

## Directors' Report

for the financial year ended 31 December 2004

The directors present their report to the members together with the audited consolidated financial statements of the Group and the income statement, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2004.

### 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
Giam Chin Toon (appointed on 1 January 2005)	
Lee Seng Wee	
Lee Tih Shih	
Nasruddin Bin Bahari	
Neo Boon Siong (appointed on 1 January 2005)	
Tsao Yuan, also known as Lee Tsao Yuan	
David Wong Cheong Fook	
Wong Nang Jang	
Patrick Yeoh Khwai Hoh	

Mr David Conner, Dr Tsao Yuan and Mr Wong Nang Jang 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.

Mr Giam Chin Toon and Professor Neo Boon Siong, who were appointed to the Board under Article 111 of the Articles of Association of the Bank retire in accordance with the provisions of that Article and, being eligible, offer themselves for re-election.

### 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	
	At 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
<b>Bank</b>				
<b>Ordinary stock units of \$1 each</b>				
Cheong Choong Kong	30,923	30,923	13,569 <sup>(1)</sup>	—
Michael Wong Pakshong	45,053	45,053	22,958 <sup>(4)</sup>	22,958 <sup>(4)</sup>
David Conner	142,000	121,000	90,949 <sup>(2)</sup>	70,526 <sup>(3)</sup>
Fong Weng Phak	29,782	29,782	—	—
Lee Seng Wee	2,766,498	1,338,157	1,625,456 <sup>(4)</sup>	1,185,710 <sup>(4)</sup>
Lee Tih Shih	978,480	461,232	—	—
Nasruddin Bin Bahari	—	—	—	—
Tsao Yuan	—	—	390 <sup>(4)</sup>	390 <sup>(4)</sup>
David Wong Cheong Fook	3,000	3,000	—	—
Wong Nang Jang	103,108	76,432	60,551 <sup>(4)</sup>	42,743 <sup>(4)</sup>
Patrick Yeoh Khwai Hoh	—	—	—	—

## Directors' Report

for the financial year ended 31 December 2004

### 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	
	At 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
<b>Bank</b>				
<b>4.2% Non-cumulative non-convertible Class G preference shares of \$0.01 each</b>				
Cheong Choong Kong	15,000	15,000	—	—
Michael Wong Pakshong	22,000	22,000	—	—
David Conner	50,000	50,000	—	—
Fong Weng Phak	14,891	14,891	—	—
Lee Seng Wee	800,000	800,000	600,000 <sup>(4)</sup>	600,000 <sup>(4)</sup>
Lee Tih Shih	240,000	240,000	—	—
Nasruddin Bin Bahari	—	—	—	—
Tsao Yuan	—	—	7,000 <sup>(4)</sup>	7,000 <sup>(4)</sup>
David Wong Cheong Fook	—	—	—	—
Wong Nang Jang	38,216	38,216	21,372 <sup>(4)</sup>	21,372 <sup>(4)</sup>
Patrick Yeoh Khwai Hoh	—	—	—	—

(1) Comprises deemed interest arising from 4,000 ordinary stock units held by spouse; 3,629 ordinary stock units pursuant to an award granted under the OCBC Deferred Share Plan; and subscription rights of 5,940 ordinary shares arising from the participation in the OCBC Employee Share Purchase Plan.

(2) Comprises deemed interest over 64,009 ordinary stock units pursuant to awards granted under the OCBC Deferred Share Plan; subscription rights of 5,940 ordinary shares arising from the participation in the OCBC Employee Share Purchase Plan; and contractual entitlement of 21,000 ordinary stock units pursuant to employment contract. A total of 42,000 ordinary stock units (out of the contractual entitlement of 63,000 ordinary stock units) have already been vested.

(3) Comprises deemed interest over 28,526 ordinary stock units pursuant to an award granted under the OCBC Deferred Share Plan; and contractual entitlement of 42,000 ordinary stock units pursuant to employment contract.

(4) Ordinary stock units/preference shares held by spouse.

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, the directors holding office at the end of the financial year had interest in the share capital of its related corporation 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	
	At 31.12.2004	At 28.5.2004 <sup>(1)</sup>	At 31.12.2004	At 28.5.2004 <sup>(1)</sup>
<b>Great Eastern Holdings Limited</b>				
<b>Ordinary shares of \$0.50 each</b>				
Cheong Choong Kong	—	—	—	—
Michael Wong Pakshong	75,160	72,160	36,000 <sup>(2)</sup>	36,000 <sup>(2)</sup>
David Conner	—	—	—	—
Fong Weng Phak	—	—	—	—
Lee Seng Wee	—	—	—	—
Lee Tih Shih	—	—	—	—
Nasruddin Bin Bahari	—	—	—	—
Tsao Yuan	—	—	—	—
David Wong Cheong Fook	—	—	—	—
Wong Nang Jang	—	—	—	8,000 <sup>(2)</sup>
Patrick Yeoh Khwai Hoh	—	—	—	—

(1) Great Eastern Holdings Limited, a former associated company of the Bank, became a subsidiary of the Bank on 28 May 2004.

(2) Ordinary shares held by spouse.

## Directors' Report

for the financial year ended 31 December 2004

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

On 24 February 2004, the Bank announced that it would make a voluntary offer (subject to the fulfilment of certain pre-conditions) for its associated company, Great Eastern Holdings Limited ("GEH") on the basis of 0.976 new ordinary shares of the Bank for one GEH shares ("GEH Offer") in addition to the conditional agreement which the Bank has entered to acquire 10,000,000 GEH shares from Singapore Investments (Pte) Limited ("Acquisition") in exchange for 9,760,000 new ordinary shares of the Bank. The Bank also announced, on the same day, the proposed selective capital reduction to cancel all of its 80,192,220 ordinary shares held by certain wholly-owned subsidiary companies of GEH, representing approximately 6.26% of the issued ordinary share capital of the Bank, for a cash consideration of \$12.3639 per OCBC ordinary share ("Selective Capital Reduction").

On 28 May 2004, the Group's aggregate holdings in GEH increased to approximately 65.97% arising from the completion of the Acquisition, the acceptances of GEH Offer by GEH shareholders and GEH option holders and the open market purchases of GEH shares by the Bank. Consequently, GEH became a subsidiary of the Bank. The Selective Capital Reduction was completed on the same day.

Upon completion of the GEH Offer on 30 June 2004, the Group achieved a shareholding of approximately 81.09% in the issued share capital of GEH.

- (c) 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:

	Number of unissued ordinary shares of \$1 each			
	Options held by directors in their own name		Options in which directors are deemed to have an interest	
	At 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
Cheong Choong Kong	48,000	—	—	—
David Conner	930,000	600,000	—	—
Wong Nang Jang	338,120	394,796	—	—

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 2005 (except for Datuk Fong Weng Phak who has resigned on 1 January 2005) were the same as those as at 31 December 2004. Mr Giam Chin Toon and Professor Neo Boon Siong who were appointed on 1 January 2005 did not hold any interest in shares and share options in the Bank as at 21 January 2005.

### DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive benefits save as disclosed in this report and in the financial statements.

### 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 1999 to 2001.

## Directors' Report

for the financial year ended 31 December 2004

### SHARE OPTIONS (continued)

#### (a) OCBC Share Option Schemes (continued)

##### (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, 2002B Options and 2003 Options were set out in the directors' reports for the financial years ended 31 December 2002 to 2003.

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

Cheong Choong Kong and David Conner did not participate in any deliberation or decision in respect of options granted to them.

#### (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 4,503,033 ordinary shares of \$1 each were granted pursuant to the 2001 Scheme to 1,207 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	Subscription price per share	Exercise period
Cheong Choong Kong	Chairman	48,000	\$ 12.34	16.3.2005 to 14.3.2014
David Conner	Chief Executive Officer	330,000	\$ 12.34	16.3.2005 to 14.3.2014

No options have been granted to controlling shareholders of the Bank or their associates.

No participant has received 5% or more of the total number of options available under the scheme during the financial year. No options were granted at a discount during the financial year.

Statutory and other information regarding the Options issued in 2004 are as follows:

- (i) Options issued on 15 March 2004 ("2004 Options") to Group executives (including executive directors) will expire on 14 March 2014. The exercise period is 16 March 2005 to 14 March 2014, both dates inclusive. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the subscription price, which is \$12.34 per ordinary share of \$1 each.
- (ii) Options issued on 19 August 2004 ("2004A Options") to an executive will expire on 18 August 2014. The exercise period is 20 August 2005 to 18 August 2014, both dates inclusive. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the subscription price, which is \$13.18 per ordinary share of \$1 each.
- (iii) Options issued on 22 November 2004 ("2004B Options") to an executive will expire on 21 November 2014. The exercise period is 23 November 2005 to 21 November 2014, both dates inclusive. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the subscription price, which is \$13.60 per ordinary share of \$1 each.
- (iv) The subscription price was equal to the average of the last dealt price of the ordinary stock units 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.
- (v) 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.

## Directors' Report

for the financial year ended 31 December 2004

### SHARE OPTIONS (continued)

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

(vi) 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%

(vii) Unexercised options will lapse by reason of Rule 73 of the 2001 Scheme relating to the cessation of employment of the grantee unless otherwise determined by the Remuneration Committee.

(viii) The number of shares which may be acquired by a grantee or the subscription 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.

(ix) 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) Share 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
Cheong Choong Kong	48,000 (2004 Options)	48,000	–	48,000
David Conner	330,000 (2004 Options)	930,000	–	930,000
Wong Nang Jang	–	454,171	116,051	338,120

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

OCBC Share Options	At 31.12.2004	Subscription price per share	Exercise period
1995 Replacement Options	91,570	\$7.810	25.5.1999 to 1.2.2005
1996 Replacement Options	408,608	\$8.150	25.5.1999 to 29.1.2006
1997 Replacement Options	784,444	\$7.603	30.1.2000 to 29.1.2007
1998 Replacement Options	793,044	\$6.419	22.1.2001 to 21.1.2008
1999 Replacement Options	1,420,538	\$7.533	10.12.2001 to 9.12.2008
2000 Options	3,165,012	\$10.900	6.12.2002 to 5.12.2009
2001 Options	4,971,320	\$12.880	5.12.2003 to 4.12.2010
2002 Options	6,582,992	\$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	\$9.760	28.3.2004 to 26.3.2008
2003 Options	7,925,996	\$9.760	28.3.2004 to 26.3.2013
2004 Options	4,113,490	\$12.340	16.3.2005 to 14.3.2014
2004A Options	67,000	\$13.180	20.8.2005 to 18.8.2014
2004B Options	43,000	\$13.600	23.11.2005 to 21.11.2014
	30,842,014		

(i) A total number of 63,250,980 (excluding original options to subscribe for 17,616,901 shares which had been exchanged for replacement options with a validity period of 10 years) options have been granted since the commencement of the 1994 and 2001 schemes to the end of the financial year under review.

## Directors' Report

for the financial year ended 31 December 2004

### 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 Share Option Schemes upon the exercise of options:

- (i) 105,686 ordinary shares of \$1 each at a price of \$7.810 per share for the 1995 Replacement Options;
- (ii) 278,304 ordinary shares of \$1 each at a price of \$8.150 per share for the 1996 Replacement Options;
- (iii) 355,243 ordinary shares of \$1 each at a price of \$7.603 per share for the 1997 Replacement Options;
- (iv) 354,852 ordinary shares of \$1 each at a price of \$6.419 per share for the 1998 Replacement Options;
- (v) 658,902 ordinary shares of \$1 each at a price of \$7.533 per share for the 1999 Replacement Options;
- (vi) 1,355,477 ordinary shares of \$1 each at a price of \$10.900 per share for the 2000 Options;
- (vii) 521,701 ordinary shares of \$1 each at a price of \$12.880 per share for the 2001 Options;
- (viii) 64,607 ordinary shares of \$1 each at a price of \$13.780 per share for the 2002 Options; and
- (ix) 1,065,985 ordinary shares of \$1 each at a price of \$9.760 per share for the 2003 Options.

### OCBC DEFERRED SHARE PLAN

The Bank has in 2003 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 Senior Officer and above (previously in 2003, DSP was extended to 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 468,954 ordinary shares (including an award of 39,112 ordinary shares granted to two executive directors of the Bank) were granted to eligible executives under the DSP.

### OCBC EMPLOYEE SHARE PURCHASE PLAN

The OCBC Employee Share Purchase Plan ("ESP Plan") was approved at an extraordinary general meeting on 30 April 2004. All employees of the Group who have attained the age of 21 years and have been employees for a period of not less than six months are eligible to participate in the ESP Plan unless they are also controlling shareholders of the Bank or their associates ("participants"). The purpose of the ESP Plan is to provide participants with an opportunity to increase their personal equity interest in the Bank by subscribing for ordinary shares to be issued by the Bank. The ESP Plan is administered by the Remuneration Committee.

In June 2004, the Bank launched its first offering of subscription of ordinary shares to eligible employees under this share ownership scheme which allows the participants to subscribe for ordinary shares after the first anniversary of the two-year offering period commencing 1 July 2004 to 30 June 2006 at the subscription price of \$12.12 per ordinary share.

#### (a) Grant and enrolment of subscription rights for ordinary shares during the financial year

At the close of the launch on 11 June 2004, 2,229 employees, including the following executive directors, have enrolled to participate in the first offering to subscribe for 2,808,015 ordinary shares computed on the basis of monthly contributions for the entire offering period and divided by the subscription price of \$12.12 per ordinary share:

Name	Designation at the time of enrolment for subscription of shares	Number of shares entitled to subscribe	Subscription price per share	Offering period
Cheong Choong Kong	Chairman	5,940	\$ 12.12	1.7.2004 to 30.6.2006
David Conner	Chief Executive Officer	5,940	\$ 12.12	1.7.2004 to 30.6.2006

No participation by controlling shareholders of the Bank or their associates is allowed under the ESP Plan. No participant has been granted rights to subscribe for ordinary shares under the ESP Plan and option schemes, which in aggregate, represent 5% or more of the total number of ordinary shares available under the ESP Plan and option schemes.

Other Information regarding subscription rights of ESP Plan:

- (1) Each offering period consists of a 24-month period (or such other period not exceeding 10 years as the Remuneration Committee may prescribe), except that the commencement date of an offering period shall not fall during the period of 30 days immediately preceding the date of announcement of the Bank's financial results for its financial year or the period of 14 days immediately preceding the date of announcement of the Bank's financial results for the first three quarters of its financial year, and provided further that no offering period may commence on any date during which another offering period is outstanding.

## Directors' Report

for the financial year ended 31 December 2004

### OCBC EMPLOYEE SHARE PURCHASE PLAN (continued)

#### (a) Grant and enrolment of subscription rights for ordinary shares during the financial year (continued)

- (2) The subscription price was equal to the average of the last dealt price of the ordinary stock units of the Bank on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the price fixing date for the subscription price of the ordinary shares (as determined by the Remuneration Committee).
- (3) A participant may participate in the ESP Plan for an offering period by making contributions in cash by means of monthly deductions from his monthly base salary and/or his designated account; and/or by monthly debits from his CPF Ordinary Account to his ESP Plan account.
- (4) Termination of employment of a participant for any reason, including retirement and death and the bankruptcy of a participant, shall be treated as automatic withdrawal from the ESP Plan under Rule 8.4. However, the transfer of employment of a participant between companies within the Group shall not be treated as termination of employment.
- (5) Each participant who has elected to subscribe for ordinary shares shall be deemed to have elected to subscribe for the number of ordinary shares calculated by using the amount standing to the credit of the participant's ESP Plan account as at the last day of the relevant offering period or the amount specified in the participant's Subscription Form but shall not exceed \$72,000 (or such other amount as may be prescribed by the Remuneration Committee) divided by the subscription price and the resulting number of ordinary shares be rounded down to the nearest whole share. The balance of the cash or CPF contribution (together with accrued interest on the monthly contributions), if any, will be refunded to the participant.
- (6) Participants are allowed to subscribe for ordinary shares at the end of an offering period; or at any one time after the first anniversary of the first day of an offering period by completing and signing a Subscription Form.
- (7) For participants who have elected to subscribe for ordinary shares after the first anniversary of the offering period, he may specify an amount that exceeds the amount standing to the credit of his ESP Plan account as at the date of submission of his subscription form provided that:
  - (a) it does not exceed the amount (excluding any interest that would have accrued) that would otherwise have been standing to the credit of that participant's ESP Plan account as at the end of the offering period; and
  - (b) that participant at the same time pays into his ESP Plan account such additional amount (in such manner as the Remuneration Committee may allow) as may be necessary to make up the shortfall in his ESP Plan account. Any participant who elects to pay such additional amount shall be treated as having automatically withdrawn from the ESP Plan under Rule 8.4.
- (8) If a participant wishes to discontinue contributions and withdraw from the ESP Plan during an Offering Period, he may do so by completing and signing a Discontinuance Form. No partial withdrawals from a participant's ESP Plan account shall be permitted.

#### (b) Subscription rights outstanding

The particulars relating to subscription rights of the directors under the ESP Plan for the financial year under review were as follows:

Name	Rights to subscribe for shares during the financial year	Aggregate number of shares comprised in such rights since commencement of ESP Plan to end of financial year	Aggregate number of subscription rights exercised since commencement of ESP Plan to end of financial year	Aggregate number of shares comprised in such rights outstanding as at end of financial year
Cheong Choong Kong	5,940	5,940	–	5,940
David Conner	5,940	5,940	–	5,940

As at 31 December 2004, the number of shares entitled to be issued under the ESP Plan was 2,654,005 (including the participation of the two executive directors).

## Directors' Report

for the financial year ended 31 December 2004

### AUDIT COMMITTEE

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

Michael Wong Pakshong, Chairman

Neo Boon Siong

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.

On behalf of the Board of Directors,

### CHEONG CHOONG KONG

Director

### DAVID PHILBRICK CONNER

Director

Singapore

11 February 2005



## **Statement by Directors**

for the financial year ended 31 December 2004

In the opinion of the directors,

- (a) the financial statements of the Bank and the consolidated financial statements of the Group as set out on pages 74 to 153 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 2004 and of the results of the business, changes in equity of the Bank and Group 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 2005

## Auditors' Report

to the members of Oversea-Chinese Banking Corporation Limited

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited for the financial year ended 31 December 2004 set out on pages 74 to 153, comprising the income statement, balance sheet and statement of changes in equity of the Bank, and the consolidated financial statements of the Group. 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 financial statements 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 2004, and the results, changes in equity of the Bank and of the Group, and of the cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records 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.

