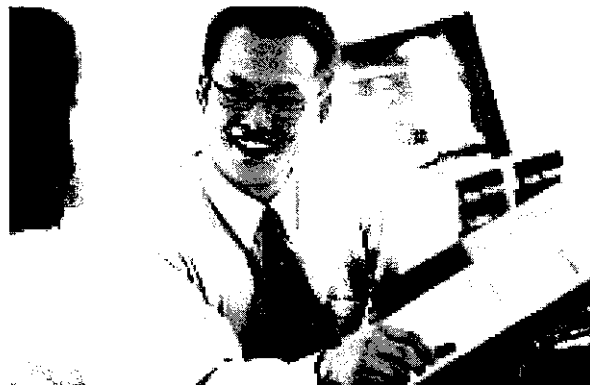
model and to position OCBC as one of the top three SME banks in Singapore and Malaysia by 2005.

We continued to put strong emphasis on cross selling fee-based products to our business customers so as to strengthen the relationships and to enhance fee-based income. As an example of the success of this cross selling effort, Group Business Banking worked closely with the Investment Banking division to clinch several major mandates during the year, including: Arranger in US\$55 million syndicated loan for Exim Bank of India; Arranger in the S\$506 million commercial mortgage-backed securitization for CapitaRetail Singapore Ltd; and Joint Arranger for the US\$700 million, three-year term loan for International Lease and Finance Corporation.

Group Business Banking also partnered closely with Group Transaction Banking to cross sell our online cash management platform *Velocity@ocbc*, achieving a significant increase in the number of business banking customers using *Velocity@ocbc*. We were equally successful in cross selling treasury products offered by Group Treasury, which included fixed income derivatives, structured deposits, interest rate derivatives and foreign exchange services. As a result, Group Business Banking achieved a 21% growth in fee income from treasury products in 2003.

In a move to provide customers with a one-stop contact point for inquiries, transactional execution and order fulfillment, various customer servicing functions were streamlined and transferred from the marketing units to our Business Banking Commercial Service Centre. This has resulted in dramatically decreased turnaround times, improved customer satisfaction levels and enhanced operational efficiencies.

In Malaysia, the focus was on expanding our SME market share and growing non-interest revenue. Several new products and credit programmes were developed and launched to strengthen our position in the SME market, such as equipment financing and small business lending programme. These programmes target both bumiputera and non-bumiputera SME customers in the manufacturing, trading and services industries.



To better serve our business customers, we continue to improve our business processes, including the process for Letter of Credit issuance, which resulted in faster turnaround time and lower processing costs.

Investment Banking

Group Investment Banking comprises Capital Markets, Corporate Finance and a newly set up Mezzanine Capital Unit.

In 2003, OCBC upheld its strong record in Singapore syndicated loans, arranging 13 deals in diverse industry sectors. Notable transactions include the US\$200 million financing facilities for Tech Semiconductor Singapore and the US\$100 million transferable loan facility for Ramatex Textiles. We also continued to be an active lead arranger of fixed rate bonds, and lead managed a S\$300 million, 10-year fixed rate bond issue for the Land Transport Authority. In a market that holds strong to the custom of fully underwritten, or bought-deal transactions, OCBC and its joint-lead manager JP Morgan broke away from tradition and completed the issue of Power Seraya's S\$350 million 7-year fixed rate bonds via a book-build approach with a resounding success, benefiting our customer with a tighter spread. Our Investment Banking division also managed the S\$500 million issue of OCBC Class E Preference Shares in January 2003 and the subsequent S\$150 million placement of OCBC New Class G Preference Shares in July 2003.

Together with Deutsche Bank, we lead managed a US\$1 billion synthetic Collateralised Debt Obligation (CDO) transaction. The CDO invests in a diversified investment-grade credit portfolio comprising mostly US and European corporate obligors. Our subsidiary, OCBC Asset Management,

now handles the ongoing management of the portfolio. Through this transaction, OCBC enjoys risk diversification benefits in terms of widening our geographical reach and types of borrowers.

In Malaysia, we arranged a number of significant Ringgit and US Dollar syndicated deals during the year, including transactions for listed companies Tenaga Nasional and Malayan Cement.

OCBC sponsored the initial public offers of three SMEs on the Singapore Exchange, for electronic revenue meters manufacturer, EDM; precision metal stamping solutions provider, Metal Component Engineering; and electronic components distributor, Excelpoint Technology. OCBC was also involved in several fund-raising exercises and advisory projects for corporate customers, including our role as co-lead underwriter for Cycle & Carriage's S\$246 million rights issue, as financial adviser in the scheme of arrangement of Prima and Wah Shing International Holdings, and in the takeover offer of Ssangyong Cement.

In May 2003, we established a Mezzanine Capital Unit to offer structured short-term to medium-term financing to both listed companies and private companies. Tapping on our client base in Singapore, Malaysia and China, this new unit offers funding for private companies as well as financial expertise to assist them towards a public listing.



A trusted financial partner, we work closely with clients and provide a myriad of Investment Banking services and products to help them achieve their goals.

Transaction Banking

Group Transaction Banking offers transaction-related services such as cash management, trade finance, trustee and custody/nominee services, to SMEs, large corporations, financial institutions and government entities in Singapore and Malaysia.

In 2003 OCBC was named, for the third consecutive year, the Best Corporate/Institutional Internet Bank in Singapore by US-based *Global Finance* magazine. This award testifies to the continued success of *Velocity@ocbc*, our flagship online cash management platform. The number of corporate customers using *Velocity@ocbc* jumped by 39% in 2003, and now constitutes approximately a quarter of our total corporate customer base. In addition, *Velocity@ocbc*'s transaction volumes more than doubled in 2003. We rolled out additional features in the trade module to improve customers' ability to automate their trade processing activities. Motor dealers and potential vehicle purchasers can now take advantage of our online open-COE (Certificate of Entitlement) bidding system. New features and functionalities were added to enable SMEs to execute foreign exchange, trade transactions and payments online with greater ease.

In July 2003, we launched *Velocity@ocbc* in Malaysia, which affords our corporate base there the same efficiencies and convenience of transacting online with us. Business Banking customers that expand across both sides of the causeway will also be able to take advantage of *Velocity@ocbc* to better manage their cross border operations.

We successfully implemented a cross-functional process improvement project to streamline the process for Letter of Credit (LC) issuance for our trade finance customers in Singapore. This has resulted in faster turnaround time, lower processing costs and enhanced customer satisfaction. We also introduced a number of new trade finance products and services, such as cash-backed import LC issuance, back-to-back LC, parallel car import and garment/apparel manufacturers financing programmes, which have been met with positive responses from customers.



Innovative in design, our award-winning corporate/institutional Internet banking platform, *Velocity@ocbc* continues to provide new and improved services to make business banking even more convenient.

Treasury

Group Treasury works in partnership with Business Banking and Consumer Financial Services to structure products and financial solutions for customers who need to invest their funds or hedge their exposures. It also engages in proprietary trading in the money, foreign exchange, fixed income securities and equity derivatives markets.

Our customer-related treasury activities grew strongly in 2003 due to the healthy demand for structured and investment products, which was partly driven by the desire for enhanced yields in a low interest rate environment. Our structured deposit sales volume grew to S\$3.0 billion for the year compared to S\$1.4 billion in 2002.

There was also an increase in the provision of structured financial solutions for our corporate customers, including various hedging and risk participation structures. In response to customer feedback, we set up an after office hours service desk to better serve customers' needs beyond normal office hours.

In line with the New Horizons strategy, we expanded our customer-related treasury services in Malaysia by leveraging on our extensive branch network. The treasury unit in Malaysia was also re-organised to enable more effective customer penetration, and we saw encouraging results in terms of increase in market share.

OCBC remains a key market player in various Singapore Dollar instruments. As a primary dealer in Singapore Government Securities, we maintained our ranking among the top three positions in the poll conducted by the Monetary Authority of Singapore. The AsiaRisk interbank derivatives poll for 2003 also ranked OCBC among the top three players in Singapore Dollar Interest Rate Swaps, Forward Rate Agreements and FX Forwards.

Asset Management

Our subsidiary OCBC Asset Management offers discretionary investment management and advisory services as well as an array of unit trust products to institutional and retail customers, with core competencies in global fixed income and Asia-Pacific equities. As one of the largest Singapore-based fund managers, it has S\$5.5 billion of funds under management as at the end of 2003, of which S\$1.7 billion were unit trust funds.

We launched seven capital protected funds in 2003, raising a total of S\$384 million, with most of the funds launched in the first half of the year when the investment climate was still uncertain. In addition, three of our previous capital guaranteed funds, which were launched in 2000, matured in 2003 with positive returns despite the difficult investing climate over the preceding two and a half years. We also saw strong interest from customers for our Asian country funds, due to the improving prospects for global growth, recovery in domestic demand in several Asian countries, attractive valuations as well as the good historical performance of our Asian funds.

Our fund management expertise and track record was duly recognised as we received five awards in the prestigious Standard & Poor's Investment Funds Awards Singapore 2004 and 10 awards in the Edge-Lipper Singapore Unit Trust Fund Awards 2003. Among the award winning funds were the *OCBC Singapore & Malaysia Fund*, *Savers Thailand Fund*, *OCBC Japan Growth Fund*, *OCBC South East Asia Fund*, *Savers SGD Money Market Fund*, *Savers USD Money Market Fund* and *OCBC Value Balanced Fund*.

Malaysia

With a history of more than 70 years in Malaysia, OCBC Malaysia is today one of the top three foreign banks by assets in the country. We have an extensive network of 25



A leader in Islamic banking, we continue to innovate and introduce more products and services to meet the needs of this community.

branches located in major cities throughout Peninsula and East Malaysia, and a significant customer base of close to 400,000 individual customers and more than 30,000 corporate and SME customers, including sole proprietorships and partnerships.

Strengthening our Malaysia business is an integral part of the New Horizons strategy as it will prepare the Group for further expansion overseas. 2003 was a busy year as we implemented various measures to accelerate cross-border business development and the sharing of experiences. This began by an alignment of the organisation structure group-wide. We also began executing our plans to increase market share in Malaysia, which focussed on enhancing our capabilities in sales and distribution, product development, processing and overall operational efficiency. For the year, OCBC Malaysia delivered a creditable performance, with net profit rising 6.6% to RM205 million (S\$94 million), driven by higher fee and commission income and lower provisions.

We are placing greater emphasis and attention on our Islamic Banking products, in line with the growing importance of Malaysia as a regional Islamic financial centre. Islamic equipment financing products were introduced, and in January 2004 we also introduced *Cash Financing-I*, a new unsecured term financing facility. OCBC sponsored and actively participated in a TV documentary series on Islamic Banking, entitled *Kewangan Islam*, a Bank Negara Malaysia initiative to educate the public about Islamic Banking products and services. We also participated in the Islamic Banking & Takaful Week Expo as part of our efforts to raise our profile as an active Islamic Banking player.

International

Outside Singapore and Malaysia, OCBC has an international network of 27 overseas branches, banking subsidiaries and representative offices in 24 cities. This network serves mainly our clients expanding or investing overseas from our core markets in Singapore and Malaysia. Similarly, our overseas branch network also assists and provides banking

services to foreign companies doing business in Singapore and Malaysia.

Our overseas expansion strategy calls for OCBC to become well established in a third country, apart from Singapore and Malaysia, and to be poised to enter a fourth country by the end of 2005. We have made further progress in exploring opportunities in China and ASEAN which remain potentially attractive new markets for OCBC, although no significant new investments have yet been made in any of these markets.

In China, we have a long history dating back to 1925 when we opened our first branch in Xiamen, the first Singapore bank to do so. Our mainland China network now comprises five branches and two representative offices in the cities of Shanghai, Beijing, Chengdu, Qingdao, Tianjin and Xiamen, with another two branches in Hong Kong SAR.

Currently, OCBC's Shanghai branch is licensed to handle foreign currency transactions for all corporate entities and foreign individuals, and Renminbi services for foreign invested enterprises and foreign individuals. The licence covers 13 cities across China (namely Shanghai, Shenzhen, Tianjin, Dalian, Guangzhou, Zhuhai, Qingdao, Wuhan, Nanjing, Jinan, Chengdu, Chongqing, Fuzhou) as well as in two provinces (Zhejiang and Jiangsu). We plan to further upgrade our licence in Shanghai to cater for Renminbi transactions with local enterprises in these same cities and provinces.

In Indonesia, our two joint-venture banks, PT Bank OCBC-NISP and PT Bank Keppel, were merged into a single entity in March 2003, under the name of PT Bank OCBC Indonesia, with OCBC holding a 99% share.

Operations and Technology

In January 2003, Group Operations and Technology was formed by merging all the information technology and operations functions across OCBC Bank and our subsidiaries. With a combined staff strength of more than two thousand, this new group is focused on leveraging OCBC's scale by simplifying, standardising and integrating existing business processes and technology applications, to support OCBC's businesses and growth in Singapore and overseas. Its primary goal is to improve OCBC's service quality and

reliability to meet the high standards expected by our customers, and at the same time, ensure that we continue to reduce unit costs and improve our productivity.

In line with our New Horizons strategy, two major projects are now underway. The first is the consolidation of back-office work for our 25 branches in Malaysia into central processing centres, so that the branches can focus on sales and service. This project is scheduled to be completed by the end of 2004. We have also commenced work on the implementation of cross-border processing for Singapore and Malaysia, so that each location can back the other as the disaster recovery centre. In consolidating our processing and infrastructure into these two centres, we will adopt international best practices and will benchmark ourselves against the best companies from different industries and geographies.

Throughout 2003 we invested heavily in upgrading and integrating our technology infrastructure. Several projects were completed during the year, including:

- Enhancements to *Velocity@ocbc* and our core-banking system offerings
- Replacement of our credit-card processing system
- Treasury back-office automation
- Implementation of a new credit cycle workflow system
- Upgrading of the SWIFT infrastructure (for interbank transactions) across our international network
- Consolidation of former Keppel TatLee Finance and OCBC Finance data centres
- Group-wide upgrade of IT network infrastructure.

OCBC's processing and technology excellence was validated by several awards we received from independent organizations during the year. Apart from awards won by *Velocity@ocbc*, *CIO* magazine also named OCBC as one of the top 100 IT organizations within the Asia-Pacific, while *MIS* magazine similarly chose OCBC as one of Asia's 100 Top IT Users.

Quality & Process Innovation

Quality is an important cornerstone of our drive to be an efficient, low cost service provider. By adopting cross-functional process improvement techniques and striving for 6-sigma quality excellence, we intend to compete more

effectively and differentiate OCBC as a quality financial services institution in the market place.

To spearhead these efforts, a new division – Group Quality & Process Innovation – was formed during the year. Its mission is to institutionalise the quality culture at OCBC, facilitate bank-wide cross-functional process improvement projects, and build organisational competencies in process methodologies, tools, measurement, and application of best practices.

Our first step in striving for 6-sigma quality excellence was to inculcate a set of quality principles in all our employees. A Quality Foundation workshop was introduced to nurture a common understanding and language for quality, so that employees can apply it in day-to-day work and decision-making.

Several cross-functional process improvement projects were launched in 2003, including projects covering LC issuance, mortgage loan processing, and new product approval processes. The results are encouraging. With the new LC issuance process, we are now close to achieving 6-sigma for same day turnaround for LC applications, despite an extended 6 p.m. cut-off time. Re-engineering our mortgage loan processes has resulted in our sales executives being better equipped and more efficient in responding to customers' needs. Our new product approval time is expected to be reduced by more than 50%, paving the way for faster product innovation. Altogether, we estimate that these process improvement

projects will lead to S\$30 million in revenue increases and/or cost savings every year.

With the successes of these first projects, we will be rapidly scaling up our bank-wide capability in process improvement, and initiating more cross-functional projects in Singapore and Malaysia, to move us closer to our long term goal of becoming a 6 sigma financial services company.

Property Management

OCBC Property Services manages the properties of the Group. Our investment properties, amounting to more than two million square feet of net lettable area and mainly located in Singapore, are actively managed to optimise rental returns and capital values. While our retail properties achieved full occupancy at prevailing market rentals, our office and residential properties faced greater challenges and achieved mixed results, reflecting the over-supply of office and residential space. In Malaysia, our 20-storey head office building is under development and is scheduled to be completed by end 2004.

In line with our stated objective to swap non-core assets for core financial services growth opportunities, we sold our Mount Emily Road residential development site in Singapore for S\$50.5 million, through a public tender in November 2003.

Human Resources

Our Group staff strength was 7,424 as at the end of 2003. Recognising that one of our most valuable assets is our people, staff learning and skill enhancement remain important objectives. In 2003, we achieved an average of 5.3 training days per employee and continued to spend up to 2% of payroll on staff learning programmes. In line with our talent management and staff retention strategy, we have trained a third of our executives on career development principles and performance coaching to further strengthen their managerial competency. We will continue to roll out the programme to all executives over the next two years.

Underscoring our commitment to provide employees with opportunities for job rotations and career development, we more than doubled the number of vacancies within the Group which were filled through



With an average of 5.3 training days per employee in 2003, we remain committed to developing and fostering our human capital.

internal postings during the year. This was facilitated by an intranet site dedicated to informing employees of available positions.

During the year, we also focused on recruiting individuals to fill revenue-generating positions and functions that require critical specialist skills. We have also strengthened our senior management team with the recruitment of one Executive Vice President and seven Senior Vice Presidents.

We introduced the OCBC Deferred Share Plan, a new share ownership plan for the Group's Vice Presidents and above, as part of our performance-differentiated compensation rewards. This plan allows employees to better relate their individual performance and contribution to the Group's performance. We ended the year with 10% of our employees owning OCBC shares, up from 6% at the beginning of the year, thus making good progress on our goal to see 30% of our employees owning shares as per our New Horizons strategy.

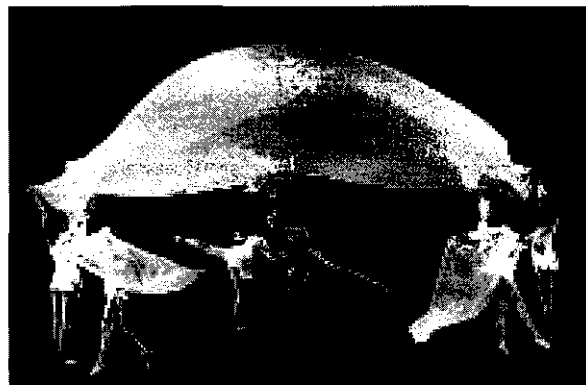
Following the feedback from our group-wide staff survey in 2002, we implemented several initiatives at both the corporate and divisional levels to improve workplace satisfaction. Employees are continually updated on the developments of these initiatives and a follow-up survey was carried out in 2003.

Corporate Citizenship

As OCBC is a bank with its roots in the community, we are actively involved in supporting the communities in which we operate. Our efforts have been focused mainly on education, the arts and charities.

In support of academic excellence, we committed to contributing a total of S\$1 million over five years to the establishment of The Lee Kuan Yew School of Public Policy. This is in addition to our annual donations for Book Prizes and Scholarships to help outstanding students in tertiary educational institutions.

We are also a keen supporter of the Singapore arts scene, having been a major sponsor of the Singapore Arts Festival for the last nine years. OCBC Bank was named Distinguished Patron of the Arts by National Arts Council for the fifth consecutive year in 2003. We were also recognised by The



"Two Worlds", a premier cultural production from Bulgaria, was sponsored by OCBC Bank in collaboration with the National Arts Council.

Singapore Symphony Orchestra as one of its Top 25 Donors, for supporting the Orchestra's development and growth to gain international recognition. Our objective under our arts sponsorship programme is twofold: to support local talent and to enrich the lives of Singaporeans by exposing them to internationally renowned artistes and groups.

During the outbreak of SARS, we responded to this national crisis by contributing \$100,000 to The Courage Fund to assist families that have been affected by the outbreak.

Under the OCBC Bank Care Card programme introduced in 1997, a percentage of the charges made by our credit card members is donated to eight selected charities. These charities include the Bone Marrow Donor Programme, Catholic Welfare Services, Handicaps Welfare Association, Kwong Wai Shiu Hospital, Singapore Association for the Deaf, Singapore Association of the Visually Handicapped, Singapore Children's Society and Touch Community Services. In 2003, we also contributed \$136,500 to support the President's Challenge, which is an initiative to help those in need of assistance.

Corporate Governance

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

BOARD OF DIRECTORS

Board Composition and Independence

The Board comprises 11 Directors, of whom 9 are non-executive Directors. The non-executive Directors are: Mr Michael Wong Pakshong, Datuk Fong Weng Phak, Mr Lee Seng Wee, Dr Lee Tih Shih, Tan Sri Dato Nasruddin Bin Bahari, Dr Tsao Yuan (also known as Dr Lee Tsao Yuan), Col (Ret) David Wong, Mr Wong Nang Jang and Mr Patrick Yeoh.

The executive Directors on the Board are Dr Cheong Choong Kong, Chairman of the Board, and Mr David Conner, Chief Executive Officer (CEO).

