

UNITED OVERSEAS BANK LIMITED
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

Financial Statements

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The directors present their report to the members together with the audited financial statements of the Bank and of the Group for the financial year ended 31 December 2002.

Directors

The directors holding office at the date of this report are as follows:

Mr Wee Cho Yaw
Mr Lee Hee Seng
Mr Wee Ee Cheong
Mr Koh Beng Seng
Mr Ngiam Tong Dow
Mr Ernest Wong Yuen Weng
Mr Wong Meng Meng
Mr Sim Wong Hoo
Mr Philip Yeo Liat Kok
Dr Cham Tao Soon
Mr Tan Kok Quan
Professor Lim Pin
Mrs Margaret Lien Wen Hsien
Mr Ng Boon Yew

Principal Activities

The Bank is principally engaged in the business of banking in all its aspects. The principal activities of its subsidiaries are set out in Note 46 to the financial statements. There have been no significant changes in the nature of these activities during the financial year, except for the following:

- (a) On 2 January 2002, Overseas Union Bank Limited ("OUB"), a wholly-owned subsidiary was merged into the Bank under Section 14A of the Banking Act, Cap. 19. As a result of the merger, the businesses, assets, liabilities, interests, rights, privileges, obligations and commitments of OUB were transferred to and vested in the Bank. The banking licence of OUB was cancelled on 2 January 2002 and it has been dormant since then. At an appropriate time, the Bank will apply to the Registrar of Companies and Businesses for OUB to be dissolved by striking its name off the register under Section 344 of the Companies Act, Cap. 50.
- (b) On 3 June 2002, Industrial & Commercial Bank Limited ("ICB"), a wholly-owned subsidiary was delisted from the Singapore Exchange after the Bank acquired the minority shareholders' interests of 12.55% in ICB. On 28 August 2002, ICB was merged into the Bank under Section 14A of the Banking Act, Cap. 19. As a result of the merger, the businesses, assets, liabilities, interests, rights, privileges, obligations and commitments of ICB were transferred to and vested in the Bank. The banking licence of ICB was cancelled on 28 August 2002 and it has been dormant since then. At an appropriate time, the Bank will apply to the Registrar of Companies and Businesses for ICB to be dissolved by striking its name off the register under Section 344 of the Companies Act, Cap. 50.

Acquisitions and Disposals of Subsidiaries

(a) Incorporation of a Subsidiary

During the financial year, the Bank incorporated Tye Hua Investments Pte Ltd as a wholly-owned subsidiary of the Bank. The cash consideration paid by the Bank was \$2.

Directors' Report

for the financial year ended 31 December 2002

Acquisitions and Disposals of Subsidiaries (continued)

(b) Acquisition of Subsidiaries

During the financial year, the Group acquired the remaining 50% interest in OUB Optimix Funds Management Limited ("OUB Optimix") for a cash consideration of \$2,243,091. The Group's share of the net tangible assets of OUB Optimix at the date of acquisition in respect of the 50% acquisition amounted to \$957,882.

In addition, the Group also acquired the remaining 50% interest in UOB Investment Consultancy (Beijing) Limited (formerly known as UOB Centek Technology (Beijing) Investment Consulting Co., Ltd) for a cash consideration of \$196,200. The Group's share of the net tangible assets of UOB Investment Consultancy (Beijing) Limited at the date of acquisition in respect of the 50% acquisition was \$196,200.

(c) Liquidation of Subsidiaries

During the financial year, the following subsidiaries were placed into members' voluntary liquidation:

	Group's Share of Net Tangible Assets at Date of Liquidation \$'000	Group's Effective Interest %
asia-reach.com Pte Ltd	*	100
Grand Orient Nominees Pte Ltd	69	100
ICB Enterprises (Private) Limited	508	100
ICB Finance Limited	10,379	100
OUB Australia Ltd	18,400	100
OUB Bullion & Futures Ltd	56,874	100
OUB Investments Pte Ltd	19,899	100
OUB-TA Asset Management Sdn Bhd	1,246	51
OUL Sdn Bhd	558	100
Overseas Union Developments Sdn Bhd	349	100
Overseas Union Garden (Private) Limited	(6)	100
Overseas Union Holdings Sdn Bhd	225	100
Overseas Union Management Services Sdn Bhd	3	100
Overseas Union Project Management Pte Ltd	*	100
Overseas Union Realty Services Pte Ltd	51	100
Securities Investments Pte Ltd	144,678	100
UOB Management Services Pte Ltd	3	100
UOB Property Management Pte Ltd	*	100
UOB Travel (General Sales Agent) Pte Ltd	319	55

* Amount less than \$1,000.

In addition, the following subsidiaries were also placed into members' voluntary liquidation and liquidation was completed during the financial year:

	Group's Share of Net Tangible Assets at Date of Liquidation \$'000	Group's Effective Interest %	Group's Share of the Liquidation Proceeds \$'000
OUB Australia Nominees Pty Ltd	16	100	16
OUB (Australia) Securities Pty Ltd	201	100	201
OUB Finance (H.K.) Limited	5,743	100	5,743
Overseas Union Bank Nominees (U.K.) Limited	1	100	1
Overseas Union Facilities (H.K.) Ltd	466	100	466
Tye Hua Investments Pte Ltd	942,600	100	942,600

(d) **Disposal of a Subsidiary**

During the financial year, the Group disposed of Overseas Union Facilities Sdn Bhd ("OUFSB"), a wholly-owned subsidiary, for a consideration of \$1,596. The Group's share of the net assets of OUFSB was nil.

Results for the Financial Year

	The Group \$'000	The Bank \$'000
Profit after tax	1,093,844	1,432,026
Minority interests	(29,644)	—
Net profit attributable to members	<u>1,064,200</u>	<u>1,432,026</u>

Material Transfers to or from Reserves and Provisions

Material movements in reserves and provisions are set out in the notes to the financial statements.

Issue of Shares and Debentures

- (a) During the financial year, the Bank issued 494,000 ordinary shares of \$1 each to option holders who exercised their rights in connection with the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme as follows:

Subscription Price Per Share, Paid in Cash \$	Number of Ordinary Shares of \$1 Each in the Bank
8.25	109,000
3.14	39,000
14.70	28,000
12.90	318,000
	<u>494,000</u>

All newly issued shares rank *pari passu* in all respects with the previously issued shares.

Directors' Report

for the financial year ended 31 December 2002

Issue of Shares and Debentures (continued)

(b) Details of issues of shares by subsidiaries during the financial year are set out below.

The following subsidiaries issued shares at par which were fully paid up in cash to provide additional working capital:

	Number of Shares Issued	Type of Shares	Issue Price Paid in Cash	Par Value Per Share
Tye Hua Investments Pte Ltd	942,599,998	Ordinary	\$942,599,998	\$1
UOB Capital Management Pte Ltd	26,600,000	Ordinary	\$26,600,000	\$1
UOB Holdings (USA) Inc.	960,000	Preference	US\$960,000 (equivalent to \$1,666,464)	US\$1
UOB Global Capital LLC	960,000	Preference	US\$960,000 (equivalent to \$1,666,464)	US\$1
Industrial & Commercial Property (S) Pte Ltd	30,000,000	Ordinary	\$30,000,000	\$1
UOB Investment Advisor (Taiwan) Ltd	1,300,000	Ordinary	TWD13,000,000 (equivalent to \$648,889)	TWD10
UOB Radanasin Bank Public Company Limited	149,999,642	Ordinary	THB1,499,996,420 (equivalent to \$60,364,956)	THB10

In addition, UOB Venture Management (Shanghai) Co., Ltd increased its registered share capital by RMB128,696,165 (equivalent to \$26,989,915).

(c) In addition, during the financial year, Overseas Union Trust Limited ("OUT") issued the following ordinary shares of \$1 each to option holders who exercised their rights in connection with the OUT Share Option Scheme:

Subscription Price Per Share, Paid in Cash \$	Number of Ordinary Shares of \$1 Each in OUT
2.52	112,000
3.89	29,000
	<hr/> 141,000

On 19 December 2002, pursuant to a scheme of arrangement under Section 210 of the Companies Act, Cap. 50, OUT effected the following in respect of its ordinary shares:

- (i) 32,703,226 shares held by all shareholders (referred to as "Scheme Shareholders" representing the minority interests of 47.11%) other than the Bank were cancelled by way of a capital reduction in exchange for a cash consideration of \$4.60 per share or a total consideration of \$150,434,840 paid by the Bank to the Scheme Shareholders; and
- (ii) 32,703,226 new shares equal in number to such cancelled shares held by the Scheme Shareholders were issued and allotted by OUT, credited as fully paid up, to the Bank and its nominees.

As a result, the Bank held 100% of the issued share capital of OUT. OUT was delisted from the Singapore Exchange on 20 December 2002.

All newly issued shares rank *pari passu* in all respects with the previously issued shares.

(d) There was no other issue of shares or debentures by the Bank or any other corporation in the Group during the financial year.

Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those issued in connection with the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme as set out in this report.

Directors' Interests in Shares, Share Options and Debentures

- (a) The interests of the directors holding office at the end of the financial year in the share capital of the Bank and related corporations according to the register of directors' shareholdings were as follows:

	Shareholdings Registered in the Name of Directors		Shareholdings in which Directors are Deemed to have an Interest	
	At 31.12.2002	At 1.1.2002	At 31.12.2002	At 1.1.2002
The Bank				
Mr Wee Cho Yaw	16,390,248	16,390,248	209,258,142	146,375,326
Mr Lee Hee Seng	562,341	562,341	223,303	223,303
Mr Wee Ee Cheong	2,794,899	2,794,899	143,985,251	143,985,251
Mr Ngiam Tong Dow	—	—	4,600	4,600
Mr Ernest Wong Yuen Weng	50,000	70,000	—	—
Dr Cham Tao Soon	—	—	4,520	4,520
Mr Tan Kok Quan	—	—	95,038	95,038
Mrs Margaret Lien Wen Hsien	99,783	99,783	81,538,287	81,538,287
Mr Ng Boon Yew	—	—	5,280	5,280
United Overseas Insurance Limited				
Mr Wee Cho Yaw	25,400	25,400	—	—
Overseas Union Securities Limited				
Mr Lee Hee Seng	796,875	796,875	—	—
Mrs Margaret Lien Wen Hsien	—	—	15,625	15,625
Industrial & Commercial Bank Limited				
Mr Wee Ee Cheong	—	—	—	356,000
Overseas Union Trust Limited				
Mr Lee Hee Seng	—	74,000	—	—
Mrs Margaret Lien Wen Hsien	—	56,600	—	133,900

- (b) According to the register of directors' shareholdings, no director holding office at 31 December 2002 had any interest in the share options in, or debentures of the Bank and related corporations.
- (c) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2003 (being the 21st day after the end of the financial year).

Directors' Report

for the financial year ended 31 December 2002

Dividends

Dividends paid, declared and recommended since the end of the Bank's previous financial year were as follows:

\$'000

A final dividend of 25 cents per share net of tax at 22% was paid on 31 May 2002

in respect of the financial year ended 31 December 2001:

– as proposed in the directors' report for that financial year	306,366
– in respect of new shares issued upon the exercise of share options before book closure date	88
	<hr/> 306,454

An interim dividend of 15 cents per share net of tax at 22% was paid on 4 September 2002

in respect of the financial year ended 31 December 2002

183,874

An interim dividend of 18.76 cents per share net of tax at 22% was paid in specie on 20 December 2002

in respect of the financial year ended 31 December 2002 [Details of the distribution are set out in Note 19(c) to the financial statements]

230,020

A proposed final dividend of 25 cents per share recommended by the directors, net of tax at 22%, in respect of the financial year ended 31 December 2002

306,463

Bad and Doubtful Debts

Before the financial statements of the Bank were made out, the directors took reasonable steps to ascertain that proper action has been taken in relation to the writing off of bad debts and providing for doubtful debts of the Bank and have satisfied themselves that all known bad debts of the Bank have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the consolidated financial statements of the Group inadequate to any substantial extent.

Current Assets

Before the financial statements of the Bank were made out, the directors took reasonable steps to ascertain that any current assets of the Bank which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in values of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements of the Group misleading.

Charges on Assets and Contingent Liabilities

At the date of this report, no charges have arisen since the end of the financial year on the assets of the Bank or any other corporation in the Group which secure the liability of any other person, nor has any contingent liability arisen since the end of the financial year in the Bank or any other corporation in the Group other than those normally undertaken in the course of the activities of the Bank and the Group.

Ability to Meet Obligations

No contingent or other liability of the Bank or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Bank and of the Group to meet their obligations as and when they fall due.

Other Circumstances Affecting the Financial Statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Bank and the consolidated financial statements of the Group misleading.

Unusual Items

In the opinion of the directors, the results of the operations of the Bank and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects of the merger of OUB and ICB into the Bank as shown in the notes to the financial statements.

Unusual Items after the Year-End Date

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Bank and of the Group for the financial year in which this report is made.

Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and in this report) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Directors' Report

for the financial year ended 31 December 2002

Directors' Fees and Other Remuneration

(a) Details of the total fees and other remuneration paid/payable by the Group to the directors of the Bank for the financial year ended 31 December 2002 are as follows:

	Directors' Fees %	Base or Fixed Salary %	Variable/ Performance Bonus %	Benefits-In-Kind and Others %	Total %
\$6,500,000 to \$6,749,999	3.2	10.7	85.8	0.3	100.0
Mr Wee Cho Yaw					
\$2,000,000 to \$2,249,999	7.6	30.5	59.5	2.4	100.0
Mr Wee Ee Cheong					
\$1,750,000 to \$1,999,999	4.1	39.5	55.8	0.6	100.0
Mr Lee Hee Seng					
\$1,250,000 to \$1,499,999	4.2	45.7	46.5	3.6	100.0
Mr Koh Beng Seng					
Below \$250,000	100.0	—	—	—	100.0
Mr Ho Sim Guan					
(retired on 9 May 2002)					
Mr Ngiam Tong Dow					
Mr Ernest Wong Yuen Weng					
Mr Wong Meng Meng					
Mr John C Dean Jr					
(resigned on 17 June 2002)					
Mr Sim Wong Hoo					
Mr Philip Yeo Liat Kok					
Dr Cham Tao Soon					
Mr Tan Kok Quan					
Professor Lim Pin					
Mrs Margaret Lien Wen Hsien					
Mr Ng Boon Yew					

(b) The above directors did not receive any share options during the financial year.