### **PricewaterhouseCoopers**

Certified Public Accountants

Singapore

11 February 2005

## Income Statements

for the financial year ended 31 December 2004

	Note	Group		Bank	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest income		2,560,201	2,380,646	2,001,753	1,749,822
Less: Interest expense		1,042,642	945,650	791,265	674,518
<b>Net interest income</b>	3	<b>1,517,559</b>	1,434,996	<b>1,210,488</b>	1,075,304
Fees and commissions	4	463,553	372,827	296,896	236,512
Dividends	5	86,627	74,778	604,327	991,987
Rental income		72,490	63,539	15,835	9,899
Income from insurance	6	242,760	–	–	–
Other income	7	260,113	246,885	35,611	134,303
<b>Non-interest income</b>		<b>1,125,543</b>	758,029	<b>952,669</b>	1,372,701
<b>Income before operating expenses</b>		<b>2,643,102</b>	2,193,025	<b>2,163,157</b>	2,448,005
Less: Staff costs		531,499	477,850	376,678	338,382
Other operating expenses		442,136	376,778	290,531	264,555
Total operating expenses	8	973,635	854,628	667,209	602,937
<b>Operating profit before provisions and amortisation of goodwill and intangibles</b>		<b>1,669,467</b>	1,338,397	<b>1,495,948</b>	1,845,068
Less: Amortisation of goodwill and intangibles	37	158,294	126,644	120,979	99,592
Provisions for possible loan losses and diminution in value of other assets	9	77,216	224,959	38,746	102,520
<b>Operating profit after provisions and amortisation of goodwill and intangibles</b>		<b>1,433,957</b>	986,794	<b>1,336,223</b>	1,642,956
<b>Share of profits less losses of associated companies</b>		<b>120,652</b>	234,865	–	–
<b>Profit before tax</b>		<b>1,554,609</b>	1,221,659	<b>1,336,223</b>	1,642,956
Less: Tax	10	287,530	210,763	237,370	361,257
Share of tax of associated companies		31,382	55,137	–	–
		318,912	265,900	237,370	361,257
<b>Profit after tax</b>		<b>1,235,697</b>	955,759	<b>1,098,853</b>	1,281,699
Less: Minority interests		73,326	1,635	–	–
<b>Profit attributable to shareholders</b>		<b>1,162,371</b>	954,124	<b>1,098,853</b>	1,281,699
<b>Earnings per ordinary share (cents)</b>	11				
Basic		86	72		
Diluted		86	72		

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

## Balance Sheets

as at 31 December 2004

	Note	Group		Bank	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>SHAREHOLDERS' EQUITY</b>					
<b>Share Capital</b>					
Authorised	13	3,014,205	2,010,838	3,014,205	2,010,838
Issued and fully paid	13	1,320,551	1,284,084	1,320,551	1,284,084
<b>Reserves</b>					
Capital reserves	14	3,135,695	2,329,076	2,987,009	2,205,333
Statutory reserves	15	1,934,114	1,854,303	1,583,700	1,528,700
Revenue reserves	16	4,851,675	4,591,450	3,379,281	3,177,056
<b>Total shareholders' equity</b>		<b>11,242,035</b>	<b>10,058,913</b>	<b>9,270,541</b>	<b>8,195,173</b>
<b>MINORITY INTERESTS</b>		<b>489,158</b>	<b>19,879</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>					
Deposits of non-bank customers	17, 39.5	57,286,806	53,459,680	48,334,854	45,673,695
Deposits and balances of banks	17, 39.5	12,454,814	12,480,794	12,073,890	11,910,339
Deposits of subsidiary companies		-	-	1,686,165	1,268,267
Deposits of associated companies		17,229	1,457,708	8,231	878,968
Bills payable		159,475	185,233	79,755	102,478
Current tax	18	425,112	327,667	300,161	292,216
Deferred tax	18	83,075	76,043	41,568	55,482
Other liabilities	19	3,133,520	2,421,286	2,487,567	1,796,542
Debt securities	20	5,695,245	4,010,223	5,668,495	3,882,473
Life assurance fund	21	90,986,469 28,895,206	84,497,426 -	79,951,227 -	74,055,633 -
<b>Total liabilities and shareholders' equity</b>		<b>119,881,675</b>	<b>84,497,426</b>	<b>79,951,227</b>	<b>74,055,633</b>
<b>ASSETS</b>					
Cash and placements with central banks	22	3,616,603	4,035,863	2,590,974	2,604,863
Singapore government treasury bills and securities	23	6,439,775	6,151,111	6,150,703	6,002,069
Other government treasury bills and securities	24	1,837,697	1,054,618	613,698	203,599
Dealing securities	25	701,017	235,541	466,211	134,929
Placements with and loans to banks	26, 39.5	10,007,232	9,649,818	9,342,173	8,874,153
Bills receivable	27-30, 39.5	548,271	428,195	241,830	218,965
Loans to customers	27-30, 39.5	52,414,256	49,726,922	44,400,835	42,675,233
Investment securities	31	7,474,452	6,294,827	5,720,722	5,310,599
Deferred tax	18	49,951	53,670	-	-
Other assets	32	3,274,015	2,182,934	2,453,324	1,759,742
Associated companies	34	308,791	1,177,137	97,216	107,617
Subsidiary companies	35	-	-	5,276,539	3,427,270
Property, plant and equipment	36	1,315,837	1,434,736	729,826	748,439
Goodwill and intangible assets	37	2,998,572	2,072,054	1,867,176	1,988,155
Life fund net assets attributable to policyholders	21	90,986,469 28,895,206	84,497,426 -	79,951,227 -	74,055,633 -
<b>Total assets</b>		<b>119,881,675</b>	<b>84,497,426</b>	<b>79,951,227</b>	<b>74,055,633</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	41	-	-	-	-
Commitments	42	6,568,765	5,829,577	5,600,028	5,010,352
Financial derivatives	43	30,255,998	27,261,292	25,263,018	23,637,732
	44	269,712,229	191,246,606	264,207,017	189,829,605
		<b>306,536,992</b>	<b>224,337,475</b>	<b>295,070,063</b>	<b>218,477,689</b>

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

## Statement of Changes in Shareholders' Equity – Group

for the financial year ended 31 December 2004

	Share Capital \$'000	Capital Reserves \$'000	Statutory Reserves \$'000	Revenue Reserves \$'000	Total \$'000
<b>Balance at 1 January 2004</b>	<b>1,284,084</b>	<b>2,329,076</b>	<b>1,854,303</b>	<b>4,591,450</b>	<b>10,058,913</b>
Profit attributable to shareholders	–	–	–	1,162,371	1,162,371
Currency translation differences not recognised in the income statements	–	–	–	(46,582)	(46,582)
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,115,789</b>	<b>1,115,789</b>
Transfers	–	24,943	50,108	(75,051)	–
Reserves arising from					
acquisition of additional interests in GEH	–	–	29,703	48,433	78,136
Class E preference dividends paid	–	–	–	(22,562)	(22,562)
Class G preference dividends paid	–	–	–	(16,670)	(16,670)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Interim dividends paid to ordinary stockholders	–	–	–	(203,265)	(203,265)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Share buyback	(24,309)	24,309	–	(337,422)	(337,422)
Shares issued pursuant to					
voluntary unconditional offer	136,207	1,501,598	–	–	1,637,805
Shares issued under Share Option Schemes	4,761	41,065	–	–	45,826
<b>Balance at 31 December 2004</b>	<b>1,320,551</b>	<b>3,135,695</b>	<b>1,934,114</b>	<b>4,851,675</b>	<b>11,242,035</b>
Comprise:					
Share of reserves of associated companies	–	1,375	–	37,215	38,590
<b>Balance at 1 January 2003</b>	<b>1,290,299</b>	<b>1,505,515</b>	<b>1,936,244</b>	<b>4,492,164</b>	<b>9,224,222</b>
Profit attributable to shareholders	–	–	–	954,124	954,124
Currency translation differences not recognised in the income statements	–	–	–	8,555	8,555
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>962,679</b>	<b>962,679</b>
Transfers	–	13,685	(81,941)	68,256	–
Class E preference shares issued for cash	50	499,950	–	–	500,000
Class E preference dividends paid	–	–	–	(20,096)	(20,096)
Class G preference shares issued					
in lieu of special cash dividends	2,093	206,171	–	(208,264)	–
Class G preference shares issued for cash	1,865	184,877	–	–	186,742
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 to ordinary stockholders	–	–	–	(434,155)	(434,155)
Selective capital reduction	(12,139)	(92,620)	–	–	(104,759)
Shares issued under Share Option Schemes	1,916	13,146	–	–	15,062
<b>Balance at 31 December 2003</b>	<b>1,284,084</b>	<b>2,329,076</b>	<b>1,854,303</b>	<b>4,591,450</b>	<b>10,058,913</b>
Comprise:					
Share of reserves of associated companies	–	20,691	–	1,021,463	1,042,154

An 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.

## Statement of Changes in Shareholders' Equity – Bank

for the financial year ended 31 December 2004

	Share Capital \$'000	Capital Reserves \$'000	Statutory Reserves \$'000	Revenue Reserves \$'000	Total \$'000
<b>Balance at 1 January 2004</b>	<b>1,284,084</b>	<b>2,205,333</b>	<b>1,528,700</b>	<b>3,177,056</b>	<b>8,195,173</b>
Profit attributable to shareholders	–	–	–	1,098,853	1,098,853
Currency translation differences not recognised in the income statements	–	–	–	(12,682)	(12,682)
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,086,171</b>	<b>1,086,171</b>
Transfers	–	–	55,000	(55,000)	–
Class E preference dividends paid	–	–	–	(22,562)	(22,562)
Class G preference dividends paid	–	–	–	(16,670)	(16,670)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Interim dividends paid to ordinary stockholders	–	–	–	(203,265)	(203,265)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Share buyback	(24,309)	24,309	–	(337,422)	(337,422)
Shares issued pursuant to voluntary unconditional offer	136,207	1,501,598	–	–	1,637,805
Shares issued under Share Option Schemes	4,761	41,065	–	–	45,826
<b>Balance at 31 December 2004</b>	<b>1,320,551</b>	<b>2,987,009</b>	<b>1,583,700</b>	<b>3,379,281</b>	<b>9,270,541</b>
<b>Balance at 1 January 2003</b>	<b>1,290,299</b>	<b>1,395,457</b>	<b>1,464,200</b>	<b>2,865,742</b>	<b>7,015,698</b>
Profit attributable to shareholders	–	–	–	1,281,699	1,281,699
Currency translation differences not recognised in the income statements	–	–	–	25,764	25,764
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,307,463</b>	<b>1,307,463</b>
Transfers	–	–	64,500	(64,500)	–
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 in lieu of special cash dividends	2,093	206,171	–	(208,264)	–
Class G preference shares issued for cash	1,865	184,877	–	–	186,742
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 to ordinary stockholders	–	–	–	(434,155)	(434,155)
Selective capital reduction	(12,139)	(92,620)	–	–	(104,759)
Shares issued under Share Option Schemes	1,916	13,146	–	–	15,062
<b>Balance at 31 December 2003</b>	<b>1,284,084</b>	<b>2,205,333</b>	<b>1,528,700</b>	<b>3,177,056</b>	<b>8,195,173</b>

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

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

## Consolidated Cash Flow Statement

for the financial year ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
Operating profit before provisions and amortisation of goodwill and intangibles		1,669,467	1,338,397
<b>Adjustments for non-cash items</b>			
Amortisation of computer software costs		24,064	20,248
Depreciation of property, plant and equipment		61,607	81,421
Gains on disposal of associated companies		(54,067)	–
Gains on disposal of investment securities		(22,533)	(92,406)
Gains on disposal of property, plant and equipment		(79,368)	(45,883)
Operating profit before changes in operating assets and liabilities		1,599,170	1,301,777
<b>Increase/(decrease) in operating liabilities</b>			
Deposits of non-bank customers		2,386,647	(484,514)
Deposits and balances of banks		(25,980)	(140,355)
Bills payable and other liabilities		517,590	292,678
<b>(Increase)/decrease in operating assets</b>			
Dealing securities		(448,750)	(62,269)
Placements with and loans to banks		150,185	4,809,150
Loans to customers and bills receivable		(2,364,911)	(2,944,192)
Other assets		(734,106)	(140,762)
Cash provided by operating activities		1,079,845	2,631,513
Income tax paid		(352,826)	(246,041)
<b>Net cash provided by operating activities</b>		<b>727,019</b>	<b>2,385,472</b>
<b>Cash flows from investing activities</b>			
Acquisition of associated companies		(118,049)	–
Capital return from an associated company		1,000	1,000
Dividends from associated companies		62,425	51,170
Decrease in associated companies		7,713	5,727
Net cash outflow from acquisition of additional interests in subsidiary companies	35.3	(26,655)	(288)
Purchase of investment securities		(2,361,821)	(2,435,285)
Purchase of long-term Singapore government securities		–	(544,013)
Purchase of property, plant and equipment		(63,273)	(46,536)
Proceeds from disposal of associated companies		122,026	–
Proceeds from disposal of investment securities		2,157,323	1,526,826
Proceeds from disposal of property, plant and equipment		172,967	69,444
<b>Net cash used in investing activities</b>		<b>(46,344)</b>	<b>(1,371,955)</b>
<b>Cash flows from financing activities</b>			
Increase/(decrease) in debt securities		1,681,763	(5,250)
Dividends paid		(365,524)	(723,385)
Net proceeds from issue of preference shares		–	685,094
Proceeds from issue of ordinary shares		45,826	15,062
Selective capital reduction		(991,488)	(104,759)
Share buyback		(337,422)	–
Change in minority interests and dividends paid to minority interests		(16,164)	(535)
<b>Net cash provided by/(used in) financing activities</b>		<b>16,991</b>	<b>(133,773)</b>
<b>Net currency translation adjustments</b>		<b>(46,582)</b>	<b>8,555</b>
<b>Net change in cash and cash equivalents</b>		<b>651,084</b>	<b>888,299</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>10,697,579</b>	<b>9,809,280</b>
<b>Cash and cash equivalents as at 31 December</b>	46	<b>11,348,663</b>	<b>10,697,579</b>

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

### 1. GENERAL

Oversea-Chinese Banking Corporation Limited ("The Bank") is incorporated and domiciled in Singapore and is publicly traded 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. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of accounting

- 2.1.1** These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain treasury instruments to market value.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

- 2.1.2** The Group has adopted FRS 39 on Financial Instruments: Recognition and Measurement from 1 January 2005. The adoption of FRS 39 resulted in certain changes in accounting policies relating to the recognition and measurement of its financial assets and liabilities, including the application of hedge accounting criteria and loan impairment requirements. The financial effects of these changes have been adjusted against the Group's shareholders' equity on 1 January 2005. GEH however, has adopted FRS 39 since 1 January 2002, and the effects of this have been considered on consolidation.

#### 2.2 Recognition of income

##### 2.2.1 Interest

Interest income is recognised on an accrual basis.

##### 2.2.2 Fees and commissions

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

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

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.

##### 2.2.5 Income from insurance

Profit from life assurance business is recognised when transferred to the income statements of the subsidiaries. Premium from general insurance business is recognised as revenue when due.



## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.3 Basis of consolidation

##### 2.3.1 Subsidiary companies

Subsidiary companies are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. 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.

##### 2.3.2 Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. 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 identified on acquisition, net of accumulated amortisation. 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. Details of a SPE of the Group are disclosed in Note 35.2.

##### 2.3.4 Life assurance companies

Certain subsidiaries of the Group engaged in long-term life assurance business, are structured into one or more long-term life assurance funds, and shareholders' funds. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related long-term life assurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed between the shareholders and the policyholders according to a predetermined formula or retained within the long-term life assurance funds. To reflect the different nature of the shareholders' and policyholders' interests, the liabilities to policyholders and its net assets are shown under separate headings in the consolidated balance sheet.

##### 2.3.5 Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 the financial statements 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 statements.

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 statements.

##### 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 results of 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.

#### 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 comprises 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 Outstanding premiums

Outstanding premiums are stated at cost. Premiums of life assurance business which remained outstanding beyond the contractual date would automatically trigger premium loans which are taken against the cash value standing to the credit of the policy. Where the cash value is insufficient to activate a premium loan, the policy lapses and the contract between the life assurance company and the policyholder is deemed cancelled without further liabilities accruing from either party. Outstanding premiums from general insurance business which are outstanding for 90 days would lead to termination of cover and the entire amount would be written off to the income statements in the year in which the 90-day credit expires.

##### 2.5.6 Other assets

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 10 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 depreciated. 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:

Leasehold land and 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.

Repair and maintenance are taken to the income statements during the financial year in which they are incurred. The costs of major renovation and restoration 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.

On disposal of a property, plant and equipment, the difference between the net proceeds and its carrying amount is taken to the income statements.

#### 2.8 Goodwill and intangible assets

Goodwill and intangible assets represents the excess of cost of acquisition over the fair value of the Group's share of identifiable net tangible assets of subsidiaries or associated companies at the date of acquisition. Goodwill on acquisitions of subsidiaries occurring on or after 1 January 2001 is included as intangible assets in the balance sheet. Goodwill on acquisition of associated companies on or after 1 January 2001 is included in investments in associated companies. Goodwill on acquisitions that occurred prior to 1 January 2001 was taken in full to offset against reserves.

Goodwill and intangible assets is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill and intangible assets is amortised on the straight-line basis over its estimated economic useful life up to a maximum of 20 years.

In the consolidated income statement, the gain or loss on disposal of a subsidiary or associated company is determined by comparing the net 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.

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 and intangibles is recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

#### 2.9 Derivative financial instruments

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 statements. Transactions entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the item being hedged.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.10 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.

#### 2.11 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.

#### 2.12 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.

Provision is made for claims incurred but not reported for all classes of general insurance business written, using a mathematical method of estimation.

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave and long-service leave from 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.

#### 2.13 Employee benefits

Compensation package for staff comprises basic salary, allowances, cash performance bonus, contractual entitlement of shares, share option schemes, deferred share plan and share purchase plan. Details of the share option schemes, deferred share plan and employee share purchase plan are disclosed in Notes 13.3, 13.4 and 13.5 respectively.

Under the OCBC Share Option Schemes 1994 and 2001, share options are granted to Group executives, of the rank of Assistant Manager and above, including executive directors and non-executive directors. Options granted generally vest in one-third increments over a three-year period and will expire between 5 and 10 years from the date of grant.

Under the OCBC Deferred Share Plan, shares of the Bank are granted to executive directors and officers of the rank of Senior Officer 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 statements on the straight-line basis over the vesting period.

The OCBC Employee Share Purchase Plan ("ESP Plan") is a savings-based plan whereby all employees of the Group are eligible to participate by making monthly contributions to the Plan Account and interest will accrue at a preferential rate determined by the Remuneration Committee. The Remuneration Committee will fix the subscription price and the offering period for new ordinary shares to be issued under the Plan. The ESP Plan balances are included under non-bank customer savings deposits.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.14 Repurchase and reverse repurchase agreements ("Repos" and "reverse repos")

Repos are treated as collateralised borrowing and the balances included in deposits and balances of non-bank customers and banks. The securities sold under repos are treated as pledged assets and continue to be recognised as assets, included in Singapore government treasury bills and securities, other government treasury bills and securities, placements with and loans to banks and investment securities. Reverse repos are treated as collateralised lending and the balances included in placements with central banks, loans to banks and non-bank customers. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

#### 2.15 Life assurance business

Profits from the non-linked life assurance business are allocated from the surplus determined from the result of the annual actuarial valuation (which also determines the liabilities relating to policyholders' benefits of the life assurance business). The amount of the distributable surplus allocated to shareholders is approved by the directors in accordance with the Insurance Regulations and the Articles of Association of the respective subsidiaries.

The whole of the valuation surplus or deficit in respect of the unit-linked business, as determined by the Appointed Actuary, is transferred to the income statement of the subsidiaries.

Full provision is made for the estimated cost of all life assurance claims notified but not settled at balance sheet date.

Policy benefits are recognised when policyholder exercises the option to deposit the survival benefits with subsidiary companies when the benefit falls due. Policy benefits are interest bearing at rates determined by the subsidiary life assurance companies from time to time.

#### 2.16 Unexpired risk reserve

The Unexpired Risk Reserve ("URR") represents the portion of the net premiums of general insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the URR at balance sheet date, the method that most accurately reflects the actual unearned premium is used. URR is computed using the 1/24th method reduced by the corresponding percentage of accounted gross direct business, commissions and agency expenses not exceeding limits specified by regulators in the respective jurisdictions in which the Group operates.

#### 2.17 Comparatives

Where necessary, certain comparative figures were adjusted to conform to current year's presentation of the financial statements.

### 3. NET INTEREST INCOME

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Interest income</b>				
Loans to customers	1,923,423	1,791,417	1,518,164	1,295,270
Placements with and loans to banks	295,683	267,055	232,386	211,939
Other interest-earning assets	341,095	322,174	251,203	242,613
	<b>2,560,201</b>	2,380,646	<b>2,001,753</b>	1,749,822
<b>Interest expense</b>				
Deposits of non-bank customers	716,884	681,294	480,576	423,448
Deposits and balances of banks	211,356	158,330	196,187	145,644
Other borrowings	114,402	106,026	114,502	105,426
	<b>1,042,642</b>	945,650	<b>791,265</b>	674,518

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 4. FEES & COMMISSIONS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Fee and commission income	<b>498,612</b>	414,049	<b>303,072</b>	240,476
Fee and commission expense	<b>(35,059)</b>	(41,222)	<b>(6,176)</b>	(3,964)
Net fees and commissions	<b>463,553</b>	372,827	<b>296,896</b>	236,512
Analysed by major sources:				
Credit card	<b>35,363</b>	29,603	<b>28,092</b>	24,027
Fund management	<b>42,191</b>	19,246	<b>(325)</b>	(167)
Futures broking and stockbroking	<b>52,533</b>	62,126	<b>568</b>	230
Guarantees	<b>18,229</b>	17,578	<b>15,048</b>	14,101
Investment banking	<b>19,083</b>	11,734	<b>16,100</b>	10,498
Loan-related	<b>66,223</b>	73,525	<b>50,501</b>	54,265
Service charges	<b>36,287</b>	31,282	<b>31,891</b>	28,395
Trade-related and remittances	<b>57,093</b>	45,215	<b>42,364</b>	37,047
Wealth management	<b>129,445</b>	78,277	<b>109,234</b>	67,128
Others	<b>7,106</b>	4,241	<b>3,423</b>	988
	<b>463,553</b>	372,827	<b>296,896</b>	236,512

### 5. DIVIDENDS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unquoted subsidiaries	–	–	<b>507,656</b>	895,225
Quoted associated companies	–	–	<b>42,661</b>	48,331
Unquoted associated companies	–	–	<b>149</b>	8,091
Other quoted investments	<b>73,817</b>	66,729	<b>49,938</b>	38,667
Other unquoted investments	<b>12,810</b>	8,049	<b>3,923</b>	1,673
	<b>86,627</b>	74,778	<b>604,327</b>	991,987

### 6. INCOME FROM INSURANCE

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit from life assurance (Note 21)	<b>203,605</b>	–	–	–
Net earned premium from general insurance	<b>39,155</b>	–	–	–
	<b>242,760</b>	–	–	–

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 7. OTHER INCOME

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net gains/(losses) arising from:				
Dealing in securities and derivatives				
Net proceeds less cost	(51,394)	(19,175)	(58,965)	(36,674)
Writeback/(provisions) [Note 33]	62	(212)	17	153
	(51,332)	(19,387)	(58,948)	(36,521)
Dealing in foreign exchange	87,436	60,903	68,615	45,636
Disposal of investment securities	22,533	92,406	14,305	62,481
Disposal of associated companies	54,067	–	–	–
Disposal of plant and equipment	410	(1,314)	89	(1,041)
Disposal of property	78,958	47,197	523	46,147
Computer-related services income	33,448	30,733	–	–
Liquidation gain of subsidiary companies	–	–	3,628	3,673
Property-related income	13,495	14,524	397	1,091
Hotel-related income	3,338	3,050	–	–
Others	17,760	18,773	7,002	12,837
	260,113	246,885	35,611	134,303

### 8. STAFF COSTS AND OTHER OPERATING EXPENSES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>8.1 Staff costs</b>				
Salaries and other costs	473,467	422,391	339,780	301,490
Provident fund contributions	47,093	45,904	31,855	32,040
	520,560	468,295	371,635	333,530
Directors' emoluments:				
– Remuneration of Bank's directors	4,442	4,337	4,382	4,227
– Remuneration of directors of subsidiaries	4,698	4,419	–	–
– Fees of Bank's directors	1,644	669	661	625
– Fees of directors of subsidiaries	155	130	–	–
	10,939	9,555	5,043	4,852
Total staff costs	531,499	477,850	376,678	338,382

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>8.2 Other operating expenses</b>				
Property, plant and equipment:				
Depreciation				
– Bank premises and other property	24,272	25,056	12,758	12,268
– Computer and office equipment, furniture and fixtures	37,335	56,365	18,798	30,809
	61,607	81,421	31,556	43,077
Amortisation of computer software costs	24,064	20,248	22,296	16,983
Maintenance and hire of property, plant and equipment	32,857	36,264	20,436	24,288
Rental expenses	18,450	18,229	30,039	29,535
Others	78,709	68,537	43,861	39,667
	215,687	224,699	148,188	153,550
Auditors' remuneration:				
– PwC@ Singapore	1,320	1,260	774	774
– Other member firms of PwC Global Organisation	987	976	736	545
– Non-PwC firms	392	6	1	6
	2,699	2,242	1,511	1,325
Other fees*:				
– PwC Singapore	469	136	450	91
– Other member firms of PwC Global Organisation	47	–	–	–
	516	136	450	91
General insurance claims	21,430	–	–	–
Others	201,804	149,701	140,382	109,589
Total other operating expenses	442,136	376,778	290,531	264,555
<b>Staff costs and other operating expenses</b>	<b>973,635</b>	<b>854,628</b>	<b>667,209</b>	<b>602,937</b>

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\* Additionally, fees amounting to \$508,000 for computer security systems review were paid to PwC Singapore in 2004, which have been capitalised as property, plant and equipment.