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

Based on the Guidance Notes of the Code, 6 non-executive Directors – namely, Mr Michael Wong Pakshong, Datuk Fong Weng Phak, Tan Sri Dato Nasruddin Bin Bahari, Dr Tsao Yuan, Col (Ret) David Wong and Mr Patrick Yeoh – are considered as independent Directors. Although Mr Lee Seng Wee and Mr Wong Nang Jang have relinquished their posts as executive Directors, they are considered non-independent under the Code. They were employed by the Bank until 30 June 2003 and 4 June 2002, respectively. Dr Lee Tih Shih is also considered non-independent under

the Code as he is the son of Mr Lee Seng Wee. With 6 out of the 11 Directors deemed to be independent, the Board has a majority of independent directors.

The members of the Board as a group provide core competencies to ensure the effectiveness of the Board. The competencies include accounting, finance, strategic ability, business acumen, management experience and depth, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk analyses and control. Details of the Directors' professional qualifications and background can be found on pages 164 to 171.

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

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

Given the size of the Bank, its business complexity and the number of board committees, the Board considered that an appropriate Board size is between 10 and 12 members. The actual Board size currently is 11.

Board Conduct and Responsibilities

The Board is elected by the shareholders to supervise the management of the business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interest of the shareholders as a whole while taking into account the interests of other stakeholders.

Broadly, the responsibilities of the Board include but are not limited to the following:

- reviewing and approving overall business strategy developed and recommended by Management;

- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- overseeing, through the Audit Committee, the quality and integrity of the Bank's accounting and financial reporting systems, disclosure controls and procedures, internal controls and risk management systems; and
- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank.

In 2003, the Board and its Committees held a total of 36 meetings. Prior to each meeting, Members are provided with timely and complete information, to enable Members to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Board and its Committees have separate and independent access to the Bank's senior management and to the company secretary. The Directors, in addition, could take independent professional advice from legal firms, at the Bank's expense. The role of the company secretary is defined. He attends all board meetings and ensures that board procedures and applicable regulations are complied with.

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

Board Performance

The Board has implemented an annual performance evaluation process to assess the effectiveness of the Board, Board Committees and each Director's contribution. The purpose of the evaluation process is to increase the overall effectiveness of

the Board. An independent consultant facilitates this process.

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

BOARD COMMITTEES

Executive Committee

The Executive Committee comprises Dr Cheong Choong Kong (Chairman), Mr David Conner, Mr Lee Seng Wee, Mr Wong Nang Jang and Mr Patrick Yeoh. The Committee has written terms of reference that describe the responsibilities of its members.

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

Nominating Committee

The Nominating Committee comprises Mr Michael Wong Pakshong (Chairman), Dr Cheong Choong Kong, Datuk Fong Weng Phak, Mr Lee Seng Wee and Col (Ret) David Wong. 3 of the 5 Committee members – Mr Wong Pakshong, Datuk Fong and Col (Ret) Wong – are independent Directors. In addition, the Chairman of the Committee, Mr Wong Pakshong, is independent. The Committee has written terms of reference that describe the responsibilities of its members.

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank. It ensures that only the most competent individuals capable of contributing to the success of the organisation are

appointed. This includes review of all nominations for the appointment, re-appointment, election or re-election of Directors of the Bank and its wholly-owned subsidiary Bank of Singapore Limited, and members of the Executive Committee, Remuneration Committee and Audit Committee of the Bank. The Nominating Committee is also charged with determining annually whether or not a Director is independent, or whether the Director is capable of carrying out the relevant duties where the Director has multiple board representations. It also reviews nominations for senior management positions in the Bank and Bank of Singapore Limited, including the CEO, Deputy President, Chief Financial Officer and senior executives of Executive Vice President rank and above. The Nominating Committee makes recommendations to the Board on all such appointments.

Audit Committee

The Audit Committee comprises Mr Michael Wong Pakshong (Chairman), Datuk Fong Weng Phak and Col (Ret) David Wong, all of whom are independent Directors. All Committee members have accounting or financial management expertise and experience. The Committee has written terms of reference that describe the responsibilities of its members.

The Audit Committee performs the functions specified in the

Companies Act, the Code and the SGX-ST Listing Manual. Details of the duties and responsibilities of the Audit Committee are found in the Report of the Directors on page 72 and in the "Audit Function" section of this chapter on pages 41 to 42.

Remuneration Committee

The Remuneration Committee comprises Mr Michael Wong Pakshong (Chairman), Dr Cheong Choong Kong, Mr David Conner, Tan Sri Dato Nasruddin Bin Bahari and Dr Tsao Yuan. 3 of the 5 Committee members – Mr Wong Pakshong, Tan Sri Nasruddin and Dr Tsao Yuan – are independent Directors. All the Committee members are well versed with executive compensation matters, given their extensive experience in senior corporate positions and major appointments. The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee determines and recommends to the Board the remuneration and fees of non-executive Directors as well as the compensation of executive Directors. It is also empowered to review human resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries. In addition, it administers the various employee share ownership schemes.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2003

Name of Director	Number of Meetings Attended in 2003									
	Board		Executive Committee		Nominating Committee		Remuneration Committee		Audit Committee	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
Cheong Choong Kong	7	7	12	12	3	3	7	7	–	–
Michael Wong Pakshong (appointed to Nominating Committee and stepped down from Executive Committee on 14 May 2003)	7	7	4	4	1	1	7	7	7	7
David Conner (appointed to Remuneration Committee and stepped down from Nominating Committee on 14 May 2003)	7	7	12	11	2	2	3	3	–	–
Fong Weng Phak	7	7	–	–	3	3	–	–	7	7
Lee Seng Wee (stepped down from Remuneration Committee on 14 May 2003)	7	7	12	12	3	3	4	4	–	–
Lee Tih Shih (appointed on 4 April 2003)	5	5	–	–	–	–	–	–	–	–
Nasruddin Bin Bahari (appointed to Remuneration Committee on 14 May 2003)	7	7	–	–	–	–	3	3	–	–
Tsao Yuan	7	6	–	–	–	–	7	7	–	–
David Wong	7	7	–	–	3	3	–	–	7	7
Wong Nang Jang	7	7	12	10	–	–	–	–	–	–
Patrick Yeoh (appointed to Executive Committee on 14 May 2003)	7	7	8	7	–	–	–	–	–	–

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

The Bank's Articles of Association provide for Directors to participate in Board and Board Committee meetings by means of conference telephone, video conferencing or audio visual equipment.

AUDIT FUNCTION

Audit Committee

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

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy of the system of internal and accounting controls, risk management and compliance. The reviews include the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors. Where the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value for money services.

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

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

Group and the external auditors are compatible with maintaining the independence of the external auditors.

In respect of the 2003 financial year, the Audit Committee

- (a) has reviewed the audited financial statements with management, including a discussion of the quality of the accounting principles applied and significant judgements affecting the financial statements;
- (b) has discussed with the external auditors the latter's judgement of the quality of the above principles and judgements;
- (c) has discussed among its own members, without the presence of management or the external auditors, the information disclosed in (a) and (b) above; and
- (d) believes that the financial statements are fairly presented in conformity with the relevant Singapore accounting standards in all material aspects, based on its review and discussions with management and the external auditors.

Internal Audit Function

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

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

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

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing. Group Audit reports functionally to the Audit Committee and administratively to the CEO. Mr Chong Meng is the Head of Group Audit. He has 30 years of working experience covering risk management and control, marketing, client-relationship, process engineering and general management. Currently, Group Audit has a team of some 109 staff in Singapore and Malaysia. The division is organised into specialist and business units and is aligned with the structure of the Bank.

Internal Controls

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

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

REMUNERATION POLICY

Employees' Remuneration

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

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

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

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

Directors' Remuneration

The Remuneration Committee recommends the remuneration for executive Directors and the fees for non-executive Directors of the Bank. The fees for non-executive Directors are subject to shareholders' approval at the AGM.

Compensation of Non-Executive Directors

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

- Annual retainer fee of S\$45,000;
- Annual committee chairperson fee of S\$20,000 for Audit Committee and S\$15,000 for other Committees; and

- Attendance fee of S\$1,200 per Board or Board Committee meeting. These attendance fees are paid to *non-executive Directors to recognise their commitment* and time spent in attending each meeting.

In addition, under the OCBC Share Option Scheme 2001, the Remuneration Committee has the discretion to grant share options to non-executive Directors in recognition of their contributions. Executive Directors are not eligible to participate in any part of the compensation for non-executive Directors.

Compensation of Executive Directors

The compensation plan for the executive Directors is

formulated and reviewed by the Remuneration Committee to ensure that it is market competitive and that the rewards are *commensurate with their contributions*. The compensation package comprises basic salary, benefits in kind, performance bonus, incentive bonus, share options, share awards and compensation in the event of early termination where service contracts are applicable. Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Executives' Share Option Scheme 1994 and OCBC Share Option Scheme 2001, the guidelines on granting of share options for executive Directors are similar to those for the executives of the Bank.

DIRECTOR'S REMUNERATION IN 2003

	Remuneration band (\$)	Salary and fees ^(a) (%)	Performance-based bonuses ^(b) (%)	Other benefits ^(c) (%)	Value of share options granted ^(d) (%)	Value of deferred shares granted ^(e) (%)	Value of share award ^(e) (%)	Total Remuneration (%)	Options Granted (No.)	Exercise Price (\$)	Exercise Period
Non-Executive Directors											
Dr Cheong Choong Kong ^(f)	Below 250,000	100	—	—	—	—	—	100	—	—	—
Mr Michael Wong Pakshong	Below 250,000	100	—	—	—	—	—	100	—	—	—
Datuk Fong Weng Phak	Below 250,000	100	—	—	—	—	—	100	—	—	—
Mr Lee Seng Wee ^(g)	Below 250,000	100	—	—	—	—	—	100	—	—	—
Dr Lee Tih Shih	Below 250,000	100	—	—	—	—	—	100	—	—	—
Tan Sri Dato Nasruddin Bin Bahari	Below 250,000	100	—	—	—	—	—	100	—	—	—
Dr Tsao Yuan	Below 250,000	100	—	—	—	—	—	100	—	—	—
Col (Ret) David Wong	Below 250,000	100	—	—	—	—	—	100	—	—	—
Mr Patrick Yeoh	Below 250,000	100	—	—	—	—	—	100	—	—	—
Mr Wong Nang Jang	250,000 to 499,999	25.8	—	—	74.2	—	—	100	75,000 ^(h)	9.76	28 March 2004 to 26 March 2008
Executive Directors											
Mr Lee Seng Wee ^(g)	250,000 to 499,999	95.6	—	4.4	—	—	—	100	—	—	—
Dr Cheong Choong Kong ^(f)	500,000 to 749,999	77.3	19.3	3.4	—	—	—	100	—	—	—
Mr David Conner	3,500,000 to 3,749,999	27.4	29.4	8.3	20.8	7.3	6.8	100	300,000	9.76	28 March 2004 to 26 March 2013

(a) For non-executive Directors, refers to Directors' fees. For executive Directors, comprises basic salary, allowances and bonuses.

(b) Represents performance-based bonuses paid during the year.

(c) Represents non-cash component and comprises club and car benefits and employer's contributions to CPF.

(d) Share options were valued as at the date of grant, using the Roll-Geske Model for American call options.

(e) Share grants and awards were valued at the actual price of shares purchased from the open market.

(f) Dr Cheong Choong Kong was an executive Director from 1 July 2003 to 31 December 2003.

(g) Mr Lee Seng Wee was an executive Director from 1 January 2003 to 30 June 2003.

(h) Grant in respect of Mr Wong Nang Jang's tenure as an executive Director from 4 December 2001 to 4 June 2002.

Remuneration of Directors' Immediate Family

During the financial year 2003, none of the Directors had immediate family members who were employees of the Bank and whose personal annual remuneration exceeded S\$150,000.

Remuneration of Top 5 Key Executives in 2003

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

SHARE OPTION SCHEMES

OCBC Executives' Share Option Scheme 1994

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

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

OCBC Share Option Scheme 2001

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

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

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

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

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

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

Vesting Schedule	Percentage of shares over which an option is exercisable
On or before the first anniversary of the date of grant	Nil
After the first anniversary but on or before the second anniversary of the date of grant	33%

Vesting Schedule (continued)

Percentage of shares over which
an option is exercisable

After the second anniversary but on or before the third anniversary of the date of grant	33%
After the third anniversary but before the date of expiry of the exercise period	34%

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

OCBC Deferred Share Plan

The OCBC Deferred Share Plan aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. Group executives holding the rank or equivalent rank of Vice President and above, and any Group Executive Director selected by the Remuneration Committee are eligible to participate in the Plan. In 2003, the participants are executives of the Bank, selected overseas locations and OCBC Bank (Malaysia) Berhad.

The share awards are granted annually to eligible executives, the value of which is presently equal to 25% of their total variable performance bonus for the year. The OCBC shares granted are acquired from the market in accordance with guidelines established under the Plan. The share awards will vest with the executives at the end of 3 years. Prior to the vesting date, the executives will not be accorded voting rights and dividends paid on the shares.

The awards will lapse immediately on the termination of employment and appointment, except in the event of *retirement, redundancy, death, or where approved by the Remuneration Committee*, in which case the Committee

may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

During the financial year, an aggregate of 466,777 ordinary shares of par value S\$1.00 each were granted to eligible executives of the Group pursuant to the OCBC Deferred Share Plan.

COMMUNICATION WITH SHAREHOLDERS

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

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

ETHICAL STANDARDS

The Bank has adopted the SGX-ST's Best Practices Guide with respect to dealings in securities and has a Code on Dealings in Securities for the guidance of directors and officers.

Risk Management

RISK EXPOSURE AND RISK MANAGEMENT PRACTICE

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

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

Compared to the commercial banking businesses, the current extent of treasury and investment banking activities, which include sales and trading in money market, foreign exchange and other treasury products and the underwriting of equities and debt instruments, is relatively less significant. However, these activities also expose the Group to credit risks and market risks, including interest rate, currency and equity risks.

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

RISK ORGANISATION

OCBC Group believes that risk management is most effective when it is a shared responsibility between risk takers and risk controllers, with the Board of Directors

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

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

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

CREDIT RISK MANAGEMENT

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

The CRMC includes representatives from major business units, where credit risk is generated, as well as independent

credit risk controlling units. This joint effort in setting risk policy seeks to ensure understanding of and commitment to the credit risk management process. The CRMC is supported by the Credit Risk Management ("CRM") departments within Group Risk Management Division. Dedicated CRM units perform the roles of developing risk policies, guidelines and procedures and putting in place the monitoring, reporting and control systems.

Credit Approval Process

The foundation of the credit approval structure is a designation process that delegates lending authority to individual credit signers according to their own credit skills, knowledge, experience, training and track record.

Credit extensions to corporate and institutional customers are generally required to meet pre-defined target markets and risk acceptance criteria. Individual credit signers from the business units make underwriting decisions jointly with those from the credit risk management units. This "co-grantor" approval approach is designed to ensure objectivity and appropriate check and balance.

In the business of lending to mass markets, principally in the consumer and small business sectors where transactions are numerous and of smaller amounts, loans are underwritten under pre-approved credit programmes by Credit Underwriters who report to the Group Risk Management Division. These programmes focus on credit extensions to individual customers with similar characteristics and/or product needs.

A New Product Approval 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.

Credit Risk Review

Credit risk review was established in 2003 to strengthen the risk oriented credit culture in OCBC. The Credit Risk

Review manual was approved by the Audit Committee of the Board of Directors in March 2003, and the first credit risk review took place in April. As of December, 21 business units in Singapore, Malaysia and International have undergone credit risk reviews.

Concurrent with the implementation of Credit Risk Review, a training programme was established for staff in business units to improve their understanding of the credit risk process and to prepare them for credit risk process reviews. The workshops covered areas such as SME lending, early warning recognition and remedial management and were generally structured around case studies demonstrating the various elements of the credit risk process. As of December, a total of 526 bank officers with credit-related jobs have attended the course.

Credit Portfolio Management

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

Country Risk

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

Credit Concentration

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

Special Asset Management Unit

The Special Asset Management unit continues to manage all NPLs due from Business Banking customers within the Group, with a purview that extends to OCBC Malaysia and overseas branches. These NPLs are managed either directly by active account management, or where warranted (e.g. overseas branches), through the oversight and supervision of the relevant business units' management. The Special Asset Management unit is target driven, with the expressed objective of efficient NPL reduction and maximising loan recovery. The unit maintains its focus through a systematic loan management process that formulates work plans to achieve timely NPL resolution and its senior management team is actively involved in all stages of the process to ensure that the agreed plans for NPL resolution are achieved within agreed timeframes.

The results for the year show an overall reduction of Group NPLs of S\$522 million and a resulting NPL ratio of 6.9%.

Loan Classification and Provisioning Policies

Loan classification

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

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

Restructured loans

A restructured loan refers to one where the original contractual terms and conditions have been modified upon mutual agreement between the Bank and the borrower. Where a loan is restructured because a borrower is facing severe financial difficulties and where it is

probable that the account will have to be downgraded to non-performing status without the restructuring, the restructured loan will be classified as NPL. Once classified as an NPL, a restructured loan can only be upgraded after a reasonable period (typically six months) of sustained performance under the restructured terms.

Provisioning policies

The provision for estimated losses in the loan book comprises a specific provision against each NPL and a general provision that cannot be specifically applied and reflects the potential risk embodied in the loan portfolio. A minimum 1% general provision is made on the total amount of loans less total outstanding provisions, except for loans to the five regional countries, for which general provisions are made in accordance with MAS guidelines.

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

- (a) the underlying business and financial viability of the borrower;
- (b) the cash flow sources of the borrower;
- (c) the quality and realisable value of the collateral and guarantee supporting the loan; and
- (d) the existence of a valid and enforceable legal right of recourse against the borrower.

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

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

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

Write-offs

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

Ceasing of interest accrual on loans

Interest accrual effectively ceases when a loan is classified "Substandard", "Doubtful" or "Loss", except for overdrafts where interest continues to accrue even after classification.

Collateral held against NPLs

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

Property Exposure

The Bank is in compliance with Section 35 of the Banking Act, which limits its exposure to real estate in Singapore to not more than 35% of its total eligible loan assets.

Information on credit exposures by geographical area, business line and industrial classification, and the breakdown of investment and dealing securities by issuer type, are disclosed in Notes 24, 26, 30, 37 and 39 of the Financial Statements and in the Management Discussion and Analysis chapter.

MARKET RISK MANAGEMENT

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

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 MRMC includes senior managers from both the business and support units, and is responsible for developing market risk principles and policies and reviewing and strengthening the control and monitoring processes relating to market risk.

The Asset Liability Management Committee (ALCO) is the senior management forum that is responsible for overseeing the Group's liquidity and balance sheet risks. The ALCO comprises the Chief Executive Officer, the Chief

Financial Officer and other senior representatives from both the business and support units.

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

Market Risk Management Methodologies

The key elements in the market risk management framework are principles and policies, risk limits and risk measures.

Principles and Policies – The Board and the Chief Executive Officer approve the market risk principles and policies. The principles provide guidance on the oversight and management of the Group's market risk, while the policies facilitate a common understanding of market risk definition and adoption of common methodologies across the Group. Controls are in place to ensure that all business activities conform to the Group's risk management principles and policies.

Risk Limits – On a daily basis, all trading risk positions are monitored against the authorised limits by support units independent of the businesses. Under the market risk corporate governance framework, limits are approved at various business activity levels, with defined exception escalation procedures. All exceptions are to be promptly reported to the relevant senior management for ratification. Only authorised activities may be undertaken.

Risk Measures – The Value-at-Risk (VaR) methodology is the primary measure for the Group's trading activities. The overall trading risk is determined by aggregating the VaR measures for the interest rate risk, foreign exchange risk and equity risk arising from the trading activities. With effect from 2003, the Group has adopted the historical simulation approach, applied against a 10-day holding period at a 99% confidence level. Potential losses are expected to be within the VaR estimate 99% of the time. The Group prefers historical simulation as it involves fewer assumptions on the distribution of trading losses than the parametric approach.

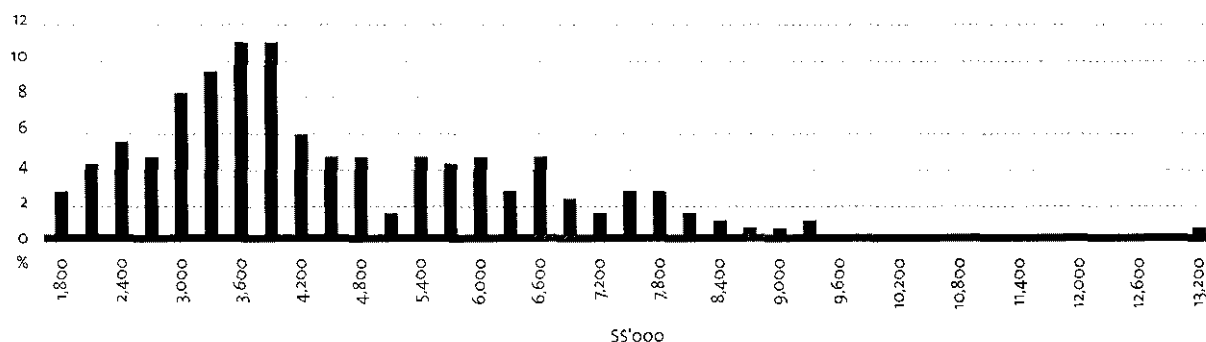
The following provides a summary of the Group's VaR profile, broken down in the key risk classes, in 2002 and 2003.