Share Options of the Bank

- (a) From 1990 to 1998, share options were granted by the Bank pursuant to the UOB Executives' Share Option Scheme in respect of unissued ordinary shares of \$1 each to officers of the Bank and its subsidiaries who are in the corporate grade of Vice President rank and above and are not substantial shareholders of the Bank. Particulars of the share options granted under this scheme in 1998 (hereinafter called "Options 1998") have been set out in the directors' report for the year ended 31 December 1998.
- (b) On 6 October 1999, the Bank's shareholders approved the adoption of the UOB 1999 Share Option Scheme to replace the UOB Executives' Share Option Scheme. Under the UOB 1999 Share Option Scheme, options may be granted to employees in the corporate grade of Vice President (or an equivalent rank) and above and selected employees below the corporate grade of Vice President (or an equivalent rank) of the Bank and its subsidiaries, and to directors and controlling shareholders. Particulars of the share options granted under this scheme in 1999 and 2000 (hereinafter called "Options 1999" and "Options 2000" respectively) have been set out in the directors' reports for the financial years ended 31 December 1999 and 2000 respectively.

(c) During the financial year, no options were granted pursuant to the UOB 1999 Share Option Scheme.

(d) Statutory and other information regarding the options is as follows:

(i) Options	Option Period	Offer Price \$
UOB Executives' Share Option Scheme		
1998	14 September 1999 to 13 June 2003	3.14
UOB 1999 Share Option Scheme		
1999	27 December 2000 to 26 December 2004	14.70
2000	11 December 2001 to 10 December 2005	12.90

- (ii) The share options expire at the end of the respective option periods unless they lapse earlier in the event of death, bankruptcy or cessation of employment of the participant or the take-over or winding up of the Bank. Further details of the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme ("the Schemes") are set out in the circulars to shareholders dated 18 January 1990 and 10 September 1999 respectively.

Directors' Report

for the financial year ended 31 December 2002

Share Options of the Bank *(continued)*

- (d) (iii) Since the commencement of the Schemes, no participant received 5% or more of the total options available under the Schemes and no options were granted to controlling shareholders (or their associates). Since the commencement of the Schemes, no options were granted to directors of the Bank except for Mr Ernest Wong Yuen Weng, who received options since the commencement of the Schemes up to 31 December 1999 as follows:

Options Granted during the Financial Year	Aggregate Number of Shares under Option since the Commencement of the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme up to 31 December 2002			Number of Shares under Option Outstanding as at	
	Granted	Exercised	Lapsed	31.12.2002	1.1.2002
Nil	741,000	588,000	153,000	—	—

Mr Ernest Wong Yuen Weng did not receive any options after 31 December 1999.

- (iv) The holders of the Bank's options have no right to participate, by virtue of the options, in any share issue of any other company.
- (e) Save as disclosed in this report, no shares of the Bank were issued during the year to which this report relates by virtue of the exercise of options granted pursuant to the Schemes, whether granted before or during the financial year.
- (f) Unissued ordinary shares of \$1 each under option at 31 December 2002 comprise the following:

Year in which Options were Granted Under the Schemes	Price Per Share Payable in Full Upon Application \$	Date of Expiration of Option	Number of Shares
1998	3.14	14 June 2003	10,000
1999	14.70	27 December 2004	1,211,000
2000	12.90	11 December 2005	1,179,000
			<u>2,400,000</u>

Share Options of the Bank's Subsidiary, Overseas Union Trust Limited ("OUT")

- (a) The OUT Share Option Scheme (the scheme as amended or modified from time to time hereinafter called the "OUT Scheme") was approved by the members of OUT at an Extraordinary General Meeting held on 11 May 1995.
- (b) Options under the OUT Scheme were granted to officers of OUT in the corporate grade of Assistant Manager (or an equivalent rank) and above, and an executive director of OUT. Particulars of the share options granted under this scheme have been set out in the directors' report for the year ended 31 December 2001.
- (c) On 1 April 2000, replacement options (hereinafter called the "Replacement Options") were granted pursuant to the OUT Scheme (as amended) to holders of outstanding options granted under the OUT Scheme and who, on that date, satisfied the eligibility criteria specified in Regulation 6 of the Regulations of the OUT Scheme. Particulars of the Replacement Options granted under this scheme have been set out in the directors' report for the year ended 31 December 2001.

- (d) No options have been granted under the OUT Scheme during the period from 20 September 2001, the date when OUT became a subsidiary of the Bank, to 31 December 2002.
- (e) Save as disclosed in this report, no shares of OUT were issued during the year to which this report relates by virtue of the exercise of options granted pursuant to the OUT Scheme.
- (f) Statutory and other information regarding the unissued shares of OUT under options which were granted pursuant to the OUT Scheme as at 31 December 2002 is as follows:

Year in which Options were Granted Under the OUT Scheme	Price Per Share Payable in Full Upon Application \$	Date of Expiration of Option	Number of Ordinary Shares of \$1 Each in OUT
1995 Replacement Options	2.49	1 October 2005	63,041
1996 Replacement Options	2.61	2 October 2006	71,000
1997 Replacement Options	2.14	30 September 2007	57,000
1998 Replacement Options	1.00	4 October 2008	75,000
1999 Options	2.27	30 September 2009	87,000
2000 Options	2.52	21 September 2010	202,000
2001 Options	3.89	5 August 2011	403,000
			<hr/> 958,041

The holders of the options, including Replacement Options, of OUT have no right to participate, by virtue of the options, in any share issue of any other company.

- (g) Pursuant to the proposal made in connection with the privatisation of OUT dated 21 October 2002 to, and accepted by, each of the holders of the options granted under the OUT Scheme ("the Optionholders"), each of the Optionholders has agreed not to exercise all or any of his rights as holders of such options. Pursuant to Regulation 14.2 of the Scheme, all the options granted under the OUT Scheme lapsed and became null and void on 27 January 2003.

Directors' Report

for the financial year ended 31 December 2002

Audit Committee

The Audit Committee comprises four members, all of whom are non-executive independent directors. The members of the Audit Committee are as follows:

Mr Ernest Wong Yuen Weng (Chairman)

Mr Philip Yeo Liat Kok

Dr Cham Tao Soon

Mr Tan Kok Quan

In its report to the Board of Directors, the Audit Committee reports that it has reviewed with the Bank's internal auditors their audit plan and the scope and results of the Bank's internal audit procedures. The Audit Committee has also reviewed with the Bank's auditors, PricewaterhouseCoopers, their audit plan, their evaluation of the system of internal accounting controls, their auditors' long-form report and the response of management thereto as well as their audit report on the financial statements of the Bank and the consolidated financial statements of the Group for the year ended 31 December 2002. The financial statements of the Bank and the consolidated financial statements of the Group for the year ended 31 December 2002 have been reviewed by the Committee prior to their submission to the Board of Directors.

The Audit Committee has reviewed the Bank's position with regard to interested person transactions and the assistance given by the Bank's officers to PricewaterhouseCoopers.

The Audit Committee has also carried out the functions required of the Committee under the Code of Corporate Governance.

At the date of this report, the Audit Committee is reviewing the nomination of a firm of certified public accountants for appointment as auditors of the Bank by shareholders at the forthcoming Annual General Meeting.

On behalf of the directors

Wee Cho Yaw

Chairman

Wee Ee Cheong

Deputy Chairman

28 February 2003

Statement by Directors

for the financial year ended 31 December 2002

In the opinion of the directors, the financial statements set out on pages 91 to 168 are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group at 31 December 2002, the results of the business and changes in equity of the Bank and of the Group and the cash flows of the Group for the financial year then ended, and 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 directors

Wee Cho Yaw
Chairman

Wee Ee Cheong
Deputy Chairman

28 February 2003

Auditors' Report to the Members of United Overseas Bank Limited

for the financial year ended 31 December 2002

We have audited the financial statements of United Overseas Bank Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2002 set out on pages 91 to 168. 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 Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Bank and of the Group at 31 December 2002, and the profit and changes in equity of the Bank and of the Group, and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements of the Bank and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note 46 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification which is material in relation to the consolidated financial statements, and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 28 February 2003

Income Statements

for the financial year ended 31 December 2002

	Note	The Group		The Bank	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest income	3	3,752,479	3,413,284	2,952,152	2,315,784
Less: Interest expense	4	1,583,358	1,984,133	1,233,023	1,472,743
Net interest income		2,169,121	1,429,151	1,719,129	843,041
Dividend income	5	31,881	33,701	256,386	231,157
Fee and commission income	6	500,545	355,201	293,684	164,003
Rental income	7	78,426	75,947	45,667	42,036
Other operating income	8	299,272	330,091	263,891	245,296
Income before operating expenses		3,079,245	2,224,091	2,578,757	1,525,533
Less:					
Staff costs	9	536,354	442,657	336,174	215,706
Other operating expenses	10	537,623	431,186	418,399	259,072
		1,073,977	873,843	754,573	474,778
Operating profit before goodwill amortisation and provisions		2,005,268	1,350,248	1,824,184	1,050,755
Less: Goodwill amortisation	35	195,554	47,806	191,223	–
Less: Provisions	12	451,482	164,795	511,227	111,675
Operating profit after goodwill amortisation and provisions		1,358,232	1,137,647	1,121,734	939,080
Exceptional items	13	(48,065)	(11,997)	727,559	(11,045)
Share of profit of associates		123,403	71,912	–	–
Profit from ordinary activities before tax		1,433,570	1,197,562	1,849,293	928,035
Less: Tax	14	339,726	268,988	417,267	181,396
Profit after tax		1,093,844	928,574	1,432,026	746,639
Minority interests		(29,644)	(3,995)	–	–
Net profit for the financial year attributable to members		1,064,200	924,579	1,432,026	746,639
Earnings per share:	15				
Basic		68 cents	77 cents		
Diluted		68 cents	77 cents		

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 90.

Balance Sheets

as at 31 December 2002

		The Group		The Bank	
	Note	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Share Capital And Reserves					
Share capital	16	1,571,603	1,571,109	1,571,603	1,571,109
Share premium	17	791,233	786,192	791,233	786,192
Non-distributable reserves	18	6,223,204	6,622,841	5,801,717	6,076,234
Revenue reserves	19	3,933,004	3,199,343	3,119,545	2,148,951
Share of reserves of associates	20	133,594	537,354	–	–
		12,652,638	12,716,839	11,284,098	10,582,486
Minority Interests		149,635	398,560	–	–
Liabilities					
Current, fixed, savings accounts and other deposits of non-bank customers		67,918,581	74,451,684	57,931,265	36,484,724
Deposits and balances of banks and agents		19,302,058	18,093,807	17,966,942	11,429,360
Deposits from subsidiaries		–	–	1,421,386	1,133,793
	21	87,220,639	92,545,491	77,319,593	49,047,877
Bills and drafts payable		163,865	125,177	107,986	32,221
Provision for current tax		445,997	475,435	371,025	310,255
Other liabilities	22	4,662,937	3,445,900	2,842,129	1,380,453
Deferred tax liabilities	14	26,900	23,539	6,422	874
Debts issued	23	2,146,810	4,157,153	1,294,399	3,639,095
		94,667,148	100,772,695	81,941,554	54,410,775
		107,469,421	113,888,094	93,225,652	64,993,261
Off-Balance Sheet Items					
Contingent liabilities	38	8,918,971	7,788,183	7,802,255	3,535,260
Derivative financial instruments	39	131,279,403	82,208,382	129,039,215	70,380,618
Commitments	40	36,526,489	34,692,168	30,392,941	15,389,598

		The Group		The Bank	
	Note	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Assets					
Cash and balances with central banks		4,213,458	3,329,827	2,402,190	926,101
Singapore Government treasury bills and securities	24	8,260,989	8,711,833	8,002,833	4,272,411
Other government treasury bills and securities	25	1,332,948	1,817,360	419,031	244,261
Dealing securities	26	620,109	680,989	431,811	358,104
Placements and balances with banks and agents	27	19,426,221	24,745,590	18,419,738	19,396,877
Trade bills	28	1,051,030	1,204,164	139,405	62,280
Advances to customers	28	57,832,977	59,687,930	49,816,830	23,433,561
Placements with and advances to subsidiaries		–	–	1,018,173	2,038,867
Other assets	29	4,012,147	2,967,633	3,064,785	1,648,779
		96,749,879	103,145,326	83,714,796	52,381,241
Investment securities	30	3,945,383	3,431,062	2,687,019	989,656
Investments in associates	31	1,274,245	1,781,322	706,868	737,601
Investments in subsidiaries	32	–	–	1,409,829	10,260,598
Fixed assets	34	1,794,349	1,724,515	1,118,922	610,132
Deferred tax assets	14	39,519	29,218	2,790	14,033
Goodwill	35	3,666,046	3,776,651	3,585,428	–
		107,469,421	113,888,094	93,225,652	64,993,261

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 90.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2002

The Group

	Note	Share Capital \$'000	Share Premium \$'000	2002 Non- Distributable Reserves \$'000	Revenue Reserves \$'000	Share of Reserves of Associates \$'000	Total \$'000
Balance at 1 January 2002							
As previously reported		1,571,109	786,192	6,622,841	3,136,210	537,354	12,653,706
Prior year adjustments resulting from adoption of revised SAS 12	19	–	–	–	63,133	–	63,133
As restated		1,571,109	786,192	6,622,841	3,199,343	537,354	12,716,839
Net profit for the financial year attributable to members		–	–	–	1,064,200	–	1,064,200
Differences arising from currency translation of financial statements of foreign branches and subsidiaries	18	–	–	(14,514)	–	–	(14,514)
Group's share of reserves of associates	20	–	–	–	–	(393,977)	(393,977)
Other adjustments	18,19	–	–	(2,968)	(2,129)	–	(5,097)
Total recognised gains/(losses) for the financial year		–	–	(17,482)	1,062,071	(393,977)	650,612
Net transfer to revenue reserves	18,19	–	–	(384,707)	384,707	–	–
Transfer from share of reserves of associates	18,19,20	–	–	2,552	7,231	(9,783)	–
Dividends	19	–	–	–	(720,348)	–	(720,348)
Issue of shares to option holders who exercised their rights	16,17	494	5,041	–	–	–	5,535
Balance at 31 December 2002		1,571,603	791,233	6,223,204	3,933,004	133,594	12,652,638