	Group		Bank	
	2004	2003	2004	2003
<b>8.3 Number of employees</b>				
Average for the year	9,089	7,350	4,590	4,249
End of the year	10,582	7,424	4,863	4,440



## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Specific provision for loan losses (Note 29)	143,456	193,682	98,404	119,986
Writeback of general provision for loan losses (Note 30) (Writeback)/specific provision for diminution in value of investment securities and other assets (Note 33)	(32,453)	(25,603)	(31,402)	(29,780)
	(33,787)	56,880	(28,256)	12,314
Charge to income statements	77,216	224,959	38,746	102,520

### 10. TAX

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current tax (Note 18.1)	299,959	255,050	246,221	394,654
Deferred tax (Note 18.2)	(18,991)	(41,002)	(13,914)	(31,988)
	280,968	214,048	232,307	362,666
Under/(over) provision in prior years	6,562	(3,285)	5,063	(1,409)
Charge to income statements	287,530	210,763	237,370	361,257

On 27 February 2004, the Singapore Minister of Finance announced a reduction in the Singapore corporate tax rate from 22% to 20% with effect from Year of Assessment 2005. The tax on the operating profit differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating profit after provisions and amortisation of goodwill and intangibles	1,433,957	986,794	1,336,223	1,642,956
Prima facie tax calculated at tax rate of 20% (2003: 22%)	286,791	217,095	267,245	361,450
Effect of change in tax rate [Note 18.2]	(5,967)	–	(5,049)	–
Effect of different tax rates in other countries	28,420	6,457	13,123	15,835
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	290	2,109	61	326
Income not assessable for tax	(39,908)	(24,593)	(41,150)	(17,565)
Income taxed at concessionary rate	(23,454)	(22,558)	(23,454)	(22,558)
Non-deductible expenses and provisions/ (non-taxable writeback):				
– Amortisation of goodwill and intangibles	31,659	27,862	24,196	21,910
– Non-deductible provisions/(non-taxable writeback)	(4,484)	8,088	(5,341)	2,722
– Others	7,621	(412)	2,676	546
	280,968	214,048	232,307	362,666

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 11. EARNINGS PER ORDINARY SHARE

	Group	
	2004	2003
<b>\$'000</b>		
Profit attributable to shareholders	1,162,371	954,124
Less: Preference dividends paid	(39,232)	(27,338)
<b>Profit attributable to shareholders after adjustment of preference dividends</b>	<b>1,123,139</b>	<b>926,786</b>
<b>Weighted average number of ordinary shares ('000)</b>		
For basic earnings per ordinary share	1,305,720	1,287,986
Adjustment for assumed conversion of share options	4,054	2,138
For diluted earnings per ordinary share	<b>1,309,774</b>	1,290,124
<b>Earnings per ordinary share (cents)</b>		
– Basic	<b>86</b>	72
– Diluted	<b>86</b>	72

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 2004

### 12. UNAPPROPRIATED PROFIT

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit attributable to shareholders	<b>1,162,371</b>	954,124	<b>1,098,853</b>	1,281,699
Add: Unappropriated profit At 1 January	<b>3,243,269</b>	3,059,474	<b>2,251,933</b>	1,966,383
Total amount available for appropriation	<b>4,405,640</b>	4,013,598	<b>3,350,786</b>	3,248,082
Dealt with as follows:				
In respect of the financial year ended 31 December 2002:				
– Final dividend of 15 cents for every \$1 ordinary stock unit less 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 income tax at 22%	–	(642,419)	–	(642,419)
– Interim dividend of 11 cents for every \$1 ordinary stock unit less income tax at 22%	–	(110,811)	–	(110,811)
– Final dividend of 12 cents for every \$1 ordinary stock unit less income tax at 20%	<b>(123,027)</b>	–	<b>(123,027)</b>	–
In respect of the financial year ended 31 December 2004*:				
– Interim dividend of 19 cents for every \$1 ordinary stock unit less income tax at 20%	<b>(203,265)</b>	–	<b>(203,265)</b>	–
Preference dividends paid (net of tax):				
– Class E dividends of 4.5 per cent per annum	<b>(22,562)</b>	(20,096)	<b>(22,562)</b>	(20,096)
– Class G dividends of 4.2 per cent per annum	<b>(16,670)</b>	(7,242)	<b>(16,670)</b>	(7,242)
Capitalisation as bonus shares pursuant to selective capital reduction [Note 13.2(a)]	<b>(126,000)</b>	–	<b>(126,000)</b>	–
Reserves arising from selective capital reduction	<b>37,181</b>	–	–	–
Share buyback [Note 13.2(c)]	<b>(337,422)</b>	–	<b>(337,422)</b>	–
Transfer from/(to):				
Capital reserves (Note 14)	<b>(24,943)</b>	(13,685)	–	–
Statutory reserves (Note 15)	<b>(50,108)</b>	81,941	<b>(55,000)</b>	(64,500)
General reserves (Note 16)	<b>214,126</b>	93,064	–	–
	<b>(652,690)</b>	(770,329)	<b>(883,946)</b>	(996,149)
At 31 December (Note 16)	<b>3,752,950</b>	3,243,269	<b>2,466,840</b>	2,251,933

\* At the Annual General Meeting to be held, a final dividend of 19 cents per \$1 ordinary stock unit less Singapore income tax at 20% in respect of 2004, amounting to a total dividend of \$200.1 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 financial year ending 31 December 2005.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

#### 13.1 Authorised share capital

	Group and Bank	
	2004 \$'000	2003 \$'000
3,000,000,000 (2003: 2,000,000,000) ordinary shares of \$1 each	3,000,000	2,000,000
1,402,500,000 preference shares comprising:		
– 12,500,000 Class A non-cumulative non-convertible of \$0.01 each	125	125
– 12,500,000 Class B non-cumulative non-convertible of \$0.01 each	125	125
– 12,500,000 Class C non-cumulative non-convertible of \$0.01 each	125	125
– 12,500,000 Class D non-cumulative non-convertible of US\$0.01 each	215	213
– 12,500,000 Class E non-cumulative non-convertible of \$0.01 each	125	125
– 12,500,000 Class F non-cumulative non-convertible of \$0.01 each	125	125
– 1,000,000,000 Class G non-cumulative non-convertible of \$0.01 each	10,000	10,000
– 300,000,000 Class H irredeemable non-cumulative convertible shares of \$0.01 each	3,000	–
– 15,000,000 Class I non-cumulative non-convertible of \$0.01 each	150	–
– 12,500,000 Class J non-cumulative non-convertible of US\$0.01 each	215	–
	<b>3,014,205</b>	<b>2,010,838</b>

On 30 April 2004, upon approval by members at extraordinary general meetings held on that day, the Bank increased its authorised share capital from \$2,010,625,000 and US\$125,000 to \$3,013,775,000 and US\$250,000 through the creation of:

- 1,000,000,000 new ordinary shares of \$1 par value each;
- 300,000,000 new Class H irredeemable non-cumulative convertible preference shares of \$0.01 par value each;
- 15,000,000 new Class I non-cumulative non-convertible preference shares of \$0.01 par value each; and
- 12,500,000 new Class J non-cumulative non-convertible preference shares of US\$0.01 par value each.

#### 13.2 Issued share capital

	Group and Bank	
	2004 \$'000	2003 \$'000
<b>Ordinary shares of \$1 each</b>		
At 1 January	1,280,076	1,290,299
Selective capital reduction [Note 13.2(a)]	(80,192)	(12,139)
Shares issued pursuant to voluntary unconditional offer [Note 13.2(b)]	136,207	–
Shares cancelled arising from share buyback [Note 13.2(c)]	(24,309)	–
Shares issued under Share Option Schemes [Note 13.2(d)]	4,761	1,916
At 31 December	<b>1,316,543</b>	<b>1,280,076</b>
<b>Preference shares</b>		
5,000,000 (2003: 5,000,000) non-cumulative non-convertible Class E shares of \$0.01 par value and liquidation value of \$100 each	50	50
395,830,884 (2003: 395,830,884) non-cumulative non-convertible Class G shares of \$0.01 par value and liquidation value of \$1 each	3,958	3,958
	<b>4,008</b>	<b>4,008</b>
<b>Total issued and paid-up capital</b>	<b>1,320,551</b>	<b>1,284,084</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

#### 13.2 Issued share capital (continued)

	Number of shares	
	2004	2003
<b>Shares held by associated companies of the Group</b>		
Ordinary shares	<b>76,856</b>	85,701,610
Class E preference shares	<b>2,500</b>	752,500
Class G preference shares	–	29,092,653
	<b>79,356</b>	115,546,763

- (a) On 28 May 2004, pursuant to a selective capital reduction exercise proposal (“Selective Capital Reduction”) approved at an extraordinary general meeting held on 30 April 2004, the Bank cancelled 80,192,220 ordinary shares of \$1 par value each held by three subsidiaries of Great Eastern Holdings Limited (“GEH subsidiaries”) and made a cash distribution of \$991,488,589 or \$12.3639 per ordinary share.

In connection with the Selective Capital Reduction, part of the cash distribution was effected by way of a cancellation of bonus shares issued and allotted to the aforesaid GEH subsidiaries through the capitalisation of unappropriated profits amounting to \$126,000,000.

- (b) Pursuant to the voluntary unconditional offer to GEH shareholders and the acquisition agreement with Singapore Investments (Pte) Limited, the Bank has issued:
- 135,365,487 ordinary shares of \$1 each for 138,694,259 GEH shares amounting to \$1,627,677,726; and
  - 841,716 ordinary shares of \$1 each for 4,267,350 GEH options amounting to \$10,128,162.
- (c) During the financial year ended, the Bank purchased, in aggregate, 24,868,032 ordinary shares by way of market acquisition at an average price of \$13.6 per share which amounted to a cash distribution of \$337,421,787. This was pursuant to the stock purchase mandate approved by shareholders at an extraordinary general meeting on 15 April 2004. The issued capital of the Bank was reduced by 24,309,032 ordinary shares upon cancellation of the shares acquired and the amount was transferred to the capital redemption reserve.
- (d) During the financial year ended 31 December 2004, pursuant to the Bank’s Share Option Schemes, the Bank issued 4,760,757 (2003: 1,915,516) ordinary shares of \$1 each for cash amounting to \$45,825,514 (2003: \$15,061,984), 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 preference shares’ voting rights which are set out in the Articles of Association of the Bank.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

#### 13.3 Share option schemes

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:

2004	At 1 January	Granted	Exercised	(Lapsed)/ reinstatement	At 31 December	Subscription price per \$1 share	Date of expiration
1995 RO *	197,478	–	(105,686)	(222)	91,570	\$7.810	1 February 2005
1996 RO *	688,259	–	(278,304)	(1,347)	408,608	\$8.150	29 January 2006
1997 RO *	1,139,735	–	(355,243)	(48)	784,444	\$7.603	29 January 2007
1998 RO *	1,147,746	–	(354,852)	150	793,044	\$6.419	21 January 2008
1999 RO *	2,088,002	–	(658,902)	(8,562)	1,420,538	\$7.533	9 December 2008
2000 Options	4,563,789	–	(1,355,477)	(43,300)	3,165,012	\$10.900	5 December 2009
2001 Options	5,914,098	–	(521,701)	(421,077)	4,971,320	\$12.880	4 December 2010
2002 Options	7,493,700	–	(64,607)	(846,101)	6,582,992	\$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	9,817,167	–	(1,065,985)	(825,186)	7,925,996	\$9.760	26 March 2013
2004 Options	–	4,393,033	–	(279,543)	4,113,490	\$12.340	14 March 2014
2004A Options	–	67,000	–	–	67,000	\$13.180	18 August 2014
2004B Options	–	43,000	–	–	43,000	\$13.600	21 November 2014
	33,524,974	4,503,033	(4,760,757)	(2,425,236)	30,842,014		

2003	At 1 January	Granted	Exercised	(Lapsed)/ reinstatement	At 31 December	Subscription 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		

\* Replacement Options

During the financial year ended 31 December 2004, the number of share options that was granted to two executive directors of the Bank was 378,000 (2003: 375,000). The share options were granted on the same terms and conditions as those offered to other employees of the Group. As at 31 December 2004, the aggregate outstanding number of share options granted to the directors of the Bank was 1,316,120 (2003: 994,796).

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

#### 13.4 Deferred share plan

During the financial year ended 31 December 2004, the number of deferred ordinary shares granted free to eligible staff as part of their performance bonus was 468,954 (2003: 466,777), of which 39,112 (2003: 28,526) were granted to two executive directors of the Bank. As at 31 December 2004, directors of the Bank have deemed interest of 67,638 (2003: 28,526) deferred ordinary shares.

#### 13.5 Share purchase plan

The offering period for the ESP Plan commenced on 1 July 2004 and expires on 30 June 2006. The subscription price is \$12.12 for each new ordinary share to be issued. As at 31 December 2004, the number of ordinary shares that will be issued is 2,654,005, of which directors of the Bank have deemed interest of 11,880.

### 14. CAPITAL RESERVES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Share premium	2,918,149	2,160,782	2,918,149	2,160,782
Capital redemption reserve	28,030	3,721	28,030	3,721
Other capital reserves	189,516	164,573	40,830	40,830
	<b>3,135,695</b>	<b>2,329,076</b>	<b>2,987,009</b>	<b>2,205,333</b>

#### 14.1 Share premium

	Group and Bank	
	2004 \$'000	2003 \$'000
At 1 January	2,160,782	1,350,906
Expenses relating to the issue of preference shares	–	(1,648)
Issue of Class E Preference Shares	–	499,950
Issue of Class G Preference Shares	–	391,048
Selective Capital Reduction [Note 13.2(a)]	(785,296)	(92,620)
Shares issued pursuant to voluntary unconditional offer [Note 13.2(b)]	1,501,598	–
Ordinary shares issued under Share Option Schemes [Note 13.2(d)]	41,065	13,146
At 31 December	<b>2,918,149</b>	<b>2,160,782</b>

#### 14.2 Capital redemption reserves

	Group and Bank	
	2004 \$'000	2003 \$'000
At 1 January	3,721	3,721
Arising from share buyback [Note 13.2(c)]	24,309	–
At 31 December	<b>28,030</b>	<b>3,721</b>

#### 14.3 Other capital reserves

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	164,573	150,888	40,830	40,830
Transfer from unappropriated profit (Note 12)	24,943	13,685	–	–
At 31 December	<b>189,516</b>	<b>164,573</b>	<b>40,830</b>	<b>40,830</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 15. STATUTORY RESERVES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	1,854,303	1,936,244	1,528,700	1,464,200
Arising from acquisition of additional interests in GEH	29,703	—	—	—
Transfer from/(to) unappropriated profit (Note 12)	50,108	(81,941)	55,000	64,500
At 31 December	1,934,114	1,854,303	1,583,700	1,528,700

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

### 16. REVENUE RESERVES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unappropriated profit (Note 12)	3,752,950	3,243,269	2,466,840	2,251,933
General reserves	1,376,841	1,579,715	976,000	976,000
Currency translation reserves	(278,116)	(231,534)	(63,559)	(50,877)
	4,851,675	4,591,450	3,379,281	3,177,056

#### 16.1 General reserves

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	1,579,715	1,672,779	976,000	976,000
Arising from acquisition of additional interests in GEH	11,252	—	—	—
Transfer to unappropriated profit (Note 12)	(214,126)	(93,064)	—	—
At 31 December	1,376,841	1,579,715	976,000	976,000

#### 16.2 Currency translation reserves

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	(231,534)	(240,089)	(50,877)	(76,641)
Net adjustments for the year	(46,582)	8,555	(12,682)	25,764
At 31 December	(278,116)	(231,534)	(63,559)	(50,877)

The 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.



## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Deposits of non-bank customers</b>				
Current accounts	7,158,647	6,108,421	6,117,848	5,214,109
Savings deposits	11,178,403	11,131,117	10,466,231	10,425,679
Term deposits	36,269,584	34,272,427	30,488,447	28,987,562
Certificate of deposits issued	1,050,945	392,099	663,878	378,447
Other deposits	1,629,227	1,555,616	598,450	667,898
	<b>57,286,806</b>	53,459,680	<b>48,334,854</b>	45,673,695
<b>Deposits and balances of banks</b>	<b>12,454,814</b>	12,480,794	<b>12,073,890</b>	11,910,339
	<b>69,741,620</b>	65,940,474	<b>60,408,744</b>	57,584,034
<b>Analysed by currency</b>				
<b>17.1 Deposits of non-bank customers</b>				
Singapore dollar	35,302,170	33,981,763	35,222,814	33,901,387
US dollar	8,234,084	7,441,154	8,032,788	7,310,414
Malaysian ringgit	8,527,719	7,495,563	–	–
Japanese yen	245,666	77,175	244,687	75,764
Hong Kong dollar	255,691	309,063	255,691	309,063
British pound	1,138,476	1,082,474	1,125,451	1,077,343
Australian dollar	2,077,682	1,923,499	2,062,002	1,906,649
Euro	579,350	512,242	561,064	510,941
Others	925,968	636,747	830,357	582,134
	<b>57,286,806</b>	53,459,680	<b>48,334,854</b>	45,673,695
<b>17.2 Deposits and balances of banks</b>				
Singapore dollar	3,841,343	2,846,247	3,838,535	2,837,242
US dollar	5,253,107	6,691,858	5,051,754	6,445,965
Malaysian ringgit	170,297	293,222	–	–
Japanese yen	415,820	160,926	415,820	160,713
Hong Kong dollar	826,063	528,156	826,063	528,156
British pound	651,549	378,944	650,922	377,690
Australian dollar	144,797	681,451	144,242	680,692
Euro	843,273	368,812	842,616	368,812
Others	308,565	531,178	303,938	511,069
	<b>12,454,814</b>	12,480,794	<b>12,073,890</b>	11,910,339

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 18. CURRENT TAX AND DEFERRED TAX

#### 18.1 Current tax

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	327,667	321,765	292,216	244,671
Currency translation adjustments	(2,731)	(522)	(20)	825
Arising from new subsidiary companies	165,882	–	–	–
Arising from scheme with subsidiaries	–	–	–	28,078
Charge on life assurance profits	(18,663)	–	–	–
Charge to income statements (Note 10)	299,959	255,050	246,221	394,654
Income tax paid	(352,826)	(246,041)	(243,319)	(374,603)
Under/(over) provision in prior years	7,916	(3,285)	5,063	(1,409)
Transfer (to)/from deferred tax	(2,092)	700	–	–
At 31 December	425,112	327,667	300,161	292,216

#### 18.2 Deferred tax

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	22,373	63,082	55,482	106,206
Currency translation adjustments	1,848	993	–	–
Arising from new subsidiaries	27,156	–	–	–
Arising from scheme with subsidiaries	–	–	–	(18,736)
Credit to income statements	(13,024)	(41,002)	(8,865)	(31,988)
Effects of change in tax rate (Note 10)	(5,967)	–	(5,049)	–
Total credit to income statements (Note 10)	(18,991)	(41,002)	(13,914)	(31,988)
Over provision in prior years	(1,354)	–	–	–
Transfer from/(to) current tax	2,092	(700)	–	–
At 31 December	33,124	22,373	41,568	55,482

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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deferred tax liabilities	83,075	76,043	41,568	55,482
Deferred tax assets	(49,951)	(53,670)	–	–
	33,124	22,373	41,568	55,482

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

#### 18.3 Analysis of deferred tax balance

The movements in deferred tax assets and liabilities (prior to offsetting within the same tax jurisdiction) are attributable to the following items:

GROUP (\$'000) – Deferred tax liabilities	Accelerated tax depreciation	Others	Total
At 1 January 2004	116,360	3,500	119,860
Currency translation adjustments	(52)	9	(43)
Arising from new subsidiary companies	19,607	8,811	28,418
Credit to income statements	(4,767)	(3,216)	(7,983)
Effects of change in tax rates	(10,163)	(184)	(10,347)
Total credit to income statements	(14,930)	(3,400)	(18,330)
Transfer from/(to) current tax	160	80	240
Reclassification	(253)	260	7
At 31 December 2004	120,892	9,260	130,152

GROUP (\$'000) – Deferred tax assets	Provisions for assets	Pension and other retirement benefits	Tax losses	Total
At 1 January 2004	(97,379)	(49)	(59)	(97,487)
Currency translation adjustments	1,888	3	–	1,891
Arising from new subsidiary companies	(1,045)	–	(217)	(1,262)
(Credit)/charge to income statements	(5,337)	–	296	(5,041)
Effects of change in tax rates	3,933	–	447	4,380
Total (credit)/charge to income statements	(1,404)	–	743	(661)
Under provision in prior years	3,496	–	(4,850)	(1,354)
Transfer from current tax	1,852	–	–	1,852
Reclassification	–	–	(7)	(7)
At 31 December 2004	(92,592)	(46)	(4,390)	(97,028)

BANK (\$'000)	Deferred tax liabilities		Deferred tax assets	
	Accelerated tax depreciation	Provisions for assets	Others	Total
At 1 January 2004	96,178	(40,385)	(311)	(40,696)
(Credit)/charge to income statements	(1,893)	(7,262)	290	(6,972)
Effects of change in tax rates	(8,743)	3,671	23	3,694
At 31 December 2004	85,542	(43,976)	2	(43,974)

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. As at 31 December 2004, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to \$139.8 million (2003: \$161.9 million) and \$117.6 million (2003: \$139.7 million) for the Group and Bank respectively.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 19. OTHER LIABILITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial derivatives at fair value (Note 44)	1,663,565	1,101,163	1,655,504	1,101,968
Interest payable	354,351	351,199	307,094	301,958
Sundry creditors	761,329	719,242	265,875	159,000
Others	354,275	249,682	259,094	233,616
	<b>3,133,520</b>	<b>2,421,286</b>	<b>2,487,567</b>	<b>1,796,542</b>

### 20. DEBT SECURITIES

	Note	Group		Bank	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Subordinated term notes (unsecured)	20.1	3,860,732	3,857,473	3,885,732	3,882,473
Floating rate notes (unsecured)	20.2	816,497	–	816,497	–
Euro commercial papers (unsecured)	20.3	949,926	–	949,926	–
Structured notes (unsecured)	20.4	16,340	–	16,340	–
Collateralised notes (secured)	20.5	51,750	152,750	–	–
		<b>5,695,245</b>	<b>4,010,223</b>	<b>5,668,495</b>	<b>3,882,473</b>

#### 20.1 Subordinated term notes (unsecured)

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Subordinated notes</b>				
EUR 400 million 7.25% fixed rate note 2011	615,711	615,070	615,711	615,070
SGD 975 million (Bank: SGD 1 billion) 5% fixed rate note 2011	970,624	969,968	995,624	994,968
USD 1.25 billion 7.75% fixed rate note 2011	2,274,397	2,272,435	2,274,397	2,272,435
	<b>3,860,732</b>	<b>3,857,473</b>	<b>3,885,732</b>	<b>3,882,473</b>

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. These notes are included as Tier 2 capital for capital adequacy ratio computation.

As at 31 December 2004, included in the Bank's SGD subordinated term notes is a nominal amount of \$25 million (2003: \$25 million) owing to a subsidiary of the Bank. 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 2.67% (2003: 2.68%).

#### 20.2 Floating rate notes (unsecured)

The US\$500 million unsecured floating rate notes were issued by the Bank on 18 June 2004 and mature on 18 June 2007. The proceeds are used for general corporate purpose. Interest is payable quarterly in arrears, determined at the 3-month LIBOR plus a margin of 0.10%. The average interest rate of the floating rate notes for the year was 1.86%.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 20. DEBT SECURITIES (continued)

#### 20.3 Euro commercial papers (unsecured)

On 30 August 2004, the Bank announced the establishment of a US\$2 billion Euro Commercial Paper ("ECP") programme to tap the short-dated ECP capital market. Details of the zero coupon ECPs issued are as follows:

Nominal value	Issue date	Maturity date	Interest rate	Amount \$'000
USD 25 million	23/09/2004	22/09/2005	2.250%	40,191
USD 25 million	06/10/2004	04/04/2005	2.110%	40,630
USD 10 million	22/11/2004	24/01/2005	2.190%	16,317
USD 10 million	06/12/2004	07/03/2005	2.370%	16,270
USD 12 million	07/12/2004	07/01/2005	2.280%	19,601
USD 24 million	15/12/2004	20/01/2005	2.350%	39,167
USD 50 million	17/12/2004	19/01/2005	2.350%	81,604
USD 150 million	21/12/2004	21/01/2005	2.365%	244,780
USD 8 million	22/12/2004	24/01/2005	2.360%	13,052
USD 20 million	23/12/2004	24/01/2005	2.360%	32,631
USD 11 million	28/12/2004	28/01/2005	2.350%	17,942
USD 22.5 million	29/12/2004	31/01/2005	2.360%	36,693
USD 20 million	31/12/2004	31/01/2005	2.360%	32,616
AUD 50 million	20/12/2004	20/01/2005	5.266%	63,497
EUR 25 million	04/10/2004	04/04/2005	2.110%	55,309
EUR 50 million	13/12/2004	11/03/2005	2.150%	110,762
EUR 20 million	21/12/2004	20/01/2005	2.160%	44,438
EUR 20 million	24/12/2004	24/01/2005	2.160%	44,426
				<b>949,926</b>

#### 20.4 Structured notes (unsecured)

The callable range accrual notes were issued by the Bank on 19 October 2004 and mature on 19 October 2014. The notes have a fixed interest rate of 7.5% for years 1 to 5 and 12.5% for years 6 to 10. Interest is payable quarterly in arrears, with the interest payout depending on both the 30-years and 10-years USD swap rate. No interest will be paid if the 30-years USD swap rate is lower than the 10-years USD swap rate. The Bank has the right to call the notes at par on any interest payment date, commencing 19 October 2005.

#### 20.5 Collateralised notes (secured)

The collateralised notes are short-dated fixed rate notes issued by Pioneer Funding Limited, a special purpose entity (Note 35.2). Details of the short-dated fixed rate notes issued are:

GROUP	Issue date	Maturity date	Interest rate	Amount \$'000
<b>2004</b>				
Premium series 1 notes	08/12/2004	08/03/2005	1.480%	14,500
Premium series 3 notes	27/12/2004	28/03/2005	1.780%	15,750
	27/12/2004	27/01/2005	1.650%	6,250
Premium series 6 notes	27/12/2004	28/03/2005	1.780%	15,250
				<b>51,750</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 20. DEBT SECURITIES (continued)

#### 20.5 Collateralised notes (secured) (continued)

GROUP	Issue date	Maturity date	Interest rate	Amount \$'000
<b>2003</b>				
Commercial mortgaged backed series 1 notes	24/11/2003	23/02/2004	1.300%	42,750
	01/12/2003	23/02/2004	1.300%	11,750
	22/12/2003	26/01/2004	1.100%	23,250
Commercial mortgaged backed series 2 notes	26/11/2003	25/02/2004	1.300%	21,000
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
	29/12/2003	27/01/2004	1.100%	9,250
Premium series 6 notes	29/12/2003	29/03/2004	1.250%	15,250
				152,750

### 21. LIFE ASSURANCE FUND

GROUP	2004 \$'million
The net assets attributable to the policyholders in the life assurance fund comprise:	
Securities	22,669.6
Cash and placements with banks and financial institutions	3,969.9
Loans	2,614.8
Associated companies	126.4
Property, plant and equipment *	1,404.0
Other assets	163.7
<b>Total assets</b>	<b>30,948.4</b>
Less: Liabilities	
Policy benefits	1,207.3
Current and deferred tax	147.6
Other liabilities	698.3
	2,053.2
<b>Net assets</b>	<b>28,895.2</b>

\* Included in property, plant and equipment above are fees amounting to \$212,000 for computer security systems review paid to PwC Singapore in 2004.

Two of the subsidiary companies of Great Eastern Holdings Limited ("GEH"), were issued a protective tax assessment by the Inland Revenue Authority of Singapore ("IRAS") in respect of Year of Assessment ("YA") 1998, as it would become time barred after 31 December 2004. The protective assessment has disallowed the deduction of the cost of bonus for income tax computation, whereas the deduction was granted in previous years. In the event that the cost of bonus is not allowed as an expense for tax purpose, the subsidiary companies of GEH would be liable for additional tax payment of approximately \$283.5 million, from the open assessment from 1998 to 2005. These tax charges would be borne out of Singapore Life Assurance Fund, and not Shareholders' Fund.

GEH has considered the matter and since its subsidiary companies are still in discussion with IRAS, is of the view that it is premature to make any provision at this juncture.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 21. LIFE ASSURANCE FUND (continued)

The life assurance revenue statement of Great Eastern Holdings Limited ("GEH") for the financial year ended 31 December 2004 is as follows:

	2004 \$'million
Premium income (net)	5,175.2
Investment income	2,354.4
Provision for impairment of assets	(7.4)
<b>Total income</b>	<b>7,522.2</b>
Claims, surrenders and annuities less recoveries	2,829.8
Depreciation and amortisation	30.5
Commission and other expenses	564.7
Income tax	140.6
<b>Total expenses</b>	<b>3,565.6</b>
Share of results of associated companies	29.2
Excess of income over expenses	3,985.8
Less: Amount transferred to Life Assurance Fund	3,602.9
Profit from life assurance transferred to income statement	382.9
Less: Amount relating to the 5-month period ended 31 May 2004 whereby GEH's results was equity accounted for as an associated company of the Group	179.3
<b>Profit from life assurance included in the income statement of the Group</b> (Note 6)	<b>203.6</b>

### 22. CASH AND PLACEMENTS WITH CENTRAL BANKS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash in hand	260,786	250,798	234,374	212,045
Balances with central banks	2,154,653	1,533,762	1,594,380	1,162,580
Money market placements and reverse repos	1,201,164	2,251,303	762,220	1,230,238
	<b>3,616,603</b>	4,035,863	<b>2,590,974</b>	2,604,863

Balances with central banks include mandatory reserve deposits of \$1,300.4 million (2003: \$1,277.6 million) and \$993.0 million (2003: \$1,011.4 million) for the Group and Bank respectively, which are not available to finance day-to-day operations.

### 23. SINGAPORE GOVERNMENT TREASURY BILLS AND SECURITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At cost, adjusted for premium and discount:				
Long-term investments	545,412	544,013	396,305	394,972
Others	5,894,363	5,607,098	5,754,398	5,607,097
	<b>6,439,775</b>	6,151,111	<b>6,150,703</b>	6,002,069
Market value:				
Long-term investments	567,159	508,125	400,734	358,950
Others	5,905,552	5,644,256	5,762,823	5,644,256
	<b>6,472,711</b>	6,152,381	<b>6,163,557</b>	6,003,206

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 24. OTHER GOVERNMENT TREASURY BILLS AND SECURITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cost, adjusted for premium and discount	1,838,045	1,054,697	614,046	203,678
Less: Provision for diminution in value (Note 33)	(348)	(79)	(348)	(79)
Net book value	1,837,697	1,054,618	613,698	203,599
Market value	1,863,110	1,071,319	621,999	215,833

### 25. DEALING SECURITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Equity	8,694	14,728	3,900	2,740
Debt	692,435	220,969	462,423	132,301
	701,129	235,697	466,323	135,041
Less: Provision for diminution in value (Note 33)	(112)	(156)	(112)	(112)
Net book value	701,017	235,541	466,211	134,929
Market value	704,362	237,572	467,245	136,202
<b>Analysed by issuer</b>				
Public sector	36,742	35,530	36,280	35,530
Banks	378,989	26,652	371,312	26,652
Corporations	285,398	173,515	58,731	72,859
	701,129	235,697	466,323	135,041

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

### 26. PLACEMENTS WITH AND LOANS TO BANKS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Placements with and loans to banks	8,581,264	7,994,386	8,264,261	7,649,820
Negotiable certificates of deposit purchased	1,100,745	1,338,304	765,345	1,107,790
Market bills purchased	151,222	200,831	138,566	246
Reverse repos	174,001	116,297	174,001	116,297
	10,007,232	9,649,818	9,342,173	8,874,153
<b>Analysed by currency</b>				
Singapore dollar	1,792,468	2,357,453	1,660,750	2,342,945
US dollar	4,870,760	3,723,622	4,780,225	3,674,030
Malaysian ringgit	423,498	667,995	258	140
Japanese yen	356,828	621,212	346,662	605,936
Hong Kong dollar	355,583	116,176	354,837	105,200
British pound	812,886	898,264	812,845	898,018
Australian dollar	255,875	346,272	254,531	339,619
Euro	749,393	321,581	748,699	318,519
Others	389,941	597,243	383,366	589,746
	10,007,232	9,649,818	9,342,173	8,874,153



## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Gross loans	55,223,524	52,588,876	46,488,531	44,886,775
Less: Specific provision (Note 29)	(1,115,892)	(1,250,762)	(840,866)	(955,667)
General provision (Note 30)	(1,145,105)	(1,182,997)	(1,005,000)	(1,036,910)
Net loans	52,962,527	50,155,117	44,642,665	42,894,198
Net loans comprise:				
Bills receivable	548,271	428,195	241,830	218,965
Loans	52,414,256	49,726,922	44,400,835	42,675,233
	52,962,527	50,155,117	44,642,665	42,894,198

Included in loans is an amount of \$1.13 billion (2003: \$1.17 billion) pledged as collateral for credit default swaps where the Bank acts as the protection seller. The obligations arising from such credit default swaps are included in Note 42.

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>27.1 Analysed by currency</b>				
Singapore dollar	35,561,045	34,575,493	35,075,644	34,365,583
US dollar	8,366,187	7,489,594	7,148,293	6,445,819
Malaysian ringgit	6,788,097	6,248,176	17	27
Japanese yen	691,656	793,046	559,721	653,547
Hong Kong dollar	739,726	776,815	738,690	774,984
British pound	656,293	601,924	651,476	601,458
Australian dollar	1,491,523	1,504,247	1,463,719	1,478,389
Euro	405,480	264,944	379,511	243,198
Others	523,517	334,637	471,460	323,770
	55,223,524	52,588,876	46,488,531	44,886,775
<b>27.2 Analysed by industry</b>				
Agriculture, mining and quarrying	717,780	519,058	204,688	150,317
Manufacturing	3,483,580	3,264,701	1,992,491	1,963,463
Building and construction	7,123,142	7,302,389	6,220,209	6,516,386
Housing	17,286,543	15,382,054	14,894,895	13,299,913
General commerce	4,652,052	3,870,846	4,153,667	3,336,300
Transport, storage and communication	1,568,218	1,525,285	1,387,158	1,271,074
Financial institutions, investment and holding companies	8,478,248	8,923,914	7,510,819	8,427,179
Professionals and individuals	8,575,146	8,128,668	7,983,832	7,561,311
Others	3,338,815	3,671,961	2,140,772	2,360,832
	55,223,524	52,588,876	46,488,531	44,886,775

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>27.3 Analysed by product</b>				
Overdrafts	4,532,748	5,685,842	3,053,109	4,028,539
Short term loans	3,426,619	3,497,612	3,426,601	3,496,113
Revolving credit	3,691,213	3,584,424	3,087,970	2,969,412
Long term loans	13,456,268	12,817,987	10,771,264	10,393,354
Housing loans	17,193,013	15,278,244	14,893,947	13,257,121
Commercial property loans	1,785,196	2,365,971	1,785,196	2,365,971
Car loans	3,372,258	2,955,112	3,372,258	2,955,112
Syndicated loans	3,083,647	2,543,065	2,800,700	2,372,691
Transferable loan certificates	962,649	977,851	962,649	977,851
Trade finance	1,236,095	830,780	854,353	571,325
Credit card receivables	484,199	401,318	370,339	320,024
Loans under government loan schemes	169,909	191,882	158,021	167,493
Block discounting, leasing and factoring receivables	237,041	223,760	226,234	212,903
Hire purchase loans (exclude car loans)	132,025	70,533	11,766	15,239
Share margin financing	166,041	203,724	–	–
Staff loans	96,176	102,809	45,388	54,648
Others	1,198,427	857,962	668,736	728,979
	<b>55,223,524</b>	<b>52,588,876</b>	<b>46,488,531</b>	<b>44,886,775</b>
<b>27.4 Analysed by geographical sector</b>				
Singapore	39,255,089	38,243,682	38,730,476	38,012,998
Malaysia	8,548,025	7,978,457	536,506	608,160
Other ASEAN	757,777	398,628	631,132	297,568
Greater China	2,168,328	1,881,821	2,156,311	1,881,761
Other Asia Pacific	1,441,836	1,118,293	1,428,449	1,118,293
North America	1,598,837	1,747,334	1,593,938	1,747,334
Rest of the World	1,453,632	1,220,661	1,411,719	1,220,661
	<b>55,223,524</b>	<b>52,588,876</b>	<b>46,488,531</b>	<b>44,886,775</b>

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

#### 27.5 Analysed by interest rate sensitivity

	2004		2003	
	Fixed \$'000	Variable \$'000	Fixed \$'000	Variable \$'000
<b>GROUP</b>				
Singapore	12,574,934	29,708,151	16,067,115	24,189,371
Malaysia	791,866	7,752,205	686,921	7,139,230
Other ASEAN	3,385	217,315	696	166,285
Greater China	646	1,416,026	725	1,466,419
Other Asia Pacific	35,017	1,300,835	84,804	1,327,144
North America	124,923	602,876	–	882,170
Rest of the World	3,366	691,979	2,863	575,133
	<b>13,534,137</b>	<b>41,689,387</b>	16,843,124	35,745,752
<b>BANK</b>				
Singapore	12,572,182	29,104,825	16,065,549	23,928,311
Malaysia	17	540,111	27	487,612
Other ASEAN	2,942	92,786	378	65,640
Greater China	646	1,416,026	725	1,466,419
Other Asia Pacific	35,017	1,300,835	84,804	1,327,144
North America	124,923	602,876	–	882,170
Rest of the World	3,366	691,979	2,863	575,133
	<b>12,739,093</b>	<b>33,749,438</b>	16,154,346	28,732,429

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

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

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Total classified loans to customers</b>				
Substandard	1,650,664	2,502,030	1,146,634	1,912,451
Doubtful	750,816	728,627	603,918	697,356
Loss	314,108	395,460	229,199	168,784
	<b>2,715,588</b>	3,626,117	<b>1,979,751</b>	2,778,591
<b>Total classified debt securities</b>				
Substandard	67,726	94,118	51,495	76,486
Doubtful	66,503	76,752	66,503	76,752
Loss	16,576	37,485	–	–
	<b>150,805</b>	208,355	<b>117,998</b>	153,238
<b>Total classified assets</b>	<b>2,866,393</b>	3,834,472	<b>2,097,749</b>	2,931,829
<b>Specific provision made for classified assets</b>				
Substandard	179,841	240,591	148,769	223,651
Doubtful	735,140	724,784	590,393	692,920
Loss	290,184	387,063	181,330	119,101
	<b>1,205,165</b>	1,352,438	<b>920,492</b>	1,035,672

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

	Group		Bank	
	2004 \$ million	2003 \$ million	2004 \$ million	2003 \$ million
<b>28.1 Analysed by period overdue</b>				
Over 180 days	1,668	2,223	1,253	1,680
Over 90 days to 180 days	216	302	187	263
30 days to 90 days	187	242	118	188
Less than 30 days	106	136	103	132
No overdue	689	931	437	669
	<b>2,866</b>	<b>3,834</b>	<b>2,098</b>	<b>2,932</b>
<b>28.2 Analysed by collateral type</b>				
Property				
– Residential	434	553	362	460
– Commercial/Industrial	917	1,258	587	828
– Hotel	71	204	37	155
– Budget Hotel/Boarding School	15	14	15	14
	<b>1,437</b>	<b>2,029</b>	<b>1,001</b>	<b>1,457</b>
Fixed deposit				
– In same currency as loan	2	18	2	18
– In different currency	–	5	–	5
	<b>2</b>	<b>23</b>	<b>2</b>	<b>23</b>
Stock and shares	158	188	128	168
Motor vehicles	27	70	27	70
Others	85	141	63	116
Unsecured				
– Clean	718	763	438	478
– Corporate and other guarantees	439	620	439	620
	<b>1,157</b>	<b>1,383</b>	<b>877</b>	<b>1,098</b>
	<b>2,866</b>	<b>3,834</b>	<b>2,098</b>	<b>2,932</b>
<b>28.3 Analysed by industry</b>				
Agriculture, mining and quarrying	42	33	2	14
Manufacturing	419	517	247	312
Building and construction	594	772	434	584
Housing	256	223	224	193
General commerce	440	620	282	448
Transport, storage and communication	27	133	17	121
Financial institutions, investment and holding companies	491	684	389	579
Professionals and individuals	467	600	428	575
Others	130	252	75	106
	<b>2,866</b>	<b>3,834</b>	<b>2,098</b>	<b>2,932</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

#### 28.4 Analysed by geographical sector

GROUP \$ million	Singapore	Malaysia	Other ASEAN	Greater China	Rest of the World	Total
<b>2004</b>						
Substandard	1,082	579	3	33	21	1,718
Doubtful	436	230	76	72	3	817
Loss	218	93	19	–	1	331
	1,736	902	98	105	25	2,866
Specific provisions	(676)	(359)	(89)	(74)	(7)	(1,205)
	1,060	543	9	31	18	1,661
<b>2003</b>						
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

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.