Value at Risk Profile

Risk Classes	2002			2003		
	Max	Ave	Min	Max	Ave	Min
Foreign Exchange	5,212	1,774	446	15,806	4,606	0
Interest Rates	12,410	7,089	2,458	27,916	11,437	2,882
Equity	5,172	1,689	1,029	5,537	689	25
Diversification Effect	(6,074)	(2,852)	(1,733)	(17,342)	(6,557)	(1,419)
Aggregate	13,268	7,700	4,144	27,221	11,459	3,573

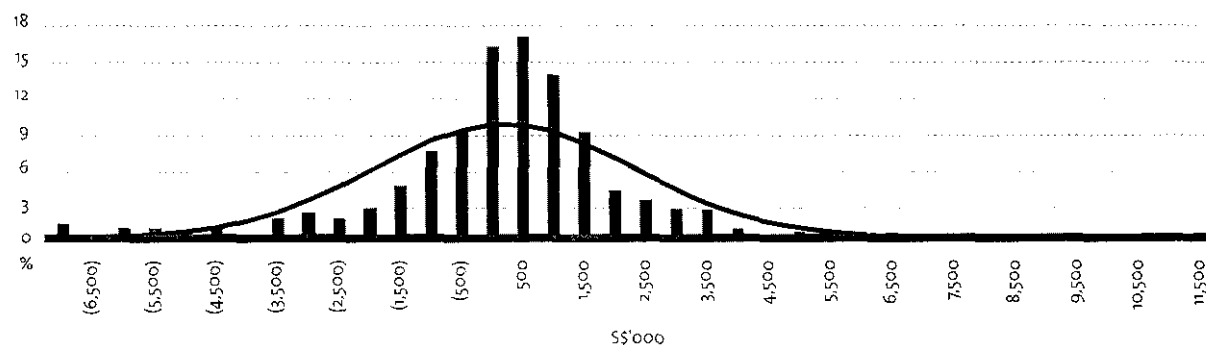
The Group's daily trading VaR for 2003 averaged S\$4.3 million and ranged between a low of S\$82,000 and a high of S\$13.2 million.

Daily Trading VaR Distribution for FY 2003



The Group's daily trading income ranged between a profit of S\$11.5 million and a loss of S\$9.1 million for 2003.

Daily Trading Income Distribution for FY 2003



Back-testing is conducted to ensure the effectiveness of the VaR model, by comparing the daily VaR against the theoretical profits and losses. The theoretical profits and losses are computed assuming that end-of-day market risk exposures do not change for a period of one day.

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

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

Asset Liability Management Framework

The Group's Asset Liability Management framework consists of 3 components:

- Interest Rate Risk Management
- Structural Foreign Exchange Risk Management
- Liquidity Management

Interest Rate Risk – The main market risk faced by the Group is the interest rate risks arising from the re-pricing mismatches of assets and liabilities arising from its banking business. These are monitored through tenor limits and net interest income changes.

A system is in place to measure the Group's re-pricing mismatch profile. In-depth analyses of current and projected balance sheet positions and the likely impact on the Group's net interest income are performed. Group Treasury actively manages the re-pricing mismatches

with the aid of daily re-pricing gap and sensitivity reports, against defined sensitivity limits. The re-pricing gap reports allow for the analysis of the re-pricing profile for the Group's assets and liabilities. The sensitivity reports identify the parts of the yield curve where the Group is most vulnerable to changes in interest rates.

The funding mix varies across the Group. In Singapore, the lending portfolio is largely funded by demand and fixed deposits. The major component of interest rate risks lies in the Bank's extension of commercial property loans, housing loans and automobile loans, which are generally priced at fixed rate. The Bank uses the interest rate swap market actively to ensure that these fixed rate exposures are managed within its risk appetite.

Deposit rates and lending rates are frequently reviewed and adjusted based on market and competitive factors.

Structural Foreign Exchange Risk – The Group's business is mainly transacted in the following currencies: the Singapore dollar, the US dollar, the Malaysia ringgit, the Australian dollar and the Euro. The Group's structural foreign exchange exposure arises primarily from its equity investment in overseas subsidiaries and related companies; head office funds in overseas branches and investment in fixed assets and premises. The Group's policy is to protect its capital by ensuring that, where appropriate and practical, exposures arising from changes in exchange rates are minimised. Hedging is performed to protect the real economic value rather than to avoid the short-term accounting impact.

Liquidity Risk – The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and regulatory financial obligations at all times. As a policy, the Group requires individual subsidiaries and overseas branches to be self-sufficient and to fund their own operations. It is the responsibility of each local management team to ensure compliance with local regulatory and the Group's requirements on liquidity management. Liquidity is managed daily at each branch or subsidiary, taking into account the complexity of the individual balance sheet, as well as the depth and liquidity of the local market.

The Group's liquidity policy is to ensure that all contractual and behavioural commitments can be met by readily available sources of funding. In addition, a level of liquid assets is maintained in relation to cash flows to provide further sources of funding in the event of a crisis. The Group frequently accesses the wholesale financial markets to ensure the availability of funds.

The liquidity management process includes projecting cash flows by major currencies; monitoring liquidity ratios and depositor concentration to ensure an appropriate funding mix and avoid undue reliance on large individual depositors; and maintaining a contingency funding plan. Cash flow projections are also subject to stress tests to ensure that the Group has the ability to withstand sudden and heavy cash outflows. The stress tests are conducted on a regular basis to assess and measure liquidity risk under a bank-specific and general market crisis situation.

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

OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss caused by a breakdown in internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The Group has an overall framework with the required environment and organisational components for managing operational risk in a structured, systematic and consistent manner.

The goal of operational risk management is to minimise unexpected and catastrophic losses and manage expected losses. This enables new business opportunities to be pursued in a risk controlled manner and increases risk adjusted profitability through calculated risk-and-reward decision making.

Operational risk management comes under the oversight of the Operational Risk Management and Information Security Committee ("ORISC"), which includes senior representatives from risk management, business units and relevant support functions. Business units are supported by the Operational Risk Management ("ORM") Department of Group Risk Management Division, which has established the operational risk framework, including policies and methodologies and provides independent oversight of operational risk monitoring and control. The operational risk management programmes are actively implemented through the Operational Risk Co-ordinators in the business units.

There are also regular reviews by the internal and external auditors to assess the overall management of operational risks so as to ensure that key business processes are appropriately controlled and functioning effectively.

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.

A well-established and comprehensive loss event and incident reporting system that is aligned to both emerging regulatory and industry standards, to monitor and manage operational losses is in place. A risk and control assessment programme is being progressively rolled out to reinforce our risk assessment capabilities from both institutional and regulatory compliance perspectives. Business continuity and crisis management programmes are in place as an integral part of the Group's strategy to mitigate risks and to manage the impact of unforeseen events. In addition, operational risk training programmes are conducted on an ongoing basis to cultivate a pro-active risk management culture within the Group.

Management Discussion and Analysis

OVERVIEW

	2003 S\$m	2002 S\$m	+ / (-) %
Selected profit and loss data:			
Net interest income	1,435	1,509	(5)
Fees and commissions	373	374	(0)
Dividends	75	34	122
Rental income	64	77	(17)
Other income	247	228	8
Total income	2,193	2,222	(1)
Less: Operating expenses	855	849	1
Operating profit	1,338	1,372	(2)
Less: Goodwill amortisation	127	127	(0)
Less: Total provisions	225	501	(55)
Add: Share of associated companies' results	235	161	46
Profit before tax	1,222	906	35
Less: Tax	266	237	12
Less: Minority interests	2	2	(23)
Net profit attributable to shareholders	954	667	43
Cash basis net profit attributable to shareholders ⁽¹⁾	1,081	794	36
Selected balance sheet data:			
Total assets	84,497	84,051	1
Loans to non-bank customers (net of provisions)	50,155	47,367	6
Deposits of non-bank customers	53,460	53,948	(1)
Ordinary shareholders' funds	9,166	9,224	(1)
Total shareholders' funds	10,059	9,224	9
Key Indicators:			
Ratios (% p.a.)			
Return on ordinary shareholders' funds ⁽²⁾	10.0	7.4	
Return on ordinary shareholders' funds ⁽²⁾ – Cash basis ⁽¹⁾	11.4	8.8	
Return on total shareholders' funds	9.8	7.4	
Return on total shareholders' funds – Cash basis ⁽¹⁾	11.1	8.8	
Return on assets	1.13	0.80	
Return on assets – Cash basis ⁽¹⁾	1.28	0.95	
Per ordinary share data (S\$)			
Basic earnings ⁽³⁾	0.72	0.52	39
Cash earnings ⁽¹⁾	0.82	0.62	33
Net asset value			
– Before valuation surplus	7.16	7.15	0
– After valuation surplus	9.95	9.69	3

⁽¹⁾ Excluding goodwill amortisation charge⁽²⁾ Calculated after deducting preference shares dividends paid and estimated to be due as at 31 December 2003 from net profit attributable to shareholders⁽³⁾ Calculated after deducting declared and/or paid preference shares dividends from net profit attributable to shareholders

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

Management Discussion and Analysis

Group net profit for the financial year ended 31 December 2003 increased by 43% to S\$954 million, representing a record high for the Group. The earnings growth was driven by a substantial reduction in provisions, gains from the divestment of non-core assets and higher contributions from associates.

Group operating profit before provisions and goodwill amortisation fell by 2% to S\$1,338 million, mainly due to a 5% decline in net interest income as a result of increased competition driving down interest margins. Non-interest income increased by 6%, boosted by gains from the divestment of non-core assets which contributed S\$128 million. The divestments comprised shares in Fraser and Neave Limited ("F&N") and WBL Corporation Limited, and a residential development site at Mount Emily Road. Fee and commission income was largely unchanged from 2002, but showed a strong rebound in the second half compared to the first half which was affected by weak investment sentiments and economic uncertainties. Operating expenses for the year rose marginally by 1%.

Provisions fell by 55% from S\$501 million in 2002 to S\$225 million in 2003, reflecting the significant progress made in strengthening the Group's credit processes and asset quality since the second half of 2002. The Group's non-performing loans ("NPLs") ratio improved from 8.1% at the end of 2002 to 6.9% at the end of 2003, while cumulative provision coverage increased from 62.4% to 67.0% of total NPLs.

Pretax contribution from associates increased by 46% to S\$235 million, due to higher profits from insurance associate Great Eastern Holdings Limited, and a S\$14 million gain from the sale of an associate's stake in Raffles Hotel.

The total after-tax gain from the divestment of non-core assets, including the gain reflected under the associates line, was S\$126 million in 2003. Excluding this amount, the Group's net profit in 2003 would be S\$828 million, an increase of 24% over 2002.

The Group's total assets increased by 0.5% to S\$84.5 billion as at 31 December 2003, while total shareholders' equity increased by 9% to S\$10.1 billion. The Group's Tier 1 and total capital adequacy ratios computed based on the Bank for International Settlements guidelines were 12.6% and 21.8% respectively as at 31 December 2003.

Earnings per ordinary share increased by 39% from 52 cents in 2002 to 72 cents in 2003. A final dividend of 12 cents per share for ordinary shareholders has been proposed, bringing the total dividend for 2003 to 23 cents, an increase of 15% compared to the total dividend of 20 cents for 2002.

Management Discussion and Analysis

NET INTEREST INCOME

Net interest income in 2003 fell by 5% to S\$1,435 million, as increased competition led to lower interest margins, offsetting the impact of a higher loan volume. Net interest margin fell by 12 basis points from 2.02% in 2002 to 1.90% in 2003.

Average Balance Sheet

	Average Balance ⁽¹⁾ S\$m	2003 Interest S\$m	Average Rate %	Average Balance ⁽¹⁾ S\$m	2002 Interest S\$m	Average Rate %
Assets						
Loans and advances to non-bank customers	48,309	1,791	3.71	47,739	2,055	4.30
Placements with and loans to banks	14,526	267	1.84	14,941	312	2.09
Other interest earning assets ⁽²⁾	12,610	322	2.55	11,913	363	3.04
Total interest earning assets	75,445	2,381	3.16	74,593	2,729	3.66
Non-interest earning assets	8,873	—	—	8,722	—	—
Total assets ⁽⁴⁾	84,317	—	—	83,315	—	—
Liabilities						
Deposits of non-bank customers and floating rate negotiable certificates of deposits	55,452	681	1.23	56,378	895	1.59
Deposits and balances of banks	12,135	158	1.30	11,695	210	1.79
Other borrowings ⁽³⁾	4,175	106	2.54	4,042	115	2.85
Total interest bearing liabilities	71,763	946	1.32	72,116	1,220	1.69
Non-interest bearing liabilities ⁽⁴⁾	2,780	—	—	2,189	—	—
Total liabilities	74,543	—	—	74,305	—	—
Net interest income/margin ⁽⁴⁾		1,435	1.90		1,509	2.02

⁽¹⁾ Average balances are based on monthly averages

⁽²⁾ Comprise debt securities, government securities and treasury bills

⁽³⁾ Comprise debt securities issued, including the Upper Tier 2 subordinated debt issued in July 2001, and bills payable

⁽⁴⁾ 2002 figures have been re-stated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, 2002's net interest margins have been re-stated.

Management Discussion and Analysis

The table below analyses the changes in net interest income due to changes in volume and changes in rate for 2003 compared to 2002.

Volume and Rate Analysis

	2003 over 2002		
	Incr/(Decr) due to change in Volume	Rate	Net Change
	S\$m	S\$m	S\$m
Interest Income			
Loans and advances to non-bank customers	21	(284)	(263)
Placements with and loans to banks	(8)	(37)	(45)
Other interest earning assets	18	(58)	(40)
Total	31	(380)	(348)
Interest Expense			
Deposits of non-bank customers and floating rate negotiable certificates of deposits	(11)	(202)	(214)
Deposits and balances of banks	6	(57)	(51)
Other borrowings	3	(12)	(9)
Total	(2)	(272)	(274)
Net Interest Income	34	(108)	(74)

Management Discussion and Analysis

NON-INTEREST INCOME

	2003 S\$m	2002 S\$m	+ / (-) %
Fee and commission income			
Brokerage	62	57	8
Bancassurance	33	35	(7)
Unit trust distribution	35	44	(21)
Fund management	19	17	12
Credit cards	30	27	11
Loan-related	73	68	8
Trade-related	30	32	(4)
Guarantees	18	18	(4)
Investment banking	12	14	(14)
Service charges	53	50	6
Others	8	12	(34)
Total	373	374	(0)
Dividends	75	34	122
Rental income	64	77	(17)
Other income			
Dealing in foreign exchange	61	48	27
Dealing in securities and derivatives	(19)	61	n.m.
Disposal of investment securities	92	47	97
Disposal of associated companies	0	10	(100)
Disposal of properties	47	#	n.m.
Others	66	62	6
Total	247	228	8
Total non-interest income	758	712	6
Fees and Commissions/Total income	17.0%	16.8%	
Non-Interest Income/Total income	34.6%	32.1%	

– Amount under S\$500,000

Total non-interest income grew by 6% to S\$758 million in 2003, boosted by the gains from divestments of non-core assets which contributed a total of S\$128 million, reflected under dividend income and other income. The gains comprised S\$78 million from disposal of F&N shares, S\$46 million from the sale of a residential development site at Mount Emily Road, and S\$4 million from disposal of WBL Corporation shares.

Fee and commission income amounted to S\$373 million in 2003, largely unchanged from 2002. Growth in brokerage income, loan-related fees, credit card and fund management income offset the lower income from unit trusts and bancassurance which was mainly due to the weak investment sentiments in the first half of the year.

The Group recorded a net loss of S\$19 million in securities and derivatives dealing in 2003, compared to a net gain of S\$61 million in 2002. In the second half of the year, an unexpected spike in long term interest rates resulted in losses from the disposal of Singapore Government Securities and corporate debt securities, the latter comprising mainly securities related to a primary market underwriting deal. The S\$19 million net loss also included some unrealised losses on interest rate derivatives.

Management Discussion and Analysis

OPERATING EXPENSES

	2003 S\$m	2002 S\$m	+ / (-) %
Staff costs	478	465	3
Premises and equipment			
Depreciation of fixed assets	81	73	12
Amortisation of computer software costs	20	11	86
Maintenance and hire of fixed assets	36	24	49
Rental expenses	18	22	(17)
Others	69	62	10
Total	225	192	17
Other operating expenses	157	178	(12)
	860	835	3
Restructuring and other integration costs	(5)	14	n.m.
Total operating expenses	855	849	1
Group staff strength – year end	7,424	7,477	(1)
Group staff strength – average	7,350	7,777	(5)
Cost-to-income ratio	39.0%	38.2%	

– Amount under S\$500,000

Costs were managed tightly during 2003 in view of the sluggish economic environment. Compared to 2002, operating expenses rose only marginally by 1%, to S\$855 million.

Increases in staff costs and premises and equipment costs were offset by lower professional and business promotion costs. Premises and equipment costs rose by 17% as a result of a S\$10 million write-off of fixed assets in the second quarter, coupled with higher computer charges and amortisation of software costs following the commissioning of the new core banking system in 2002.

The Group's cost-to-income ratio for 2003 was 39.0%, slightly above the 38.2% in 2002.

Management Discussion and Analysis

PROVISION CHARGE

	2003 S\$m	2002 S\$m	+ / (-) %
Specific provision for loan losses			
– Singapore	191	221	(14)
– Malaysia	55	111	(50)
– Other regional countries	(27)	6	n.m.
– Others	(25)	27	n.m.
Sub-Total	194	365	(47)
General provision for loan losses			
– Five regional countries ⁽¹⁾	(31)	(23)	n.m.
– Singapore & others	5	(5)	n.m.
Sub-Total	(26)	(27)	n.m.
Specific provision for diminution in value of investment securities and other assets	57	163	(65)
Total provision charge	225	501	(55)

⁽¹⁾ Five regional countries comprise Malaysia, Indonesia, Thailand, South Korea and the Philippines

– Amount under S\$500,000

Total provisions in 2003 amounted to S\$225 million, a decrease of 55% from S\$501 million in 2002.

Specific provisions for loans fell by 47% from S\$365 million in 2002 to S\$194 million in 2003. Provisions for both new and existing NPLs were lower, reflecting the substantial progress made in strengthening the Group's credit processes and overall asset quality, coupled with a gradually improving economic environment during the latter half of 2003.

Specific provisions for diminution in value of investment securities and other assets also registered a sharp decline, from S\$163 million in 2002 to S\$57 million in 2003. Provisions for the Group's properties fell from S\$84 million to S\$49 million, while provisions for investments and other assets fell from S\$79 million to S\$8 million.

There was a net write-back of general provisions amounting to S\$26 million in 2003, compared to S\$27 million net write-back in 2002.

Management Discussion and Analysis

LOANS AND ADVANCES

	31 Dec 2003 S\$m	31 Dec 2002 S\$m	+ / (-) %
Loans to customers	52,159	49,587	5
Bills receivable	429	297	44
Gross loans to customers	52,589	49,884	5
Less Provisions:			
Specific provisions	1,251	1,306	(4)
General provisions	1,183	1,211	(2)
Net loans to customers	50,155	47,367	6

Loans to customers grew by 5% year-on-year to S\$52.59 billion as at 31 December 2003, driven by growth in consumer loans. Housing loans expanded by 25% to S\$15.38 billion, boosted by the new HDB (Housing Development Board) home loan market as well as growth in the Malaysia portfolio. Loans to professionals and individuals increased by 7% to S\$8.13 billion, driven mainly by car loans and other individual loans.

	31 Dec 2003		31 Dec 2002	
	S\$m	%	S\$m	%
Loans By Industry				
Agriculture, mining & quarrying	519	1	437	1
Transport, storage and communication	1,525	3	1,753	4
Building and construction	7,302	14	7,453	15
Manufacturing	3,265	6	3,455	7
Financial institutions, investment and holding companies	8,924	17	9,047	18
General commerce	3,065	6	3,208	6
Professionals and individuals	8,129	15	7,613	15
Housing loans	15,382	29	12,313	25
Others	4,478	9	4,605	9
	52,589	100	49,884	100

Management Discussion and Analysis

NON-PERFORMING LOANS

By grading, security coverage and countries

	Total NPLs ⁽¹⁾ S\$m	Sub- Standard NPLs S\$m	Doubtful NPLs S\$m	Loss NPLs S\$m	Secured NPLs as % of total NPLs %	Non-bank NPLs as % of non-bank loans ⁽²⁾ %
Malaysia						
31 Dec 2003	1,068	699	126	243	69.3	11.3
31 Dec 2002	1,199	831	183	186	70.7	14.2
Other Four Regional Countries						
31 Dec 2003	140	17	100	24	22.8	30.8
31 Dec 2002	208	23	156	28	28.4	34.1
Total Regional Countries						
31 Dec 2003	1,208	716	225	267	63.9	12.4
31 Dec 2002	1,407	854	339	214	64.5	15.8
Singapore						
31 Dec 2003	2,389	1,725	498	166	65.0	6.2
31 Dec 2002	2,646	1,952	502	192	69.9	7.3
Others						
31 Dec 2003	237	155	82	#	53.0	3.6
31 Dec 2002	304	148	96	61	32.9	3.5
Group Total						
31 Dec 2003	3,834	2,596	805	433	63.9	6.9
31 Dec 2002	4,356	2,953	936	467	65.6	8.1

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

– Amount under S\$500,000

Continued progress was made in reducing the Group's NPLs during the year, both in absolute terms and as a proportion of total loans.