The Group

	Note	Share Capital \$'000	Share Premium \$'000	2001 Non- Distributable Reserves \$'000	Revenue Reserves \$'000	Share of Reserves of Associates \$'000	Total \$'000
Balance at 1 January 2001							
As previously reported		1,052,451	783,488	1,820,477	2,792,288	519,469	6,968,173
Prior year adjustments resulting from adoption of revised SAS 12	19	–	–	–	63,133	–	63,133
As restated		1,052,451	783,488	1,820,477	2,855,421	519,469	7,031,306
Net profit for the financial year attributable to members		–	–	–	924,579	–	924,579
Differences arising from currency translation of financial statements of foreign branches and subsidiaries	18	–	–	92,741	–	–	92,741
Group's share of reserves of associates	20	–	–	–	–	17,885	17,885
Total recognised gains/(losses) for the financial year		–	–	92,741	924,579	17,885	1,035,205
Net transfer from revenue reserves	18,19	–	–	220,148	(220,148)	–	–
Transfer from revenue reserves due to bonus shares issued by subsidiary	18,19	–	–	57,796	(57,796)	–	–
Goodwill, previously eliminated against reserves on acquisition, reinstated on disposal of subsidiary	19	–	–	–	15,231	–	15,231
Dividends	19	–	–	–	(317,944)	–	(317,944)
Issue of shares to option holders who exercised their rights	16,17	377	2,704	–	–	–	3,081
Issue of shares as part consideration for the acquisition of Overseas Union Bank Limited ("OUB")	16,18	518,281	–	4,431,679	–	–	4,949,960
Balance at 31 December 2001		1,571,109	786,192	6,622,841	3,199,343	537,354	12,716,839

Analyses of the movements in each component within 'Share Capital', 'Share Premium', 'Non-Distributable Reserves', 'Revenue Reserves' and 'Share of Reserves of Associates' are presented in Notes 16, 17, 18, 19 and 20 respectively.

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 90.

Statement of Changes in Equity

for the financial year ended 31 December 2002

The Bank

	Note	2002				
		Share Capital \$'000	Share Premium \$'000	Non- Distributable Reserves \$'000	Revenue Reserves \$'000	Total \$'000
Balance at 1 January 2002						
As previously reported		1,571,109	786,192	6,076,234	2,106,241	10,539,776
Prior year adjustments resulting from adoption of revised SAS 12	19	–	–	–	42,710	42,710
As restated		1,571,109	786,192	6,076,234	2,148,951	10,582,486
Net profit for the financial year attributable to members		–	–	–	1,432,026	1,432,026
Differences arising from currency translation of financial statements of foreign branches	18	–	–	(15,601)	–	(15,601)
Total recognised gains/(losses) for the financial year		–	–	(15,601)	1,432,026	1,416,425
Transfer to statutory reserves	18,19	–	–	741,193	(741,193)	–
Transfer from capital reserves	18,19	–	–	(1,000,109)	1,000,109	–
Dividends	19	–	–	–	(720,348)	(720,348)
Issue of shares to option holders who exercised their rights	16,17	494	5,041	–	–	5,535
Balance at 31 December 2002		1,571,603	791,233	5,801,717	3,119,545	11,284,098

The Bank

		2001				
	Note	Share Capital \$'000	Share Premium \$'000	Non- Distributable Reserves \$'000	Revenue Reserves \$'000	Total \$'000
Balance at 1 January 2001						
As previously reported		1,052,451	783,488	1,460,184	1,864,546	5,160,669
Prior year adjustments resulting from adoption of revised SAS 12	19	–	–	–	42,710	42,710
As restated		1,052,451	783,488	1,460,184	1,907,256	5,203,379
Net profit for the financial year attributable to members		–	–	–	746,639	746,639
Differences arising from currency translation of financial statements of foreign branches	18	–	–	(2,629)	–	(2,629)
Total recognised gains/(losses) for the financial year		–	–	(2,629)	746,639	744,010
Transfer to statutory reserves	18,19	–	–	187,000	(187,000)	–
Dividends	19	–	–	–	(317,944)	(317,944)
Issue of shares to option holders who exercised their rights	16,17	377	2,704	–	–	3,081
Issue of shares as part consideration for the acquisition of OUB	16,18	518,281	–	4,431,679	–	4,949,960
Balance at 31 December 2001		1,571,109	786,192	6,076,234	2,148,951	10,582,486

Analyses of the movements in each component within 'Share Capital', 'Share Premium', 'Non-Distributable Reserves' and 'Revenue Reserves' are presented in Notes 16, 17, 18 and 19 respectively.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2002

	2002 \$'000	2001 \$'000
Cash Flows From Operating Activities		
Profit before tax	1,433,570	1,197,562
Adjustments for:		
Depreciation of fixed assets	114,536	96,119
Goodwill amortisation	195,554	47,806
Share of profit of associates	(123,403)	(71,912)
Operating profit before changes in operating assets and liabilities	1,620,257	1,269,575
Changes in operating assets and liabilities:		
Deposits	(5,324,852)	(1,165,418)
Bills and drafts payable	38,688	(48,023)
Other liabilities	1,216,704	(567,466)
Dealing securities	60,880	179,039
Placements and balances with banks and agents	5,319,369	(1,136,568)
Trade bills and advances to customers	2,008,087	(824,386)
Other government treasury bills and securities not qualifying as cash and cash equivalents	406,917	310,371
Other assets	(1,043,677)	124,578
Cash generated from/(used in) operations	4,302,373	(1,858,298)
Income taxes paid	(371,089)	(322,008)
Net cash from/(used in) operating activities	3,931,284	(2,180,306)
Cash Flows From Investing Activities		
Increase in investment securities and investments in associates	(339,781)	(1,172,959)
Net dividends received from associates	52,210	39,246
Net (increase)/decrease in fixed assets	(184,031)	21,593
Acquisition of/change in minority interests of subsidiaries	(353,136)	42,649
Net cash flow on acquisition	(1,204)	6,405,853
Net cash flow from disposal of subsidiaries	2	28,933
Net cash (used in)/from investing activities	(825,940)	5,365,315
Cash Flows From Financing Activities		
Proceeds from issue of shares	5,535	3,081
Net (decrease)/increase in debts issued	(2,010,343)	4,157,153
Dividends paid by the Bank	(720,348)	(317,944)
Dividends paid by subsidiaries to minority shareholders	(10,382)	(6,811)
Net cash (used in)/from financing activities	(2,735,538)	3,835,479
Currency translation adjustment	(14,514)	92,741
Net increase in cash and cash equivalents	355,292	7,113,229
Cash and cash equivalents at beginning of the financial year	12,728,768	5,615,539
Cash and cash equivalents at end of the financial year (Note 41)	13,084,060	12,728,768

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 90.

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

1 General

The Bank is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of its registered office is as follows:

80 Raffles Place
UOB Plaza
Singapore 048624

The Bank is principally engaged in the business of banking in all its aspects, including the operation of an Asian Currency Unit under the terms and conditions specified by the Monetary Authority of Singapore. The principal activities of its subsidiaries are set out in Note 46 to the financial statements.

2 Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared in accordance with and comply with Singapore Statements of Accounting Standard ("SAS"). The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain derivative financial instruments to market value at the balance sheet date and the inclusion of certain freehold and leasehold land and buildings at valuation.

The financial statements of the Bank and the consolidated financial statements of the Group are expressed in Singapore dollars.

(b) Basis of Consolidation

- (i) The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated income statement from the respective dates of their acquisition or disposal. Inter-company balances and transactions and resulting unrealised profits and losses are eliminated in full on consolidation.
- (ii) Interpretation of Statement of Accounting Standard ("INT") 5: Consolidation – Special Purpose Entities ("SPE") requires that SPEs be consolidated when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. The implementation of INT 5 has resulted in the consolidation of an SPE established in the ordinary course of the Group's business. Details of the SPE are set out in Note 36.

The accounting policy was adopted on 1 January 2002 to comply with INT 5 and has been accounted for retrospectively. The comparatives of the Group have been restated to conform to the new policy.

Notes to the Financial Statements

for the financial year ended 31 December 2002

2 Significant Accounting Policies

(b) Basis of Consolidation *(continued)*

- (ii) The adjustments made to the comparative figures are to increase the assets and liabilities and to decrease the derivative financial instruments by the amounts shown below:

	The Group Increase/(Decrease) \$'000
Balance Sheet	
Assets	
Placements and balances with banks and agents	58,250
Investment securities	473,937
Other assets	16,359
	<hr/> 548,546
Liabilities	
Debts issued	518,058
Other liabilities	30,488
	<hr/> 548,546
Off-Balance Sheet Items	
Derivative financial instruments (contract or underlying principal amount)	<hr/> (552,836)

The adoption of the accounting policy has no effect on the results of the Group for the financial year ended 31 December 2001.

(c) Associates

The Group treats as associates those companies in which the Group has a long-term equity interest of 20 to 50 percent and over whose financial and operating policy decisions it has significant influence except when the investment is acquired and held exclusively with a view to its subsequent disposal in the near future, in which case it is accounted for either as dealing securities or investment securities as appropriate.

Associates are accounted for under the equity method whereby the Group's share of profits less losses of associates is included in the consolidated income statement and the Group's share of post-acquisition reserves, net of dividends received, are adjusted against the cost of investments to arrive at the carrying amount in the consolidated balance sheet.

(d) Trade Bills and Advances to Customers

Trade bills and advances to customers are stated at cost less provisions for possible losses. These provisions comprise specific provisions made for any debts considered to be doubtful of collection and a general provision maintained to cover losses which, although not specifically identified, are inherent in any portfolio of loans and advances. Known bad debts are written off.

(e) **Investments**

- (i) Singapore Government treasury bills and securities, other than those that are held as long-term investments, are stated at the lower of cost and market value determined on an aggregate basis. Long-term Singapore Government securities are stated at cost and provisions are made for diminution in value that is other than temporary, determined on an individual counter basis.
- (ii) Other government treasury bills and securities are stated at the lower of cost and market value determined on an aggregate basis.
- (iii) Dealing securities are stated at the lower of cost and market value determined on an aggregate basis.
- (iv) Investment securities, other than those held by the consolidated special purpose entity ("SPE"), and investments in subsidiaries and associates are stated at cost and provisions are made for diminution in value that is other than temporary, determined on an individual counter basis.

Investment securities held by the consolidated SPE are stated at fair value. Fair value for publicly quoted investments is based on quoted market prices at the balance sheet date. Fair value for unquoted investments is based on other techniques, such as estimated cash flows.

(f) **Cash and Cash Equivalents**

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the balance sheet amounts of cash and balances with central banks and government treasury bills and securities, less non-cash equivalents included in those amounts.

(g) **Revenue Recognition**

- (i) Interest income is accrued on a day-to-day basis.
- (ii) Dividend income from investments other than investments in subsidiaries is taken up gross in the income statements of the accounting period in which the dividend is received.
- (iii) Dividend income from subsidiaries is taken up gross in the income statements of the accounting period in which the dividend is declared.
- (iv) Profits and losses on disposal of investments are taken up in the income statements.
- (v) Fee and commission income and rental income are recognised on an accrual basis.

(h) **Fixed Assets and Depreciation**

Fixed assets are stated at cost, or valuation for certain land and buildings, less accumulated depreciation. Fixed assets, other than land and buildings, are depreciated on a straight-line basis over 5 or 10 years. Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the period of the lease. Buildings are depreciated on a straight-line basis over 50 years or over the period of the respective leases, whichever is shorter.

Notes to the Financial Statements

for the financial year ended 31 December 2002

2 Significant Accounting Policies *(continued)*

(i) Tax

Deferred income tax is determined on the basis of tax effect accounting using the liability method. Deferred income tax is provided in full on significant temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by 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 significant temporary differences arising on investments in subsidiaries and associates, 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.

Prior to 1 January 2002, deferred tax was provided on significant timing differences arising from the different treatments in accounting and taxation of relevant items except where it can be demonstrated with reasonable probability that the tax deferral would continue for the foreseeable future. In accounting for timing differences, deferred tax assets were not accounted for unless there was reasonable expectation of their realisation.

The new accounting policy has been adopted to comply with the revised Statement of Accounting Standard ("SAS") 12 (2001) Income Taxes and has been applied retrospectively. The comparatives have been restated to conform to the changed policy.

The adjustments made to the comparative figures are as follows:

	The Group \$'000	The Bank \$'000
Increase in deferred tax assets	29,218	14,033
Decrease in deferred tax liabilities	33,915	28,677
Increase in retained profits	<u>63,133</u>	<u>42,710</u>

(j) Foreign Currencies

Foreign currency assets and liabilities are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are converted to Singapore dollars at the rates of exchange ruling on the transaction dates. All exchange differences are taken up in the income statements.

For the purpose of the consolidation of foreign subsidiaries and branches and the equity accounting for associates, the balance sheets and results are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date. All exchange adjustments arising on translation into Singapore dollars are taken directly to the foreign currency translation reserve.

(k) **Derivative Financial Instruments**

Derivative financial instruments are initially recognised in the balance sheets at amounts paid or received, as appropriate.

Those undertaken for trading purposes are subsequently remeasured to fair value and the resultant profits and losses are taken up in the income statements.

Those entered into for hedging purposes are subsequently accounted for in a manner consistent with the accounting treatment of the hedged items.