#### 28.5 Restructured loans

The table below is an analysis of restructured loans into loan classification and the related specific provisions. The restructured NPLs as a percentage of total NPLs is 25.2% (2003: 20.5%) and 29.1% (2003: 22.3%) for the Group and the Bank respectively.

	2004		2003	
	Amount \$ million	Provision \$ million	Amount \$ million	Provision \$ million
<b>GROUP</b>				
Substandard	484	62	509	40
Doubtful	232	212	274	207
Loss	7	5	2	1
	723	279	785	248
<b>BANK</b>				
Substandard	386	47	438	39
Doubtful	219	200	214	187
Loss	5	3	2	1
	610	250	654	227

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 29. 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	2004 Interest-in- suspense \$'000	Total \$'000	Specific provision \$'000	2003 Interest-in- suspense \$'000	Total \$'000
<b>GROUP</b>						
At 1 January	1,087,556	163,206	1,250,762	1,131,721	174,555	1,306,276
Currency translation adjustments	(22,820)	(2,327)	(25,147)	(4,044)	(1,259)	(5,303)
Bad debts written off	(231,817)	(55,932)	(287,749)	(230,497)	(78,619)	(309,116)
Recovery of amounts previously provided	(37,157)	–	(37,157)	(38,983)	–	(38,983)
Provision made	180,613	–	180,613	232,665	–	232,665
Net charge to income statements (Note 9)	143,456	–	143,456	193,682	–	193,682
Net interest suspended	–	35,623	35,623	–	65,590	65,590
Transfer from/(to):						
– Other assets	133	(144)	(11)	8,461	2,939	11,400
– General provisions (Note 30)	(466)	–	(466)	25	–	25
– Provision for diminution in value of investment securities and other assets (Note 33)	(576)	–	(576)	(11,792)	–	(11,792)
At 31 December (Note 27)	975,466	140,426	1,115,892	1,087,556	163,206	1,250,762
<b>BANK</b>						
At 1 January	831,754	123,913	955,667	827,234	113,149	940,383
Currency translation adjustments	(12,130)	15	(12,115)	1,593	(14)	1,579
Bad debts written off	(185,655)	(45,347)	(231,002)	(157,877)	(40,915)	(198,792)
Recovery of amounts previously provided	(28,508)	–	(28,508)	(26,920)	–	(26,920)
Provision made	126,912	–	126,912	146,906	–	146,906
Net charge to income statements (Note 9)	98,404	–	98,404	119,986	–	119,986
Net interest suspended	–	27,331	27,331	–	37,531	37,531
Transfer from/(to):						
– Other assets	133	(151)	(18)	8,461	–	8,461
– General provisions (Note 30)	80	–	80	25	–	25
– Provision for diminution in value of investment securities and other assets (Note 33)	–	–	–	(11,420)	–	(11,420)
– Subsidiary company	2,519	–	2,519	–	–	–
Arising from scheme with subsidiaries	–	–	–	43,752	14,162	57,914
At 31 December (Note 27)	735,105	105,761	840,866	831,754	123,913	955,667

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 30. GENERAL PROVISIONS

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	1,182,997	1,210,542	1,036,910	923,854
Currency translation adjustments	(5,919)	(2,085)	(442)	664
Writeback to income statements (Note 9)	(32,453)	(25,603)	(31,402)	(29,780)
Transfer from/(to):				
– Specific provision for loan losses (Note 29)	466	(25)	(80)	(25)
– Other provisions	14	168	14	168
Arising from scheme with subsidiaries	–	–	–	142,029
At 31 December (Note 27)	1,145,105	1,182,997	1,005,000	1,036,910

### 31. INVESTMENT SECURITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Quoted debt securities:</b>				
Cost, adjusted for premium and discount	4,263,524	3,438,900	3,344,493	2,567,507
Less: Provision for diminution in value	–	(103)	–	(103)
Net book value	4,263,524	3,438,797	3,344,493	2,567,404
<b>Quoted equity securities:</b>				
Cost	714,528	322,884	247,723	249,344
Less: Provision for diminution in value	(53,355)	(76,496)	(48,254)	(73,578)
Net book value	661,173	246,388	199,469	175,766
<b>Unquoted debt securities:</b>				
Cost, adjusted for premium and discount	2,493,424	2,706,459	2,240,503	2,636,228
Less: Provision for diminution in value	(114,234)	(133,669)	(82,778)	(87,967)
Net book value	2,379,190	2,572,790	2,157,725	2,548,261
<b>Unquoted equity securities:</b>				
Cost	235,179	120,038	35,325	37,569
Less: Provision for diminution in value	(64,614)	(83,186)	(16,290)	(18,401)
Net book value	170,565	36,852	19,035	19,168
<b>Total investment securities</b>				
Cost or cost, adjusted for premium and discount	7,706,655	6,588,281	5,868,044	5,490,648
Less: Provision for diminution in value (Note 33)	(232,203)	(293,454)	(147,322)	(180,049)
Net book value	7,474,452	6,294,827	5,720,722	5,310,599
<b>Market value of quoted securities</b>				
Debt securities	4,371,321	3,499,804	3,413,915	2,640,014
Equity securities	1,281,602	691,694	596,130	535,204
	5,652,923	4,191,498	4,010,045	3,175,218

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 31. INVESTMENT SECURITIES (continued)

Included in unquoted debt securities is an amount of \$0.64 billion (2003: \$0.60 billion) relating to credit linked notes pledged as collateral for credit default swaps where the Bank acts as the protection seller. The obligations under the credit default swaps are included in Note 42.

Included in quoted debt securities is an amount of \$54.7 million (2003: \$153.4 million) relating to Pioneer Funding Limited, a special purpose entity (Note 35.2). These investment securities are pledged as collaterals for the notes issued by Pioneer Funding Limited (Note 20.5).

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>31.1 Analysed by issuer</b>				
Public sector	199,812	173,096	175,303	159,461
Banks	1,415,312	1,140,639	1,233,983	1,140,639
Corporations	5,920,871	5,274,546	4,458,758	4,190,548
Others	170,660	–	–	–
	<b>7,706,655</b>	<b>6,588,281</b>	<b>5,868,044</b>	<b>5,490,648</b>
<b>31.2 Analysed by industry</b>				
Agriculture, mining and quarrying	30,036	16,145	8,170	15,309
Manufacturing	721,289	539,348	556,126	536,255
Building and construction	618,162	559,544	354,469	330,538
General commerce	68,738	34,045	42,229	18,242
Transport, storage and communication	709,790	594,992	538,998	458,453
Financial institutions, investment and holding companies	4,039,420	3,533,583	3,308,276	2,998,090
Others	1,519,220	1,310,624	1,059,776	1,133,761
	<b>7,706,655</b>	<b>6,588,281</b>	<b>5,868,044</b>	<b>5,490,648</b>
<b>31.3 Analysed by geographical sector</b>				
Singapore	2,435,783	2,218,554	1,911,888	1,983,150
Malaysia	1,354,022	1,210,613	534,621	411,378
Other ASEAN	32,192	27,146	21,626	27,073
Greater China	411,775	222,153	341,903	221,906
Other Asia Pacific	995,951	764,926	902,803	764,926
North America	1,164,908	834,626	1,117,244	801,799
Rest of the World	1,312,024	1,310,263	1,037,959	1,280,416
	<b>7,706,655</b>	<b>6,588,281</b>	<b>5,868,044</b>	<b>5,490,648</b>

### 32. OTHER ASSETS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial derivatives at fair value (Note 44)	1,709,164	1,114,806	1,698,900	1,113,341
Interest receivable (net of interest-in-suspense)	434,084	377,835	380,053	344,264
Sundry debtors (net)	704,646	415,684	10,080	63,717
Others	426,121	274,609	364,291	238,420
	<b>3,274,015</b>	<b>2,182,934</b>	<b>2,453,324</b>	<b>1,759,742</b>



## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

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

GROUP	Other government securities \$'000	Dealing securities \$'000	Investment securities \$'000	Property, plant & equipment \$'000	Other assets \$'000	Total \$'000
<b>2004</b>						
At 1 January	79	156	293,454	179,004	29,540	502,233
Currency translation adjustments	(9)	2	(5,395)	(271)	(367)	(6,040)
Amounts written off	–	–	(26,472)	(4)	(9,964)	(36,440)
Balance arising from new subsidiaries	–	16	2,886	–	2,783	5,685
Writeback for dealing securities (Note 7) (Writeback)/provisions charged	–	(62)	–	–	–	(62)
to income statements (Note 9)	278	–	(32,846)	345	(1,564)	(33,787)
Transfers from specific provision for loan losses (Note 29)	–	–	576	–	–	576
At 31 December	348	112	232,203	179,074	20,428	432,165
	(Note 24)	(Note 25)	(Note 31)	(Note 36)		
<b>2003</b>						
At 1 January	95	6,563	382,598	132,882	22,488	544,626
Currency translation adjustments	–	41	(2,079)	7	(124)	(2,155)
Amounts written off	–	(6,464)	(103,189)	(2,939)	(1,838)	(114,430)
Provisions for dealing securities (Note 7) (Writeback)/provisions charged	–	212	–	–	–	212
to income statements (Note 9)	(16)	–	684	49,054	7,158	56,880
Transfers from specific provisions for loan losses (Note 29)	–	–	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	29,540	502,233
	(Note 24)	(Note 25)	(Note 31)	(Note 36)		

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

BANK	Other government securities \$'000	Dealing securities \$'000	Investment securities \$'000	Associated companies \$'000	Subsidiary companies \$'000	Property, plant & equipment \$'000	Other assets \$'000	Total \$'000
<b>2004</b>								
At 1 January	79	112	180,049	6,494	88,107	141,637	39,492	455,970
Currency translation adjustments	(9)	17	(2,902)	–	–	(37)	–	(2,931)
Amounts written off	–	–	(3,505)	–	(156)	(4)	(430)	(4,095)
Writeback for dealing securities (Note 7)	–	(17)	–	–	–	–	–	(17)
(Writeback)/provisions charged to income statements (Note 9)	278	–	(26,320)	30	(8)	(2,955)	719	(28,256)
At 31 December	348	112	147,322	6,524	87,943	138,641	39,781	420,671
	(Note 24)	(Note 25)	(Note 31)	(Note 34)	(Note 35)	(Note 36)		
<b>2003</b>								
At 1 January	95	6,687	227,959	37,298	107,789	102,316	39,535	521,679
Currency translation adjustments	–	42	(622)	–	–	106	–	(474)
Amounts written off	–	(6,464)	(63,193)	(22,285)	(18)	–	(805)	(92,765)
Writeback for dealing securities (Note 7)	–	(153)	–	–	–	–	–	(153)
(Writeback)/provisions charged to income statements (Note 9)	(16)	–	837	(8,519)	(19,664)	38,914	762	12,314
Transfers from specific provisions for loan losses (Note 29)	–	–	11,420	–	–	–	–	11,420
Transfers from other assets	–	–	3,452	–	–	–	–	3,452
Arising from scheme with subsidiaries	–	–	196	–	–	301	–	497
At 31 December	79	112	180,049	6,494	88,107	141,637	39,492	455,970
	(Note 24)	(Note 25)	(Note 31)	(Note 34)	(Note 35)	(Note 36)		

### 34. ASSOCIATED COMPANIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Quoted equity securities, at cost	204,582	97,429	85,556	94,843
Unquoted equity securities, at cost	25,980	28,757	18,184	19,268
	230,562	126,186	103,740	114,111
Less: Provision for diminution in value (Note 33)	–	–	(6,524)	(6,494)
Net book value	230,562	126,186	97,216	107,617
Share of post-acquisition reserves	38,590	1,042,154	–	–
	269,152	1,168,340	97,216	107,617
Amount due from associated companies	39,639	8,797	–	–
	308,791	1,177,137	97,216	107,617
Market value of quoted associated companies	284,946	2,599,547	132,861	2,469,728

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 34. ASSOCIATED COMPANIES (continued)

#### 34.1 List of associated companies

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

	Principal activities	Country/ Place of incorporation	Group's interest		Cost of Group's investment		
			2004 %	2003 %	2004 \$'000	2003 \$'000	
<b>Quoted</b>							
1.	British and Malayan Trustees Limited	Trustee services	Singapore	43	43	591	591
2.	Great Eastern Holdings Limited [Note 34.2(a)]	Financial holding	Singapore	–	49	–	9,774
3.	PacificMas Berhad	Investment holding	Malaysia	28	28	86,994	87,064
4.	P.T. Bank NISP Tbk [Note 34.2(b)]	Banking	Indonesia	23	–	116,997	–
						<b>204,582</b>	97,429
<b>Unquoted</b>							
5.	Ace Net Financial Services Pte Ltd	Marketing and management services	Singapore	50	50	2,841	2,841
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 [Note 34.4]	Utility services	Singapore	33	33	3,040	4,040
9.	Payment Systems & Processing Private Limited (formerly IQB Pte Ltd)	Application service provider	Singapore	49	49	5,000	5,000
10.	Malaysian Trustees Berhad	Trustee services	Malaysia	20	20	148	148
11.	Network For Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfers	Singapore	33	33	5,718	5,718
12.	OCBC-Perdana Futures Sendirian Berhad [Note 34.3(b)]	Futures and options broking	Malaysia	–	49	–	2,107
13.	OCBC Wearnes & Walden Management (S) Pte Ltd	Venture capital fund management	Singapore	25	25	45	45
14.	Raffles Investments Limited [Note 34.3(a)]	Investment holding	Singapore	–	50	–	638
15.	Singapore Consortium Investment Management Limited	Unit trust fund management	Singapore	33	33	388	388
16.	Specialists' Services (Private) Limited [Note 34.2(a)]	Management services	Singapore	–	40	–	84
#	17. Straits Eastern Square Private Limited [Note 34.2(a)]	Property development and investment	Singapore	49	–	–	–
*	18. Symphony BCSIS Sdn Bhd	Transaction processing	Malaysia	49	–	1,052	–
						<b>25,980</b>	28,757
<b>At 31 December</b>						<b>230,562</b>	126,186

Notes:

# The cost of investment in Straits Eastern Square Private Limited is held by The Great Eastern Life Assurance Company Limited under Life Fund and included in the net assets attributable to policyholders (See Note 21).

\* Newly incorporated associated company

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 34. ASSOCIATED COMPANIES (continued)

#### 34.2 Acquisition of associated companies

- (a) With the acquisition of additional interests in Great Eastern Holdings Limited ("GEH") pursuant to the voluntary unconditional offer to GEH shareholders (see Note 35.3), Straits Eastern Square Private Limited became an associated company of the Group and Specialists' Services (Private) Limited became a subsidiary company of the Group.
- (b) On 28 April 2004, OCBC Overseas Investments Pte. Ltd. (formerly known as OCF Nominees Pte. Ltd.), a subsidiary of the Bank, acquired 930,145,370 ordinary shares of par value IDR125 or 22.5% of the issued and paid up capital of P.T. Bank NISP Tbk ("Bank NISP") for a cash consideration of IDR602 billion or \$116,997,191. The excess of the consideration over the Group's share of fair value net assets of \$82,032,000 is amortised over a period of 20 years and the amortisation charge is netted against the share of profits of associated companies in the consolidated income statement. As at 31 December 2004, the unamortised goodwill included in the carrying amount of Bank NISP is \$79.3 million.

#### 34.3 Disposal of associated companies

- (a) On 12 July 2004, Select Securities Limited, a wholly-owned subsidiary company of the Bank, disposed off 49.8% equity stake or 2,354,500 ordinary shares in Raffles Investments Limited ("RIL") for a cash consideration of \$121.7 million. The sale is part of the Bank's on-going initiatives to divest its non-core investments. Upon disposal, RIL ceased to be an associated company of the Group. A gain of \$54.7 million was recorded at the Group from the disposal of RIL.
- (b) On 12 October 2004, OCBC Holdings Private Limited, a wholly-owned subsidiary company of the Bank, disposed off 49.0% equity stake or 3,185,000 ordinary shares in OCBC-Perdana Futures Sdn. Bhd. ("OCBC-Perdana") for a cash consideration of RM\$678,653. Upon disposal, OCBC-Perdana ceased to be an associated company of the Group. The disposal of OCBC-Perdana has no material impact on the Group's consolidated financial statements.

- 34.4 On 1 October 2004, 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 \$3,040,000.

### 35. SUBSIDIARY COMPANIES

	Bank	
	2004 \$'000	2003 \$'000
Quoted equity securities, at cost	1,820,341	–
Unquoted equity securities, at cost	1,967,166	1,991,733
	<b>3,787,507</b>	1,991,733
Less: Provision for diminution in value (Note 33)	<b>(87,943)</b>	(88,107)
Net book value	<b>3,699,564</b>	1,903,626
Amount due from subsidiary companies	<b>1,576,975</b>	1,523,644
	<b>5,276,539</b>	3,427,270
Market value of quoted subsidiary	<b>4,853,691</b>	–

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.1 List of subsidiary companies

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's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
			2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
<b>Quoted</b>									
## 1.	Great Eastern Holdings Limited	Financial holding [Note 35.3]	Singapore	79	—	2	—	1,820,341	—
<b>Unquoted</b>									
## 2.	Alpha Financial Advisers Private Limited	Financial advisory	Singapore	—	—	100 <sup>(1)</sup>	—	—	—
3.	Asia Commercial Investment (Private) Limited	Investment Holding	Singapore	67	67	33	33	2,000	2,000
4.	Asia Commercial Realty Co. Pte. Ltd.	Property holding	Singapore	100	100	—	—	1,383	1,383
5.	Associated Investments & Securities Private Limited	Dissolved [Note 35.4(b)]	Singapore	—	100	—	—	—	—
				—	100 <sup>(Pref)</sup>	—	—	—	—
6.	Bank of Singapore Limited	e-financial services	Singapore	98	98	2	2	93,287	93,287
7.	Bank of Singapore Nominees Private Limited	Nominee services	Singapore	100	100	—	—	10	10
8.	Banking Computer Services Private Limited	Computer banking services [Note 35.4(a)]	Singapore	100	100	—	—	5,160	5,160
				—	100 <sup>(Pref)</sup>	—	—	—	4,000
+ 9.	Bathurst Enterprises Limited	Investment holding	Hong Kong SAR, China	—	—	100	100	—	—
10.	BCS Information Systems Pte Ltd	Computer consultancy services [Note 35.4(a)]	Singapore Malaysia #	100	100	—	—	105	105
				—	—	100 <sup>(Pref)</sup>	—	—	—
11.	BOS Venture Management Pte Ltd	Dissolved [Note 35.4(b)]	Singapore	—	—	—	100	—	—
12.	BOSA Limited	Dissolved [Note 35.4(b)]	Australia	—	100	—	—	—	3,283
@ 13.	Bukit Investments Limited (In voluntary liquidation)	Dormant	Hong Kong SAR, China	—	—	100	100	—	—
14.	Church Street Properties Private Limited	Property development	Singapore	—	—	100	100	—	—
				—	—	100 <sup>(Pref)</sup>	100 <sup>(Pref)</sup>	—	—
15.	e2 Power Pte. Ltd.	Transaction processing	Singapore	100 <sup>(2)</sup>	—	—	—	*	—
16.	e2 Power Sdn. Bhd.	Transaction processing	Malaysia	—	—	100 <sup>(2)</sup>	—	—	—
				—	—	100 <sup>(Pref)</sup>	—	—	—

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.1 List of subsidiary companies (continued)

	Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
			2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
17.	Eastern Developers Private Limited	Property development and rental	Singapore	–	–	100	100	–	–
				–	–	100(Pref)	100(Pref)	–	–
+ 18.	Eastern Holdings Limited	Investment holding	Hong Kong SAR, China	100	100	–	–	72,315	75,399
19.	Eastern Realty Company Limited	Investment holding and property development	Singapore Malaysia #	100	100	–	–	27,704	27,704
20.	Excel Holdings Private Limited	Investment holding and property rental	Singapore	100	100	–	–	200	200
## 21.	Fairfield Straits Lion Asset Management Limited	Asset management and advisory	Singapore	–	–	65 <sup>(1)</sup>	–	–	–
22.	Federal Securities Private Limited	Investment holding	Singapore	100	100	–	–	9,000	9,000
@ 23.	Focal Nominees Private Limited (In voluntary liquidation)	Dormant	Singapore	–	–	100	100	–	–
+ 24.	Four Seas Nominees (Hong Kong) Limited	Nominee services	Hong Kong SAR, China	–	–	100	100	–	–
25.	Four Seas Nominees Private Limited	Nominee services	Singapore	100	100	–	–	10	10
@ 26.	FSB Holdings Limited	Dormant	Singapore	100	100	–	–	–	–
## 27.	GEL Capital (Malaysia) Berhad	Investment holding	Malaysia	–	–	100 <sup>(1)</sup>	–	–	–
## 28.	Great Eastern Life Assurance (Malaysia) Berhad	Life assurance	Malaysia	–	–	100 <sup>(1)</sup>	–	–	–
## 29.	Great Eastern International Private Limited	Investment holding	Singapore	–	–	100 <sup>(1)</sup>	–	–	–
++ 30.	Guangzhou Yangyi Property Technology Co Ltd	Dormant [Note 35.4(c)]	People's Republic of China	–	–	–	60	–	–
31.	Hotel Phoenix Singapore Private Limited	Hotel	Singapore	–	–	100	100	–	–
@ 32.	iPropertyNet Pte Ltd (In voluntary liquidation)	Dormant	Singapore	–	–	57	57	–	–
## 33.	Island Securities Private Limited	Dormant	Singapore	–	–	100 <sup>(1)</sup>	–	–	–
34.	KAC Holdings Limited	Investment holding	Singapore	100	100	–	–	19,028	19,028
35.	KB Nominees Pte Ltd	Nominee services	Singapore	100	100	–	–	*	*

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.1 List of subsidiary companies (continued)

		Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
				2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
@	36.	KBF Pte Ltd (In voluntary liquidation)	Dormant	Singapore	-	-	100	100	-	-
	37.	KCH Limited (formerly Keppel Capital Holdings Ltd)	Investment holding	Singapore	100	100	-	-	319,877	319,877
@	38.	Keppel Factors Pte Ltd (In voluntary liquidation)	Dormant	Singapore	-	-	100	100	-	-
+	39.	Keppel Securities Hong Kong Ltd	Dormant	Hong Kong SAR, China	-	-	100	100	-	-
	40.	Keppel Securities Nominees Pte Ltd	Dissolved [Note 35.4(b)]	Singapore	-	-	-	100	-	-
	41.	KF Nominees Pte Ltd	Nominee services	Singapore	-	-	100	100	-	-
	42.	KIM Limited	Investment holding	Singapore	-	-	100	100	-	-
	43.	Kim Seng Properties Private Limited	Property development	Singapore	-	-	100 100(Pref)	100 100(Pref)	-	-
@	44.	Kismis Properties Private Limited (In voluntary liquidation)	Dormant	Singapore	-	-	100 100(Pref)	100 100(Pref)	-	-
@	45.	KS Pte Ltd (In voluntary liquidation)	Dormant	Singapore	-	-	100	100	-	-
@	46.	KTB Limited	Dormant	Singapore	100	100	-	-	-	-
	47.	KTF Limited	Investment holding	Singapore	100	100	-	-	199,989	199,989
+	48.	Malaysia Nominees (Asing) Sendirian Berhad	Nominee services	Malaysia	-	-	100	100	-	-
+	49.	Malaysia Nominees (Tempatan) Sendirian Berhad	Nominee services	Malaysia	-	-	100	100	-	-
@	50.	Mount Emily Properties Private Limited (In voluntary liquidation)	Dormant	Singapore	-	-	100 100(Pref)	100 100(Pref)	-	-
	51.	OCBC Asset Management Limited	Investment management	Singapore	-	-	100	100	-	-
+	52.	OCBC Bank (Malaysia) Berhad	Banking	Malaysia	100	100	-	-	427,730	427,730
@	53.	OCBC Bullion & Futures Limited (In voluntary liquidation)	Dormant	Singapore	100	100	-	-	-	-
	54.	OCBC Capital Investment Private Limited	Investment holding	Singapore	-	-	100	100	-	-

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.1 List of subsidiary companies (continued)

	Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
			2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
55.	OCBC Capital Investment I Pte. Ltd. (formerly OCBC eVenture Fund I Pte Ltd)	Investment holding	Singapore	–	–	100	100	–	–
@ 56.	OCBC Capital Management Singapore Private Limited (In voluntary liquidation)	Dormant	Singapore	–	–	100	100	–	–
57.	OCBC Centre Private Limited	Investment holding and property rental	Singapore	100 100(Pref)	100 100(Pref)	–	–	20,000 40,000	20,000 40,000
+ 58.	OCBC Credit Berhad	Leasing company	Malaysia	–	–	100	100	–	–
59.	OCBC eVenture Fund II Pte Ltd	Investment holding	Singapore	–	–	100	100	–	–
60.	OCBC Investment Research Private Limited	Securities and financial advisors and consultants	Singapore	–	–	100 <sup>(1)</sup>	–	–	–
61.	OCBC Overseas Investments Pte. Ltd. (formerly OCF Nominees Pte. Ltd.)	Investment holding	Singapore	–	–	100 100(Pref)	100 100(Pref)	–	–
62.	OCBC Holdings Private Limited	Investment holding	Singapore	100	100	–	–	3,000	3,000
63.	OCBC Land Private Limited	Investment holding	Singapore	–	–	100	100	–	–
64.	OCBC Management Services Private Limited	Management services	Singapore	100	100	–	–	200	200
+ 65.	OCBC Nominees (Australia) Pty. Limited	Nominee services	Australia	100	100	–	–	*	*
+ 66.	OCBC Nominees (Hong Kong) Limited	Nominee services	Hong Kong SAR, China	100	100	–	–	2	2
+ 67.	OCBC Nominees (London) Limited	Nominee services	United Kingdom	100	100	–	–	3	3
68.	OCBC Nominees Singapore Private Limited	Nominee services	Singapore	100	100	–	–	10	10
69.	OCBC Properties Private Limited	Investment holding	Singapore	100 100(Pref)	100 100(Pref)	–	–	71,000 15,000	71,000 15,000
70.	OCBC Property Services Private Limited	Property management	Singapore	100	100	–	–	50	50
+ 71.	OCBC Provident (Australia) Pty. Limited	Trustee	Australia	100	100	–	–	*	*



## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.1 List of subsidiary companies (continued)

	Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
			2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
72.	OCBC Realty Private Limited	Investment holding	Singapore	<b>100</b> <b>100(Pref)</b>	100 100(Pref)	– –	– –	<b>124,993</b> <b>60,000</b>	124,993 60,000
+ 73.	OCBC Securities (Hong Kong) Limited	Dormant (ceased business on 9 February 2004)	Hong Kong SAR, China	–	–	<b>100</b>	100	–	–
+ 74.	OCBC Securities Philippines, Inc.	Dormant	Philippines	–	–	<b>100</b>	100	–	–
75.	OCBC Securities Private Limited	Futures broking & stockbroking	Singapore	–	–	<b>100</b>	100	–	–
+ 76.	OCBC Securities Research Sendirian Berhad	Dormant	Malaysia	–	–	<b>100</b>	100	–	–
77.	OCBC Square Private Limited	Real estate owners and property rental	Singapore	<b>100</b> <b>100(Pref)</b> <b>69</b> <small>(Series 2 Pref)</small>	100 100(Pref) 69 <small>(Series 2 Pref)</small>	– – <b>31</b> <small>(Series 2 Pref)</small>	– – 31 <small>(Series 2 Pref)</small>	<b>20,000</b> <b>10,000</b> <b>59,100</b>	20,000 10,000 59,100
78.	OCBC Trustee Limited	Trustee Services	Singapore Malaysia #	<b>20</b>	20	<b>80</b>	80	<b>184</b>	184
79.	OCF Investments Limited	Investment holding	Singapore	<b>1</b>	15	<b>99</b>	85	<b>19</b>	19
80.	OCF Limited	Investment holding	Singapore	<b>100</b>	100	–	–	<b>14,726</b>	14,726
81.	Orient Holdings Private Limited	Investment holding	Singapore	<b>100</b> <b>100(Pref)</b>	100 100(Pref)	– –	– –	<b>3,400</b> <b>132,000</b>	3,400 132,000
+ 82.	OSPL Holdings Sendirian Berhad	Investment holding	Malaysia	–	–	<b>100</b>	100	–	–
83.	OSPL Nominees Private Limited	Nominee services	Singapore	–	–	<b>100</b>	100	–	–
## 84.	Overseas Assurance Corporation (Holdings) Berhad	Investment holding	Malaysia	–	–	<b>100<sup>(1)</sup></b>	–	–	–
## 85.	Overseas Assurance Corporation (Malaysia) Berhad	General insurance	Malaysia	–	–	<b>100<sup>(1)</sup></b>	–	–	–
86.	Oversea-Chinese Bank Nominees Private Limited	Nominee services	Singapore	<b>100</b>	100	–	–	<b>10</b>	10
## 87.	PT. Asuransi Jiwa Asih Great Eastern	Life insurance	Indonesia	–	–	<b>88<sup>(1)</sup></b>	–	–	–
+ 88.	PT Bank OCBC Indonesia	Banking	Indonesia	<b>99</b>	99	–	–	<b>87,123</b>	87,123
@ 89.	PT OCBC Sikap Securities (In voluntary liquidation)	Dormant	Indonesia	–	–	<b>70</b>	70	–	–
90.	Pasir Ris Properties Private Limited	Real estate owners and property rental	Singapore	– –	– –	<b>55</b> <b>55(Pref)</b>	55 55(Pref)	– –	– –

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.1 List of subsidiary companies (continued)

		Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
				2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
@	91.	Phoenix Holdings Limited (In voluntary liquidation)	Dormant	Hong Kong SAR, China	–	–	100	100	–	–
	92.	Premier Investment Private Limited	Investment dealing	Singapore	100	100	–	–	9,243	9,243
	93.	Provident Securities Private Limited	Investment holding	Singapore	100	100	–	–	72,350	72,350
+	94.	Select Securities Limited	Investment holding	Hong Kong SAR, China	100	100	–	–	421	438
	95.	Seletar Properties Private Limited	Property development	Singapore	–	–	100	100	–	–
	96.	Singapore Building Corporation Limited	Investment holding and property rental	Singapore	100	100	–	–	19,384	19,384
	97.	Specialists' Centre Private Limited	Investment holding and property rental	Singapore	–	–	100	100	–	–
	98.	Specialists' Services (Private) Limited	Management services	Singapore	40	–	27 <sup>(1)</sup>	–	84	–
##	99.	Straits Lion Asset Management Limited	Asset management	Singapore	–	–	80 <sup>(1)</sup>	–	–	–
##	100.	Straits Lion Management (Malaysia) Sendirian Berhad	Dormant	Malaysia	–	–	100 <sup>(1)</sup>	–	–	–
	101.	Tanjong Rhu Properties Private Limited	Property development and rental	Singapore	–	–	100	100	–	–
	102.	Tat Lee Property Development Pte Ltd	Property investment and development	Singapore	100	100	–	–	13,648	13,648
	103.	Tat Lee Securities Pte Ltd	Dissolved [Note 35.4(b)]	Singapore	–	–	–	100	–	–
	104.	Tat Lee Thomson Development Pte. Ltd.	Property investment and development	Singapore	100	100	–	–	12,599	12,599
	105.	Tat Lee Warehousing Pte Ltd	Property investment	Singapore	–	–	100	100	–	–
##	106.	The Great Eastern General Insurance Company Sendirian Berhad	Dormant	Malaysia	–	–	100 <sup>(1)</sup>	–	–	–
##	107.	The Great Eastern Life Assurance Company Limited	Life assurance	Singapore	–	–	100 <sup>(1)</sup>	–	–	–

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.1 List of subsidiary companies (continued)

	Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
			2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
## 108.	The Great Eastern Trust Private Limited	Investment holding	Singapore	–	–	100 <sup>(1)</sup>	–	–	–
## 109.	The Overseas Assurance Corporation Limited	Composite insurance	Singapore	–	–	100 <sup>(1)</sup>	–	–	–
110.	TL Nominees Pte Ltd	Dissolved [Note 35.4(b)]	Singapore	–	100	–	–	–	667
111.	TL Provident Ltd	Dissolved [Note 35.4(b)]	Singapore	–	100	–	–	–	13,600
++ 112.	Walden Malaysia Co II Ltd	Investment holding	British Virgin Islands	73	73	–	–	819	819
Sub-total								1,967,166	1,991,733
<b>At 31 December</b>								<b>3,787,507</b>	<b>1,991,733</b>

#### Notes:

(1) New subsidiary companies with the acquisition of additional interests in Great Eastern Holdings Limited

(2) Newly incorporated subsidiary companies

\* Amounts under \$500

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

## Audited by other firms

+ 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 the companies are in voluntary liquidation or exempted under Section 205 of the Companies Act

Pref Preference shares

#### 35.2 Special purpose entities

The Group consolidated the financial statements of a special purpose entity, Pioneer Funding Limited ("PFL"). PFL was incorporated 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 acts as an Arranger, Dealer and Manager to certain transactions carried out by PFL. Consequently, the assets and liabilities of PFL are included in the 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 included in the consolidated balance sheet are as follows:

	2004 \$'000	2003 \$'000
<b>Assets</b>		
Investment securities	54,670	153,398
Other assets	434	831
<b>Liabilities</b>		
Secured notes issued	51,750	152,750
Other liabilities	511	729

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 35. SUBSIDIARY COMPANIES (continued)

#### 35.3 Acquisition of subsidiary companies

On 24 February 2004, the Bank announced that it would make a voluntary offer to the shareholders of Great Eastern Holdings Limited ("GEH") on a share exchange ratio basis of 0.976 new OCBC shares for each GEH ordinary share. At the close of the offer on 30 June 2004, the Bank accepted and acquired 138,694,259 GEH ordinary shares and 4,267,350 GEH options of \$0.50 each.

The Bank also acquired 14,162,000 GEH ordinary shares from open market purchases at an average price of \$12.0 per share for a total cash consideration of \$170,013,651. The aggregate cost of acquisition, including the new ordinary shares issued for valid acceptances of GEH shares and GEH options, amounted to \$1,811,054,090. The fair value of assets and liabilities of GEH acquired during the financial year are as follows:

	2004 \$'000
Government, trading and investment securities	1,074,094
Cash and bank balances and non-bank customer loans and placements	1,075,017
Property, plant and equipment	4,272
Other assets	365,831
Other liabilities	(344,438)
	<b>2,174,776</b>
Less: Net assets accounted for under equity accounting	1,034,005
Less: Minority interests	414,529
	<b>726,242</b>
Adjusted net attributable assets	726,242
Goodwill and intangibles arising (Note 37)	1,084,812
	<b>1,811,054</b>
Less: Cash and cash equivalents	136,680
Less: Non-cash consideration (includes cost of investment of original stake)	1,647,719
	<b>1,647,719</b>
Net cash outflow from the acquisition of approximately 32.2% additional stake	<b>26,655</b>

#### 35.4 Disposal and dissolution of subsidiary companies

(a) On 11 May 2004, Banking Computer Services Private Limited ("BCS"), a wholly-owned subsidiary company of the Bank, gave notice to the Bank for the redemption of 4,000,000 Redeemable Preference Shares ("RPS") of \$0.01 par value and premium of \$0.99 each held by the Bank in BCS. Subsequent to the redemption of RPS, the Bank's investment in BCS was reduced from \$9,160,000 to \$5,160,000.

On the same day, BCS Information Systems Pte Ltd, a wholly-owned subsidiary company of the Bank, issued 4,000,000 RPS of \$0.01 each for cash at a premium of \$0.99 each, amounting to \$4,000,000 proceeds, to Singapore Building Corporation Limited, also a wholly-owned subsidiary company of the Bank.

(b) During the financial year ended 31 December 2004, the following companies were dissolved:

Subsidiaries	Date of dissolution
Keppel Securities Nominees Pte Ltd	16 February 2004
Tat Lee Securities Pte Ltd	16 February 2004
Associated Investments & Securities Private Limited	31 March 2004
TL Nominees Pte Ltd	18 May 2004
TL Provident Ltd	18 May 2004
BOS Venture Management Pte Ltd	22 September 2004
BOSA Limited	18 November 2004

(c) iPropertyNet Pte Ltd ("iProp"), a subsidiary of the Bank, has been in voluntary liquidation since 27 March 2002. By an Order of Court dated 20 September 2004, the High Court of the Republic of Singapore, granted, amongst other things, leave to the liquidator of iProp to disclaim its shareholdings in its subsidiary, Guangzhou YangYi Property Co. Ltd. ("YangYi"). The disclaimer effective upon notice issued on 28 September 2004 and dispatched to YangYi and Guangzhou Sanshan Technology Development Co. Ltd, in accordance with the said Order of Court. Accordingly, YangYi ceased to be a subsidiary of iProp on 28 September 2004.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 36. PROPERTY, PLANT AND EQUIPMENT

GROUP	Property \$'000	2004 Others \$'000	Total \$'000	Property \$'000	2003 Others \$'000	Total \$'000
<b>Cost</b>						
At 1 January	1,680,719	551,696	2,232,415	1,704,501	555,424	2,259,925
Currency translation adjustments	(7,466)	(4,681)	(12,147)	(1,809)	(1,128)	(2,937)
Additions, at cost	15,480	47,793	63,273	7,586	38,950	46,536
Balance arising from new subsidiaries	835	14,370	15,205	–	–	–
Disposals, at cost	(113,423)	(71,301)	(184,724)	(29,396)	(41,713)	(71,109)
Transfers	29	(29)	–	(163)	163	–
At 31 December	1,576,174	537,848	2,114,022	1,680,719	551,696	2,232,415
<b>Accumulated depreciation</b>						
At 1 January	(227,682)	(390,993)	(618,675)	(211,711)	(343,686)	(555,397)
Currency translation adjustments	717	4,175	4,892	214	987	1,201
Balance arising from new subsidiaries	(129)	(10,649)	(10,778)	–	–	–
Disposals	22,342	68,779	91,121	8,744	28,446	37,190
Depreciation charge (Note 8)	(24,272)	(61,399)	(85,671)	(25,056)	(76,613)	(101,669)
Transfers	–	–	–	127	(127)	–
At 31 December	(229,024)	(390,087)	(619,111)	(227,682)	(390,993)	(618,675)
<b>Provision for diminution in value</b>						
At 1 January	(179,004)	–	(179,004)	(132,882)	–	(132,882)
Currency translation adjustments	231	40	271	(7)	–	(7)
Amount written off upon disposal	4	–	4	2,939	–	2,939
Writeback/(provisions) charged to income statements	907	(1,252)	(345)	(49,054)	–	(49,054)
At 31 December (Note 33)	(177,862)	(1,212)	(179,074)	(179,004)	–	(179,004)
<b>Net book value, at 31 December</b>	<b>1,169,288</b>	<b>146,549</b>	<b>1,315,837</b>	<b>1,274,033</b>	<b>160,703</b>	<b>1,434,736</b>
<b>Net book value</b>						
Freehold property	413,064			413,232		
Leasehold property	756,224			860,801		
	1,169,288			1,274,033		
<b>Current valuation of property</b>	<b>2,551,659</b>			<b>2,663,641</b>		

## Notes to the Financial Statements

for the financial year ended 31 December 2004

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

BANK	Property \$'000	2004 Others \$'000	Total \$'000	Property \$'000	2003 Others \$'000	Total \$'000
<b>Cost</b>						
At 1 January	846,011	303,052	1,149,063	839,412	304,455	1,143,867
Currency translation adjustments	(1,451)	(265)	(1,716)	167	795	962
Additions, at cost	209	34,855	35,064	7,134	30,281	37,415
Disposals, at cost	(226)	(32,064)	(32,290)	(4,670)	(32,906)	(37,576)
Arising from scheme with subsidiaries	-	-	-	3,968	427	4,395
At 31 December	844,543	305,578	1,150,121	846,011	303,052	1,149,063
<b>Accumulated depreciation</b>						
At 1 January	(67,420)	(191,567)	(258,987)	(54,189)	(164,309)	(218,498)
Currency translation adjustments	281	253	534	51	(694)	(643)
Disposals	14	30,637	30,651	-	21,579	21,579
Depreciation charge (Note 8)	(12,758)	(41,094)	(53,852)	(12,268)	(47,792)	(60,060)
Arising from scheme with subsidiaries	-	-	-	(1,014)	(351)	(1,365)
At 31 December	(79,883)	(201,771)	(281,654)	(67,420)	(191,567)	(258,987)
<b>Provision for diminution in value</b>						
At 1 January	(141,637)	-	(141,637)	(102,316)	-	(102,316)
Currency translation adjustments	37	-	37	(106)	-	(106)
Amount written off upon disposal	4	-	4	-	-	-
Writeback/(provisions)						
charged to income statements	2,955	-	2,955	(38,914)	-	(38,914)
Arising from scheme with subsidiaries	-	-	-	(301)	-	(301)
At 31 December (Note 33)	(138,641)	-	(138,641)	(141,637)	-	(141,637)
<b>Net book value, at 31 December</b>	<b>626,019</b>	<b>103,807</b>	<b>729,826</b>	<b>636,954</b>	<b>111,485</b>	<b>748,439</b>
<b>Net book value</b>						
Freehold property	106,793			107,129		
Leasehold property	519,226			529,825		
	626,019			636,954		
<b>Current valuation of property</b>	<b>971,271</b>			<b>964,046</b>		

As at 31 December 2004, included in property are investment property with net book value of \$791.7 million (2003: \$928.5 million) and \$386.0 million (2003: \$390.3 million) for the Group and Bank respectively. Based on valuations carried out by independent professional valuers, the market values of these investment property as at 31 December 2004 were \$1,537.9 million (2003: \$1,725.6 million) and \$612.7 million (2003: \$602.8 million) for the Group and Bank respectively. The excess of the market value over the net book value of property was not recognised in the financial statements.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 37. GOODWILL AND INTANGIBLE ASSETS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Cost</b>				
At 1 January	2,377,179	2,377,164	2,168,002	1,855,392
Acquisition of additional interests in GEH [Note 35.3]	1,084,812	15	–	–
Arising from scheme with a subsidiary company	–	–	–	312,610
At 31 December	3,461,991	2,377,179	2,168,002	2,168,002
<b>Accumulated amortisation</b>				
At 1 January	(305,125)	(178,481)	(179,847)	(80,255)
Amortisation charged to income statements	(158,294)	(126,644)	(120,979)	(99,592)
At 31 December	(463,419)	(305,125)	(300,826)	(179,847)
<b>Net book value, at 31 December</b>	<b>2,998,572</b>	<b>2,072,054</b>	<b>1,867,176</b>	<b>1,988,155</b>

The acquisition of an additional stake of 32.2% in Great Eastern Holdings Limited ("GEH") gave rise to an amount of \$1,084.8 million of an intangible asset and goodwill.