Compared to 31 December 2002, total NPLs declined by 12% or S\$521 million to S\$3.83 billion as at 31 December 2003. Singapore NPLs of S\$2.39 billion accounted for 62.3% of the Group's total NPLs, while Malaysia NPLs of S\$1.07 billion made up 27.9%. Of the total NPLs, 67.7% were in the substandard category while 63.9% were secured by collateral.

The ratio of NPLs to non-bank loans improved from 8.1% as at 31 December 2002 to 6.9% as at 31 December 2003. The Singapore NPL ratio fell from 7.3% to 6.2%, while the Malaysia NPL ratio improved from 14.2% to 11.3%.

Management Discussion and Analysis

	31 Dec 2003		31 Dec 2002	
	S\$m	%	S\$m	%
NPLs By Industry ⁽ⁱ⁾				
Agriculture, mining & quarrying	33	6.4	39	8.9
Transport, storage and communication	131	8.6	72	4.1
Building and construction	763	10.4	756	10.1
Manufacturing	497	15.2	680	19.7
Financial institutions, investment and holding companies	524	5.9	768	8.5
General commerce	463	15.1	539	16.8
Professionals and individuals	600	7.4	582	7.6
Housing loans	223	1.4	227	1.8
Others	393	8.8	379	8.2
Sub-total	3,627	6.9	4,042	8.1
Debt securities	207		314	
Total	3,834	7.3	4,356	8.7

⁽ⁱ⁾ The percentages refer to the amount of NPLs over gross customer loans in each industry

	31 Dec 2003		31 Dec 2002	
	S\$m	As % of Total NPLs	S\$m	As % of Total NPLs
NPLs By Period Overdue				
Over 180 days	2,223	58	2,339	54
Over 90 to 180 days	302	8	567	13
Over 30 to 90 days	242	6	267	6
Less than 30 days	136	4	208	5
No overdue	931	24	975	22
	3,834	100	4,356	100

Management Discussion and Analysis

CUMULATIVE PROVISIONS

	Total cumulative provisions ⁽ⁱ⁾ S\$m	Specific provisions S\$m	General provisions S\$m	Specific provisions as % of total NPLs %	Total cumulative provisions as % of total NPLs %	Total cumulative provisions as % of unsecured NPLs %
Malaysia						
31 Dec 2003	766	402	363	37.6	71.7	233.3
31 Dec 2002	743	377	366	31.5	62.0	211.9
Other Four Regional Countries						
31 Dec 2003	340	127	213	90.9	242.8	314.7
31 Dec 2002	415	171	244	82.6	200.1	279.4
Total Regional Countries						
31 Dec 2003	1,106	529	576	43.8	91.5	253.4
31 Dec 2002	1,159	549	610	39.0	82.4	232.0
Singapore						
31 Dec 2003	1,282	771	511	32.3	53.7	153.5
31 Dec 2002	1,305	800	506	30.2	49.3	164.1
Others						
31 Dec 2003	179	84	95	35.5	75.7	161.1
31 Dec 2002	253	158	95	52.0	83.2	124.0
Group Total						
31 Dec 2003	2,568	1,385	1,183	36.1	67.0	185.6
31 Dec 2002	2,717	1,506	1,211	34.6	62.4	181.2

(i) include provisions for debt securities

Total cumulative specific and general provisions amounted to S\$2.57 billion as at 31 December 2003. These represent 67.0% of total NPLs, an improvement from the coverage of 62.4% as at 31 December 2002. Cumulative specific provisions covered 100.1% of unsecured NPLs, similar to the level at 31 December 2002. In addition, cumulative general provisions were 2.3% (December 2002: 2.5%) of total non-bank loans (net of specific provisions).

Management Discussion and Analysis

EXPOSURE TO THE FIVE REGIONAL COUNTRIES, HONG KONG AND CHINA

	Loans and debt securities			Investments S\$m	Gross Exposure S\$m	Less: Loans to and investment in subsidiaries /branches S\$m	Net Exposure	
	Bank S\$m	Central Bank and Government S\$m	Non-Bank S\$m				Total S\$m	% of Group assets %
Malaysia								
31 Dec 2003	2,954	3,210	8,164	579	14,907	2,494	12,413	14.7
31 Dec 2002	1,259	2,823	7,078	590	11,750	1,229	10,522	12.5
Indonesia								
31 Dec 2003	91	121	285	68	566	68	498	0.6
31 Dec 2002	181	105	356	50	692	49	643	0.8
Thailand								
31 Dec 2003	70	46	87	#	203	55	148	0.2
31 Dec 2002	74	33	108	#	215	58	157	0.2
Korea								
31 Dec 2003	387	34	111	0	532	26	505	0.6
31 Dec 2002	228	35	102	0	364	27	337	0.4
Philippines								
31 Dec 2003	35	16	38	1	90	1	89	0.1
31 Dec 2002	25	17	28	5	74	5	69	0.1
Total Five Regional Countries								
31 Dec 2003	3,536	3,428	8,686	648	16,298	2,646	13,652	16.2
31 Dec 2002	1,767	3,012	7,671	645	13,095	1,367	11,727	14.0
Hong Kong								
31 Dec 2003	421	28	1,274	19	1,742	9	1,733	2.1
31 Dec 2002	528	29	1,312	23	1,892	9	1,883	2.2
China								
31 Dec 2003	592	7	891	3	1,493	370	1,123	1.3
31 Dec 2002	476	16	1,002	9	1,503	345	1,158	1.4
Total								
31 Dec 2003	4,549	3,463	10,851	670	19,533	3,024	16,508	19.5
31 Dec 2002	2,770	3,057	9,985	677	16,489	1,721	14,768	17.6

– Amount under S\$500,000

The Group's net exposure to the five regional countries – Malaysia, Indonesia, Thailand, the Philippines and South Korea – was S\$13.65 billion as at 31 December 2003, an increase of 16% compared to the end of 2002. This exposure amounted to 16.2% of the Group's total assets. The increase was largely from Malaysia, which accounted for 14.7% of Group assets.

Management Discussion and Analysis

DEPOSITS

	31 Dec 2003 S\$m	31 Dec 2002 S\$m	+ / (-) %
Deposits of non-bank customers	53,460	53,948	(1)
Deposits and balances of banks	12,480	12,621	(1)
	65,940	66,569	(1)
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	93.8%	87.8%	

Total deposits and non-bank customer deposits both declined by a marginal 1%, to S\$65.94 billion and S\$53.46 billion respectively as at 31 December 2003. The decline in non-bank deposits was attributed to lower fixed deposits, which was largely offset by higher savings and current account deposits.

The Group's loans-to-deposits ratio rose from 87.8% at the end of 2002 to 93.8% as at 31 December 2003, largely reflecting the 5% loan growth in 2003.

	31 Dec 2003		31 Dec 2002	
	S\$m	%	S\$m	%
Non-Bank Deposits By Product				
Fixed deposits	34,273	64	36,176	67
Savings deposits	11,131	21	10,802	20
Current account	6,108	11	5,294	10
Others	1,948	4	1,676	3
	53,460	100	53,948	100

Management Discussion and Analysis

CAPITAL ADEQUACY RATIOS

	31 Dec 2003 S\$m	31 Dec 2002 S\$m
Tier 1 Capital		
Paid-up ordinary and preference shares	1,284	1,290
Disclosed reserves/others	8,681	7,802
Less: Goodwill	2,072	2,199
	7,893	6,894
Tier 2 Capital		
Asset revaluation reserves ⁽¹⁾	1,302	1,121
Cumulative general provisions	607	597
Hybrid (debt/equity) capital instruments	3,857	3,879
	5,766	5,597
Less: Capital deductions for private equity and venture capital investments	2	5
Total Capital	13,657	12,486
Risk weighted assets including market risk	62,723	59,884
Tier 1 ratio	12.6%	11.5%
Total capital adequacy ratio	21.8%	20.9%

⁽¹⁾ After discount of 55% based on Bank for International Settlements (BIS) guidelines

Note: Capital adequacy ratio is calculated in accordance with the Basel Committee on Banking Supervision guidelines

The Group's total capital adequacy ratio remained strong at 21.8% as at 31 December 2003 compared to 20.9% as at 31 December 2002. The Tier 1 capital ratio increased from 11.5% to 12.6% over the same period.

Various capital management initiatives were undertaken during the year to enhance the Group's overall capital structure and to enhance the return for shareholders:

- During the year, the Bank issued two tranches of non-cumulative, non-convertible Tier 1 preference shares, raising a total of S\$895 million. This amount comprised S\$500 million of OCBC Class E 4.5% preference shares, and S\$395 million of OCBC Class G 4.2% preference shares.
- In July 2003, a special cash dividend of 49.75 cents (net) per ordinary share was paid to ordinary shareholders, with an option to elect to receive the Class G preference shares in lieu of the cash dividend. A total cash payment of S\$434 million was paid to shareholders who have elected for the cash dividend.
- On 17 September 2003, a selective capital reduction exercise was completed, under which 12,138,915 ordinary shares held by F&N were cancelled in exchange for cash of S\$8.63 per share, or S\$105 million in total. This exercise reduced the Bank's issued and paid-up ordinary share capital by 0.94%.

Management Discussion and Analysis

VALUATION SURPLUS

	31 Dec 2003			31 Dec 2002		
	Net book value S\$m	Market value S\$m	Surplus S\$m	Net book value S\$m	Market value S\$m	Surplus S\$m
Properties	1,274	2,664	1,390	1,360	2,901	1,542
Equity securities	1,466	3,499	2,033	1,431	2,911	1,480
Debt securities ⁽¹⁾	13,438	13,587	149	12,050	12,301	252
Total investments	16,178	19,750	3,571	14,840	18,114	3,273

⁽¹⁾ Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$3.57 billion as at 31 December 2003, an increase of 9% compared to 31 December 2002. The increase was attributable mainly to the appreciation in the share price of associate Great Eastern Holdings. Equity securities accounted for S\$2.03 billion or 57% of the surplus while properties accounted for S\$1.39 billion or 39%.

Management Discussion and Analysis

FINANCIAL DERIVATIVES

In \$'000	31 December 2003					
	Trading			Non-Trading		
	Contractual or principal notional amount	Fair value - assets	Fair value - liabilities	Contractual or principal notional amount	Fair value - assets	Fair value - liabilities
Foreign exchange derivatives						
Forwards	241,448	1,272	471	2,964,908	32,782	25,124
Swaps	49,411,052	588,763	571,415	3,963,290	121,009	24,664
OTC options – bought and sold	531,203	987	6,027	228,013	2,078	435
Sub-total	50,183,703	591,022	577,913	7,156,211	155,869	50,223
Interest rate derivatives						
Forwards	18,703,100	6,419	6,085	–	–	–
Swaps	93,236,704	514,609	514,352	14,408,500	451,920	248,840
OTC options – bought and sold	429,712	1,224	777	1,555,456	1,569	5,620
Exchange traded futures – bought and sold	5,534,326	1,532	2,036	–	–	–
Sub-total	117,903,842	523,784	523,250	15,963,956	453,489	254,460
Equity derivatives						
Futures	–	–	–	218	–	4
Options bought	–	–	–	10,785	1	81
Sub-total	–	–	–	11,003	1	85
Credit derivatives						
Credit default swaps	–	–	–	8,505	–	1,234
Other derivatives						
Gold forwards - bought and sold	–	–	–	19,105	28	274
Silver forwards - bought and sold	–	–	–	281	9	10
Sub-total	–	–	–	19,386	37	284
Total	168,087,545	1,114,806	1,101,163	23,159,061	609,396	306,286
Fair value of trading derivatives included in other assets and other liabilities		1,114,806	1,101,163			

The above tables analyse the contractual or underlying principal amounts of derivative financial instruments entered with third parties for trading and non-trading purposes as at 31 December 2003. In addition, they also set out the corresponding gross positive and negative fair values by instrument type. In the financial statements, trading and non-trading (excluding those non-trading derivative financial instruments which are held for hedging and are accounted for on an accrual basis) derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities".

Management Discussion and Analysis

PERFORMANCE BY BUSINESS SEGMENT

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

Net Profit by Business Segment

	2003 S\$m	2002 S\$m	+ / (-) %
Consumer Banking	245	331	(26)
Business Banking	482	283	70
Global Treasury	138	198	(30)
Others*	38	(140)	n.m.
	903	672	34
Goodwill Amortisation	(127)	(127)	-
Share of Associates' Profits	180	124	45
Minority Interests	(2)	(2)	-
Group	954	667	43

* Includes gains from divestment of non-core assets in 2003 (\$512 million net of tax), and provisions for diminution in value of investments and properties (2003: \$560 million, 2002: \$5155 million)

Consumer Banking

Consumer Banking provides a full range of products and services to individuals, including deposit 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 decreased by 26% from 2002 to \$245 million in 2003 due to lower interest margins as well as higher provisions.

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-sized enterprises. The products and services offered include short term and long term credit facilities, deposit and payment services, cash management, capital markets, corporate finance, trustee and custodian services.

Business Banking's net profit increased 70% to \$482 million in 2003, due largely to lower provisions, reflecting the improvement in asset quality.

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.

In 2003, Treasury's operations were adversely affected by the fall in government bond prices, resulting in a 30% fall in net profit to \$138 million.

Others

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

Management Discussion and Analysis

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2003		2002	
	S\$m	%	S\$m	%
Income before operating expenses				
Singapore	1,706	78	1,710	77
Malaysia	332	15	332	15
Other ASEAN	18	1	21	1
Asia Pacific	100	5	126	6
Rest of the world	37	1	33	1
	2,193	100	2,222	100
Profit before tax				
Singapore	983	80	692	76
Malaysia	150	13	103	11
Other ASEAN	12	1	2	0
Asia Pacific	51	4	86	10
Rest of the world	26	2	22	3
	1,222	100	906	100
	31 Dec 2003		31 Dec 2002	
	S\$m	%	S\$m	%
Total assets				
Singapore	65,267	77	66,553	79
Malaysia	11,579	14	10,016	12
Other ASEAN	347	0	353	0
Asia Pacific	4,729	6	4,511	5
Rest of the world	2,575	3	2,619	4
	84,497	100	84,051	100

The analysis by geographical segment is based on the location where the assets or transactions are booked. The Group's Singapore and Malaysia operations accounted for 80% and 13% respectively of Group pretax profit in 2003, with the remaining contribution coming mainly from the Greater China operations.

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
Ordinary stock units of \$1 each				
Cheong Choong Kong	30,923	30,923	Nil	Nil
Michael Wong Pakshong	45,053	45,053	22,958	22,958
David Conner	Nil	121,000	63,000 ⁽¹⁾	70,526 ⁽²⁾
Fong Weng Phak	29,782	29,782	Nil	Nil
Lee Seng Wee	1,338,157	1,338,157	1,185,710	1,185,710
Lee Tih Shih (appointed on 4 April 2003)	461,232	461,232	Nil	Nil
Nasruddin Bin Bahari	Nil	Nil	Nil	Nil
Tsao Yuan	Nil	Nil	390	390
David Wong Cheong Fook	3,000	3,000	Nil	Nil
Wong Nang Jang	76,432	76,432	42,743	42,743
Patrick Yeoh Khwai Hoh	Nil	Nil	Nil	Nil

Directors' Report

1. 2003 年 12 月 31 日 止 的 年 度 報 告

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 (or date of appointment)	As at 31.12.2003	As at 1.1.2003 (or date of appointment)	As at 31.12.2003
4.2% non-cumulative non-convertible Class G preference shares of \$0.01 each				
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 Replacement 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.

Directors' Report

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 (2003 Options)	600,000	—	600,000
Wong Nang Jang	75,000 (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 options outstanding as at end of financial year	Offering price per \$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.

(ii) 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 ending 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 \$'000	2002 \$'000
Interest income	3	2,380,646	2,729,376
Less: Interest expense	4	945,650	1,219,889
Net interest income		1,434,996	1,509,487
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
Non-interest income		758,029	712,144
Income before operating expenses		2,193,025	2,221,631
Less: Staff costs		477,850	464,765
Other operating expenses		376,778	384,493
Total operating expenses	8	854,628	849,258
Operating profit before provisions and amortisation of goodwill		1,338,397	1,372,373
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
Operating profit after provisions and amortisation of goodwill		986,794	744,770
Add: Share of profits less losses of associated companies		234,865	160,822
Profit before tax		1,221,659	905,592
Less: Tax	10	210,763	199,726
Share of tax of associated companies		55,137	37,028
		265,900	236,754
Profit after tax		955,759	668,838
Less: Minority interests		1,635	2,130
Profit attributable to shareholders		954,124	666,708
Earnings per ordinary share (cents)	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

		Group		Bank	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Shareholders' Equity					
Share Capital					
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
Reserves					
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
Total shareholders' equity		10,058,913	9,224,222	8,195,173	7,015,698
Minority Interests		19,879	18,928	—	—
Liabilities					
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
Total liabilities and shareholders' equity		84,497,426	84,051,388	74,055,633	71,285,546
Assets					
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
		79,813,499	79,233,618	67,784,152	65,628,675
Associated companies	33	1,777,137	1,047,441	107,617	101,238
Subsidiary companies	34	—	—	3,427,270	2,957,443
Property, plant and equipment	35	1,434,736	1,571,646	748,439	823,053
Goodwill	36	2,072,054	2,198,683	1,988,155	1,775,137
Total assets		84,497,426	84,051,388	74,055,633	71,285,546
Off-Balance Sheet Items					
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
		224,337,475	218,907,070	218,477,689	211,787,390

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 \$'000	Capital reserves \$'000	Statutory reserves \$'000	Revenue reserves \$'000	Total \$'000
Balance at 1 January 2003	1,290,299	1,505,515	1,936,244	4,492,164	9,224,222
Profit attributable to shareholders	–	–	–	954,124	954,124
Foreign currency translation gains not recognised in the income statement	–	–	–	8,555	8,555
Total recognised gains for the financial year	–	–	–	962,679	962,679
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
Balance at 31 December 2003	1,284,084	2,329,076	1,854,303	4,591,450	10,058,913
Comprise:					
Share of reserves of associated companies	–	20,691	–	1,021,463	1,042,154
Balance at 1 January 2002	1,286,606	1,911,490	1,889,924	3,744,204	8,832,224
Profit attributable to shareholders	–	–	–	666,708	666,708
Foreign currency translation losses not recognised in the income statement	–	–	–	(96,834)	(96,834)
Total recognised gains for the financial year	–	–	–	569,874	569,874
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
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

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 years ended 31 December 2003

	Note	2003 \$'000	2002 \$'000
Cash flows from operating activities			
Operating profit before provisions and amortisation of goodwill		1,338,397	1,372,373
Adjustments for non-cash items			
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
Increase/(decrease) in operating liabilities			
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
(Increase)/decrease in operating assets			
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)
Net cash provided by operating activities		2,385,472	1,315,310
Cash flows from investing activities			
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
Net cash used in investing activities		(1,371,955)	(711,362)
Cash flows from financing activities			
(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)
Net cash used in financing activities		(133,773)	(22,368)
Net foreign currency translation adjustments		8,555	(96,834)
Net change in cash and cash equivalents		888,299	484,746
Cash and cash equivalents as at 1 January		9,809,280	9,324,534
Cash and cash equivalents as at 31 December	45	10,697,579	9,809,280

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	2002
	\$'000	\$'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
	2,380,646	2,729,376

Notes to the Financial Statements

for the financial year ended 31 December 2003

4. INTEREST EXPENSE

	2003	Group 2002
	\$'000	\$'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
	945,650	1,219,889

5. FEES & COMMISSIONS

	2003	Group 2002
	\$'000	\$'000
Fee and commission income	414,049	401,829
Fee and commission expense	(41,222)	(27,807)
Net fees and commissions	372,827	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
	372,827	374,022

6. DIVIDENDS

	2003	Group 2002
	\$'000	\$'000
Quoted investments	66,729	29,041
Unquoted investments	8,049	4,643
	74,778	33,684

Notes to the Financial Statements

for the financial year ended 31 December 2003

7. OTHER INCOME

	Group	
	2003 \$'000	2002 \$'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 \$'000	2002 \$'000
8.1 Staff costs		
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
8.2 Other operating expenses		
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® 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
Staff costs and other operating expenses	854,628	849,258