(l) **Goodwill**

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiaries, associates or businesses acquired.

Goodwill arising on acquisition of subsidiaries occurring on or after 1 January 2001 is reported in the balance sheet as an intangible asset. Goodwill on acquisition of associates occurring on or after 1 January 2001 is included in investments in associates.

Goodwill is amortised on a straight-line basis, through the income statement, over its useful economic life up to a maximum of 20 years. Goodwill which is assessed as having no continuing economic value is written off to the income statement.

Negative goodwill represents the excess of the fair value of the identifiable net assets of subsidiaries or businesses acquired over the fair value of the consideration given. Negative goodwill is amortised on a straight-line basis, through the income statement over the remaining weighted average useful life of the identifiable depreciable/amortisable assets acquired, with the exception of the amount of negative goodwill exceeding the fair values of acquired identifiable non-monetary assets which is recognised as income immediately.

(m) **Provisions**

Provisions are recognised when the Group or the Bank has 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.

(n) **Employee Benefits**

Equity Compensation Benefits

Employees of the Group and the Bank with the corporate grade of Vice President (or equivalent position) and above as well as selected employees below Vice President qualify for the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme, subject to certain restrictions.

Pursuant to these Schemes, options have been awarded to enable the holders to acquire shares in the Bank at the exercise price.

The Group and the Bank do not recognise share options issued under these Schemes as a charge to the income statements.

Post Employment Benefits

The Group contributes to legally required social security schemes and these schemes are considered defined contribution schemes.

These expenses are charged to the income statements as and when they arise and are included as part of staff costs.

(o) **Dividends**

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Notes to the Financial Statements

for the financial year ended 31 December 2002

2 Significant Accounting Policies *(continued)*

(p) Repurchase and Reverse Repurchase Agreements

Repurchase agreements are treated as collateralised borrowings and the amounts borrowed are shown as liabilities, included in deposits and balances of banks and agents (Note 21). The securities sold under repurchase agreements are treated as pledged assets and remain on the balance sheets as assets, included in Singapore Government treasury bills and securities (Note 24) and other government treasury bills and securities (Note 25).

Reverse repurchase agreements are treated as collateralised lending and the amounts lent are shown as assets, included in placements and balances with banks and agents (Note 27).

The difference between the amount received and the amount paid under repurchase agreements and reverse repurchase agreements is amortised as interest expense and interest income respectively.

(q) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the current presentation. Where applicable, the comparatives have been adjusted or extended to take into account the requirements of the revised SAS 12 and INT 5 which the Group and the Bank adopted in 2002.

3 Interest Income

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Government treasury bills and securities	239,966	194,894	192,661	104,213
Trade bills and advances to customers	2,810,875	2,183,795	2,164,769	1,296,157
Placements and balances with banks and agents	545,722	951,806	481,673	869,439
Dealing and investment securities	155,916	82,789	113,049	45,975
	3,752,479	3,413,284	2,952,152	2,315,784
Received/receivable from:				
Subsidiaries	—	—	28,724	45,141
Associates	11,718	21,129	11,678	20,811
Third parties	3,740,761	3,392,155	2,911,750	2,249,832
	3,752,479	3,413,284	2,952,152	2,315,784

4 Interest Expense

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Non-bank deposits	1,066,224	1,318,879	752,219	874,637
Deposits and balances of banks and agents	396,122	611,922	372,792	547,774
Debts issued	121,012	53,332	108,012	50,332
	1,583,358	1,984,133	1,233,023	1,472,743
Paid/payable to:				
Subsidiaries	–	–	30,073	64,553
Associates	1,005	1,605	817	1,245
Third parties	1,582,353	1,982,528	1,202,133	1,406,945
	1,583,358	1,984,133	1,233,023	1,472,743

5 Dividend Income

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Dividend income from:				
Investments in subsidiaries				
Quoted	–	–	8,257	33,593
Unquoted	–	–	168,189	151,989
Investments in associates				
Quoted	–	–	37,265	38,434
Unquoted	–	–	20,628	1,606
Other investments				
Quoted	19,336	28,910	10,857	3,458
Unquoted	12,545	4,791	11,190	2,077
	31,881	33,701	256,386	231,157

6 Fee and Commission Income

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Credit card	95,948	63,708	74,352	45,085
Fund management	74,476	52,879	5,723	–
Futures broking and stockbroking	48,802	32,839	–	–
Investment-related	29,035	13,851	27,729	9,696
Loan-related	86,187	60,937	61,042	33,132
Service charges	44,193	35,243	36,393	24,936
Trade-related	100,910	80,272	71,801	45,604
Others	20,994	15,472	16,644	5,550
	500,545	355,201	293,684	164,003

Notes to the Financial Statements

for the financial year ended 31 December 2002

7 Rental Income

Rental income represents income from the tenanted areas of the buildings owned by the Bank and its subsidiaries.

8 Other Operating Income

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Net profit on dealing securities, government treasury bills and securities, and derivatives	57,544	79,956	21,524	52,178
Net profit on foreign exchange dealings	82,250	137,095	67,009	106,990
Net profit on disposal of investment securities and associates	78,342	16,098	106,867	8,935
Net profit on disposal of fixed assets	11,512	39,992	10,145	33,461
Net profit/(loss) on disposal and liquidation of subsidiaries	2	(6,546)	1,236	(11,712)
Other income	69,622	63,496	57,110	55,444
	299,272	330,091	263,891	245,296

Net profit on disposal of investment securities and associates includes mainly the profit arising from the divestment of an associate, Haw Par Corporation Limited, through distribution in specie of shares to shareholders.

9 Staff Costs

(a)

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	449,935	370,115	280,996	178,355
Employer's contributions to Central Provident Fund	52,174	41,199	32,455	21,574
Other staff-related costs	34,245	31,343	22,723	15,777
	536,354	442,657	336,174	215,706

(b)

	The Group		The Bank	
	2002	2001	2002	2001
Number of employees at the balance sheet date	10,320	12,142	4,974	3,125

(c) **Equity Compensation Benefits**

Options to subscribe for ordinary shares of \$1 each in the Bank are granted pursuant to the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme to employees of the UOB Group with the corporate grade of Vice President (or an equivalent position) and above as well as selected employees below Vice President, subject to certain restrictions.

Movements in the number of shares under the options held by employees of the Group are as follows:

	2002	2001
	'000	'000
Outstanding at 1 January	3,077	3,807
Exercised	(494)	(377)
Lapsed	(183)	(353)
Outstanding at 31 December	2,400	3,077

Details of the unissued ordinary shares of \$1 each of the Bank under option at the end of the financial year are set out below:

Year in which Options were Granted Under the Schemes	Price Per Share Payable in Full Upon Application	Date of Expiration of Option	Number of Shares	
			2002	2001
			'000	'000
1997	8.25	5 February 2002	–	115
1998	3.14	14 June 2003	10	50
1999	14.70	27 December 2004	1,211	1,384
2000	12.90	11 December 2005	1,179	1,528
			2,400	3,077

Details of share options exercised during the year to subscribe for ordinary shares of \$1 each in the Bank are as follows:

Year in which Options were Granted Under the Schemes	Exercise Price	Number of Shares Issued		Consideration Received in Cash	
		2002	2001	2002	2001
		'000	'000	\$'000	\$'000
1996	9.17	–	212	–	1,944
1997	8.25	109	121	899	998
1998	3.14	39	44	122	139
1999	14.70	28	–	412	–
2000	12.90	318	–	4,102	–
		494	377	5,535	3,081

Notes to the Financial Statements

for the financial year ended 31 December 2002

10 Other Operating Expenses

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Depreciation of fixed assets	114,536	96,119	80,608	47,053
Rental of premises and equipment	50,059	43,607	55,785	35,115
Maintenance of premises and other assets	46,472	34,884	33,263	17,235
Other expenses of premises	32,506	31,607	18,755	14,441
Fees paid/payable to PricewaterhouseCoopers Singapore:				
Audit fees				
Current year	1,614	2,226	836	668
Prior year (over)/underprovision	(244)	255	(5)	193
	1,370	2,481	831	861
Other fees*	704	773	208	660
Less: Amount capitalised in cost of acquisition of OUB	–	500	–	500
Amount charged to the results for the financial year	704	273	208	160
Audit fees paid/payable to other auditors including other member firms of the worldwide PricewaterhouseCoopers organisation	900	1,245	312	210
Other expenses	291,076	220,970	228,637	143,997
	537,623	431,186	418,399	259,072

* Include fees in respect of audit-related work required by laws and regulations.

11 Directors' Fees and Other Remuneration

- (a) Included in total expenses are fees and other remuneration paid/payable to the directors of the Bank and its subsidiaries as follows:

	The Group		The Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Directors of the Bank:				
Fees	1,147	887	659	410
Remuneration	11,534	10,699	11,534	8,789
Professional fees paid/payable to firms of which certain directors of the Bank are members	201	1,476	17	1,294
Less:				
Amount capitalised in cost of acquisition of OUB	–	1,237	–	1,237
Amount charged to the results for the financial year	201	239	17	57
	12,882	11,825	12,210	9,256
Directors of subsidiaries:				
Fees	648	634	10	21
Remuneration	5,879	8,082	–	–
Professional fees paid/payable to firms of which certain directors of subsidiaries are members	88	424	5	3
Less:				
Amount capitalised in fixed assets	83	419	–	–
Amount charged to the results for the financial year	5	5	5	3
	6,532	8,721	15	24

- (b) The number of directors of the Bank whose total directors' fees and other remuneration from the Group falls into the following bands is as follows:

	2002	2001
\$500,000 and above	4	4
\$250,000 to \$499,999	–	–
Below \$250,000	12	12
	16	16

Notes to the Financial Statements

for the financial year ended 31 December 2002

12 Provisions

Provisions charged/(credited) to the income statements during the financial year are as follows:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Specific provisions for and net write-offs of trade bills and advances to customers	421,753	165,411	308,408	113,295
General provisions, comprising provisions for possible loan losses, contingencies and other banking risks	–	(70,173)	16,126	(59,763)
Provisions/(write-back of provisions) for diminution in value of:				
Investments in subsidiaries	–	–	156,907	(13,035)
Other investments, fixed assets and other assets	20,929	62,757	29,786	31,178
Provision for life funds	8,800	6,800	–	40,000
	451,482	164,795	511,227	111,675

13 Exceptional Items

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Gross dividend from Industrial & Commercial Bank Limited ("ICB") arising from its merger with the Bank, net of dividend paid out of pre-acquisition reserves which was credited to the Bank's cost of investment in ICB [Note 32(c)]	–	–	674,895	–
Deficit arising from the merger of ICB [Note 32(c)]	–	–	(57,422)	–
Surplus arising from the merger of OUB [Note 32(b)]	–	–	145,482	–
Restructuring costs as a result of the acquisition of OUB	(48,065)	(11,997)	(35,396)	(11,045)
	(48,065)	(11,997)	727,559	(11,045)

14 Tax

(a) The tax charge to the income statements comprises the following:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
On the profit of the financial year:				
Current tax	317,872	251,651	279,825	190,653
Tax on exceptional item [Note 32(c)]	–	–	148,477	–
Deferred tax	(8,135)	2,042	(5,404)	52
	309,737	253,693	422,898	190,705
Share of tax of associates	25,479	25,725	–	–
	335,216	279,418	422,898	190,705
Under/(over)provision of tax in respect of prior financial years:				
Current tax	4,680	(10,430)	(5,209)	(9,309)
Deferred tax	(170)	–	(422)	–
	339,726	268,988	417,267	181,396

The tax charge on the results of the Group and the Bank for the financial year differs from the theoretical amount that would arise by applying the Singapore statutory income tax rate to profit before tax due to the following:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Profit before tax	1,433,570	1,197,562	1,849,293	928,035
Tax calculated at a tax rate of 22% (2001: 24.5%)	315,385	293,403	406,844	227,369
Singapore statutory stepped income exemption	(360)	(338)	(12)	(13)
Offshore income from the Asian Currency Unit and other income taxed at concessionary rates	(39,851)	(34,509)	(36,269)	(28,107)
One-off corporate tax rebate of 5% on Singapore income tax payable for year of assessment 2002	–	(8,191)	–	(6,734)
Other tax rebates	(1,144)	(604)	(662)	(240)
Effect of different tax rates in other countries	31,868	23,238	13,277	17,192
Losses of subsidiaries and associates not offset against taxable income of other entities	18,287	25,866	–	–
Income not subject to tax	(50,860)	(21,959)	(62,589)	(20,006)
Expenses not deductible for tax purposes	62,217	3,761	102,309	1,343
Realisation of deferred tax benefit in respect of tax losses not previously recognised	(326)	(1,249)	–	(99)
Tax expense on profit of the financial year	335,216	279,418	422,898	190,705

In 2002, the Singapore Government enacted a change in the income tax rate from 24.5% to 22%.

Notes to the Financial Statements

for the financial year ended 31 December 2002

14 Tax (continued)

- (b) Deferred tax asset is recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group has not recognised the deferred tax asset in respect of tax losses of \$135,518,000 (2001: \$99,829,000) which can be carried forward to offset against future taxable income subject to meeting certain statutory requirements of the relevant tax authorities. These tax losses have no expiry date except for the amount of \$110,707,000 (2001: \$78,841,000) which will expire between the year 2003 and 2007 (2001: 2002 and 2006).

As at 31 December 2002, the Group has unremitted earnings of overseas branches and subsidiaries amounting to \$1,371,262,000 (2001: \$1,562,223,000). Deferred tax liability has not been established for withholding and other taxes that would be payable on these unremitted earnings as such amounts are permanently reinvested or remain invested offshore.