The intangible asset is the value of In-Force Business of the life assurance business acquired amounting to \$790.0 million and is amortised over an economic life of 20 years. The value of In-Force Business represents an estimate of the economic value of adjusted distributable profits and after-tax cash flows less increases in statutory reserve and solvency margins from the In-Force Business at acquisition date.

The residual of \$294.8 million is goodwill, being the difference between the acquisition cost less the fair value of net tangible and intangible assets, which represents the discounted value of future after-tax distributable profits associated with new business that GEH can expect to write based on the quality of its structure and its future business prospects. The goodwill of GEH is amortised over an economic life of 20 years.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 38. SEGMENTAL INFORMATION

#### 38.1 Business segments

\$ million	Consumer Banking	Business Banking	Global Treasury	Insurance	Others	Group
<b>Financial year ended 31 December 2004</b>						
Segment income before operating expenses	973	862	316	304	270	2,725
Elimination						(82)
<b>Income before operating expenses</b>						<b>2,643</b>
Profit before tax	390	590	247	253	112	1,592
Less: Tax	(81)	(118)	(47)	(64)	22	(288)
Net profit before amortisation of goodwill and intangibles	309	472	200	189	134	1,304
Less: Amortisation of goodwill and intangibles						(158)
Profit after tax						1,146
Add: Share of profits of associated companies (net of tax)						89
Less: Minority interests						(73)
<b>Profit attributable to shareholders</b>						<b>1,162</b>
<b>31 December 2004</b>						
Segment assets	28,199	33,648	21,011	31,484	6,003	120,345
Associated companies' assets						38
Unallocated assets						3,049
Elimination						(3,550)
<b>Total assets</b>						<b>119,882</b>
Segment liabilities	30,106	26,952	17,929	29,050	7,155	111,192
Unallocated liabilities						508
Elimination						(3,550)
<b>Total liabilities</b>						<b>108,150</b>
<b>Other information</b>						
Loans	26,574	27,052	–	391	1,207	55,224
Investment securities:						
– Debt	38	5,133	368	432	786	6,757
– Equity	4	20	–	540	386	950
	42	5,153	368	972	1,172	7,707
NPLs and debt securities:						
– Substandard	393	1,325	–	–	–	1,718
– Doubtful	124	693	–	–	–	817
– Loss	218	113	–	–	–	331
Cumulative specific provision	735 (261)	2,131 (944)	–	–	–	2,866 (1,205)
	474	1,187	–	–	–	1,661
<b>Financial year ended 31 December 2004</b>						
Capital expenditure	9	3	–	1	50	63
Depreciation of property, plant and equipment	7	6	–	1	48	62
Amortisation of software	7	1	–	–	16	24



## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 38. SEGMENTAL INFORMATION (continued)

#### 38.1 Business segments (continued)

\$ million	Consumer Banking	Business Banking	Global Treasury	Insurance	Others	Group
<b>Financial year ended 31 December 2003</b>						
Segment income before operating expenses	807	848	242	–	384	2,281
Elimination						(88)
<b>Income before operating expenses</b>						<b>2,193</b>
Profit before tax	281	496	187	–	150	1,114
Less: Tax	(61)	(104)	(46)	–	–	(211)
Net profit before amortisation of goodwill and intangibles	220	392	141	–	150	903
Less: Amortisation of goodwill and intangibles						(127)
Profit after tax						776
Add: Share of profits of associated companies (net of tax)						180
Less: Minority interests						(2)
<b>Profit attributable to shareholders</b>						<b>954</b>
<b>31 December 2003</b>						
Segment assets	25,686	32,552	19,015	–	7,198	84,451
Associated companies' assets						1,042
Unallocated assets						2,124
Elimination						(3,120)
<b>Total assets</b>						<b>84,497</b>
Segment liabilities	30,086	25,749	16,336	–	4,964	77,135
Unallocated liabilities						404
Elimination						(3,120)
<b>Total liabilities</b>						<b>74,419</b>
<b>Other information</b>						
Loans	24,400	26,861	–	–	1,328	52,589
Investment securities:						
– Debt	6	4,742	454	–	943	6,145
– Equity	6	28	–	–	409	443
	12	4,770	454	–	1,352	6,588
NPLs and debt securities:						
– Substandard	543	2,053	–	–	–	2,596
– Doubtful	168	637	–	–	–	805
– Loss	171	239	–	–	23	433
Cumulative specific provision	882 (274)	2,929 (1,078)	–	–	23	3,834 (1,352)
	608	1,851	–	–	23	2,482
<b>Financial year ended 31 December 2003</b>						
Capital expenditure	12	3	–	–	32	47
Depreciation of property, plant and equipment	12	9	1	–	59	81
Amortisation of software	5	1	–	–	14	20

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 38. SEGMENTAL INFORMATION (continued)

#### 38.1 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 five main segments representing the key customer and product groups: Consumer Banking, Business Banking, Global Treasury, Insurance and Others.

#### Consumer Banking

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

#### 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, 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.

#### Insurance

– Insurance business is carried out by the Bank's subsidiary, Great Eastern Holdings Limited ("GEH"), a market leader in the insurance industry in Singapore and Malaysia providing both life and general insurance products to its customers.

#### Others

– The "Others" segment include corporate finance, capital markets, 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 2004

### 38. SEGMENTAL INFORMATION (continued)

#### 38.2 Geographical segments

\$ million	Income before operating expenses	Profit before tax	Capital expenditure	Total assets	Total liabilities
<b>2004</b>					
Singapore	1,931	1,076	42	89,664	82,118
Malaysia	504	327	20	21,426	18,458
Other ASEAN	16	20	–	631	472
Greater China	120	84	1	3,915	3,131
Other Asia Pacific	36	24	–	1,805	1,028
North America	17	12	–	888	656
Rest of the World	19	12	–	1,553	2,287
	<b>2,643</b>	<b>1,555</b>	<b>63</b>	<b>119,882</b>	<b>108,150</b>
<b>2003</b>					
Singapore	1,706	983	43	65,267	58,723
Malaysia	332	150	4	11,579	8,921
Other ASEAN	18	12	–	347	160
Greater China	70	35	–	2,954	2,733
Other Asia Pacific	30	16	–	1,775	1,227
North America	19	14	–	961	777
Rest of the World	18	12	–	1,614	1,878
	<b>2,193</b>	<b>1,222</b>	<b>47</b>	<b>84,497</b>	<b>74,419</b>

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

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

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

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

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION

#### 39.1 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 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.

#### 39.2 Credit risk management

Credit risk is the risk of loss due to borrower or counterparty default on payment. Such risk arises from lending, underwriting, trading and other activities undertaken by the Group.

The Credit Risk Management Committee ("CRMC") is the principal senior management committee that supports the Chief Executive Officer ("CEO") and the Board in general credit risk management oversight. The CRMC reviews and recommends major credit risk policies for the approval by the CEO and/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

The New Product Approving Committee ("NPAC"), consisting of senior representatives from the Bank's business, support and risk management units, reviews and approves all new products including credit programmes. 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 country risk framework is in place, covering the assessment and rating of countries, 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

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.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.2 Credit risk management (continued)

##### Problem loans

##### (a) Loan classification

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

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

##### (b) Restructured loans

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

##### (c) Provisioning policies

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

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

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

##### (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 statements until received. It is reported as interest-in-suspense and is netted against interest receivable under other assets (Note 32) for all loans except for overdrafts where interest is capitalised due to the nature of the product.

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

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

##### Credit risk information

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

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.3 Market risk management

Market risk refers to the risk arising from uncertainty in the future values of financial instruments, resulting from movements in factors such as interest rates, foreign exchange rates, 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 rate/price volatilities that could affect the value of the financial instruments over a specified holding period within a specified confidence interval. In addition to VaR limits, factor sensitivity measures, such as present value per basis point and option Greeks, are used as risk monitoring mechanism on a daily basis. To manage abnormal market behaviour and supplement VaR, stress tests and scenario analyses are performed to quantify the market risk arising from low probability, stressed market events.

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

#### 39.4 Operational risk management

Operational risk is the potential risk arising from a breakdown in internal processes and systems, deficiencies in people and management, or catastrophic 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.

#### 39.5 Asset and liability management

Asset and liability management involves managing funding liquidity, interest rate and foreign exchange rate risks arising from the core banking business. The Group's policy is to manage the earnings volatility arising from the effects of movements in interest rates and foreign exchange rates which are inherent in the Group's non-trading activities, while maintaining a prudent level of liquidity to meet financial obligations at all times. A senior management forum, the Asset and Liability Management Committee ("ALCO"), reviews these risks on a monthly basis.

##### Interest rate risk

The Group's main market risk is the interest rate risks arising from the maturity and re-pricing mismatches of its assets and liabilities from its banking business. The Group's lending activities are funded largely by demand, savings and fixed deposits, resulting in natural mismatch positions. A system is in place to manage the interest rate mismatches arising from these activities. The mismatches are monitored against defined sensitivity limits and net interest income changes.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.5 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 2004 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Non-interest sensitive	Total
<b>Assets</b>								
Cash and placement with central banks	422	453	604	585	–	–	1,553	3,617
Singapore government treasury bills and securities	6	584	1,586	1,557	1,413	1,294	–	6,440
Other government treasury bills and securities	41	6	454	279	646	412	–	1,838
Dealing securities	217	39	79	349	1	10	6	701
Placement with and loans to banks	1,900	2,018	1,956	4,057	45	16	15	10,007
Loans to customers <sup>(1)</sup>	18,532	11,880	6,908	9,956	3,667	3,164	(1,145)	52,962
Investment securities	11	425	845	1,462	1,799	2,084	848	7,474
Deferred tax	–	–	–	–	–	–	50	50
Other assets	–	–	–	–	–	–	3,274	3,274
Associated companies	6	10	–	24	–	–	269	309
Property, plant and equipment	–	–	–	–	–	–	1,316	1,316
Goodwill and intangible assets	–	–	–	–	–	–	2,999	2,999
	21,135	15,415	12,432	18,269	7,571	6,980	9,185	90,987
Life fund net assets								28,895
<b>Total assets</b>								<b>119,882</b>
<b>Liabilities</b>								
Deposits of non-bank customers	22,730	13,304	7,237	7,594	642	284	5,496	57,287
Deposits and balances of banks	3,797	3,889	3,300	1,462	7	–	–	12,455
Deposits of associated companies	8	3	1	5	–	–	–	17
Bills payable	–	–	–	–	–	–	159	159
Current tax	–	–	–	–	–	–	425	425
Deferred tax	–	–	–	–	–	–	83	83
Other liabilities	–	–	–	–	–	–	3,135	3,135
Debt securities	20	673	62	247	816	3,877	–	5,695
	26,555	17,869	10,600	9,308	1,465	4,161	9,298	79,256
Minority interests	–	–	–	–	–	–	489	489
Equity	–	–	–	–	–	–	11,242	11,242
	26,555	17,869	10,600	9,308	1,465	4,161	21,029	90,987
Life assurance fund								28,895
<b>Total liabilities and equity</b>								<b>119,882</b>
<b>On-balance sheet</b>								
interest sensitivity gap	(5,420)	(2,454)	1,832	8,961	6,106	2,819	(11,844)	–
<b>Off-balance sheet</b>								
interest sensitivity gap	1,999	(68)	942	(1,079)	(3,471)	1,677	–	–
<b>Net interest sensitivity gap</b>	<b>(3,421)</b>	<b>(2,522)</b>	<b>2,774</b>	<b>7,882</b>	<b>2,635</b>	<b>4,496</b>	<b>(11,844)</b>	<b>–</b>

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

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

##### Interest rate risk (continued)

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
<b>Assets</b>								
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 <sup>(1)</sup>	13,806	10,337	6,690	9,080	8,454	2,964	(1,176)	50,155
Investment securities	70	500	1,401	453	1,818	1,817	236	6,295
Deferred tax	–	–	–	–	–	–	54	54
Other assets	–	–	–	–	–	–	2,182	2,182
Associated companies	–	9	–	–	–	–	1,168	1,177
Property, plant and equipment	–	–	–	–	–	–	1,435	1,435
Goodwill and intangible assets	–	–	–	–	–	–	2,072	2,072
<b>Total assets</b>	<b>17,120</b>	<b>14,526</b>	<b>13,808</b>	<b>13,823</b>	<b>11,234</b>	<b>6,455</b>	<b>7,531</b>	<b>84,497</b>
<b>Liabilities</b>								
Deposits of non-bank customers	21,339	14,306	5,796	7,704	601	312	3,402	53,460
Deposits and balances of banks	3,897	3,434	3,638	1,496	16	–	–	12,481
Deposits of associated companies	419	406	197	220	85	–	131	1,458
Bills payable	–	–	–	–	–	–	185	185
Current tax	–	–	–	–	–	–	327	327
Deferred tax	–	–	–	–	–	–	76	76
Other liabilities	–	–	–	–	–	–	2,421	2,421
Debt securities	–	33	120	–	–	3,857	–	4,010
Minority interests	25,655	18,179	9,751	9,420	702	4,169	6,542	74,418
Equity	–	–	–	–	–	–	20	20
<b>Total liabilities and equity</b>	<b>25,655</b>	<b>18,179</b>	<b>9,751</b>	<b>9,420</b>	<b>702</b>	<b>4,169</b>	<b>16,621</b>	<b>84,497</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>(8,535)</b>	<b>(3,653)</b>	<b>4,057</b>	<b>4,403</b>	<b>10,532</b>	<b>2,286</b>	<b>(9,090)</b>	<b>–</b>
<b>Off-balance sheet interest sensitivity gap</b>	<b>355</b>	<b>(519)</b>	<b>3,664</b>	<b>(848)</b>	<b>(3,970)</b>	<b>1,318</b>	<b>–</b>	<b>–</b>
<b>Net interest sensitivity gap</b>	<b>(8,180)</b>	<b>(4,172)</b>	<b>7,721</b>	<b>3,555</b>	<b>6,562</b>	<b>3,604</b>	<b>(9,090)</b>	<b>–</b>

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



## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

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

##### Interest rate risk (continued)

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

	SGD %	USD %	MYR %
<b>31 December 2004</b>			
<b>Assets</b>			
Placement with central banks	1.24	0.16	2.78
Placement with and loans to banks	1.35	2.54	2.77
Loans to customers	3.15	3.30	6.03
Securities and other interest-earning assets	2.00	4.03	3.46
<b>Liabilities</b>			
Deposits and balances of banks	1.31	2.17	2.72
Deposits and other accounts of non-bank customers	0.82	1.89	2.75
Debt securities	2.66	2.54	–
<b>31 December 2003</b>			
<b>Assets</b>			
Placement with central banks	0.77	0.01	2.87
Placement with and loans to banks	0.71	1.27	2.96
Loans to customers	3.23	2.14	5.78
Securities and other interest-earning assets	1.52	4.04	3.76
<b>Liabilities</b>			
Deposits and balances of banks	0.60	1.17	2.89
Deposits and other accounts of non-bank customers	0.55	0.80	2.85
Debt securities	2.68	–	–

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.5 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 2004 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Total
<b>Assets</b>							
Cash and placement with central banks	1,676	453	604	585	–	299	3,617
Singapore government							
treasury bills and securities	6	584	1,586	1,557	1,413	1,294	6,440
Other government							
treasury bills and securities	41	6	454	279	646	412	1,838
Dealing securities	225	–	–	1	364	111	701
Placement with and loans to banks	1,918	1,950	1,865	4,022	236	16	10,007
Loans to customers	6,237	3,665	3,455	6,220	8,686	24,699	52,962
Investment securities	34	36	541	1,517	2,322	3,024	7,474
Deferred tax	–	–	–	–	50	–	50
Other assets	220	2,392	225	106	167	164	3,274
Associated companies	6	10	–	24	1	268	309
Property, plant and equipment	–	–	–	–	–	1,316	1,316
Goodwill and intangible assets	–	–	–	–	–	2,999	2,999
	10,363	9,096	8,730	14,311	13,885	34,602	90,987
Life fund net assets							28,895
<b>Total assets</b>							<b>119,882</b>
<b>Liabilities</b>							
Deposits of non-bank customers	28,048	13,253	6,633	6,720	789	1,844	57,287
Deposits and balances of banks	3,797	3,889	3,300	1,462	7	–	12,455
Deposits of associated companies	8	3	1	5	–	–	17
Bills payable	100	59	–	–	–	–	159
Current tax	1	2	4	418	–	–	425
Deferred tax	–	–	–	–	66	17	83
Other liabilities	401	2,304	114	214	96	6	3,135
Debt securities	20	673	62	247	816	3,877	5,695
	32,375	20,183	10,114	9,066	1,774	5,744	79,256
Minority interests	–	–	–	–	–	489	489
Equity	–	–	–	–	–	11,242	11,242
	32,375	20,183	10,114	9,066	1,774	17,475	90,987
Life assurance fund							28,895
<b>Total liabilities and equity</b>							<b>119,882</b>
<b>Net liquidity gap</b>	(22,012)	(11,087)	(1,384)	5,245	12,111	17,127	–

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

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

##### Liquidity risk (continued)

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

#### 39.5 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 Australian dollar, Euro, Japanese yen, Sterling pound and Hong Kong dollar.