® PricewaterhouseCoopers

	Group	
	2003	2002
8.3 Number of employees		
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 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 \$'000	2002 \$'000
Current tax (Note 18)	255,050	242,042
Deferred tax (Note 18)	(41,002)	(36,753)
	214,048	205,289
Over provision in prior years (Note 18)	(3,285)	(5,563)
Charge to income statements	210,763	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 \$'000	2002 \$'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
	214,048	205,289

11. EARNINGS PER ORDINARY SHARE

	Group	
\$'000	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	926,786	666,708
Weighted average number of ordinary shares in issue ('000)		
For basic earnings per ordinary share	1,287,986	1,289,331
Adjustment for assumed conversion of share options	2,138	2,873
For diluted earnings per ordinary share	1,290,124	1,292,204
Earnings per ordinary share (cents)		
– Basic	72	52
– Diluted	72	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 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Profit attributable to shareholders	954,124	666,708	1,281,699	951,496
Add: Unappropriated profit				
At 1 January	3,059,474	1,838,020	1,966,383	1,244,007
Total amount available for appropriation	4,013,598	2,504,728	3,248,082	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 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 ordinary stock unit less Singapore income tax at 22%	-	(50,317)	-	(50,317)
- Final dividend of 15 cents for every \$1 ordinary stock unit less Singapore income tax at 22%	(151,081)	-	(151,081)	-
In respect of the financial year ended 31 December 2003: *				
- Special dividend of 63.78 cents for every \$1 ordinary stock unit less Singapore income tax at 22%	(642,419)	-	(642,419)	-
- Class E preference dividends of 4.5 per cent per annum (net of tax)	(20,096)	-	(20,096)	-
- Class G preference dividends of 4.2 per cent per annum (net of tax)	(7,242)	-	(7,242)	-
- Interim dividend of 11 cents for every \$1 ordinary stock unit less Singapore income tax at 22%	(110,811)	-	(110,811)	-
Transfer from/(to):				
Capital reserves (Note 14)	(13,685)	262,668	-	-
Statutory reserves (Note 15)	81,941	(44,450)	(64,500)	(48,000)
General reserves (Note 16)	93,064	517,648	-	-
	(770,329)	554,746	(996,149)	(229,120)
At 31 December (Note 16)	3,243,269	3,059,474	2,251,933	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	2002
	\$'000	\$'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	–
	2,010,838	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	2002
	\$'000	\$'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	–
	1,284,084	1,290,299

	Number of shares	
	2003	2002
Shares held by associated companies of the Group		
Ordinary shares	85,701,610	85,701,610
Class E preference shares	752,500	–
Class G preference shares	29,092,653	–
	115,546,763	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 January	Granted	Exercised	Lapsed	At 31 December	Offering price per \$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#	300,000	—	—	—	300,000	\$13.660	22 April 2012
2002B Options	100,000	—	—	—	100,000	\$10.480	23 October 2012
2003 Options®	—	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		

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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 January	Granted	Exercised	Lapsed	At 31 December	Offering price per \$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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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	2002
	\$'000	\$'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	2002	2003	2002
	\$'000	\$'000	\$'000	\$'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	2002	2003	2002
	\$'000	\$'000	\$'000	\$'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	2002	2003	2002
	\$'000	\$'000	\$'000	\$'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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	53,459,680	53,947,536	45,673,695	43,944,085

17.2 Deposits and balances of banks

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	12,480,794	12,621,149	11,910,339	12,076,240

18. CURRENT TAX AND DEFERRED TAX

18.1 Current tax

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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	327,667	321,765	292,216	244,671

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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 tax depreciation \$'000	Unremitted income \$'000	Others \$'000	Total \$'000
Deferred tax liabilities				
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 for assets \$'000	Pension and other retirement benefits \$'000	Tax losses \$'000	Total \$'000
Deferred tax assets				
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 tax depreciation \$'000	Unremitted income \$'000	Total \$'000
Deferred tax liabilities			
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

Bank	Provisions for assets \$'000	Others \$'000	Total \$'000
Deferred tax assets			
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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	3,857,473	3,879,214	3,882,473	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
31 December 2003				
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
Premium series 1 notes	08/12/2003	08/03/2004	0.875	13,750
Premium series 3 notes	29/12/2003	29/03/2004	1.250	15,750
Premium series 6 notes	29/12/2003	27/01/2004	1.100	9,250
	29/12/2003	29/03/2004	1.250	15,250
				152,750
31 December 2002				
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
				133,000

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21. CASH AND PLACEMENTS WITH CENTRAL BANKS

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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	—
	4,035,863	2,858,403	2,604,863	1,453,919

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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	6,151,111	5,966,732	6,002,069	5,636,843
Market value:				
Long-term investments	508,125	—	358,950	—
Others	5,644,256	6,056,152	5,644,256	5,710,950
	6,152,381	6,056,152	6,003,206	5,710,950

23. OTHER GOVERNMENT TREASURY BILLS AND SECURITIES

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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	1,054,618	984,145	203,599	131,026
Market value	1,071,319	1,020,418	215,833	145,038

Notes to the Financial Statements

for the financial year ended 31 December 2003

24. DEALING SECURITIES

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Equity	14,728	13,292	2,740	626
Debt	220,969	166,347	132,301	154,011
	235,697	179,639	135,041	154,637
Less: Provision for diminution in value (Note 32)	(156)	(6,563)	(112)	(6,687)
Net book value	235,541	173,076	134,929	147,950
Market value	237,572	173,298	136,202	147,950
Analysed by issuer				
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
	235,697	179,639	135,041	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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	9,649,818	14,458,968	8,874,153	13,875,891
Analysed by currency				
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
	9,649,818	14,458,968	8,874,153	13,875,891

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for the financial year ended 31 December 2003

26. LOANS TO AND BILLS RECEIVABLE FROM CUSTOMERS

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Gross loans	52,588,876	49,884,031	44,886,775	39,990,481
Less: Specific provision (Note 28)	(1,250,762)	(1,306,276)	(955,667)	(940,383)
General provision (Note 29)	(1,182,997)	(1,210,542)	(1,036,910)	(923,854)
Net loans	50,155,117	47,367,213	42,894,198	38,126,244
Net loans comprise:				
Bills receivable	428,195	296,562	218,965	119,762
Loans	49,726,922	47,070,651	42,675,233	38,006,482
	50,155,117	47,367,213	42,894,198	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 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Singapore dollar	34,575,493	32,465,426	34,365,583	29,424,667
US dollar	7,489,594	7,255,041	6,445,819	6,433,181
Malaysian ringgit	6,248,176	5,984,153	27	30
Japanese yen	793,046	789,500	653,547	777,630
Hong Kong dollar	776,815	948,110	774,984	947,489
British pound	601,924	617,050	601,458	616,896
Australian dollar	1,504,247	1,177,808	1,478,389	1,161,867
Euro	264,944	278,333	243,198	276,522
Others	334,637	368,610	323,770	352,199
	52,588,876	49,884,031	44,886,775	39,990,481

26.2 Analysed by industry

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Agriculture, mining and quarrying	519,058	437,235	150,317	139,152
Manufacturing	3,264,701	3,454,693	1,963,463	1,949,148
Building and construction	7,302,389	7,452,586	6,516,386	6,523,120
Housing	15,382,054	12,312,729	13,299,913	9,841,655
General commerce	3,065,039	3,208,119	2,686,970	2,525,088
Transport, storage and communication	1,525,285	1,753,468	1,271,074	1,604,263
Financial institutions, investment and holding companies	8,923,914	9,047,463	8,427,179	8,144,913
Professionals and individuals	8,128,668	7,612,563	7,561,311	6,146,900
Others	4,477,768	4,605,175	3,010,162	3,116,242
	52,588,876	49,884,031	44,886,775	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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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	728,979	436,831
	52,588,876	49,884,031	44,886,775	39,990,481

26.4 Analysed by geographical sector

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	52,588,876	49,884,031	44,886,775	39,990,481

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.

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for the financial year ended 31 December 2003

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

26.5 Analysed by interest rate sensitivity

	2003		2002	
	Fixed \$'000	Variable \$'000	Fixed \$'000	Variable \$'000
Group				
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
	16,843,124	35,745,752	14,564,339	35,319,692
Bank				
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
	16,154,346	28,732,429	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 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Total classified loans to customers				
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
	3,626,117	4,042,046	2,778,591	2,800,301
Total classified debt securities				
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
	208,355	313,882	153,238	223,605
Total classified assets	3,834,472	4,355,928	2,931,829	3,023,906
Specific provision made for classified assets				
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
	1,352,438	1,446,867	1,035,672	1,053,984

Notes to the Financial Statements

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 \$ million	2002 \$ million	2003 \$ million	2002 \$ 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
	3,834	4,356	2,932	3,024

27.2 Analysed by collateral type

	Group		Bank	
	2003 \$ million	2002 \$ million	2003 \$ million	2002 \$ 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
	2,029	2,377	1,457	1,553
Fixed deposit				
– In same currency as loan	18	37	18	33
– In different currency	5	1	5	1
	23	38	23	34
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
	1,383	1,497	1,098	1,118
	3,834	4,356	2,932	3,024

27.3 Analysed by industry

	Group		Bank	
	2003 \$ million	2002 \$ million	2003 \$ million	2002 \$ 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
	3,834	4,356	2,932	3,024

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

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 \$ million	Provision \$ million	Amount \$ million	Provision \$ million
Group				
Substandard	580	79	507	78
Doubtful	329	247	256	135
Loss	2	1	56	57
	911	327	819	270
Bank				
Substandard	509	78	450	78
Doubtful	270	227	247	131
Loss	2	1	7	7
	781	306	704	216

Notes to the Financial Statements

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:

	Specific provision \$'000	2003 Interest-in- suspense \$'000	Total \$'000	Specific provision \$'000	2002 Interest-in- suspense \$'000	Total \$'000
Group						
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 in value of investment securities 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
Bank						
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 in value of investment securities and other assets (Note 32)	(11,420)	—	(11,420)	(70,882)	(5,117)	(75,999)
Arising from scheme/ 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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Quoted debt securities:				
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
Quoted equity securities:				
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
Unquoted debt securities:				
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
Unquoted equity securities:				
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
Total investment securities				
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
Market value of quoted securities				
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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	6,588,281	5,692,683	5,490,648	4,717,286

30.2 Analysed by industry

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	6,588,281	5,692,683	5,490,648	4,717,286

30.3 Analysed by geographical sector

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	6,588,281	5,692,683	5,490,648	4,717,286

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31. OTHER ASSETS

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	2,182,934	2,044,580	1,759,742	1,767,475

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 government securities \$'000	Other government securities \$'000	Dealing securities \$'000	Investment securities \$'000	Property \$'000	Other assets \$'000	Total \$'000
2003							
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)	-	-	212	-	-	-	212
(Writeback)/provisions for the year (Note 9)	-	(16)	-	684	49,054	7,158	56,880
Transfers from specific provisions for 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)		
2002							
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 for the year (Note 7)	-	-	(5,716)	-	-	-	(5,716)
(Writeback)/provisions for the year (Note 9)	(7,148)	41	-	87,044	83,782	(443)	163,276
Transfers from specific provisions for 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)		

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

			Group's interest		Cost of investment		
Principal activities			Country/ Place of incorporation	2003 %	2002 %	2003 \$'000	2002 \$'000
Quoted							
1.	British and Malayan Trustees Limited	Trustee services	Singapore	43	43	591	591
2.	Great Eastern Holdings Limited	Insurance	Singapore	49	49	9,774	9,774
3.	PacificMas Berhad	Investment holding	Malaysia	28	28	87,064	87,090
						97,429	97,455
Unquoted							
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)

			Group's interest		Cost of investment		
	Principal activities	Country/ Place of incorporation	2003 %	2002 %	2003 \$'000	2002 \$'000	
Unquoted							
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 [Note 33.2]	Singapore	—	39	—	2,800
						28,757	52,570
At 31 December						126,186	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 \$'000	2002 \$'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
	3,427,270	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/ Place of incorporation	Bank		Subsidiaries		Cost of Bank's Investment	
				2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'000
1.	Asia Commercial Enterprise Pte Ltd	Dissolved [Note 34.4(a)]	Singapore	—	100	—	—	—	952
2.	Asia Commercial Investment (Private) Limited	Investment Holding	Singapore	67	67	33	33	2,000	2,000
3.	Asia Commercial Realty Co. Pte. Ltd.	Property holding	Singapore	100	100	—	—	1,383	1,500
@ 4.	Associated Investments & Securities Private Limited (In voluntary liquidation)	Dormant	Singapore	100 100(Pref)	100 100(Pref)	— —	— —	— —	1,006 2,979
5.	Bank of Singapore Limited	e-financial services	Singapore	98	98	2	2	93,287	93,287
6.	Bank of Singapore Nominees Private Limited	Nominee services	Singapore	100	100	—	—	10	10
7.	Banking Computer Services Private Limited	Computer banking services	Singapore	100 100(Pref)	100 100(Pref)	— —	— —	5,160 4,000	5,160 4,000
+ 8.	Bathurst Enterprises Limited	Investment holding	Hong Kong SAR, China	—	—	100	100	—	—
9.	BCS Information Systems Private Limited	Computer consultancy services	Singapore Malaysia #	100	100	—	—	105	105
@ 10.	BOS Venture Management Pte Ltd (In voluntary liquidation)	Dormant	Singapore	—	—	100	100	—	—
@ 11.	BOSA Limited (In voluntary liquidation)	Dormant	Australia	100	100	—	—	3,283	3,283
@ 12.	Bukit Investments Limited (In voluntary liquidation)	Dormant	Hong Kong SAR, China	—	—	100	100	—	—
13.	Church Street Properties Private Limited	Property development	Singapore	— —	— —	100 100(Pref)	100 100(Pref)	— —	— —
14.	Eastern Developers Private Limited	Property development and rental	Singapore	— —	— —	100 100(Pref)	100 100(Pref)	— —	— —
+ 15.	Eastern Holdings Limited	Investment holding	Hong Kong SAR, China	100	100	—	—	75,399	76,558

Notes to the Financial Statements

for the financial year ended 31 December 2003

34. SUBSIDIARY COMPANIES (continued)

		Principal activities	Country/ Place of incorporation	Bank		Subsidiaries		Cost of Bank's Investment	
				2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'000
16.	Eastern Realty Company Limited	Investment holding and property development	Singapore 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 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/ Place of incorporation	Bank		Subsidiaries		Cost of Bank's Investment	
				2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'000
@ 32.	Keppel Factors Pte Ltd (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 Hong Kong Ltd	Stockbroking	Hong Kong SAR, China	~	—	100	100	—	—
@ 36.	Keppel Securities Nominees Pte Ltd (In voluntary liquidation)	Dormant	Singapore	~	—	100	100	—	—
@ 37.	KS Pte Ltd (In voluntary liquidation)	Dormant	Singapore	~	—	100	100	—	—
38.	KTB Limited	Dormant	Singapore	100	100	—	—	—	—
39.	KTF Limited	Investment holding [Note 34.3(c)]	Singapore	100	100	—	—	199,989	##
40.	Keppel TatLee Nominee (HK) Limited	Dissolved [Note 34.4(a)]	Hong Kong SAR, China	~	100	—	—	—	*
41.	KF Limited	Dissolved [Note 34.4(a)]	Singapore	~	—	—	100	—	—
42.	KTB Investments Ltd	Dissolved [Note 34.4(a)]	Singapore	~	100	—	—	—	4,606
43.	Kim Seng Properties Private Limited	Property development	Singapore	~ ~	— —	100 100(Pref)	100 100(Pref)	— —	— —
44.	Kismis Properties Private Limited	Property development	Singapore	~ ~	— —	100 100(Pref)	100 100(Pref)	— —	— —
+ 45.	Malaysia Nominees (Asing) Sendirian Berhad	Nominee services	Malaysia	—	—	100	100	—	—
+ 46.	Malaysia Nominees (Tempatan) Sendirian Berhad	Nominee services	Malaysia	—	—	100	100	—	—
47.	Mount Emily Properties Private Limited	Has not commenced operations	Singapore	— —	— —	100 100(Pref)	100 100(Pref)	— —	— —
48.	Myanmar Capital Management Private Limited	Dissolved [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/ Place of incorporation	Bank		Subsidiaries		Cost of Bank's Investment	
				2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'000
49.	OCBC Asset Management Limited	Investment management	Singapore	-	-	100	100	-	-
+	50.	OCBC Bank (Malaysia) Berhad	Banking	100	100	-	-	427,730	427,730
@	51.	OCBC Bullion & Futures Limited (In voluntary liquidation)	Dormant [Note 34.3(a)]	100	100	-	-	-	9,000
	52.	OCBC Capital Investment Private Limited	Investment holding	-	-	100	100	-	-
@	53.	OCBC Capital Management Singapore Private Limited (In voluntary liquidation)	Dormant	-	-	100	100	-	-
	54.	OCBC Centre Private Limited	Investment holding and property rental	100 100(Pref)	100 100(Pref)	- -	- -	20,000 40,000	20,000 40,000
+	55.	OCBC Credit Berhad	Leasing company	-	-	100	100	-	-
	56.	OCBC eVenture Fund I Pte Ltd	Investment holding	-	-	100	100	-	-
	57.	OCBC eVenture Fund II Pte Ltd	Investment holding	-	-	100	100	-	-
	58.	OCF Limited (formerly OCBC Finance Limited)	Investment holding [Note 34.3(c)]	100	63	-	37	14,726	190,842
	59.	OCF Nominees Pte. Ltd. (formerly OCBC Finance Nominees Private Limited)	Nominee services	-	-	100	100	-	-
	60.	OCBC Holdings Private Limited	Investment holding	100	100	-	-	3,000	3,000
	61.	OCBC Land Private Limited	Investment holding	-	-	100	100	-	-
	62.	OCBC Management Services Private Limited	Management services	100	100	-	-	200	200
+	63.	OCBC Nominees (Australia) Pty. Limited	Nominee services	100	100	-	-	*	*
+	64.	OCBC Nominees (Hong Kong) Limited	Nominee services	100	100	-	-	2	2
+	65.	OCBC Nominees (London) Limited	Nominee services	100	100	-	-	3	3

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34. SUBSIDIARY COMPANIES (continued)

	Principal activities	Country/ Place of incorporation	Bank		Subsidiaries		Cost of Bank's Investment	
			2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'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	100 100(Pref)	100 100(Pref)	— —	— —	71,000 15,000	71,000 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	100 100(Pref)	100 100(Pref)	— —	— —	124,993 60,000	124,993 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	100 100(Pref) 69 (Series 2 Pref)	100 100(Pref) 69 (Series 2 Pref)	— — 31 (Series 2 Pref)	— — 31 (Series 2 Pref)	20,000 10,000 59,100	20,000 10,000 59,100
77. OCBC Trustee Limited	Trustee Services	Singapore 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	100 100(Pref)	100 100(Pref)	— —	— —	3,400 132,000	3,400 132,000
+ 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/ Place of incorporation	Bank		Subsidiaries		Cost of Bank's Investment	
				2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'000
+	83.	PT Bank Keppel TatLee Buana	Dissolved [Note 34.3(b); Note 34.4(a)]	Indonesia	—	99	—	—	4,046
+	84.	PT Bank OCBC Indonesia (formerly PT Bank OCBC-NISP)	Banking [Note 34.3(b)]	Indonesia	99	99	—	87,123	82,835
@	85.	PT OCBC Sikap Securities (In voluntary liquidation)	Dormant	Indonesia	—	—	70	70	—
	86.	Pasir Ris Properties Private Limited	Real estate owners and property rental	Singapore	—	—	55 55(Pref)	55 55(Pref)	—
@	87.	Phoenix Holdings Limited (In voluntary liquidation)	Dormant	Hong Kong SAR, China	—	—	100	100	—
	88.	Premier Investment Private Limited	Investment dealing	Singapore	100	100	—	—	9,243
	89.	Provident Securities Private Limited	Investment holding	Singapore	100	100	—	—	72,350
	90.	Reliable Credit Company Sendirian Berhad	Dissolved [Note 34.4(a)]	Malaysia	—	100	—	—	*
	91.	Select Executives Sendirian Berhad	Dissolved [Note 34.4(a)]	Malaysia	—	100	—	—	24
+	92.	Select Securities Limited	Investment holding	Hong Kong SAR, China	100	100	—	—	438
	93.	Seletar Properties Private Limited	Property development	Singapore	—	—	100	100	—
	94.	Singapore Building Corporation Limited	Investment holding and property rental	Singapore	100	100	—	—	19,384
	95.	Singapore Polyclinic Private Limited	Dissolved [Note 34.4(a)]	Singapore	—	—	—	100	—
	96.	Specialists' Centre Private Limited	Investment holding and property rental	Singapore	—	—	100 100(Pref)	100 100(Pref)	—
	97.	Tat Lee Asset Management Limited	Dissolved [Note 34.4(a)]	Singapore	—	—	—	100	—
	98.	Tat Lee Finance Nominees Pte Ltd	Dissolved [Note 34.4(a)]	Singapore	—	—	—	100	—

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for the financial year ended 31 December 2003

34. SUBSIDIARY COMPANIES (continued)

		Principal activities	Country/ Place of incorporation	Bank		Subsidiaries		Cost of Bank's Investment	
				2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'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 [Note 34.4(a)]	Singapore	—	—	—	100	—	—
@ 101.	Tat Lee Securities Pte Ltd (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 (In voluntary liquidation)	Dormant	Singapore	100	100	—	—	667	667
@ 105.	TL Provident Ltd (In voluntary liquidation)	Dormant	Singapore	100	100	—	—	13,600	13,600
106.	TLB Bullion & Futures Pte Ltd	Dissolved [Note 34.4(a)]	Singapore	—	—	—	100	—	—
107.	TLB Management Services Pte. Ltd.	Dissolved [Note 34.4(a)]	Singapore	—	100	—	—	—	—
108.	TLF Limited	Dissolved [Note 34.4(a)]	Singapore	—	—	—	100	—	—
109.	Tanjong Rhu Properties Private Limited	Property development and rental	Singapore	— —	— —	100 100(Pref)	100 100(Pref)	— —	— —
110.	The Ho Hong Steamship Company (1932) Limited	Dissolved [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 \$'000	2002 \$'000
Assets		
Cash	–	413
Investment securities	153,398	167,377
Other assets	831	307
Liabilities		
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.