The movements in the deferred tax assets and liabilities of the Group and the Bank (prior to the offsetting of balances within the same tax jurisdiction) during the financial year are as follows:

Deferred Tax Liabilities

	2002				2001			
	Accelerated Tax Depreciation \$'000	Fair Value of Depreciable Properties Acquired in Business Combination \$'000	Others \$'000	Total \$'000	Accelerated Tax Depreciation \$'000	Fair Value of Depreciable Properties Acquired in Business Combination \$'000	Others \$'000	Total \$'000
The Group								
At 1 January								
As previously reported	52,621	–	10,512	63,133	44,785	–	4,283	49,068
Prior year adjustment resulting from adoption of revised SAS 12	–	53,087	–	53,087	–	–	–	–
As restated	52,621	53,087	10,512	116,220	44,785	–	4,283	49,068
Currency translation differences	80	–	44	124	210	–	35	245
Acquisition of subsidiaries	–	–	–	–	9,450	53,087	3,814	66,351
Charged/(credited) to income statement	(1,391)	(3,561)	(1,483)	(6,435)	(1,824)	–	2,380	556
At 31 December	51,310	49,526	9,073	109,909	52,621	53,087	10,512	116,220

	2002				2001		
	Accelerated	Fair Value of			Accelerated		
	Tax	Depreciable			Tax		
	Depreciation	Properties	Acquired in	Others	Depreciation	Others	Total
	\$'000	Combination	Business	\$'000	\$'000	\$'000	\$'000
The Bank							
At 1 January	32,704	–	1,027	33,731	33,303	2,394	35,697
Currency translation differences	(21)	–	44	23	13	33	46
Transfer from subsidiaries upon merger	9,813	53,087	–	62,900	–	–	–
Charged/(credited) to income statement	(2,838)	(3,561)	1,138	(5,261)	(612)	(1,400)	(2,012)
At 31 December	39,658	49,526	2,209	91,393	32,704	1,027	33,731

Notes to the Financial Statements

for the financial year ended 31 December 2002

14 Tax

(b) (continued)

Deferred Tax Assets

	2002			2001		
	Non-Tax Deductible General Provisions \$'000	Others \$'000	Total \$'000	Non-Tax Deductible General Provisions \$'000	Others \$'000	Total \$'000
The Group						
At 1 January						
As previously reported	–	5,679	5,679	–	4,106	4,106
Prior year adjustment resulting from adoption of revised SAS 12	116,220	–	116,220	63,133	–	63,133
As restated	116,220	5,679	121,899	63,133	4,106	67,239
Currency translation differences	(1,101)	(140)	(1,241)	(673)	(3)	(676)
Acquisition of subsidiaries	–	–	–	53,760	3,062	56,822
(Charged)/credited to income statement	(4,571)	6,441	1,870	–	(1,486)	(1,486)
At 31 December	110,548	11,980	122,528	116,220	5,679	121,899
The Bank						
At 1 January						
As previously reported	–	4,180	4,180	–	6,282	6,282
Prior year adjustment resulting from adoption of revised SAS 12	42,710	–	42,710	42,710	–	42,710
As restated	42,710	4,180	46,890	42,710	6,282	48,992
Currency translation differences	–	30	30	–	(38)	(38)
Transfer from subsidiaries upon merger	40,276	–	40,276	–	–	–
(Charged)/credited to income statement	(4,360)	4,925	565	–	(2,064)	(2,064)
At 31 December	78,626	9,135	87,761	42,710	4,180	46,890

Deferred 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 tax authority. The net amounts, determined after appropriate offsetting, are shown in the balance sheets as follows:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	(39,519)	(29,218)	(2,790)	(14,033)
Deferred tax liabilities	26,900	23,539	6,422	874
	(12,619)	(5,679)	3,632	(13,159)

15 Earnings Per Share

The calculation of basic and diluted earnings per share ("EPS") is determined based on the following profit attributable to members divided by the weighted average number of ordinary shares in issue:

	The Group	
	2002	2001
	\$'000	\$'000
Profit for the financial year attributable to members for computation of basic and diluted EPS	1,064,200	924,579
	Number	Number
	'000	'000
Weighted average number of ordinary shares in issue for computation of basic EPS	1,571,519	1,195,486
Adjustment for assumed exercise of share options	39	69
Weighted average number of ordinary shares for computation of diluted EPS	1,571,558	1,195,555

16 Share Capital

(a)

	The Group and The Bank			
	2002		2001	
	Number of		Number of	
	Shares		Shares	
	'000	\$'000	'000	\$'000
Ordinary Shares of \$1 Each				
Authorised	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid:				
Balance at 1 January	1,571,109	1,571,109	1,052,451	1,052,451
Shares issued upon exercise of options	494	494	377	377
Shares issued as part consideration for the acquisition of OUB	–	–	518,281	518,281
Balance at 31 December	1,571,603	1,571,603	1,571,109	1,571,109

Notes to the Financial Statements

for the financial year ended 31 December 2002

16 Share Capital (continued)

- (b) During the financial year, the Bank issued 494,000 (2001: 377,000) ordinary shares of \$1 each to option holders who exercised their rights. All newly issued shares rank *pari passu* in all respects with the previously issued shares.
- (c) Details of the unissued ordinary shares of \$1 each of the Bank under option at the end of the financial year are set out in Note 9(c).

17 Share Premium

	The Group and The Bank	
	2002	2001
	\$'000	\$'000
Balance at 1 January	786,192	783,488
Share premium arising from the issue of shares to option holders who exercised their rights	5,041	2,704
Balance at 31 December	791,233	786,192

The share premium account may only be utilised for specific purposes provided for by the Singapore Companies Act.

18 Non-Distributable Reserves

(a) The Group

	2002 Foreign Currency					2001 Foreign Currency				
	Statutory Reserves \$'000	Capital Reserves \$'000	Translation Reserves \$'000	Others \$'000	Total \$'000	Statutory Reserves \$'000	Capital Reserves \$'000	Translation Reserves \$'000	Others \$'000	Total \$'000
Balance at										
1 January	2,150,271	4,489,475	(80,875)	63,970	6,622,841	1,931,204	–	(173,616)	62,889	1,820,477
Currency translation differences	–	–	(14,514)	–	(14,514)	–	–	92,741	–	92,741
Transfer from/(to) revenue reserves (Note 19)	610,215	(1,000,109)	–	5,187	(384,707)	219,067	–	–	1,081	220,148
Transfer from reserves due to bonus shares issued by subsidiary (Note 19)	–	–	–	–	–	–	57,796	–	–	57,796
Transfer from share of reserves of associates (Note 20)	–	–	–	2,552	2,552	–	–	–	–	–
Premium arising from shares issued as part consideration for the acquisition of OUB	–	–	–	–	–	–	4,431,679	–	–	4,431,679
Other adjustments	(2,968)	–	–	–	(2,968)	–	–	–	–	–
Balance at 31 December	2,757,518	3,489,366	(95,389)	71,709	6,223,204	2,150,271	4,489,475	(80,875)	63,970	6,622,841

Notes to the Financial Statements

for the financial year ended 31 December 2002

18 Non-Distributable Reserves (continued)

(b) The Bank

	2002				2001			
	Statutory	Capital	Foreign		Statutory	Capital	Foreign	
	Reserve	Reserve	Currency	Total	Reserve	Reserve	Currency	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	1,654,100	4,431,679	(9,545)	6,076,234	1,467,100	–	(6,916)	1,460,184
Currency translation differences	–	–	(15,601)	(15,601)	–	–	(2,629)	(2,629)
Transfer from/(to) revenue reserves (Note 19)	741,193	(1,000,109)	–	(258,916)	187,000	–	–	187,000
Premium arising from shares issued as part consideration for the acquisition of OUB	–	–	–	–	–	4,431,679	–	4,431,679
Balance at 31 December	2,395,293	3,431,570	(25,146)	5,801,717	1,654,100	4,431,679	(9,545)	6,076,234

- (c) The statutory reserves of the Group and the Bank are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non-distributable unless approved by the relevant authorities.

The capital reserve of the Bank represents the premium arising from the issue of shares in connection with the acquisition of OUB which was not transferred to the share premium account due to the relief provided for under Section 69B of the Singapore Companies Act. The balance at 31 December 2002 is net of the amount transferred to revenue reserves, following the receipt of dividends paid out of OUB Group's pre-acquisition profits.

The capital reserves of the Group comprise the capital reserve of the Bank and \$57,796,000 relating to bonus shares which were issued by a subsidiary as fully paid shares through capitalisation of the subsidiary's revenue reserves.

The foreign currency translation reserves of the Group and the Bank relate to currency translation differences arising from the use of year-end exchange rates versus historical rates in translating the net assets of overseas branches, subsidiaries and associates.

19 Revenue Reserves

(a) The Group

	General Reserves \$'000	2002 Retained Profits \$'000	Total \$'000	General Reserves \$'000	2001 Retained Profits \$'000	Total \$'000
Balance at 1 January						
As previously reported	1,148,706	1,987,504	3,136,210	916,528	1,875,760	2,792,288
Prior year adjustments resulting from adoption of revised SAS 12	–	63,133	63,133	–	63,133	63,133
As restated	1,148,706	2,050,637	3,199,343	916,528	1,938,893	2,855,421
Net profit for the financial year attributable to members	–	1,064,200	1,064,200	–	924,579	924,579
Transfer to general reserves	331,000	(331,000)	–	234,140	(234,140)	–
Transfer to statutory reserves (Note 18)	(519,604)	(90,611)	(610,215)	–	(219,067)	(219,067)
Transfer to other reserves (Note 18)	–	(5,187)	(5,187)	–	(1,081)	(1,081)
Transfer from capital reserves (Note 18)	–	1,000,109	1,000,109	–	–	–
Transfer from share of reserves of associates (Note 20)	–	7,231	7,231	–	–	–
Goodwill recovered on disposal of subsidiary	–	–	–	15,231	–	15,231
Transfer to capital reserves due to bonus shares issued by subsidiary (Note 18)	–	–	–	(17,193)	(40,603)	(57,796)
Other adjustments	(2,129)	–	(2,129)	–	–	–
Dividends:						
Final dividend in respect of financial year ended 31 December 2001 (2001: 31 December 2000) of 25 cents (2001: 25 cents) per share paid, net of tax at 22% (2001: 24.5%)	–	(306,454)	(306,454)	–	(198,713)	(198,713)
Interim dividend in respect of financial year ended 31 December 2002 (2001: 31 December 2001) of 15 cents (2001: 15 cents) per share paid, net of tax at 22% (2001: 24.5%)	–	(183,874)	(183,874)	–	(119,231)	(119,231)
Interim dividend in respect of financial year ended 31 December 2002 of 18.76 cents per share paid in specie, net of tax at 22% [Note 19(c)]	–	(230,020)	(230,020)	–	–	–
	–	(720,348)	(720,348)	–	(317,944)	(317,944)
Balance at 31 December	957,973	2,975,031	3,933,004	1,148,706	2,050,637	3,199,343

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19 Revenue Reserves (continued)

(b) The Bank

	General Reserve \$'000	2002 Retained Profits \$'000	Total \$'000	General Reserve \$'000	2001 Retained Profits \$'000	Total \$'000
Balance at 1 January						
As previously reported	829,321	1,276,920	2,106,241	616,321	1,248,225	1,864,546
Prior year adjustments resulting from adoption of revised SAS 12	–	42,710	42,710	–	42,710	42,710
As restated	829,321	1,319,630	2,148,951	616,321	1,290,935	1,907,256
Net profit for the financial year attributable to members	–	1,432,026	1,432,026	–	746,639	746,639
Transfer to general reserve	328,000	(328,000)	–	213,000	(213,000)	–
Transfer to statutory reserve (Note 18)	(669,193)	(72,000)	(741,193)	–	(187,000)	(187,000)
Transfer from capital reserve (Note 18)	–	1,000,109	1,000,109	–	–	–
Dividends:						
Final dividend in respect of financial year ended 31 December 2001 (2001: 31 December 2000) of 25 cents (2001: 25 cents) per share paid, net of tax at 22% (2001: 24.5%)	–	(306,454)	(306,454)	–	(198,713)	(198,713)
Interim dividend in respect of financial year ended 31 December 2002 (2001: 31 December 2001) of 15 cents (2001: 15 cents) per share paid, net of tax at 22% (2001: 24.5%)	–	(183,874)	(183,874)	–	(119,231)	(119,231)
Interim dividend in respect of financial year ended 31 December 2002 of 18.76 cents per share paid in specie, net of tax at 22% [Note 19(c)]	–	(230,020)	(230,020)	–	–	–
	–	(720,348)	(720,348)	–	(317,944)	(317,944)
Balance at 31 December	488,128	2,631,417	3,119,545	829,321	1,319,630	2,148,951

- (c) The interim dividend paid in specie was effected as follows:
- (i) For every 1,000 shares held by shareholders, each shareholder received 40.88 ordinary shares of \$1 each in the share capital of Haw Par Corporation Limited ("Haw Par Shares"), fractions of a Haw Par Share disregarded, except that the Haw Par Shares which would otherwise be distributed to Haw Par Corporation Limited pursuant to the distribution (in its capacity as shareholder of the Bank) and the Haw Par Shares which would otherwise be distributed to Overseas Shareholders pursuant to the distribution were dealt with in the manner described in the circular to shareholders of the Bank dated 11 November 2002; and

- (ii) The resultant fractional Haw Par Shares were aggregated and would be sold for the benefit of the Bank.

The dividend was accounted for at the market value of the Haw Par Shares distributed on the books closure date.

- (d) In each financial year, the Group and the Bank transfer a certain amount of retained profits to general reserves. These general reserves have not been earmarked for any particular purpose.
- (e) The revenue reserves of the Group and the Bank are distributable except for the amount of \$294,438,000 (2001: \$248,724,000) being the Group's share of revenue reserves of associates which is distributable only upon realisation by way of dividend or disposal of investments in the associates.

20 Share of Reserves of Associates

	The Group	
	2002	2001
	\$'000	\$'000
Balance at 1 January	537,354	519,469
Movements in other reserves of associates	(374,356)	17,885
Realisation of reserves in income statements on divestment of an associate	(19,621)	–
Transfers on divestment of an associate:		
To retained profits	(7,231)	–
To other non-distributable reserves	(2,552)	–
Balance at 31 December	133,594	537,354

The balance comprises the Group's share of associates' post-acquisition revenue reserves at 1 January 1998, and other reserves, adjusted for goodwill arising from acquisition of associates prior to 1 January 2001. These reserves are non-distributable reserves until they are realised by way of dividend from or divestment of the associates. In the year of realisation, revaluation reserves previously brought into the Group without going through the consolidated income statement are recognised in the consolidated income statement. In all other cases, they are transferred to other distributable or non-distributable reserves as appropriate.