31 December 2004 (\$ million)	SGD	USD	MYR	Others	Total
<b>Assets</b>					
Cash and placement with central banks	1,966	19	893	739	3,617
Singapore government treasury bills and securities	6,440	–	–	–	6,440
Other government treasury bills and securities	–	99	1,584	155	1,838
Dealing securities	104	354	220	23	701
Placement with and loans to banks	1,792	4,871	423	2,921	10,007
Loans to customers	33,889	8,197	6,426	4,450	52,962
Investment securities	2,119	3,166	855	1,334	7,474
Deferred tax	7	–	43	–	50
Other assets	2,191	778	228	77	3,274
Associated companies	68	–	121	120	309
Property, plant and equipment	1,090	–	89	137	1,316
Goodwill and intangible assets	2,999	–	–	–	2,999
	52,665	17,484	10,882	9,956	90,987
Life fund net assets					28,895
<b>Total assets</b>					<b>119,882</b>
<b>Liabilities</b>					
Deposits of non-bank customers	35,302	8,234	8,528	5,223	57,287
Deposits and balances of banks	3,841	5,253	170	3,191	12,455
Deposits of associated companies	6	–	9	2	17
Bills payable	74	5	79	1	159
Current tax	387	1	31	6	425
Deferred tax	83	–	–	–	83
Other liabilities	1,371	1,506	173	85	3,135
Debt securities	3,912	1,465	–	318	5,695
	44,976	16,464	8,990	8,826	79,256
Minority interests	488	–	–	1	489
Equity	11,242	–	–	–	11,242
	56,706	16,464	8,990	8,827	90,987
Life assurance fund					28,895
<b>Total liabilities and equity</b>					<b>119,882</b>
<b>On-balance sheet position</b>	(4,041)	1,020	1,892	1,129	–
<b>Off-balance sheet position</b>	1,443	(1,094)	(431)	82	–
<b>Net position</b>	(2,598)	(74)	1,461	1,211	–
Of which:					
<b>Net investments in overseas operations</b>	–	171	821	1,042	2,034

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

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

##### Currency risk (continued)

31 December 2003 (\$ million)	SGD	USD	MYR	Others	Total
<b>Assets</b>					
Cash and placement with central banks	2,445	8	1,321	262	4,036
Singapore government treasury bills and securities	6,151	–	–	–	6,151
Other government treasury bills and securities	–	86	851	118	1,055
Dealing securities	85	61	89	–	235
Placement with and loans to banks	2,358	3,724	668	2,900	9,650
Loans to customers	32,851	7,257	5,869	4,178	50,155
Investment securities	1,852	2,729	787	927	6,295
Deferred tax	5	–	49	–	54
Other assets	1,625	422	54	81	2,182
Associated companies	1,063	–	114	–	1,177
Property, plant and equipment	1,210	–	83	142	1,435
Goodwill and intangible assets	2,072	–	–	–	2,072
<b>Total assets</b>	<b>51,717</b>	<b>14,287</b>	<b>9,885</b>	<b>8,608</b>	<b>84,497</b>
<b>Liabilities</b>					
Deposits of non-bank customers	33,983	7,441	7,496	4,540	53,460
Deposits and balances of banks	2,847	6,692	293	2,649	12,481
Deposits of associated companies	776	32	567	83	1,458
Bills payable	97	5	82	1	185
Current tax	313	1	9	4	327
Deferred tax	76	–	–	–	76
Other liabilities	1,277	908	98	138	2,421
Debt securities	4,010	–	–	–	4,010
Minority interests	43,379	15,079	8,545	7,415	74,418
Equity	19	–	–	1	20
<b>Total liabilities and equity</b>	<b>53,457</b>	<b>15,079</b>	<b>8,545</b>	<b>7,416</b>	<b>84,497</b>
<b>On-balance sheet position</b>	<b>(1,740)</b>	<b>(792)</b>	<b>1,340</b>	<b>1,192</b>	<b>–</b>
<b>Off-balance sheet position</b>	<b>(159)</b>	<b>948</b>	<b>(441)</b>	<b>(348)</b>	<b>–</b>
<b>Net position</b>	<b>(1,899)</b>	<b>156</b>	<b>899</b>	<b>844</b>	<b>–</b>
Of which:					
<b>Net investments in overseas operations</b>	<b>–</b>	<b>129</b>	<b>905</b>	<b>823</b>	<b>1,857</b>

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

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

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

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	2004		2003	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Assets for which fair value approximates carrying value	<b>16,897</b>	<b>16,897</b>	15,868	15,868
Dealing securities	<b>701</b>	<b>704</b>	236	238
Government securities	<b>8,278</b>	<b>8,336</b>	7,206	7,224
Investment securities	<b>7,474</b>	<b>8,301</b>	6,295	6,911
<b>Financial liabilities</b>				
Liabilities for which fair value approximates carrying value	<b>36,156</b>	<b>36,156</b>	35,668	35,668
Non-bank customer term deposits	<b>36,269</b>	<b>36,275</b>	34,273	34,272
Debt securities issued and other borrowed funds	<b>6,746</b>	<b>7,403</b>	4,402	5,032

Note:

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

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

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

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

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

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 39. RISK MANAGEMENT INFORMATION (continued)

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

##### 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.

### 40. COUNTRY RISK

At 31 December 2004, the countries where OCBC's cross-border transfer risk exceeded 1% of assets were Malaysia, Hong Kong SAR, United Kingdom, China and United States 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, assets (excluding life fund net assets) amounted to \$90,986 million (2003: \$84,497 million) as shown in the consolidated balance sheet at 31 December 2004.

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

	Banks \$ million	Government and official institutions \$ million	Financial institutions, private sector and individuals \$ million	Total \$ million	As % of total assets %
<b>2004</b>					
Malaysia	3,248	1,022	1,342	5,612	6.17
Hong Kong SAR	1,371	—	900	2,271	2.50
United Kingdom	1,281	—	119	1,400	1.54
China	893	—	483	1,376	1.51
United States	256	27	950	1,233	1.36
Indonesia	273	27	793	1,093	1.20
Cayman Islands	—	—	994	994	1.09
South Korea	665	44	270	979	1.08
Taiwan	728	—	185	913	1.00
<b>2003</b>					
Malaysia	3,034	615	1,095	4,744	5.61
Hong Kong SAR	1,099	—	753	1,852	2.19
United Kingdom	1,312	—	55	1,367	1.62
Cayman Islands	—	—	1,090	1,090	1.29
China	644	—	360	1,004	1.19
Japan	927	—	19	946	1.12

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 41. OFF-BALANCE SHEET ITEMS

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

### 42. CONTINGENT LIABILITIES

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Acceptances and endorsements	699,978	544,211	103,862	56,450
Guarantees and standby letters of credit	5,044,902	4,724,914	4,860,211	4,520,851
Documentary credits and other short term trade-related transactions	774,205	505,923	635,955	433,051
Others	49,680	54,529	–	–
	<b>6,568,765</b>	<b>5,829,577</b>	<b>5,600,028</b>	<b>5,010,352</b>

Included in guarantees and standby letters of credit is an amount of \$1.13 billion (2003: \$1.17 billion) relating to credit default swaps entered into by the Bank which are collateralised on long-term loans granted by the Bank of an equivalent amount (Note 27) and an amount of \$0.64 billion (2003: \$0.60 billion) relating to credit default swaps entered into by the Bank which are collateralised on credit linked notes held by the Bank of an equivalent amount (Note 31).

#### 42.1 Analysed by geographical sector

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Singapore	4,993,737	4,503,965	5,063,796	4,567,257
Malaysia	1,249,936	1,054,941	236,693	174,241
Other ASEAN	42,427	14,760	9,884	5,022
Greater China	106,562	124,794	113,354	132,502
Other Asia Pacific	62,432	25,314	62,432	25,314
North America	32,874	41,507	33,072	41,720
Rest of the World	80,797	64,296	80,797	64,296
	<b>6,568,765</b>	<b>5,829,577</b>	<b>5,600,028</b>	<b>5,010,352</b>

#### 42.2 Analysed by industry

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Agriculture, mining and quarrying	30,226	25,049	863	213
Manufacturing	864,563	751,404	372,832	321,862
Building and construction	1,133,568	835,420	1,173,333	898,693
General commerce	943,227	608,143	786,415	488,611
Transport, storage and communication	261,225	211,368	223,686	196,123
Financial institutions, investment and holding companies	2,260,446	2,343,431	2,257,714	2,339,452
Professionals and individuals	97,205	89,914	96,497	89,777
Others	978,305	964,848	688,688	675,621
	<b>6,568,765</b>	<b>5,829,577</b>	<b>5,600,028</b>	<b>5,010,352</b>



## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 43. COMMITMENTS

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

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>43.1 Credit commitments</b>				
Undrawn credit facilities:				
– Original term to maturity of one year or less	22,009,489	20,146,688	19,658,667	18,114,455
– Original term to maturity of more than one year	7,302,190	5,705,254	4,753,127	4,229,772
	29,311,679	25,851,942	24,411,794	22,344,227
Undrawn note issuance and revolving underwriting facilities	110,060	270,070	42,550	191,740
Forward asset purchases/sales	746,261	1,065,179	746,261	1,065,179
	30,168,000	27,187,191	25,200,605	23,601,146
<b>43.2 Other commitments</b>				
Operating lease commitments:				
– Within 1 year	17,375	13,528	15,176	12,370
– After 1 year but within 5 years	17,843	13,980	15,068	13,801
– Over 5 years	230	813	230	813
	35,448	28,321	30,474	26,984
Capital expenditure authorised and contracted	52,550	45,780	31,939	9,602
	87,998	74,101	62,413	36,586
<b>43.3 Total commitments</b>	<b>30,255,998</b>	<b>27,261,292</b>	<b>25,263,018</b>	<b>23,637,732</b>
<b>43.4 Analysed by geographical sector</b>				
Singapore	23,476,003	21,496,521	23,476,792	21,904,793
Malaysia	5,413,503	4,412,789	462,235	404,326
Other ASEAN	123,936	120,898	75,043	73,495
Greater China	445,655	447,370	451,953	471,076
Other Asia Pacific	335,354	275,553	335,448	275,881
North America	383,527	382,951	383,527	382,951
Rest of the World	78,020	125,210	78,020	125,210
	30,255,998	27,261,292	25,263,018	23,637,732

As at 31 December 2004, total commitments under life assurance funds of the Group, not included in the above tables, are as follows:

	\$'000
Operating lease commitments	
– Within 1 year	1,129
– After 1 year but within 5 years	1,139
– Over 5 years	–
	2,268
Capital commitment authorised and contracted	220,120
	222,388

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 44. FINANCIAL DERIVATIVES

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

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

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

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

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

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

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

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

Caps, floors and collars are different types of interest rate options transactions designed to hedge interest rate exposures. A cap is a contract whereby the seller agrees to pay to the purchaser, in return for an upfront premium or a series of annuity payments, the difference between a reference rate and an agreed strike rate when the reference rate exceeds the strike rate. A floor is a contract whereby the seller agrees to pay to the purchaser, in return for an upfront premium, the difference between a reference rate and an agreed strike rate should the strike rate 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** comprise mainly equity convertible deposits whereby an equity option is embedded in deposits placed with the Bank. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

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

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

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 44. FINANCIAL DERIVATIVES (continued)

GROUP (\$'000)	Contractual or principal notional amount	Fair value – assets	Fair value – liabilities
<b>2004</b>			
<b>Foreign exchange derivatives</b>			
Forwards	5,764,319	47,648	45,829
Swaps	61,262,636	1,374,183	1,109,400
OTC options – bought and sold	1,512,942	9,285	6,277
	<b>68,539,897</b>	<b>1,431,116</b>	<b>1,161,506</b>
<b>Interest rate derivatives</b>			
Forwards	27,313,673	5,969	6,372
Swaps	169,791,869	1,201,960	961,286
OTC options – bought and sold	2,865,083	7,255	10,166
Exchange traded futures – bought and sold	1,146,569	39	543
	<b>201,117,194</b>	<b>1,215,223</b>	<b>978,367</b>
<b>Equity derivatives</b>			
Options written	6,000	–	–
Options bought	24,957	13	70
	<b>30,957</b>	<b>13</b>	<b>70</b>
<b>Credit derivatives</b>			
Credit default swaps	8,170	–	740
<b>Other derivatives</b>			
Gold forwards – bought and sold	16,011	606	1
<b>Total</b>	<b>269,712,229</b>	<b>2,646,958</b>	<b>2,140,684</b>
Fair value of trading derivatives included in other assets and other liabilities		<b>1,709,164</b>	<b>1,663,565</b>
		(Note 32)	(Note 19)

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 44. FINANCIAL DERIVATIVES (continued)

GROUP (\$'000)	Contractual or principal notional amount	Fair value – assets	Fair value – liabilities
<b>2003</b>			
<b>Foreign exchange derivatives</b>			
Forwards	3,206,356	34,054	25,595
Swaps	53,374,342	709,772	596,079
OTC options – bought and sold	759,216	3,065	6,462
	57,339,914	746,891	628,136
<b>Interest rate derivatives</b>			
Forwards	18,703,100	6,419	6,085
Swaps	107,645,204	966,529	763,192
OTC options – bought and sold	1,985,168	2,793	6,397
Exchange traded futures – bought and sold	5,534,326	1,532	2,036
	133,867,798	977,273	777,710
<b>Equity derivatives</b>			
Futures	218	–	4
Options bought	10,785	1	81
	11,003	1	85
<b>Credit derivatives</b>			
Credit default swaps	8,505	–	1,234
<b>Other derivatives</b>			
Gold forwards – bought and sold	19,105	28	274
Silver forwards – bought and sold	281	9	10
	19,386	37	284
<b>Total</b>	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 32)	(Note 19)

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 44. FINANCIAL DERIVATIVES (continued)

BANK (\$'000)	Contractual or principal notional amount	Fair value – assets	Fair value – liabilities
<b>2004</b>			
<b>Foreign exchange derivatives</b>			
Forwards	3,041,416	31,272	28,629
Swaps	58,508,797	1,370,544	1,108,525
OTC options – bought and sold	1,437,055	8,886	6,054
	<b>62,987,268</b>	<b>1,410,702</b>	<b>1,143,208</b>
<b>Interest rate derivatives</b>			
Forwards	27,313,673	5,969	6,372
Swaps	169,840,120	1,212,004	959,557
OTC options – bought and sold	2,865,083	7,218	10,166
Exchange traded futures – bought and sold	1,146,569	39	543
	<b>201,165,445</b>	<b>1,225,230</b>	<b>976,638</b>
<b>Equity derivatives</b>			
Options written	6,000	–	–
Options bought	24,957	13	70
	<b>30,957</b>	<b>13</b>	<b>70</b>
<b>Credit derivatives</b>			
Credit default swaps	8,170	–	740
<b>Other derivatives</b>			
Gold forwards – bought and sold	15,177	579	1
<b>Total</b>	<b>264,207,017</b>	<b>2,636,524</b>	<b>2,120,657</b>
Fair value of trading derivatives included in other assets and other liabilities		<b>1,698,900</b>	<b>1,655,504</b>
		(Note 32)	(Note 19)

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 44. FINANCIAL DERIVATIVES (continued)

BANK (\$'000)	Contractual or principal notional amount	Fair value – assets	Fair value – liabilities
<b>2003</b>			
<b>Foreign exchange derivatives</b>			
Forwards	2,238,855	26,077	15,386
Swaps	52,596,517	708,458	596,875
OTC options – bought and sold	759,216	3,065	6,462
	55,594,588	737,600	618,723
<b>Interest rate derivatives</b>			
Forwards	18,703,100	6,419	6,085
Swaps	107,986,006	977,131	763,241
OTC options – bought and sold	1,985,168	2,793	6,397
Exchange traded futures – bought and sold	5,534,326	1,532	2,036
	134,208,600	987,875	777,759
<b>Equity derivatives</b>			
Options bought	10,785	1	81
<b>Credit derivatives</b>			
Credit default swaps	8,505	–	1,234
<b>Other derivatives</b>			
Gold forwards – bought and sold	7,025	–	–
Silver forwards – bought and sold	102	–	–
	7,127	–	–
<b>Total</b>	<b>189,829,605</b>	<b>1,725,476</b>	<b>1,397,797</b>
Fair value of trading derivatives included in other assets and other liabilities		1,113,341	1,101,968
		(Note 32)	(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.

As at 31 December 2004, the life assurance funds of the Group have entered into financial derivative contracts with notional amount of \$2,768.2 million, fair value assets of \$53.9 million and fair value liabilities of \$65.5 million, which are not included in the above tables.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 45. ASSETS PLEDGED

The assets that have been mortgaged or pledged to secure for borrowings are as follows:

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Singapore government treasury bills and securities	232,027	150,658	232,027	150,658
Other government treasury bills and securities	577,054	272,709	3,777	3,862
Investment securities	181,635	345,497	–	–
Total securities pledged	990,716	768,864	235,804	154,520
Others	363,636	387,920	71,536	145,171
	1,354,352	1,156,784	307,340	299,691

### 46. CASH AND CASH EQUIVALENTS

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

	Group	
	2004 \$'000	2003 \$'000
Cash and placements with central banks	3,616,603	4,035,863
Singapore government securities excluding long-term investments (Note 23)	5,894,363	5,607,098
Other government securities	1,837,697	1,054,618
	11,348,663	10,697,579

### 47. 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	
	2004 \$'000	2003 \$'000
Less than 1 year	33,468	44,083
Over 1 year to 5 years	36,371	45,685
Over 5 years	71	3,876
	69,910	93,644

As at 31 December 2004, under the life assurance funds of the Group, future minimum lease rental receipts under non-cancellable operating leases amounted to \$46.9 million.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 48. CURRENT ASSETS AND LIABILITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current assets</b>				
Cash and placements with central banks	3,616,603	4,035,863	2,590,974	2,604,863
Singapore government treasury bills and securities	3,732,525	4,257,739	3,690,624	4,257,739
Other government treasury bills and securities	780,090	490,017	529,976	86,424
Dealing securities	701,017	235,541	466,211	134,929
Placements with and loans to banks	9,754,552	9,499,071	9,089,493	8,723,406
Loans to and bills receivable from customers	19,578,065	18,425,319	15,964,482	15,359,378
Investment securities	2,127,886	978,047	1,525,085	781,176
Other assets	2,943,017	2,157,499	2,441,383	1,757,988
Loans to associated companies	39,639	8,799	–	–
Loans to subsidiary companies	–	–	1,576,975	1,353,544
	<b>43,273,394</b>	<b>40,087,895</b>	<b>37,875,203</b>	<b>35,059,447</b>
<b>Current liabilities</b>				
Deposits of non-bank customers	54,654,517	52,434,245	46,203,561	45,162,854
Deposits and balances of banks	12,447,953	12,464,856	12,073,890	11,910,339
Deposits of associated companies	17,229	1,372,440	8,231	878,968
Deposits of subsidiary companies	–	–	1,686,165	1,268,267
Bills payable	159,475	185,233	79,755	102,478
Current tax	425,112	327,667	300,161	292,216
Other liabilities	3,031,818	2,305,308	2,415,500	1,699,097
Debt securities	1,001,676	152,750	949,926	–
	<b>71,737,780</b>	<b>69,242,499</b>	<b>63,717,189</b>	<b>61,314,219</b>
<b>Net current liabilities</b>	<b>28,464,386</b>	<b>29,154,604</b>	<b>25,841,986</b>	<b>26,254,772</b>

### 49. RELATED PARTY TRANSACTIONS

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

	2004 \$ million	2003 \$ million
(a) Loans and advances		
– Associated companies engaged in financial activities	16	9
– Associated companies engaged in non-financial activities	24	#
– Director-related parties	1,961	2,240
(b) Deposits		
– Associated companies engaged in financial activities	13	1,417
– Associated companies engaged in non-financial activities	4	41
– Director-related parties	1,193	910
– Life assurance funds	919	–
(c) Off-balance sheet credit facilities <sup>(1)</sup>		
– Associated companies engaged in financial activities	1	1
– Associated companies engaged in non-financial activities	–	–
– Director-related parties	416	340
(d) Interest income		
– Associated companies engaged in financial activities	#	#
– Associated companies engaged in non-financial activities	#	–
– Director-related parties	36	51



## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 49. RELATED PARTY TRANSACTIONS (continued)

	2004 \$ million	2003 \$ million
(e) Interest expense		
– Associated companies engaged in financial activities	11	12
– Associated companies engaged in non-financial activities	#	#
– Director-related parties	9	4
– Life assurance funds	7	–
(f) Rental income		
– Associated companies engaged in financial activities	#	#
– Associated companies engaged in non-financial activities	#	#
– Director-related parties	4	4
(g) Fee and commission income and other income		
– Associated companies engaged in financial activities	19	26
– Associated companies engaged in non-financial activities	#	#
– Director-related parties	6	3
– Life assurance funds	27	–

(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) Director-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.
- (c) Life assurance funds of the Group. The transactions entered into with these long-term life assurance funds, cannot be eliminated in the consolidated financial statements due to the basis of accounting used for the life assurance businesses.

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.

## Notes to the Financial Statements

for the financial year ended 31 December 2004

### 50. SUBSEQUENT EVENTS

- (a) On 29 January 2005, iPropertyNet Pte Ltd ("iPropertyNet"), which is 13% owned by OCBC Capital Investment I Pte. Ltd. ("OCI") and 44% owned by OCBC eVenture Fund II Pte Ltd ("OEF"), was dissolved. The Bank is the ultimate holding company of both OCI and OEF. Hence, iPropertyNet ceased to be a subsidiary of the Bank on the same day.
- (b) On 2 February 2005, OCBC Capital Corporation ("OCC"), a wholly-owned subsidiary of the Bank, incorporated in the Cayman Islands, issued 4,000,000 non-cumulative non-convertible guaranteed preference shares of S\$0.01 each ("OCBC OCC-A Preference Shares") at a subscription price of S\$100 per share. The total proceeds raised from the OCBC OCC-A Preference Shares was on-lent to the Bank in exchange for a subordinated note issued by the Bank. In turn, the Bank guarantees, on a subordinated basis, all payment obligations in respect of the OCBC OCC-A Preference Shares, and the net proceeds from the issue of the subordinated note was used for general funding purpose.
- These shares were listed on the Singapore Exchange Securities Trading Limited under the trading name of "OCBCCap3.93%Pref2500" on 3 February 2005.
- (c) Subsequent to 31 December 2004 and up to the date of issue of these financial statements, the Bank has purchased, in aggregate, 4,090,576 ordinary shares by way of market acquisition amounting to \$56,432,349. This was pursuant to the stock purchase mandate approved by shareholders at an extraordinary general meeting on 15 April 2004.

### 51. AUTHORISATION OF FINANCIAL STATEMENTS

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 11 February 2005.