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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 \$'000	2003 Others \$'000	Total \$'000	Property \$'000	2002 Others \$'000	Total \$'000
Cost						
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
Accumulated depreciation						
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)
Provision for diminution in value						
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)
Net book value, at 31 December	1,274,033	160,703	1,434,736	1,359,908	211,738	1,571,646
Net book value						
Freehold property	413,232			455,298		
Leasehold property	860,801			904,610		
	1,274,033			1,359,908		
Current valuation of property	2,663,641			2,901,444		

Notes to the Financial Statements

For the financial year ended 31 December 2003

35. PROPERTY, PLANT AND EQUIPMENT (continued)

Bank	Property \$'000	2003 Others \$'000	Total \$'000	Property \$'000	2002 Others \$'000	Total \$'000
Cost						
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
Accumulated depreciation						
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)
Provision for diminution in value						
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)
Net book value, at 31 December	636,954	111,485	748,439	682,907	140,146	823,053
Net book value						
Freehold property	107,129			108,058		
Leasehold property	529,825			574,849		
	636,954			682,907		
Current valuation of property	964,046			1,077,910		

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.

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for the financial year ended 31 December 2003

36. GOODWILL

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cost				
At 1 January	2,377,164	2,376,009	1,855,392	—
Arising from Scheme with OFL [Note 34.3(c)]	—	—	312,610	—
Arising from merger with a subsidiary	—	—	—	1,855,392
Acquisition of additional interests in subsidiaries	15	1,155	—	—
At 31 December	2,377,179	2,377,164	2,168,002	1,855,392
Accumulated amortisation				
At 1 January	(178,481)	(51,486)	(80,255)	—
Amortisation charged to income statements	(126,644)	(126,995)	(99,592)	(80,255)
At 31 December	(305,125)	(178,481)	(179,847)	(80,255)
Net book value, at 31 December	2,072,054	2,198,683	1,988,155	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 Banking	Business Banking	Global Treasury	Others	Group
Financial year ended 31 December 2003					
Segment income before operating expenses	832	903	238	308	2,281
Elimination					(88)
Income before operating expenses					2,193
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)
Profit attributable to shareholders					954
31 December 2003					
Segment assets	25,781	35,236	17,888	5,546	84,451
Associated companies' assets					1,042
Unallocated assets					2,124
Elimination					(3,120)
Total assets					84,497
Segment liabilities	30,346	28,552	13,292	4,945	77,135
Unallocated liabilities					404
Elimination					(3,120)
Total liabilities					74,419
Other information					
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
Financial year ended 31 December 2003					
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
Financial year ended 31 December 2002					
Segment income before operating expenses	872	950	273	187	2,282
Elimination					(60)
Income before operating expenses					2,222
Profit before tax 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)
Profit attributable to shareholders					667
31 December 2002					
Segment assets	22,756	35,969	19,311	5,054	83,090
Associated companies' assets					896
Unallocated assets					2,269
Elimination					(2,204)
Total assets					84,051
Segment liabilities	30,892	27,258	11,240	7,167	76,557
Unallocated liabilities					455
Elimination					(2,204)
Total liabilities					74,808
Other information					
Loans	21,342	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
Financial year ended 31 December 2002					
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 before operating expenses	Profit before tax	Capital expenditure	Total assets	Total liabilities
2003					
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
	2,193	1,222	47	84,497	74,419
2002					
Singapore	1,710	692	72	66,552	60,119
Malaysia	332	103	13	10,016	8,316
Other ASEAN	21	2	2	353	173
Greater China	101	71	—	3,035	2,703
Other Asia Pacific	25	16	—	1,476	966
North America	16	11	—	817	707
Rest of the World	17	11	—	1,802	1,824
	2,222	906	87	84,051	74,808

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

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

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

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

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

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.

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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 \$ million	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Non- interest sensitive	Total
Assets								
Cash and placement with central banks	824	941	314	432	—	—	1,525	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	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 ⁽ⁱ⁾	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
Total assets	17,120	14,526	13,808	13,823	11,234	6,455	7,531	84,497
Liabilities								
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
Total liabilities	25,655	18,179	9,751	9,420	702	4,169	6,542	74,418
Minority interests	—	—	—	—	—	—	20	20
Equity	—	—	—	—	—	—	10,059	10,059
Total liabilities and equity	25,655	18,179	9,751	9,420	702	4,169	16,621	84,497
On-balance sheet								
interest sensitivity gap	(8,535)	(3,653)	4,057	4,403	10,532	2,286	(9,090)	—
Off-balance sheet								
interest sensitivity gap	355	(519)	3,664	(848)	(3,970)	1,318	—	—
Net interest sensitivity gap	(8,180)	(4,172)	7,721	3,555	6,562	3,604	(9,090)	—

⁽ⁱ⁾ The negative balance represents mainly general provisions for possible loan losses.

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38. RISK MANAGEMENT INFORMATION (continued)

38.5 Asset and liability management (continued)

Interest rate risk (continued)

31 December 2002 \$ million	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Non- interest sensitive	Total
Assets								
Cash and placement with central banks	278	673	131	7	—	—	1,769	2,858
Singapore government treasury bills and securities	109	677	1,914	516	1,654	1,097	—	5,967
Other government treasury bills and securities	108	29	59	150	504	134	—	984
Dealing securities	12	—	—	5	4	139	13	173
Placement with and loans to banks	2,126	3,185	4,087	5,018	38	2	3	14,459
Loans to customers ⁽ⁱ⁾	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
Total assets	15,556	15,064	14,362	13,132	11,827	6,176	7,934	84,051
Liabilities								
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
Total liabilities	22,611	19,021	12,261	9,722	728	4,315	6,150	74,808
Minority interests	—	—	—	—	—	—	19	19
Equity	—	—	—	—	—	—	9,224	9,224
Total liabilities and equity	22,611	19,021	12,261	9,722	728	4,315	15,393	84,051
On-balance sheet								
interest sensitivity gap	(7,055)	(3,957)	2,101	3,410	11,099	1,861	(7,459)	—
Off-balance sheet								
interest sensitivity gap	81	103	(1,398)	856	(1,053)	1,411	—	—
Net interest sensitivity gap	(6,974)	(3,854)	703	4,266	10,046	3,272	(7,459)	—

⁽ⁱ⁾ The negative balance represents general provisions for possible loan losses.

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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:

	SGD %	USD %	MYR %
31 December 2003			
Assets			
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
Liabilities			
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	—	—
31 December 2002			
Assets			
Placement with central banks	—	0.63	2.91
Placement with and loans to banks	0.84	1.91	2.56
Loans to customers	4.17	2.61	6.78
Securities and other interest-earning assets	2.86	4.22	3.76
Liabilities			
Deposits and balances of banks	0.79	1.58	2.07
Deposits and other accounts of non-bank customers	0.72	1.14	3.04
Debt securities	2.94	—	—

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 \$ million	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Total
Assets							
Cash and placement with central banks	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
Total assets	13,030	7,250	9,223	10,205	13,712	31,077	84,497
Liabilities							
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
Total liabilities	30,757	18,953	9,773	9,757	890	4,288	74,418
Minority interests	—	—	—	—	—	20	20
Equity	—	—	—	—	—	10,059	10,059
Total liabilities and equity	30,757	18,953	9,773	9,757	890	14,367	84,497
Net liquidity gap	(17,727)	(11,703)	(550)	448	12,822	16,710	—

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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 \$ million	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Total
Assets							
Cash and placement with central banks	1,814	673	131	7	—	233	2,858
Singapore government treasury bills and securities	109	677	1,914	516	1,654	1,097	5,967
Other government treasury bills and securities	108	29	59	150	504	134	984
Dealing securities	25	—	—	5	4	139	173
Placement with and loans to banks	2,130	3,108	4,006	4,819	355	41	14,459
Loans to customers	7,982	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
Total assets	13,512	8,622	9,317	11,148	13,416	28,036	84,051
Liabilities							
Deposits of non-bank customers	22,872	13,734	7,478	8,739	689	436	53,948
Deposits and balances of banks	2,843	4,592	4,302	859	25	—	12,621
Deposits of associated companies	252	665	250	273	14	—	1,454
Bills payable	131	46	—	—	—	—	177
Current tax	2	2	13	305	—	—	322
Deferred tax	—	—	—	—	133	—	133
Other liabilities	1,293	662	78	99	7	2	2,141
Debt securities	—	31	102	—	—	3,879	4,012
Total liabilities	27,393	19,732	12,223	10,275	868	4,317	74,808
Minority interests	—	—	—	—	—	19	19
Equity	—	—	—	—	—	9,224	9,224
Total liabilities and equity	27,393	19,732	12,223	10,275	868	13,560	84,051
Net liquidity gap	(13,881)	(11,110)	(2,906)	873	12,548	14,476	—

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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 \$ million	SGD	USD	MYR	Others	Total
Assets					
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
Total assets	51,717	14,287	9,885	8,608	84,497
Liabilities					
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
Total liabilities	43,379	15,079	8,545	7,415	74,418
On-balance sheet open position	8,338	(792)	1,340	1,193	10,079
Off-balance sheet open position	(158)	948	(441)	(349)	—
Net open position	8,180	156	899	844	10,079
Of which:					
Net investments in overseas operations	—	129	905	823	1,857

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38. RISK MANAGEMENT INFORMATION (continued)

38.5 Asset and liability management (continued)

Currency risk (continued)

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

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
Financial assets				
Assets for which fair value approximates carrying value	15,868	15,868	19,460	19,460
Dealing securities	235	238	173	173
Government securities	7,206	7,223	6,951	7,076
Investment securities	6,295	6,911	5,310	5,814
Financial liabilities				
Liabilities for which fair value approximates carrying value	35,668	35,668	33,934	33,934
Non-bank customer term deposits	34,273	34,272	36,176	36,380
Debt securities issued and other borrowed funds	4,402	5,032	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

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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.

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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 \$ million	Government and official institutions \$ million	Financial institutions, private sector and individuals \$ million	Total \$ million	As % of total assets %
2003					
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
2002					
Malaysia	2,220	416	604	3,240	3.85
United Kingdom	2,250	—	158	2,408	2.86
Hong Kong SAR	1,339	48	664	2,051	2.44
Japan	1,533	—	34	1,567	1.86
Germany	1,517	—	—	1,517	1.80
Cayman Islands	—	—	1,075	1,075	1.28
United States	350	—	715	1,065	1.27
Indonesia	285	16	573	874	1.04
China	451	—	415	866	1.03

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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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	—	—
	5,829,577	5,848,394	5,010,352	4,968,375

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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	5,829,577	5,848,394	5,010,352	4,968,375

41.2 Analysed by industry

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
	5,829,577	5,848,394	5,010,352	4,968,375

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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 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
42.1 Credit commitments				
Undrawn credit facilities:				
– Original term to maturity of one year or less	20,146,688	22,809,389	18,114,455	20,356,982
– Original term to maturity of more than one year	5,705,254	4,205,886	4,229,772	2,597,118
	25,851,942	27,015,275	22,344,227	22,954,100
Undrawn note issuance and revolving underwriting facilities	270,070	90,269	191,740	72,005
Forward asset purchases/sales	1,065,179	1,096,962	1,065,179	1,096,962
	27,187,191	28,202,506	23,601,146	24,123,067
42.2 Other commitments				
Operating lease commitments:				
– Within 1 year	13,528	9,640	12,370	7,335
– After 1 year but within 5 years	13,980	17,095	13,801	16,582
– Over 5 years	813	1,415	813	1,415
	28,321	28,150	26,984	25,332
Capital expenditure authorised and contracted	45,780	58,288	9,602	26,335
	74,101	86,438	36,586	51,667
42.3 Total commitments	27,261,292	28,288,944	23,637,732	24,174,734

42.4 Analysed by geographic sector

	Group		Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Singapore	21,496,521	23,071,237	21,904,793	22,539,119
Malaysia	4,412,789	3,539,163	404,326	16,899
Other ASEAN	120,898	141,208	73,495	79,951
Greater China	447,370	594,530	471,076	595,959
Other Asia Pacific	275,553	231,359	275,881	231,359
North America	382,951	397,764	382,951	397,764
Rest of the World	125,210	313,683	125,210	313,683
	27,261,292	28,288,944	23,637,732	24,174,734

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for the financial year ended 31 December 2003

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.

Notes to the Financial Statements

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 principal notional amount \$'000	Fair value – assets \$'000	Fair value – liabilities \$'000
31 December 2003			
Foreign exchange derivatives			
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
	57,339,914	746,891	628,136
Interest rate derivatives			
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
	133,867,798	977,273	777,710
Equity derivatives			
Futures	218	–	4
Options bought	10,785	1	81
	11,003	1	85
Credit derivatives			
Credit default swaps	8,505	–	1,234
Other derivatives			
Gold forwards – bought and sold	19,105	28	274
Silver forwards – bought and sold	281	9	10
	19,386	37	284
Total	191,246,606	1,724,202	1,407,449
Fair value of trading derivatives included in other assets and other liabilities		1,114,806	1,101,163
		(Note 31)	(Note 19)

Notes to the Financial Statements

for the financial year ended 31 December 2003

43. FINANCIAL DERIVATIVES (continued)

Group	Contractual or principal notional amount \$'000	Fair value – assets \$'000	Fair value – liabilities \$'000
31 December 2002			
Foreign exchange derivatives			
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
Interest rate derivatives			
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
Equity derivatives			
Futures	824	–	6
Options bought	759	15	2
	1,583	15	8
Credit derivatives			
Credit default swaps	86,760	984	250
Other derivatives			
Gold forwards – bought and sold	118	1	1
Total	184,769,732	1,886,521	1,411,400
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 principal notional amount \$'000	Fair value – assets \$'000	Fair value – liabilities \$'000
31 December 2003			
Foreign exchange derivatives			
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
	55,594,588	737,600	618,723
Interest rate derivatives			
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
	134,208,600	987,875	777,759
Equity derivatives			
Options bought	10,785	1	81
Credit derivatives			
Credit default swaps	8,505	–	1,234
Other derivatives			
Gold forwards – bought and sold	7,025	–	–
Silver forwards – bought and sold	102	–	–
	7,127	–	–
Total	189,829,605	1,725,476	1,397,797
Fair value of trading derivatives included in other assets and other liabilities		1,113,341	1,101,968
		(Note 31)	(Note 19)

Notes to the Financial Statements

for the financial year ended 31 December 2003

43. FINANCIAL DERIVATIVES (continued)

Bank	Contractual or principal notional amount \$'000	Fair value – assets \$'000	Fair value – liabilities \$'000
31 December 2002			
Foreign exchange derivatives			
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
Interest rate derivatives			
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
Equity derivatives			
Options bought	759	15	2
Other derivatives			
Credit default swaps	86,760	984	250
Total	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 \$'000	2002 \$'000	2003 \$'000	2002 \$'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 \$'000	2002 \$'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 \$'000	2002 \$'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	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Current Assets				
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
	40,087,895	42,975,212	35,059,447	36,554,418
Current Liabilities				
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	—	—
	69,242,499	69,623,354	61,314,219	59,722,289

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	2002
	\$ million	\$ 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 ⁽¹⁾		
– 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 \$ million	2002 \$ 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

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

⁽²⁾ # 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.

Group's Major Properties

as at 31 December 2003

Properties	Purpose	Net book value S\$'000	Market ⁽¹⁾ value S\$'000	Effective stake (%)	Gross floor area (sq ft)
Singapore					
OCBC Centre, 65 Chulia Street	Office	36,816	455,000	100	993,089
OCBC Centre East, 63 Chulia Street	Office	115,885	173,880	100	242,385
OCBC Centre South, 18 Church Street	Office	72,000	72,000	100	118,909
		224,701	700,880		1,354,383
63 Market Street	Office	251,000	251,000	100	248,906
11 Tampines Central 1	Office	65,500	65,500	100	115,782
31 Tampines Finance Park Avenue 4	Office	52,000	52,000	100	97,537
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building	Office	35,650	35,650	100	34,550
260 Tanjong Pagar Road	Office	6,448	19,250	100	44,940
101 Cecil Street #01-01/02 Tong Eng Building	Office	2,428	14,400	100	15,984
110 Robinson Road	Office	5,060	9,100	100	22,120
460 North Bridge Road	Office	3,534	9,200	100	26,576
277 Orchard Road, comprising Specialists' Shopping Centre & Hotel Phoenix (392 guest rooms)	Retail/Hotel	8,977	256,000	100	443,689
The Waterside, Block 9 & 13 Tanjong Rhu Road	Residential	46,150	120,420	100	251,889
Somerset Compass, 2 Mt Elizabeth Link	Residential	28,373	105,000	100	104,377
The Compass at Chancery, 6, 6A to H, J to N, P to U Chancery Hill Road	Residential	16,081	34,000	100	54,739
Valley Lodge, #02-00 to #10-00, 257 River Valley Road	Residential	3,198	8,400	100	24,421
Whitesands, 1 Pasir Ris Central Street 3	Shopping/ Entertainment complex	84,828	120,000	55	209,360
Land at Kim Seng Road, Lot 830L, Lot 99391A & 1041K, Town subdivision 21	Land for development	57,072	185,000	100	159,075 ⁽²⁾
Development at Telok Ayer Street, Lot 36-2, Town subdivision 1	Land for development	31,780	67,200	100	7,525 ⁽²⁾
Land at Bassein Road, Lot 45L, Town subdivision 29	Land for development	105	12,000	100	17,203 ⁽²⁾
		922,885	2,065,000		
Malaysia					
Development at Lot 129, Jalan Tun Perak, Kuala Lumpur (site of proposed 20-storey OCBC Bank (Malaysia) Berhad Head Office Building)	Office building development in progress	27,340	28,736	100	21,464 ⁽²⁾
		27,340	28,736		
Other properties located in					
Singapore		178,375	295,605		
Malaysia		37,375	98,912		
Other ASEAN		6,145	7,429		
Other Asia Pacific		99,130	159,332		
Rest of the World		2,783	8,627		
		323,808	569,905		
Total		1,274,033	2,663,641		

⁽¹⁾ Valuations as at 31 December 2003 made by independent firms of professional valuers.⁽²⁾ Refers to land area.

Group's Major Quoted Equity Securities

as at 31 December 2003

	Ordinary shares held %	Number	Net book value S\$'000	Market value S\$'000
Investment Securities				
Asia Pacific Breweries Limited	3.39	8,651,634	1,381	54,505
Fraser and Neave Limited	4.00	9,245,370	12,519	116,492
Raffles Holdings Limited	4.56	94,831,584	35,062	53,106
Robinson and Company Limited	16.84	14,473,250	1,764	107,826
The Straits Trading Company Limited	13.24	47,194,740	13,835	84,951
United Overseas Bank Limited	0.20	3,152,159	33,648	41,609
WBL Corporation Limited	6.03	10,446,573	13,320	30,400
			111,529	488,889
Other quoted equity holdings			134,859	202,805
Total quoted equity holdings			246,388	691,694
Associated Companies				
British and Malayan Trustees Limited	43.05	235,620	591	12,959
Great Eastern Holdings Limited	48.90	230,563,810	9,774	2,467,033
PacificMas Berhad	28.14	48,125,642	87,064	119,555
			97,429	2,599,547

Stockholding/Preference Shareholding Statistics

as at 16 February 2004

CLASS OF SHARES

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

NUMBER OF STOCKHOLDERS

The number of stockholders of the Bank as at 16 February 2004 is 38,172.