The Group's share of associates' results after 1 January 1998 is included in revenue reserves of the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2002

21 Deposits of and Amounts Owing to Non-Bank Customers, Banks and Agents, and Subsidiaries

(a)

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Analysed by remaining maturity:				
Within 1 year	86,323,497	92,008,197	76,563,434	48,845,945
Over 1 year but within 3 years	742,978	375,723	602,494	60,454
Over 3 years but within 5 years	80,368	20,378	79,869	285
Over 5 years	73,796	141,193	73,796	141,193
	87,220,639	92,545,491	77,319,593	49,047,877

(b) Included in deposits of non-bank customers are:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Fixed rate deposits	47,286,535	54,418,511	39,292,729	25,667,261
Savings and others	20,632,046	20,033,173	18,638,536	10,817,463
	67,918,581	74,451,684	57,931,265	36,484,724

(c) Included in deposits and balances of banks and agents are:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Obligations on securities sold under repurchase agreements ("REPOs")	302,306	818,790	294,257	623,801

The related securities sold under REPOs are shown in Notes 24 and 25 to the financial statements.

22 Other Liabilities

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Accrued interest payable	310,120	469,809	249,884	237,221
Trading derivative financial instruments at fair value (Note 39)	1,773,594	798,749	1,747,998	759,483
Other liabilities	2,579,223	2,177,342	844,247	383,749
	4,662,937	3,445,900	2,842,129	1,380,453

23 Debts Issued

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
(a) Subordinated Notes				
S\$ 4.95% Subordinated Notes due 2016 callable with step-up in 2011 ("S\$ Notes")	1,300,000	1,300,000	1,300,000	1,300,000
US\$ Subordinated Floating Rate Notes due 2011 callable in 2002 ("US\$ Notes")	–	2,347,068	–	2,347,068
	1,300,000	3,647,068	1,300,000	3,647,068
Unamortised expenses incurred in connection with the issue of the Subordinated Notes	(5,601)	(7,973)	(5,601)	(7,973)
	1,294,399	3,639,095	1,294,399	3,639,095
(b) Asset Backed Commercial Paper ("ABCP")				
S\$ ABCP	641,500	500,500	–	–
US\$ ABCP	210,911	17,558	–	–
	852,411	518,058	–	–
	2,146,810	4,157,153	1,294,399	3,639,095

- (a) The S\$ Notes were issued at par on 30 September 2001 and mature on 30 September 2016. The S\$ Notes may be redeemed at par at the option of the Bank, in whole but not in part, on 30 September 2011 or at any interest payment date in the event of certain changes to the tax laws of Singapore, subject to the prior approval of the Monetary Authority of Singapore and certain other conditions. Interest is payable semi-annually at 4.95% per annum up to and including 29 September 2011. From and including 30 September 2011, interest is payable semi-annually at a fixed rate equal to the five-year Singapore Dollar Interest Rate Swap (Offer Rate) as at 30 September 2011 plus 2.25% per annum.

The Bank has entered into interest rate swaps to manage the interest rate risk arising from the S\$ Notes.

The US\$ Notes were issued at par on 19 September 2001 and were fully redeemed on 26 March 2002 and 19 September 2002. Interest was payable quarterly at the three-month US\$ LIBOR plus 2.28% per annum.

The S\$ Notes and US\$ Notes are unsecured.

- (b) The ABCP were issued in relation to a \$1 billion ABCP programme carried out by Archer 1 Limited, a special purpose entity ("SPE") (Note 36). The ABCP have maturity of less than one year, and are secured by a first floating charge in favour of the trustees, Bermuda Trust (Singapore) Limited, on all assets of the SPE. These assets have been included in the assets of the Group as shown in Note 36.

Interest rates of the S\$ ABCP and US\$ ABCP range from 1.5% to 1.9% (2001: 1.6% to 2.7%) per annum and 2.1% to 2.45% (2001: 2.5% to 2.69%) per annum respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2002

23 Debts Issued

(b) *(continued)*

The holders of the ABCP are entitled to receive payment comprising both the principal and interest as contracted in the ABCP but only to the extent that there are available resources in the SPE to meet those payments. The holders of the ABCP have no recourse to the Group.

The SPE intends to issue new ABCP upon the maturity of outstanding ABCP for as long as the SPE intends to carry on its principal activity of investment holding.

24 Singapore Government Treasury Bills and Securities

(a)

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Held as long-term investments, at cost	568,803	552,957	568,803	552,957
Others, at cost	7,692,630	8,189,938	7,434,030	3,741,930
Provision for diminution in value (Note 33)	(444)	(31,062)	–	(22,476)
	7,692,186	8,158,876	7,434,030	3,719,454
	8,260,989	8,711,833	8,002,833	4,272,411
Market value at 31 December:				
Held as long-term investments	612,583	533,450	612,583	533,450
Others	7,711,418	8,158,876	7,449,518	3,719,454
	8,324,001	8,692,326	8,062,101	4,252,904

(b) Included in Singapore Government treasury bills and securities are:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Securities sold under repurchase agreements	294,257	810,410	294,257	623,801

25 Other Government Treasury Bills and Securities

(a)

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
At cost	1,332,952	1,817,870	419,035	244,264
Provision for diminution in value (Note 33)	(4)	(510)	(4)	(3)
	1,332,948	1,817,360	419,031	244,261
Market value at 31 December	1,346,718	1,823,652	431,117	246,078

(b) Included in other government treasury bills and securities are:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Securities sold under repurchase agreements	8,049	8,380	–	–

(c) Included in the Group's other government treasury bills and securities is an amount of \$723,335,000 (2001: \$1,130,252,000) relating to promissory notes which are guaranteed by a foreign government authority. The Group is not entitled to sell, transfer, pledge, or create any lien or encumbrance over any of these promissory notes without the prior consent of that authority.

26 Dealing Securities

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
At cost:				
Quoted equity shares	94,581	182,407	68,414	78,611
Quoted debt securities	75,383	356,177	52,878	121,572
Unquoted marketable unit trusts	19,526	18,802	–	–
Unquoted equity shares	2,031	2,115	2,031	2,115
Unquoted debt securities	458,249	181,099	331,116	162,681
	649,770	740,600	454,439	364,979
Provision for diminution in value (Note 33)	(29,661)	(59,611)	(22,628)	(6,875)
	620,109	680,989	431,811	358,104
Market value at 31 December:				
Quoted equity shares	78,438	133,795	55,122	70,168
Quoted debt securities	79,396	352,055	56,049	124,417
Unquoted marketable unit trusts	14,585	15,771	–	–
	172,419	501,621	111,171	194,585

27 Placements and Balances with Banks and Agents

(a)

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Analysed by maturity period:				
Within 1 year	19,197,092	24,588,361	18,190,609	19,316,523
Over 1 year but within 3 years	226,213	109,621	226,213	77,170
Over 3 years but within 5 years	–	47,608	–	3,184
Over 5 years	2,916	–	2,916	–
	19,426,221	24,745,590	18,419,738	19,396,877

Notes to the Financial Statements

for the financial year ended 31 December 2002

27 Placements and Balances with Banks and Agents *(continued)*

(b) Included in placements and balances with banks and agents are:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Negotiable certificates of deposit, floating rate certificates of deposit and other similar instruments	1,956,618	1,456,200	1,516,029	810,315
Government securities bought under reverse repurchase agreements	383,393	189,232	383,393	189,232
	2,340,011	1,645,432	1,899,422	999,547

28 Trade Bills and Advances to Customers

(a)

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Gross trade bills	1,061,210	1,204,164	139,405	62,280
Specific provisions	(10,180)	–	–	–
	1,051,030	1,204,164	139,405	62,280
Gross advances to customers	61,277,545	63,006,762	52,521,429	24,382,913
Specific provisions	(1,726,403)	(1,613,974)	(1,326,679)	(342,551)
Interest-in-suspense	(293,152)	(270,356)	(146,615)	(68,668)
General provisions	(1,425,013)	(1,434,502)	(1,231,305)	(538,133)
	57,832,977	59,687,930	49,816,830	23,433,561
Total gross trade bills and advances to customers	62,338,755	64,210,926	52,660,834	24,445,193

(b) Total gross trade bills and advances to customers analysed by maturity period:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Within 1 year	29,393,922	27,723,225	23,986,707	11,148,964
Over 1 year but within 3 years	10,045,408	10,411,987	9,471,390	4,161,913
Over 3 years but within 5 years	6,626,850	7,303,078	6,030,506	2,946,549
Over 5 years	16,272,575	18,772,636	13,172,231	6,187,767
	62,338,755	64,210,926	52,660,834	24,445,193

(c) Total gross trade bills and advances to customers analysed by industry group:

	The Group		The Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Transport, storage and communication	2,057,485	2,313,020	1,878,186	862,002
Building and construction	9,147,960	9,721,679	7,918,866	2,822,036
Manufacturing	5,391,630	5,337,661	3,515,973	1,055,662
Non-bank financial institutions	10,809,361	10,764,600	10,010,178	3,743,968
General commerce	6,200,322	6,296,428	4,958,561	2,413,559
Professionals and private individuals (excluding housing loans)	9,335,235	9,500,073	7,698,203	3,654,031
Housing loans	13,841,234	13,297,609	11,846,719	6,894,353
Others	5,555,528	6,979,856	4,834,148	2,999,582
	62,338,755	64,210,926	52,660,834	24,445,193

(d) At the balance sheet date, the gross amount of trade bills, advances and credit facilities granted to customers that are regarded as non-performing are as follows:

	The Group		The Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Substandard	3,618,373	3,851,284	2,669,371	895,592
Doubtful	406,598	474,900	370,081	95,855
Loss	1,590,410	1,617,850	1,116,729	318,658
Total non-performing loans and credit facilities	5,615,381	5,944,034	4,156,181	1,310,105

Non-performing loans and credit facilities are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612. All foreseeable losses relating to these non-performing loans and credit facilities have been provided for in the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2002

28 Trade Bills and Advances to Customers *(continued)*

(e) The movements in provisions are as follows:

	2002				2001			
	Specific Provisions \$'000	Interest-in-Suspense \$'000	General Provisions \$'000	Total \$'000	Specific Provisions \$'000	Interest-in-Suspense \$'000	General Provisions \$'000	Total \$'000
The Group								
Balance at 1 January	1,613,974	640,219	1,434,502	3,688,695	770,534	273,156	768,490	1,812,180
Currency translation differences	(39,807)	(13,871)	(9,489)	(63,167)	37,362	16,532	7,530	61,424
Write-off against provisions	(256,675)	(123,041)	–	(379,716)	(383,665)	(121,665)	–	(505,330)
Charge/(write-back) to income statements	426,196	–	–	426,196	149,377	–	(70,173)	79,204
Interest suspended	–	169,223	–	169,223	–	115,428	–	115,428
Transfer to provision for diminution in value of investments and other assets	(7,105)	(2,030)	–	(9,135)	(647)	–	–	(647)
Acquisition of subsidiaries	–	–	–	–	1,041,013	356,768	728,655	2,126,436
Balance at 31 December	1,736,583	670,500	1,425,013	3,832,096	1,613,974	640,219	1,434,502	3,688,695
The Bank								
Balance at 1 January	342,551	158,427	538,133	1,039,111	363,442	149,887	597,881	1,111,210
Currency translation differences	(16,704)	(7,988)	(912)	(25,604)	7,953	2,984	15	10,952
Write-off against provisions	(222,841)	(102,680)	–	(325,521)	(130,946)	(26,642)	–	(157,588)
Charge/(write-back) to income statements	312,804	–	16,126	328,930	102,102	–	(59,763)	42,339
Interest suspended	–	101,962	–	101,962	–	32,198	–	32,198
Transfer from subsidiaries upon merger	910,869	357,848	677,958	1,946,675	–	–	–	–
Balance at 31 December	1,326,679	507,569	1,231,305	3,065,553	342,551	158,427	538,133	1,039,111

General provisions comprise provisions for possible loan losses, contingencies and other banking risks.

The above interest-in-suspense includes amounts relating to interest receivable as shown in Note 29.

29 Other Assets

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Interest receivable	846,965	965,132	724,265	435,872
Interest-in-suspense (Note 28)	(377,348)	(369,863)	(360,954)	(89,759)
	469,617	595,269	363,311	346,113
Trading derivative financial instruments at fair value (Note 39)	1,675,701	843,776	1,653,254	796,438
Other assets	1,943,485	1,628,776	1,112,890	589,853
Provision for diminution in value of other assets (Note 33)	(76,656)	(100,188)	(64,670)	(83,625)
	3,542,530	2,372,364	2,701,474	1,302,666
	4,012,147	2,967,633	3,064,785	1,648,779

30 Investment Securities

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Quoted securities, at cost:				
Equity shares	816,856	754,684	550,487	99,730
Debt securities	1,207,253	1,293,670	1,144,993	579,979
	2,024,109	2,048,354	1,695,480	679,709
Provision for diminution in value (Note 33)	(21,814)	(20,254)	(9,405)	(193)
	2,002,295	2,028,100	1,686,075	679,516
Quoted securities, at fair value:				
Equity shares	9,360	9,027	–	–
Debt securities	784,218	254,372	–	–
	793,578	263,399	–	–
Unquoted securities, at cost:				
Equity shares	453,476	450,358	318,622	74,684
Debt securities	692,719	512,507	741,291	244,754
	1,146,195	962,865	1,059,913	319,438
Provision for diminution in value (Note 33)	(89,490)	(63,840)	(58,969)	(9,298)
	1,056,705	899,025	1,000,944	310,140
Unquoted debt securities, at fair value	92,805	240,538	–	–
Total investment securities	3,945,383	3,431,062	2,687,019	989,656
Market value at 31 December:				
Quoted equity shares	759,726	785,969	511,001	79,898
Quoted debt securities	1,974,425	1,550,294	1,149,559	588,882
	2,734,151	2,336,263	1,660,560	668,780

Notes to the Financial Statements

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30 Investment Securities *(continued)*

Included in the cost of investment securities are:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Equity interests in companies in which the Group has significant influence	703,498	705,066	506,138	–

These equity interests relate to companies in which the Group, through its acquisition of the OUB Group, presently has equity interests of 20 to 50 percent and over whose financial and operating decisions it has significant influence. These investments have not been accounted for as associates of the Group as they were acquired and held exclusively with a view to their subsequent disposal in the near future.

31 Investments in Associates

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Quoted securities, at cost:				
Equity shares	555,065	736,631	518,718	697,130
Debt securities	2,068	2,068	–	–
Warrants	23,757	23,757	23,757	23,757
Unquoted securities, at cost:				
Equity shares	335,329	287,444	167,757	19,674
Debt securities	2,014	–	–	–
	918,233	1,049,900	710,232	740,561
Provision for diminution in value [Note 33(b)]	–	–	(3,364)	(2,960)
Group's share of post-acquisition reserves of associates, net of dividends received	356,012	731,422	–	–
	1,274,245	1,781,322	706,868	737,601
Market value at 31 December:				
Quoted equity shares	701,321	1,095,208	507,617	878,338
Quoted debt securities	2,476	2,374	–	–
Quoted warrants	36,017	45,979	36,017	45,979
	739,814	1,143,561	543,634	924,317

The major associates of the Group as at the balance sheet date are set out in Note 47 to the financial statements. The carrying amount of the Group's investments in associates includes unamortised goodwill amounting to \$17,581,000 (2001: Nil). Amortisation has not commenced as the associate was acquired close to 31 December 2002.

32 Investments in Subsidiaries

(a)

	The Bank	
	2002	2001
	\$'000	\$'000
Quoted equity shares, at cost	18,393	395,694
Unquoted equity shares, at cost	1,733,754	10,050,640
Provision for diminution in value [Note 33(b)]	(342,318)	(185,736)
	1,391,436	9,864,904
Total investments in subsidiaries	1,409,829	10,260,598
Market value of quoted equity shares at 31 December	70,967	745,559

The subsidiaries of the Group as at the balance sheet date are set out in Note 46 to the financial statements.

- (b) On 2 January 2002, OUB, a wholly-owned subsidiary, was merged into the Bank under Section 14A of the Banking Act, Cap. 19. As a result of the merger, the businesses, assets, liabilities, interests, rights, privileges, obligations and commitments of OUB were transferred to and vested in the Bank.

The net assets of OUB were partly transferred to the Bank by way of a pre-merger dividend of \$692,684,000, representing a gross dividend of \$917,462,000 less tax at 24.5% of \$224,778,000. The net dividend of \$692,684,000 has been credited to the Bank's cost of investment in OUB. Arising from the merger, the unamortised goodwill of the Group in respect of OUB as at 2 January 2002 amounting to \$3,776,651,000 was transferred to the Bank at net book value.

The fair values of identifiable assets, liabilities and off-balance sheet items as at 2 January 2002 transferred to the Bank were \$36,058 million, \$31,367 million and \$27,135 million respectively.

The surplus arising from the merger of \$145,482,000 represents the excess of the fair values of identifiable net assets of OUB and the unamortised goodwill of the Group in respect of OUB as at 2 January 2002 over the carrying amount of the Bank's investment in OUB. The surplus has been recognised in the Bank's income statement (Note 13) with no financial effect on the consolidated income statement.

Notes to the Financial Statements

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32 Investments in Subsidiaries (continued)

- (c) On 3 June 2002, ICB, a wholly-owned subsidiary, was delisted from the Singapore Exchange after the Bank acquired the minority shareholders' interests of 12.55% in ICB.

On 28 August 2002, ICB was merged into the Bank under Section 14A of the Banking Act, Cap.19. As a result of the merger, the businesses, assets, liabilities, interests, rights, privileges, obligations and commitments of ICB were transferred to and vested in the Bank.

The net assets of ICB were partly transferred to the Bank by way of a pre-merger dividend which was dealt with as follows:

	\$'000
Gross pre-merger dividend of \$881,855,000 net of tax at 22% amounting to \$194,008,000	687,847
Less: Dividend of \$206,960,000 net of tax at 22% amounting to \$45,531,000, paid out of ICB's pre-acquisition profits, credited to the Bank's cost of investment in ICB	<u>161,429</u>
Gross dividend of \$674,895,000 net of tax at 22% amounting to \$148,477,000, paid out of ICB's post-acquisition profits, credited to income statement (Notes 13 and 14)	<u>526,418</u>

The deficit arising from the merger of ICB of \$57,422,000 represents the shortfall of the carrying amount of the net assets of ICB as at 28 August 2002 below the carrying amount of the Bank's investment in ICB. The deficit has been charged to the Bank's income statement (Note 13) with no financial effect on the consolidated income statement.

The assets, liabilities and off-balance sheet items of ICB as at 28 August 2002 transferred to the Bank were \$3,329 million, \$3,050 million and \$1,651 million respectively.

- (d) During the financial year, the Group increased its interest in a subsidiary, United Overseas Bank Philippines, from 60% to 100%. Approval has been given by the authorities in the Philippines for the acquisition subject to the fulfilment of certain conditions.
- (e) During the financial year, the Group acquired the following subsidiaries:

	Interest Acquired	Consideration Paid
	%	\$'000
OUB Optimix Funds Management Limited	50	2,243
UOB Investment Consultancy (Beijing) Limited <i>[formerly known as UOB Centek Technology (Beijing) Investment Consulting Co., Ltd]</i>	50	196

The acquisitions had no material effect on the Group's balance sheet and results for the current financial year.

- (f) During the financial year, certain subsidiaries of the Group were disposed of, liquidated or placed into members' voluntary liquidation.

The disposal and liquidations had no material effect on the Group's and the Bank's balance sheets and results for the current financial year.

33 Movements in the Provisions for Diminution in Value of Investments and Other Assets

(a) The Group

	Singapore Government Treasury Bills and Securities \$'000	Other Government Treasury Bills and Securities \$'000	Dealing Securities \$'000	Other Assets \$'000	Investment Securities \$'000	Fixed Assets \$'000	Total \$'000
2002							
At 1 January	31,062	510	59,611	100,188	84,094	37,325	312,790
Currency translation differences	–	(10)	(182)	(478)	(2,502)	(3)	(3,175)
Write-off against provisions	–	(139)	(47,690)	(325)	(18,945)	–	(67,099)
(Write-back)/charge to income statement	(30,618)	(357)	17,922	(22,729)	39,522	17,189	20,929
Transfer from specific provisions and interest- in-suspense for trade bills and advances to customers	–	–	–	–	9,135	–	9,135
At 31 December	444	4	29,661	76,656	111,304	54,511	272,580
2001							
At 1 January	3	879	20,089	57,946	15,655	36,236	130,808
Currency translation differences	–	(6)	596	2,329	746	1,528	5,193
Write-off against provisions	–	–	(4,895)	(154)	(794)	–	(5,843)
Charge/(write-back) to income statement	30,595	(660)	(9,990)	34,820	5,941	2,051	62,757
Transfer from specific provisions for trade bills and advances to customers	–	–	–	–	647	–	647
Acquisition of OUB	19	297	52,780	7,954	62,981	–	124,031
Disposal of subsidiaries	–	–	(51)	(2,707)	–	(2,490)	(5,248)
Transfer from life funds	445	–	–	–	–	–	445
Reclassification	–	–	1,082	–	(1,082)	–	–
At 31 December	31,062	510	59,611	100,188	84,094	37,325	312,790

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33 Movements in the Provisions for Diminution in Value of Investments and Other Assets (continued)

(b) The Bank

	Singapore Government Treasury Bills and Securities \$'000	Other Government Treasury Bills and Securities \$'000	Dealing Securities \$'000	Other Assets \$'000	Investment Securities \$'000	Investments in Associates \$'000	Investments in Subsidiaries \$'000	Fixed Assets \$'000	Total \$'000
2002									
At 1 January	22,476	3	6,875	83,625	9,491	2,960	185,736	2,417	313,583
Currency translation differences	–	–	(138)	(310)	(1,115)	–	(325)	(72)	(1,960)
Charge/ (write-back) to income statement	(22,476)	1	15,891	(19,645)	43,561	(170)	156,907	12,624	186,693
Transfer from subsidiaries upon merger	–	–	–	1,000	16,437	574	–	1,928	19,939
At 31 December	–	4	22,628	64,670	68,374	3,364	342,318	16,897	518,255
2001									
At 1 January	–	565	18,600	49,488	4,291	20,084	207,848	2,557	303,433
Currency translation differences	–	(8)	693	103	292	(22)	1,668	50	2,776
Write-off against provisions	–	–	–	(24)	–	–	(10,745)	–	(10,769)
Charge/ (write-back) to income statement	22,476	(554)	(12,418)	34,058	4,908	(17,102)	(13,035)	(190)	18,143
At 31 December	22,476	3	6,875	83,625	9,491	2,960	185,736	2,417	313,583

34 Fixed Assets

(a) The Group

	2002 Office Equipment, Computers, Fixtures and Other Assets			2001 Office Equipment, Computers, Fixtures and Other Assets		
	Land and Buildings \$'000	Other Assets \$'000	Total \$'000	Land and Buildings \$'000	Other Assets \$'000	Total \$'000
Balances at 1 January						
Cost/valuation	1,656,256	960,289	2,616,545	1,259,109	599,190	1,858,299
Accumulated depreciation	(161,082)	(693,623)	(854,705)	(169,738)	(401,316)	(571,054)
Provision for diminution in value	(37,325)	–	(37,325)	(36,236)	–	(36,236)
Net book value	1,457,849	266,666	1,724,515	1,053,135	197,874	1,251,009
Movements during the financial year:						
Currency translation differences	(7,889)	(4,033)	(11,922)	5,847	3,139	8,986
Additions	177,351	96,679	274,030	5,352	106,863	112,215
Acquisition of subsidiaries	–	–	–	512,149	79,069	591,218
Disposal of subsidiaries	–	–	–	(48,354)	(15,681)	(64,035)
Disposals	(40,538)	(20,011)	(60,549)	(46,819)	(29,889)	(76,708)
Depreciation charge	(25,054)	(89,482)	(114,536)	(21,410)	(74,709)	(96,119)
Provision for diminution in value	(17,189)	–	(17,189)	(2,051)	–	(2,051)
Net book value at 31 December	1,544,530	249,819	1,794,349	1,457,849	266,666	1,724,515
Balances at 31 December						
Cost/valuation	1,795,322	841,312	2,636,634	1,656,256	960,289	2,616,545
Accumulated depreciation	(196,281)	(591,493)	(787,774)	(161,082)	(693,623)	(854,705)
Provision for diminution in value	(54,511)	–	(54,511)	(37,325)	–	(37,325)
Net book value	1,544,530	249,819	1,794,349	1,457,849	266,666	1,724,515

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for the financial year ended 31 December 2002

34 Fixed Assets (continued)

(b) The Bank

	2002			2001		
	Land and	Office		Land and	Office	
	Buildings	Equipment,		Buildings	Equipment,	
	\$'000	Fixtures and	Total	\$'000	Fixtures and	Total
	\$'000	Other Assets	\$'000	\$'000	Other Assets	\$'000
Balances at 1 January						
Cost/valuation	572,865	412,647	985,512	615,112	371,908	987,020
Accumulated depreciation	(84,422)	(288,541)	(372,963)	(88,275)	(257,613)	(345,888)
Provision for diminution in value	(2,417)	–	(2,417)	(2,557)	–	(2,557)
Net book value	486,026	124,106	610,132	524,280	114,295	638,575
Movements during the financial year:						
Currency translation differences	721	(128)	593	571	431	1,002
Additions	159,229	81,197	240,426	5,330	48,958	54,288
Merger of subsidiaries	327,052	62,558	389,610	–	6	6
Disposals	(10,775)	(17,832)	(28,607)	(36,412)	(464)	(36,876)
Depreciation charge	(13,705)	(66,903)	(80,608)	(7,933)	(39,120)	(47,053)
Net (charge)/write-back of provision for diminution in value	(12,624)	–	(12,624)	190	–	190
Net book value at 31 December	935,924	182,998	1,118,922	486,026	124,106	610,132
Balances at 31 December						
Cost/valuation	1,052,901	592,261	1,645,162	572,865	412,647	985,512
Accumulated depreciation	(100,080)	(409,263)	(509,343)	(84,422)	(288,541)	(372,963)
Provision for diminution in value	(16,897)	–	(16,897)	(2,417)	–	(2,417)
Net book value	935,924	182,998	1,118,922	486,026	124,106	610,132

(c) Based on directors' valuation, the estimated market values of the land and buildings of the Group and the Bank included in fixed assets as at 31 December 2002 were \$2,747 million and \$1,629 million respectively (2001: \$2,766 million and \$1,202 million respectively). The excess of the estimated market value over the net book value of the land and buildings is not recognised in the financial statements.

(d) Included in the land and buildings of the Group and the Bank are leasehold properties with net book value at 31 December 2002 amounting to \$1,130.6 million and \$770.3 million respectively (2001: \$1,055 million and \$436.1 million respectively). The rest of the properties are freehold.

- (e) Certain freehold and leasehold land and buildings of the Group and of the Bank are included on the basis of valuations made by independent valuers with subsequent additions at cost. The dates of these valuations are as follows:
- (i) The leasehold land at Bonham Street on which UOB Plaza 2 is sited April 1970
 - (ii) Certain freehold and leasehold land and buildings of Chung Khiaw Realty, Limited December 1969
 - (iii) Certain freehold land and buildings of United Overseas Bank (Malaysia) Bhd November 1965
- (f) Provisions for diminution in value are in respect of certain properties in Singapore, Malaysia, Hong Kong S.A.R., China, Thailand, the Philippines and United Kingdom which are written down to their estimated market values as determined by the Bank's internal professionally qualified valuers.