VOTING RIGHTS

The Articles of Association provide for:

(a) on a show of hands: 1 vote

(b) on a poll: 1 vote for each ordinary stock unit held

DISTRIBUTION OF STOCKHOLDERS

Size of Holdings	Number of Stockholders	%	Ordinary Stock Held S\$	%
1 – 999	6,621	17.35	1,772,231	0.14
1,000 – 10,000	26,287	68.86	76,260,747	5.95
10,001 – 1,000,000	5,199	13.62	242,376,169	18.93
1,000,001 and above	65	0.17	960,047,813	74.98
Total	38,172	100.00	1,280,456,960	100.00

TWENTY LARGEST STOCKHOLDERS

Stockholders	Amount of Ordinary Stock Held S\$	%
1. DBS Nominees (Pte) Ltd	184,988,534	14.45
2. Raffles Nominees (Pte) Ltd	113,124,243	8.83
3. Selat (Pte) Limited	107,759,061	8.42
4. Citibank Nominees Singapore Pte Ltd	84,218,931	6.58
5. HSBC (Singapore) Nominees Pte Ltd	54,037,839	4.22
6. Lee Foundation	46,160,018	3.60
7. The Great Eastern Life Assurance Company Limited	45,803,140	3.58
8. Lee Rubber Company (Pte) Limited	37,128,170	2.90
9. United Overseas Bank Nominees (Pte) Ltd	35,517,358	2.77
10. Great Eastern Life Assurance (Malaysia) Berhad	27,321,849	2.13
11. Singapore Investments (Pte) Limited	21,285,525	1.66
12. PSA Corporation Limited	18,533,221	1.45
13. Lee Latex (Pte) Limited	17,218,863	1.34
14. Kallang Development (Pte) Limited	12,004,515	0.94
15. Oversea-Chinese Bank Nominees Pte Ltd	9,681,816	0.76
16. Lee Pineapple Co (Pte) Ltd	8,059,450	0.63
17. Kew Estate Limited	7,997,302	0.62
18. Oh Chin Kiat & Co Pte Ltd	7,779,633	0.61
19. The Overseas Assurance Corporation Limited	6,949,631	0.54
20. Kay Hian James Capel Pte Ltd	6,770,165	0.53
Total	852,339,264	66.56

Approximately 72.33% of the issued stock are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

Stockholding/Preference Shareholding Statistics

as at 16 February 2004

SUBSTANTIAL STOCKHOLDERS

According to the register required to be kept under section 88 of the Companies Act, Cap. 50, the following are the only substantial stockholders of the Bank having an interest of 5 per cent or more of the aggregate of the nominal amount of all the voting stock in the Bank as at 16 February 2004:

Substantial stockholders	Stockholdings registered in the name of the substantial stockholders	Stockholdings held by the substantial stockholders in the name of nominees	Stockholdings in which the substantial stockholders are deemed to be interested	Total	Percentage of issued stock
	S\$	S\$	S\$	S\$	
Great Eastern Holdings Limited	—	—	80,192,220 ⁽¹⁾	80,192,220	6.26
Lee Foundation	46,160,018	—	137,850,403 ⁽²⁾	184,010,421	14.37
Lee Foundation, States of Malaya	—	—	117,296,135 ⁽³⁾	117,296,135	9.16
Selat (Pte) Limited	107,759,061	—	5,080,221 ⁽⁴⁾	112,839,282	8.81
The Great Eastern Life Assurance Company Limited	45,803,140	117,600	27,321,849 ⁽⁵⁾	73,242,589	5.72

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

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

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

⁽⁴⁾ This represents Selat (Pte) Limited's deemed interest in (a) the S\$477,648 stock held by South Asia Shipping Co. Pte Ltd and (b) the S\$4,602,573 stock held by Island Investment Company (Private) Limited.

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

Stockholding/Preference Shareholding Statistics

as at 16 February 2004

CLASS OF SHARES

Non-Cumulative Non-Convertible Class E Preference Shares of S\$0.01 each.

NUMBER OF CLASS E PREFERENCE SHAREHOLDERS

The number of Class E Preference Shareholders of the Bank as at 16 February 2004 is 806.

VOTING RIGHTS

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

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

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

DISTRIBUTION OF CLASS E PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Preference Shareholders	%	Number of Preference Shares Held	%
1 - 999	344	42.68	98,500	1.97
1,000 - 10,000	421	52.23	1,289,300	25.79
10,001 - 1,000,000	41	5.09	3,612,200	72.24
1,000,001 and above	-	-	-	-
Total	806	100.00	5,000,000	100.00

TWENTY LARGEST CLASS E PREFERENCE SHAREHOLDERS

Class E Preference Shareholders	Class E Preference Shares Held Number	%
1. Raffles Nominees Pte Ltd	805,700	16.11
2. DBS Nominees Pte Ltd	594,700	11.89
3. United Overseas Bank Nominees (Pte) Ltd	556,100	11.12
4. Citibank Nominees Singapore Pte Ltd	352,400	7.05
5. Infocomm Investments Pte Ltd	143,000	2.86
6. E M Services Pte Ltd	90,000	1.80
7. Ho Bee Investment Ltd	84,300	1.69
8. National Council of Social Service	80,000	1.60
9. HSBC (Singapore) Nominees Pte Ltd	73,500	1.47
10. HSBC Private Bank (Suisse) SA	55,000	1.10
11. PCI Limited	50,000	1.00
12. Ventrade (Asia) Pte Ltd	50,000	1.00
13. Seapac Investment Pte Ltd	42,500	0.85
14. Archer I Limited	40,000	0.80
15. Philip Securities Pte Ltd	30,700	0.61
16. Auric Pacific Enterprise Pte Ltd	30,000	0.60
17. Axa Insurance Singapore Pte Ltd	30,000	0.60
18. ComfortDelgro Corporation Limited	30,000	0.60
19. Hobee Print Pte Ltd	30,000	0.60
20. Lim Siew Feng	30,000	0.60
Total	3,197,900	63.95

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

Stockholding/Preference Shareholding Statistics

as at 16 February 2004

CLASS OF SHARES

Non-Cumulative Non-Convertible Class G Preference Shares of S\$0.01 each.

NUMBER OF CLASS G PREFERENCE SHAREHOLDERS

The number of Class G Preference Shareholders of the Bank as at 16 February 2004 is 5,964.

VOTING RIGHTS

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

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

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

DISTRIBUTION OF CLASS G PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Preference Shareholders	%	Number of Preference Shares Held	%
1 – 999	688	11.53	307,118	0.07
1,000 – 10,000	3,722	62.41	14,123,626	3.57
10,001 – 1,000,000	1,525	25.57	103,304,585	26.10
1,000,001 and above	29	0.49	278,095,555	70.26
Total	5,964	100.00	395,830,884	100.00

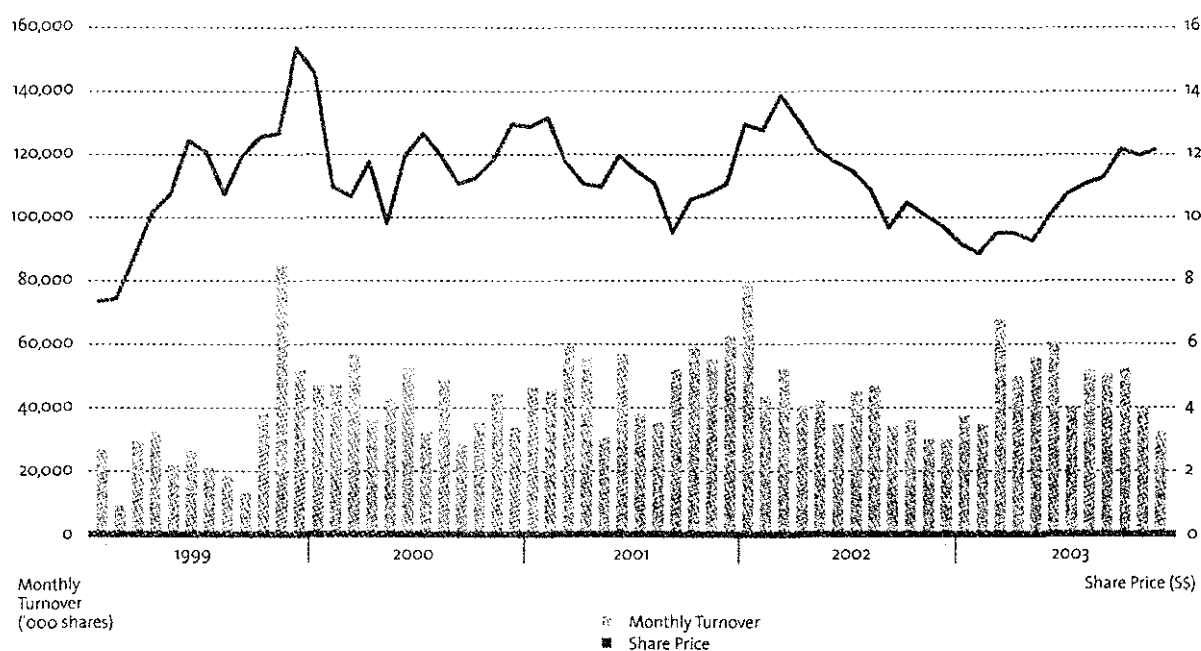
TWENTY LARGEST CLASS G PREFERENCE SHAREHOLDERS

Class G Preference Shareholders	Class G Preference Shares Held Number	%
1. Raffles Nominees (Pte) Ltd	78,350,737	19.79
2. Selat (Pte) Limited	53,879,531	13.61
3. The Great Eastern Life Assurance Company Limited	22,901,570	5.79
4. Lee Rubber Company (Pte) Limited	18,564,085	4.69
5. Lee Foundation	15,080,009	3.81
6. DBS Nominees (Pte) Ltd	12,257,248	3.10
7. Singapore Investments (Pte) Limited	10,642,763	2.69
8. Archer I Limited	9,500,000	2.40
9. Lee Latex (Pte) Limited	8,609,432	2.18
10. Lee Foundation, States of Malaya	8,000,000	2.02
11. Fraser & Neave Ltd	6,069,458	1.53
12. The Overseas Assurance Corp Ltd – Shareholder's Fund	3,242,909	0.82
13. Raffles Investments (Singapore) Pte Limited	2,716,267	0.69
14. HSBC (Singapore) Nominees Pte Ltd	2,543,434	0.64
15. Citibank Nominees Singapore Pte Ltd	2,389,333	0.60
16. Lee Plantations Pte Limited	2,323,572	0.59
17. Island Investment Company (Private) Limited	2,301,287	0.58
18. DBS Securities Singapore Pte Ltd	2,108,599	0.53
19. Tan Chin Tuan Pte Ltd	2,038,000	0.51
20. Auric Pacific Enterprise Pte Ltd	2,000,000	0.51
Total	265,518,234	67.08

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

Investor Reference

FIVE-YEAR SHARE PRICE AND TURNOVER



	1999	2000	2001	2002	2003
Share Price (\$)					
Highest	15.30	15.80	13.50	13.90	12.50
Lowest	6.29	9.45	8.80	9.45	8.20
Average	10.72	11.81	11.21	11.62	10.41
Last Done	15.30	12.90	11.00	9.65	12.10
Per ordinary share (\$)					
Basic Earnings	0.56	0.65	0.60	0.52	0.72
Gross Dividends	0.34	0.40	0.18	0.20	0.87
Net Asset Value (NAV)	5.93	6.34	6.86	7.15	7.16
Ratios					
Price-Earnings Ratio*	19.14	18.18	18.69	22.35	14.46
Gross Dividend Yield (%)	3.17	3.39	1.61	1.72	8.34
Dividend Cover (number of times)#	2.27	2.18	4.34	3.31	1.09
Price/NAV (number of times)*	1.81	1.86	1.63	1.63	1.45

* Average share prices have been used in the computation of price-earnings ratio, dividend yield and price/NAV

Ratio of net profit after tax to dividends net of tax



Investor Reference

FIVE-YEAR ORDINARY SHARE CAPITAL HISTORY

Year	Source of Increase/(Decrease)	Ordinary Share Capital (S\$'000)	
		Changes in the year	At Year End
1999	Bonus Issue of 1 new share for every 20 stock units held*	61,125	1,284,518
	Exercise of employees' share options	5,954	
2000	Share Buyback	(1,180)	1,285,968
	Exercise of employees' share options	2,630	
2001	Share Buyback	(2,541)	1,286,606
	Exercise of employees' share options	3,179	
2002	Exercise of employees' share options	3,693	1,290,299
2003	OCBC Selective Capital Reduction	(12,139)	1,280,076
	Exercise of employees' share options	1,916	

* In connection with the merger of the local and foreign share tranches, all stockholders were given 1 bonus share for every 20 ordinary stock units held

FIVE-YEAR DIVIDEND HISTORY (ORDINARY STOCKHOLDERS)

Dividend and Financial Year	Payment Date	Cents Per Share
Interim 1999	7 September 1999	5
Special Interim 1999	7 September 1999	9
Special 1999*	15 October 1999	50
Final 1999	22 May 2000	11
Special Final 1999	22 May 2000	9
Interim 2000	4 September 2000	5
Special Interim 2000	4 September 2000	12
Final 2000	13 June 2001	13
Special Final 2000	13 June 2001	10
Interim 2001	4 September 2001	5
Final 2001	13 June 2002	13
Interim 2002	3 September 2002	5
Final 2002	16 June 2003	15
Special 2003#	14 July 2003	63.78
Interim 2003	3 September 2003	11
Final 2003	12 May 2004	12

* Special dividend of 50 cents for every S\$1 ordinary stock unit (tax exempt) paid to foreign tranche stockholders in connection with the merger of the local and foreign share tranches

Special dividend of 63.78 cents (49.75 cents net) for every S\$1 ordinary stock unit with an option to elect to receive OCBC Class G 4.2% non-convertible non-cumulative preference shares, at an issue price of S\$0.995 per preference share

Further Information on Directors

Oversia Chinese Banking Corporation Limited (Incorporated in Singapore)

DR CHEONG CHOONG KONG

Academic and Professional Qualifications

Bachelor of Science (First Class Honours in Mathematics),
University of Adelaide
Master of Science and Ph.D. in Mathematics, Australian National
University in Canberra

OCBC Board Committees Served On

Chairman, Executive Committee
Member, Nominating Committee
Member, Remuneration Committee

Date of First Appointment as a Director of OCBC

Director since 1 July 1999
Vice Chairman from 26 March 2002 to 30 June 2003
Chairman since 1 July 2003

Date of Last Re-election as a Director of OCBC

15 May 2002

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

Executive Director

Current Directorships

1	National University of Singapore Council	Chairman
2	OCBC Management Services Pte Ltd	Director
3	Singapore Press Holdings Ltd	Director

Directorships for the past 3 years

1	Singapore Airlines Ltd	Deputy Chairman and CEO
2	SIA Engineering Co Ltd	Chairman
3	Singapore Airport Terminal Services Ltd	Chairman
4	Air New Zealand Limited	Director
5	Ansett Holdings Ltd	Director
6	Institute of Defence & Strategic Studies	Director
7	Virgin Atlantic Airways Ltd	Director
8	Virgin Atlantic Ltd	Director
9	Virgin Travel Group Ltd	Director
10	Singapore International Foundation	Governor
11	Asia-Australia Institute	Advisory Council Member
12	Keppel Capital Holdings Ltd	Director
13	Keppel TatLee Bank Limited (now known as KTB Ltd)	Director

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

MR MICHAEL WONG PAKSHONG

Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Bristol, United Kingdom

Hon. LL.D, University of Bristol

Fellow of the Institute of Chartered Accountants in England and Wales

Member of the Institute of Certified Public Accountants of Singapore

Date of First Appointment as a Director of OCBC

Director since 21 April 1989

Vice Chairman since 26 March 2002

Date of Last Re-appointment as a Director of OCBC

14 May 2003

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

Independent Director

OCBC Board Committees Served On

Chairman, Audit Committee

Chairman, Nominating Committee

Chairman, Remuneration Committee

Current Directorships

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

Directorships for the past 3 years

1	The Esplanade Company Ltd	Chairman
2	Wearne Brothers Services (Pte) Ltd	Director
3	Keppel Capital Holdings Ltd	Director
4	Keppel TatLee Bank Limited (now known as KTB Ltd)	Director

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

MR DAVID CONNER

Academic and Professional Qualifications

Bachelor of Arts, Washington University, St. Louis, Missouri
Master in Business Administration, Columbia University, New York

Date of First Appointment as a Director of OCBC

Director since 15 April 2002

Date of Last Re-election as a Director of OCBC

15 May 2002

OCBC Board Committees Served On

Member, Executive Committee
Member, Remuneration Committee

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

Executive Director

Current Directorships

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

Directorships for the past 3 years

1	Singapore Business Federation	Council Member
2	Financial Sector Development Fund Advisory Committee	Member
3	Asean Supreme Fund Ltd (in voluntary liquidation)	Director
4	Asean Fund Limited (in voluntary liquidation)	Director

Further Information on Directors

Overseas-Chinese Banking Corporation Limited (Incorporated in Singapore)

DATUK FONG WENG PHAK

Academic and Professional Qualifications

Bachelor of Arts (Honours) in Economics, University of Malaya
Master of Public Administration, Harvard University

Date of Last Re-election as a Director of OCBC

15 May 2002

OCBC Board Committees Served On

Member, Nominating Committee
Member, Audit Committee

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

Independent Director

Date of First Appointment as a Director of OCBC

Director since 22 January 2002

Current Directorships

1	Assunta Hospital	Director
2	Fraser & Neave Holdings Berhad	Director
3	GEL Capital (Malaysia) Bhd	Director
4	Genesis Malaysia Maju Fund Ltd	Director
5	Great Eastern Life Assurance (Malaysia) Bhd	Director
6	Overseas Assurance Corporation (Holdings) Bhd	Director
7	Overseas Assurance Corporation (Malaysia) Bhd	Director
8	Pacific Mutual Fund Berhad	Director
9	The Great Eastern General Insurance Co Sdn Bhd	Director
10	The Tan Sri Tan Foundation	Director
11	United Malacca Berhad	Director
12	De La Salle Institute Sdn Bhd	Director

Directorships for the past 3 years

1	Pacific Insurance Berhad	Director
2	PacificMas Berhad	Director

MR LEE SENG WEE

Academic and Professional Qualifications

Bachelor of Applied Science (Engineering), University of Toronto
Master of Business Administration, University of Western Ontario

Date of Last Re-appointment as a Director of OCBC

14 May 2003

OCBC Board Committees Served On

Member, Executive Committee
Member, Nominating Committee

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

Non-independent Director

(Although Mr Lee Seng Wee ceased to be an Executive Director on 1 July 2003, he is considered as a non-independent and non-executive Director of the Bank for the following three years, according to the Code of Corporate Governance)

Date of First Appointment as a Director of OCBC

Director since 25 February 1966
Chairman from 1 August 1995 to 30 June 2003

Current Directorships

1	GIC Real Estate Pte Ltd	Director
2	Great Eastern Holdings Ltd	Director
3	Lee Foundation	Director
4	Lee Rubber Group of Companies	Director

Directorships for the past 3 years

1	Council of Presidential Advisors of the Republic of Singapore	Member
2	Government of Singapore Investment Corporation Pte Ltd	Director
3	Singapore International Foundation	Chairman
4	Lee Kuan Yew Exchange Fellowship	Director
5	OCBC Management Services Pte Ltd	Director
6	Keppel Capital Holdings Ltd	Chairman

Further Information on Directors

Overseas-Chinese Banking Corporation Limited (Incorporated in Singapore)

DR LEE TIH SHIH

Academic and Professional Qualifications

MBA with Distinction, Imperial College, London
Diplomate, National Board of Medical Examiners, USA
Doctor of Medicine, Yale University, New Haven, CT, USA
Bachelor of Science in Medicine (Honors Program), Northwestern University, Evanston, IL, USA

Date of Last Re-election as a Director of OCBC

14 May 2003

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

Non-independent Director
(Dr Lee Tih Shih is the son of Mr Lee Seng Wee who is considered a non-independent Director)

OCBC Board Committees Served On

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Date of First Appointment as a Director of OCBC

Director since 4 April 2003

Current Directorships

1	Fraser & Neave Ltd	Director
2	Lee Foundation, Singapore	Director
3	Lee Rubber Co Pte Ltd	Director
4	Selat Pte Ltd	Director
5	Singapore Investments Pte Ltd	Director

Directorships for the past 3 years

1	United Medicorp Pte Ltd	Director
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TAN SRI DATO NASRUDDIN BIN BAHARI

Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Malaya (Singapore)
Masters in Public Administration, University of Pittsburgh, USA

Date of Last Re-election as a Director of OCBC

14 May 2003

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

Independent Director

OCBC Board Committees Served On

Member, Remuneration Committee

Date of First Appointment as a Director of OCBC

Director since 13 November 2000

Current Directorships

1	OCBC Bank (Malaysia) Berhad	Chairman
2	OCBC Credit Berhad	Chairman
3	Affin Money Brokers Sendirian Berhad	Chairman
4	Sumber Petroleum Cemerlang (SPC) Sendirian Berhad	Chairman
5	Lingkaran Trans Kota Holdings Bhd (LITRAK)	Director
6	Road Builder (M) Holdings Berhad	Director
7	Tan Sri Chua Family Foundation	Director
8	The Pacific Insurance Berhad	Director

Directorships for the past 3 years

1	Binalagamaya Sendirian Berhad	Chairman
2	Besraya (M) Sendirian Berhad	Director
3	PacificMas Fidelity Sendirian Berhad	Director
4	Keppel Capital Holdings Ltd	Director
5	Keppel TatLee Bank Limited (now known as KTB Ltd)	Director



Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

DR TSAO YUAN

Academic and Professional Qualifications

Bachelor of Economics and Statistics (First Class Honours),
University of Singapore
Ph.D. (Economics), Harvard University

Date of Last Re-election as a Director of OCBC

15 May 2002

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

Independent Director

OCBC Board Committees Served On

Member, Remuneration Committee

Date of First Appointment as a Director of OCBC

Director since 3 April 2002

Current Directorships

1	Keppel Corporation Limited	Director
2	Pacfusion Ltd	Director
3	Pacific Internet Ltd	Director
4	Skills Development Centre Pte Ltd (also known as SDC Consulting)	Director
5	Singapore International Foundation	Governor

Directorships for the past 3 years

1	International Trade Institute of Singapore Pte Ltd	Chairman
2	Inchone.com Pte Ltd	Deputy Chairman
3	Keppel FELS Energy and Infrastructure Ltd (now known as Keppel Offshore & Marine Ltd)	Director
4	Land Transport Authority of Singapore	Director
5	Keppel Capital Holdings Ltd	Director
6	Keppel TatLee Bank Limited (now known as KTB Ltd)	Director
7	United World College of South East Asia	Governor

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

COL (RET) DAVID WONG CHEONG FOOK

Academic and Professional Qualifications

Bachelor of Arts (Honours) in Economics, University of Cambridge, United Kingdom

Master of Arts, University of Cambridge, United Kingdom

Member of the Institute of Chartered Accountants in England and Wales

Member of the Institute of Certified Public Accountants in Singapore

Date of First Appointment as a Director of OCBC

Director since 1 August 1999

Date of Last Re-election as a Director of OCBC

15 May 2002

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

Independent Director

OCBC Board Committees Served On

Member, Nominating Committee

Member, Audit Committee

Current Directorships

1	EM Services Pte Ltd	Chairman
2	Ascendas-MGM Funds Management Ltd	Director
3	Bank of Singapore Ltd	Director
4	Banking Computer Services Pte Ltd	Director
5	BCS Information Systems Pte Ltd	Director
6	Civil Service College	Director
7	Jurong Consultancy Holdings Pte Ltd	Director
8	Pan-United Marine Ltd	Director
9	Teva Pharmaceutical Investments Singapore Pte Ltd	Director
10	Defence Science & Technology Agency	Member
11	Housing & Development Board	Member
12	Public Transport Council	Member

Directorships for the past 3 years

1	MFS Technology Ltd	Chairman
2	I-Comm Technology Ltd	Director
3	Jurong Town Corporation	Director
4	Wearnes Technology (Pte) Ltd	Director
5	National Council of Social Service	Vice President
6	Keppel Capital Holdings Ltd	Director
7	Keppel TatLee Bank Limited (now known as KTB Ltd)	Director

Further Information on Directors

Overseas-Chinese Banking Corporation Limited (Incorporated in Singapore)

MR WONG NANG JANG

Academic and Professional Qualifications

Bachelor of Arts in Economics (Honours), University of Singapore

Date of Last Re-election as a Director of OCBC

14 May 2003

OCBC Board Committees Served On

Member, Executive Committee

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

Non-independent Director

Date of First Appointment as a Director of OCBC

Director since 1 August 1998

(Although Mr Wong Nang Jang ceased to be an Executive Director on 5 June 2002, he is considered as a non-independent and non-executive Director of the Bank for the following three years, according to the Code of Corporate Governance)

Current Directorships

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

Directorships for the past 3 years

1	OCBC Finance Ltd	Chairman
2	Wearne Brothers Services (Pte) Ltd	Director
3	PT Bank OCBC-NISP	Commissioner
4	Institute of Southeast Asian Studies	Trustee
5	Keppel Capital Holdings Ltd	Director
6	Keppel TatLee Bank Limited (now known as KTB Ltd)	Director

MR PATRICK YEOH

Academic and Professional Qualifications

Bachelor of Science (Honours), University of Malaya (Singapore)

Date of Last Re-election as a Director of OCBC

14 May 2003

OCBC Board Committees Served On

Member, Executive Committee

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

Independent Director

Date of First Appointment as a Director of OCBC

Director since 9 July 2001

Current Directorships

1	Tuan Sing Holdings Ltd	Chairman
2	MobileOne Ltd	Director
3	Three on the Bund Ltd	Director
4	Singapore Food Industries Ltd	Director
5	Times Publishing Ltd	Director
6	Singapore Precision Industries 2000 Pte Ltd	Director
7	Economic Development Board Entrepreneur Development Fund Loans Committee	Member
8	Nuri Holdings (S) Pte Ltd	Advisor
9	The EDB Society	Advisor

Directorships for the past 3 years

1	Gul Technologies Singapore Ltd	Chairman
2	Raffles Holdings Ltd	Chairman
3	Inchcape Motors Ltd	Director
4	Keppel Capital Holdings Ltd	Director
5	Keppel TatLee Bank Limited (now known as KTB Ltd)	Director
6	Singapore Aerospace Manufacturing Pte Ltd	Director
7	Laguna National Golf & Country Club Ltd	Director

Additional Information Required Under The SGX Listing Manual

1. INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review:

Name of interested person	Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Fraser & Neave, Limited (F&N) Selective capital reduction of 10,800,000 shares in the capital of F&N held by OCBC Bank and its three subsidiaries for cash at S\$8.15 for each F&N share cancelled	S\$88,020,000	—
Selective capital reduction of 12,138,915 ordinary stock units of S\$1 each in the capital of OCBC Bank held by F&N for cash at S\$8.63 for each OCBC stock unit cancelled	S\$104,758,836	—
WBL Corporation Limited (WBL) Selective capital reduction of 3,925,000 ordinary stock units of S\$1 each in the capital of WBL held by OCBC Bank for cash at S\$2.23 for each WBL stock unit cancelled	S\$8,752,750	—
Wearne Brothers Services Private Limited Lease of office premises at OCBC Centre	S\$2,322,402	—
OCBC Wearnes & Walden Management (S) Private Limited Lease of office premises at OCBC Centre	S\$321,018	—

2. MATERIAL CONTRACTS

Since the end of the previous financial year, no material contract involving the interest of any Director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiary companies, and no such contract subsisted as at 31 December 2003.

Principal Network

BANKING
OVERSEA-CHINESE BANKING
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Australia
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China**Chengdu**

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Fax: (86) 21 5830 1925

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People's Republic of China
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Fax: (86) 592 203 5182

China Regional Office

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Pudong, Shanghai
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Beijing Representative Office

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Bright China Changan Building
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People's Republic of China
Tel: (86) 10 6510 1920/1
Fax: (86) 10 6510 1923

Qingdao Representative Office

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9 Nanhai Road
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Qingdao, Shandong Province
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People's Republic of China
Tel: (86) 532 296 2398
Fax: (86) 532 296 1092

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

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Indonesia**PT Bank OCBC Indonesia**

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Medan

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Fax: (62) 61 415 5990

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Malaysia
Tel: (087) 42 3381 / 82
Fax: (087) 42 3390

Malaysia**OCBC Bank (Malaysia) Berhad**

Kuala Lumpur (Head Office)
Wisma Lee Rubber
Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel: (60) 3 2692 0344
Fax: (60) 3 2698 4363, 2692 6518

Online Banking:

<http://ecafe.ocbc.com.my>

OCBC PhoneBank:

(60) 3 2055 1000 (Central Region)
(60) 4 201 7788 (Northern Region)
(60) 7 220 8888 (Southern Region)

Myanmar

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

South Korea

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

Taiwan

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

Principal Network

Thailand

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

United Kingdom

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

United States of America Los Angeles

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

New York

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

Vietnam

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

Ho Chi Minh City Representative Office

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

BANK OF

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

Business Address:
18 Church Street
#01-00 OCBC Centre South
Singapore 049479
Tel: (65) 6586 3200
Fax: (65) 6438 0339

ASSET MANAGEMENT

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

NOMINEES

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

Australia

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

Hong Kong SAR

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

Malaysia

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

United Kingdom

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

PROPERTY MANAGEMENT

Singapore
OCBC Property Services
Private Limited
9 Battery Road
#07-00 Straits Trading Building
Singapore 049910
Tel: (65) 6533 0818
Fax: (65) 6536 5532

STOCKBROKING

Singapore
OCBC Securities Private Limited
18 Church Street
#01-00 OCBC Centre South
Singapore 049479
Tel: (65) 6535 2882

TRUSTEE

Singapore
OCBC Trustee Limited
63 Chulia Street
#03-01 OCBC Centre East
Singapore 049514
Tel: (65) 6530 1786
Fax: (65) 6538 6916

Financial Calendar

Announcement of annual results for 2003	11 February 2004
Annual General Meeting	15 April 2004
Announcement of first quarter results for 2004	April 2004
Payment of 2003 final dividend on ordinary stock (subject to approval of shareholders at AGM)	12 May 2004
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	21 June 2004
Announcement of second quarter results for 2004	August 2004
Payment of 2004 interim dividend (subject to approval of the Board)	September 2004
Announcement of third quarter results for 2004	November 2004
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 December 2004

Notice of Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Notice is hereby given that the Sixty-Seventh Annual General Meeting of Oversea-Chinese Banking Corporation Limited ("the Bank") will be held at 65 Chulia Street, #50-00 OCBC Centre, Singapore 049513, on Thursday, 15 April 2004 at 10.30 am to transact the following business:

- 1 To receive and consider the audited Accounts for the year ended 31 December 2003 and the reports of the Directors and Auditors thereon.
- 2 (a) To re-appoint the following Directors, each of whom will retire under Section 153 of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting:
 - (i) Mr Lee Seng Wee
 - (ii) Mr Michael Wong Pakshong
- (b) To elect Directors retiring by rotation:
 - (i) Dr Cheong Choong Kong
 - (ii) Datuk Fong Weng Phak
 - (iii) Col (Ret) David Wong Cheong Fook
- 3 To approve a final dividend of 12 cents per S\$1.00 ordinary stock unit, less Singapore income tax, in respect of the year ended 31 December 2003.
- 4 To approve Directors' Fees of S\$625,000 for 2003 (2002 – S\$559,000).
- 5 To appoint Auditors and fix their remuneration.
- 6 As Special Business

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

Ordinary Resolutions

(a) That authority be and is hereby given to the Directors of the Bank to:

- (i) issue ordinary shares in the capital of the Bank ("ordinary shares") whether by way of rights, bonus or otherwise, and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require ordinary shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into ordinary shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (ii) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue ordinary shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of ordinary shares to be issued pursuant to this Resolution (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the issued ordinary share capital of the Bank (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of ordinary shares to be issued other than on a *pro rata* basis to stockholders of the Bank (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the issued ordinary share capital of the Bank (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of ordinary shares that may be issued under sub-paragraph (1) above, the percentage of issued ordinary share capital shall be based on the issued ordinary share capital of the Bank at the time this Resolution is passed, after adjusting for:
 - (i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent consolidation or subdivision of ordinary shares;
- (3) in exercising the authority conferred by this Resolution, the Bank shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Bank; and



Notice of Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

- (4) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.
- (b) That the Directors of the Bank be and are hereby authorised, pursuant to section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of the options under the OCBC Executives' Share Option Scheme 1994, approved by Ordinary Resolution No. 1 passed at the Extraordinary General Meeting of the Bank on 11 June 1994 (the "1994 Scheme"), PROVIDED ALWAYS that the aggregate number of ordinary shares to be issued pursuant to the 1994 Scheme shall not exceed five per cent. of the total issued ordinary share capital of the Bank from time to time and that the aggregate number of ordinary shares to be issued to any Executive under the 1994 Scheme shall not, subject to such adjustments as may be made in accordance with the 1994 Scheme, exceed twenty-five per cent. of the aggregate number of ordinary shares which may be issued by the Bank (including any ordinary shares which may be issued pursuant to adjustments, if any, made under the 1994 Scheme) pursuant to the exercise of options under the 1994 Scheme.
- (c) That the Directors of the Bank be and are hereby authorised, pursuant to section 161 of the Companies Act, Cap. 50, to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001, approved by Ordinary Resolution passed at the Extraordinary General Meeting of the Bank on 17 May 2001 (the "2001 Scheme"), and to allot and issue from time to time such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of the options under the 2001 Scheme, PROVIDED ALWAYS that the aggregate number of ordinary shares to be issued pursuant to the 2001 Scheme shall not exceed ten per cent. of the total issued ordinary share capital of the Bank from time to time.
- (d) That contingent upon any of the ordinary shares in the Bank being issued and being credited as fully paid, the same be and shall hereby be converted into stock units transferable in amounts and multiples of S\$1.00 each.
- (e) That:
- (i) authority be and is hereby given to the Directors of the Bank to:
 - (i) issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F and 7G of the Articles of Association of the Bank, other preference shares or non-voting shares in the capital of the Bank whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options that might or would require preference shares referred to in sub-paragraph (i) above or non-voting shares to be issued, not being ordinary shares to which the authority referred to in Resolution 6(a) above relates;
 at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue preference shares referred to in sub-paragraph (i) above or non-voting shares in pursuance of any offers, agreements or options made or granted by the Directors while this Resolution was in force; and
 - (ii) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

7 To transact any other ordinary business.

By order of the Board,

Peter Yeoh
Secretary

Singapore
15 March 2004

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

Oversia-Chinese Banking Corporation Limited (Incorporated in Singapore)

Dear Members

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

The Ordinary Resolution set out as Item 6(a) authorises the Directors of the Bank from the date of that meeting until the next annual general meeting to issue ordinary shares in the capital of the Bank and to make or grant instruments (such as warrants or debentures) convertible into ordinary shares, and to issue ordinary shares in pursuance of such instruments, up to an amount not exceeding fifty per cent. (50%) of the issued ordinary share capital of the Bank, with a sub-limit of twenty per cent. (20%) for issues other than on a *pro rata* basis to Stockholders. For the purpose of determining the aggregate number of ordinary shares that may be issued, the percentage of issued ordinary share capital shall be based on the Bank's issued ordinary share capital at the time this proposed Ordinary Resolution is passed, after adjusting for (i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this proposed Ordinary Resolution is passed and, (ii) any subsequent consolidation or subdivision of ordinary shares. The Directors will only issue ordinary shares under this Resolution if they consider it necessary and in the interests of the Bank.

The Ordinary Resolution set out as Item 6(b) authorises the Directors to allot and issue ordinary shares pursuant to the exercise of options granted under the OCBC Executives' Share Option Scheme 1994 which was approved at the Extraordinary General Meeting of the Bank on 11 June 1994 (the "1994 Scheme"). A copy of the Regulations of the 1994 Scheme is available for inspection during normal office hours at the Bank's registered office by Stockholders.

The Ordinary Resolution set out as Item 6(c) authorises the Directors to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 which was approved at the Extraordinary General Meeting of the Bank on 17 May 2001 (the "2001 Scheme") and to allot and issue ordinary shares thereunder. A copy of the Regulations of the 2001 Scheme is available for inspection during normal office hours at the Bank's registered office by Stockholders.

The Ordinary Resolution set out as Item 6(d) is merely procedural allowing for the conversion of fully paid ordinary shares into stock units.

The Ordinary Resolution set out as Item 6(e) authorises the Directors of the Bank from the date of that meeting until the next annual general meeting to issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F and 7G of the Articles of Association of the Bank, other preference shares or non-voting shares in the capital of the Bank and/or to make or grant offers, agreements or options that might or would require such preference shares or non-voting shares to be issued. The Directors will only issue such preference shares or non-voting shares under this Resolution if they consider it necessary and in the interests of the Bank.

By order of the Board,

Peter Yeoh
Secretary

Singapore
15 March 2004

Proxy Form

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

IMPORTANT:

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

I/We, _____
of _____
being a stockholder/stockholders of the abovenamed Bank, hereby appoint

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the annual general meeting of the Bank to be held at 65 Chulia Street, #50-00 OCBC Centre, Singapore 049513, on 15 April 2004 at 10.30 am and at any adjournment thereof.

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

No.	Resolutions	For	Against
1	Adoption of Report and Accounts		
2	(a) Reappointment of Directors under section 153(6) of the Companies Act, Cap. 50	(i) Mr Lee Seng Wee	
		(ii) Mr Michael Wong Pakshong	
	(b) Election of Directors retiring by rotation	(i) Dr Cheong Choong Kong	
		(ii) Datuk Fong Weng Phak	
		(iii) Col (Ret) David Wong Cheong Fook	
3	Approval of final dividend		
4	Approval of amount proposed as Directors' Fees		
5	Appointment of Auditors and fixing their remuneration		
6	Special Business	(a) Authority to issue ordinary shares (General Share Issue Mandate)	
		(b) Authority to allot and issue ordinary shares (OCBC Executives' Share Option Scheme 1994)	
		(c) Authority to grant options and allot and issue ordinary shares (OCBC Share Option Scheme 2001)	
		(d) Conversion of ordinary shares into stock units	
		(e) Authority to issue preference/non-voting shares (Preference/Non-Voting Share Issue Mandate)	

Dated this _____ day of _____ 2004.

Total Number of Stock Units Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

- 1 Please insert the total number of stock units held by you. If you have stock units entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of stock units. If you have stock units registered in your name in the Register of Members, you should insert that number of stock units. If you have stock units entered against your name in the Depository Register and stock units registered in your name in the Register of Members, you should insert the aggregate number of stock units entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the stock units held by you.
- 2 A stockholder of the Bank entitled to attend and vote at a meeting of the Bank is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a stockholder of the Bank.
- 3 Where a stockholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his stockholding (expressed as a percentage of the whole) to be represented by each proxy.
- 4 The instrument appointing a proxy or proxies must be deposited at the registered office of the Bank at 65 Chulia Street, #29-02/04 OCBC Centre, Singapore 049513, not less than 48 hours before the time set for holding the annual general meeting.
- 5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
- 6 A corporation which is a stockholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the annual general meeting, in accordance with section 179 of the Companies Act, Cap. 50 of Singapore.
- 7 The Bank shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a stockholder whose stock units are entered in the Depository Register, the Bank may reject any instrument appointing a proxy or proxies lodged if the stockholder, being the appointor, is not shown to have stock units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the annual general meeting, as certified by The Central Depository (Pte) Limited to the Bank.

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2nd fold here

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The Company Secretary
Oversea-Chinese Banking Corporation Limited
65 Chulia Street, #29-02/04
OCBC Centre, Singapore 049513

Fold along this line and glue overleaf

Corporate Profile

OCBC Bank is the longest established local bank in Singapore, with a rich heritage that can be traced as far back as 1912. Born in 1932 through the amalgamation of three banks during the Great Depression, we overcame many challenges to become one of Asia's leading financial services group, with group assets totalling S\$84 billion, and one of the highest bank credit ratings in the region.

Our full spectrum of specialist financial services solutions is delivered through an extensive global network that comprises more than 110 branches and representative offices spanning 13 countries, including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Japan, Australia, UK and USA. With a dominant presence in both the consumer and business banking segments in Singapore and Malaysia, we are the number one player in bancassurance sales and housing loans in Singapore and rank among the top players in unit trust distribution, personal credit, small- and medium-sized enterprises market and the Singapore Dollar capital market.

We have an excellent history of innovation, which is constantly enriched by the introduction of "firsts" into the market. In recognition of our product offerings, we have won a series of international awards, amongst them Best Corporate /Institutional Internet Bank in Singapore, which was bestowed on us for three consecutive years by US-based *Global Finance* magazine.

Actively forging lifetime partnerships with our customers to help them achieve their aspirations, we remain unwavering in our commitment to create more value for customers, shareholders and staff. Looking ahead, we will continue to build on our existing strengths and seek growth in other regional markets, while we strive to improve our performance in core financial services throughout the OCBC Group.

Corporate Information

Tan Sri Dr Tan Chin Tuan
Honorary Life President

Board of Directors

Dr Cheong Choong Kong
Chairman

Mr Michael Wong Pakshong
Vice Chairman

Mr David Conner
Chief Executive Officer

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

Nominating Committee

Mr Michael Wong Pakshong
Chairman

Dr Cheong Choong Kong
Datuk Fong Weng Phak
Mr Lee Seng Wee
Col (Ret) David Wong

Executive Committee

Dr Cheong Choong Kong
Chairman

Mr David Conner
Mr Lee Seng Wee
Mr Wong Nang Jang
Mr Patrick Yeoh

Audit Committee

Mr Michael Wong Pakshong
Chairman

Datuk Fong Weng Phak
Col (Ret) David Wong

Remuneration Committee

Mr Michael Wong Pakshong
Chairman

Dr Cheong Choong Kong
Mr David Conner
Tan Sri Dato Nasruddin
Bin Bahari
Dr Tsao Yuan

Secretary

Mr Peter Yeoh

Registered Office

65 Chulia Street
#29-02/04 OCBC Centre
Singapore 049513
Tel: (65) 63187222 (Main Line)
Fax: (65) 6533 7955

Email:

ContactUs@ocbc.com.sg
Website: www.ocbc.com

Share Registration Office

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

Auditors

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

Partner in charge of the audit

Ms Deborah Ong
(Year of Appointment: 2002)

Acknowledgements:

JCS Automation Pte Ltd

Picture of the "Two Worlds" production provided courtesy of National Arts Council