35 Goodwill

	The Group		The Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at 1 January	3,776,651	–	–	–
Goodwill arising on acquisition of OUB	–	3,824,457	–	–
Transfer to the Bank on the merger of OUB into the Bank				
At cost	–	–	3,824,457	–
Accumulated amortisation	–	–	(47,806)	–
	–	–	3,776,651	–
Goodwill arising on acquisition of additional shares in subsidiaries	110,482	–	–	–
Negative goodwill arising on acquisition of additional shares in a subsidiary	(25,533)	–	–	–
Amortisation during the financial year	(195,554)	(47,806)	(191,223)	–
Balance at 31 December	3,666,046	3,776,651	3,585,428	–
Goodwill, at cost	3,909,406	3,824,457	3,824,457	–
Accumulated amortisation	(243,360)	(47,806)	(239,029)	–
	3,666,046	3,776,651	3,585,428	–

36 Consolidation of Special Purpose Entity

A special purpose entity ("SPE"), Archer 1 Limited ("Archer"), which is incorporated in Singapore, has been consolidated in the Group's financial statements in accordance with Interpretation of Statement of Accounting Standard ("INT") 5: Consolidation – Special Purpose Entities, as the Bank has the majority residual benefits of Archer.

The principal activity of Archer is to carry on the business of investment holding, and for that purpose to issue notes and bonds [Note 23(b)] and apply the proceeds from the notes and bonds towards the purchase of debt securities.

Notes to the Financial Statements

for the financial year ended 31 December 2002

36 Consolidation of Special Purpose Entity *(continued)*

The effects of the consolidation on the Group's balance sheet as at 31 December 2002 and the income statement for the financial year then ended are as follows:

	The Group Increase/(Decrease) \$'000
Balance Sheet	
Assets	
Placements and balances with banks and agents	70,277
Investment securities	816,383
Other assets	13,178
	<u>899,838</u>
Liabilities	
Debts issued	852,411
Other liabilities	44,427
	<u>896,838</u>
Off-Balance Sheet Items	
Derivative financial instruments (contract or underlying principal amount)	<u>(1,154,568)</u>
Income Statement	
Profit after tax for the year	<u>3,000</u>

37 Dividends

The directors have proposed a final dividend in respect of the financial year ended 31 December 2002 of 25 cents per share net of tax at 22%, amounting to a total of \$306,463,000. These financial statements do not reflect this proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2003. The proposed final dividend in respect of the financial year ended 31 December 2001 was 25 cents per share net of tax at 22%, amounting to a total of \$306,366,000 based on the number of shares in issue on 31 December 2001.

38 Contingent Liabilities

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Direct credit substitutes	3,244,290	2,953,396	3,340,645	1,882,535
Transaction-related contingencies	3,632,120	2,700,046	2,911,975	979,080
Trade-related contingencies	1,806,060	2,019,823	1,378,571	639,083
Other contingent liabilities	236,501	114,918	171,064	34,562
	<u>8,918,971</u>	7,788,183	<u>7,802,255</u>	3,535,260

In the normal course of business, the Group and the Bank conduct businesses involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are reimbursable by corresponding obligations of customers. These contingent liabilities are unsecured.

39 Derivative Financial Instruments

(a) The Group

	Contract or Underlying Principal Amount \$'000	Trading Derivatives		Total Derivatives	
		Fair Values		Fair Values	
		Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
2002					
Foreign Exchange Contracts					
Forwards	6,515,318	105,348	53,300	105,421	53,425
Swaps	77,252,945	963,335	993,300	987,669	1,052,909
Options purchased	6,875,269	65,013	–	65,189	–
Options written	8,078,330	–	66,780	–	66,838
Interest Rate Contracts					
Forward rate agreements	2,758,502	1,132	2,097	1,149	2,104
Swaps	26,885,279	536,937	648,304	589,619	707,572
Futures	1,800,952	1,137	3,147	1,137	3,147
Options purchased	266,795	1,581	–	2,058	–
Options written	186,795	–	–	–	477
Equity-Related Contracts					
Swaps	48,935	–	–	1,942	1,942
Futures	11,221	36	41	36	41
Options purchased	94,585	1,081	–	1,081	–
Options written	158,343	–	6,625	–	6,625
Credit-Related Contracts					
Credit default swaps	346,134	101	–	1,137	7,589
	131,279,403	1,675,701	1,773,594	1,756,438	1,902,669
2001					
Foreign Exchange Contracts					
Forwards	5,090,877	54,923	56,176	55,507	56,437
Swaps	52,994,548	595,292	553,101	851,300	716,888
Options purchased	2,039,132	17,380	–	17,380	–
Options written	1,678,972	–	14,291	–	14,291
Interest Rate Contracts					
Forward rate agreements	28,348	–	–	3	–
Swaps	18,623,942	173,268	162,291	191,901	182,730
Futures	957,496	1,085	1,183	1,085	1,183
Options purchased	94,401	–	–	416	–
Options written	94,401	–	–	–	416
Equity-Related Contracts					
Swaps	49,594	1,050	1,049	1,050	1,049
Futures	16,931	550	–	550	–
Options purchased	33,196	28	–	28	–
Options written	40,703	–	4,809	–	4,809
Credit-Related Contracts					
Credit default swaps	465,841	200	5,849	200	5,849
	82,208,382	843,776	798,749	1,119,420	983,652

Notes to the Financial Statements

for the financial year ended 31 December 2002

39 Derivative Financial Instruments (continued)

(b) The Bank

	Contract or Underlying Principal Amount \$'000	Trading Derivatives		Total Derivatives	
		Fair Values		Fair Values	
		Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
2002					
Foreign Exchange Contracts					
Forwards	6,328,130	104,859	52,317	104,914	52,437
Swaps	77,271,888	965,688	997,173	990,022	1,056,782
Options purchased	6,875,269	65,013	–	65,189	–
Options written	8,078,330	–	66,780	–	66,838
Interest Rate Contracts					
Forward rate agreements	2,723,680	1,132	2,097	1,132	2,097
Swaps	26,327,718	512,979	619,932	565,239	676,969
Futures	304,926	770	3,033	770	3,033
Options purchased	266,795	1,581	–	2,058	–
Options written	186,795	–	–	–	477
Equity-Related Contracts					
Swaps	48,935	–	–	1,942	1,942
Futures	11,221	36	41	36	41
Options purchased	93,692	1,080	–	1,080	–
Options written	158,343	–	6,625	–	6,625
Credit-Related Contracts					
Credit default swaps	363,493	116	–	1,152	7,589
	129,039,215	1,653,254	1,747,998	1,733,534	1,874,830
2001					
Foreign Exchange Contracts					
Forwards	4,885,902	52,958	54,061	52,958	54,061
Swaps	47,859,314	597,318	560,260	719,917	606,100
Options purchased	2,039,728	17,335	–	17,335	–
Options written	1,678,972	–	14,291	–	14,291
Interest Rate Contracts					
Forward rate agreements	28,348	–	–	3	–
Swaps	13,022,414	127,014	124,702	145,647	145,141
Futures	560,394	1,035	1,143	1,035	1,143
Options purchased	94,401	–	–	416	–
Options written	94,401	–	–	–	416
Equity-Related Contracts					
Futures	16,931	550	–	550	–
Options purchased	33,196	28	–	28	–
Options written	40,703	–	4,809	–	4,809
Credit-Related Contracts					
Credit default swaps	25,914	200	217	200	217
	70,380,618	796,438	759,483	938,089	826,178

- (c) Derivative financial instruments are instruments whose values change in response to the change in one or more “underlying”, such as foreign exchange rate, interest rate, security price and credit price. They include forwards, swaps, futures and options.

In its normal course of business, the Group and the Bank customise derivatives to meet the specific needs of its customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. The risks associated with the use of derivatives, as well as management’s policies for controlling these risks are set out in Note 44.

The tables above analyse the contract or underlying principal amounts (notional amounts) and the fair values of the Group’s and the Bank’s derivative financial instruments at the balance sheet date. A positive valuation represents a financial asset and a negative valuation a financial liability. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date for both trading and non-trading instruments. They do not necessarily indicate the amounts of future cash flows or the fair value of the derivatives and, therefore, do not represent total amounts at risk.

40 Commitments

	The Group		The Bank	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Capital commitments contracted but not provided for on purchase of fixed assets	15,442	27,248	11,183	22,467
Undrawn credit facilities	35,947,655	34,353,956	29,912,571	15,058,810
Others	563,392	310,964	469,187	308,321
	36,526,489	34,692,168	30,392,941	15,389,598

41 Cash and Cash Equivalents

	The Group	
	2002 \$'000	2001 \$'000
Cash and balances with central banks	4,213,458	3,329,827
Singapore Government treasury bills and securities	8,260,989	8,711,833
Other government treasury bills and securities, less non-cash equivalents of \$723,335,000 (2001: \$1,130,252,000)	609,613	687,108
	13,084,060	12,728,768

Notes to the Financial Statements

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42 Segment Information

(a) Primary Reporting Format – Business Segments

	The Group – 2002					
	Individual Banking \$'000	Institutional Banking \$'000	Global Treasury \$'000	Investment Banking \$'000	Others \$'000	Total \$'000
Income before operating expenses	979,637	1,237,471	452,160	97,768	312,209	3,079,245
Less: Operating expenses	414,776	292,025	135,826	58,726	30,128	931,481
Less: Provisions	151,142	303,135	(30,274)	22,292	5,187	451,482
Segment profit before tax¹	413,719	642,311	346,608	16,750	276,894	1,696,282
Unallocated corporate expenses						(142,496)
						1,553,786
Goodwill amortisation						(195,554)
Operating profit after goodwill amortisation and provisions						1,358,232
Exceptional items						(48,065)
Share of profit of associates						123,403
Profit before tax						1,433,570
Tax and minority interests						(369,370)
Net profit for the financial year attributable to members						1,064,200
Other information:						
Segment assets ²	21,639,614	39,002,623	37,599,853	2,643,047	1,546,563	102,431,700
Investment in associates						1,274,245
Goodwill						3,666,046
Unallocated assets						97,430
Total assets						107,469,421
Gross customer loans	23,176,469	39,162,286	–	–	–	62,338,755
Non-performing loans (“NPLs”)	1,681,801	3,933,580	–	–	–	5,615,381
Specific provision and interest-in-suspense for NPLs (cumulative)	471,145	1,558,590	–	–	–	2,029,735
Dealing securities (gross)						
Debt securities*	–	–	250,170	461,388	–	711,558
Equity shares and unit trusts	–	–	2,761	113,377	–	116,138
Non-dealing securities (gross)						
Debt securities*	–	723,335	9,984,029	1,486,090	–	12,193,454
Equity shares	–	–	9,610	1,270,082	–	1,279,692
Segment liabilities ²	40,175,325	29,794,953	21,895,606	86,771	22,610	91,975,265
Debts issued						
Asset backed commercial paper	–	–	852,411	–	–	852,411
Subordinated notes						1,294,399
Provision for current and deferred tax						472,897
Unallocated liabilities						72,176
Total liabilities						94,667,148
Capital expenditure	26,103	30,684	8,685	619	207,939	274,030
Depreciation of fixed assets	18,275	20,177	4,985	990	70,109	114,536

* Include government treasury bills and securities.

The Group – 2001						
	Individual Banking \$'000	Institutional Banking \$'000	Global Treasury \$'000	Investment Banking \$'000	Others \$'000	Total \$'000
Income before operating expenses	716,629	846,299	414,506	85,338	161,319	2,224,091
Less: Operating expenses	313,001	262,084	114,175	49,238	39,441	777,939
Less: Provisions	22,796	108,549	33,829	(1,083)	704	164,795
Segment profit before tax¹	380,832	475,666	266,502	37,183	121,174	1,281,357
Unallocated corporate expenses						(95,904)
						1,185,453
Goodwill amortisation						(47,806)
Operating profit after goodwill amortisation and provisions						1,137,647
Exceptional items						(11,997)
Share of profit of associates						71,912
Profit before tax						1,197,562
Tax and minority interests						(272,983)
Net profit for the financial year attributable to members						924,579
Other information:						
Segment assets ²	22,832,255	42,298,876	38,948,249	3,126,387	1,035,266	108,241,033
Investment in associates						1,781,322
Goodwill						3,776,651
Unallocated assets						89,088
Total assets						113,888,094
Gross customer loans	22,797,682	41,413,244	–	–	–	64,210,926
Non-performing loans (“NPLs”)	1,494,628	4,449,406	–	–	–	5,944,034
Specific provision and interest-in-suspense for NPLs (cumulative)	376,248	1,508,082	–	–	–	1,884,330
Dealing securities (gross)						
Debt securities*	–	–	801,744	123,720	–	925,464
Equity shares and unit trusts	–	–	5,825	197,499	–	203,324
Non-dealing securities (gross)						
Debt securities*	–	1,130,252	10,164,379	1,179,033	–	12,473,664
Equity shares	–	–	12,132	1,201,937	–	1,214,069
Segment liabilities ²	39,695,187	37,354,597	18,910,850	68,107	24,833	96,053,574
Debts issued						
Asset backed commercial paper	–	–	518,058	–	–	518,058
Subordinated notes						3,639,095
Provision for current and deferred tax						498,974
Unallocated liabilities						62,994
Total liabilities						100,772,695
Capital expenditure	19,776	26,888	5,839	1,714	57,998	112,215
Depreciation of fixed assets	17,102	26,341	3,445	1,176	48,055	96,119

* Include government treasury bills and securities.

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42 Segment Information

(a) Primary Reporting Format – Business Segments *(continued)*

Notes:

1 Segment profit before tax represents segment income less operating expenses that are directly attributable, and those that can be allocated on a reasonable basis, to a segment. Inter-segment transactions are charged at internal transfer prices, estimated based on the costs in providing the products and services, and after taking into account competitive market prices that are charged to unaffiliated customers.

2 Segment assets and liabilities comprise operating assets and liabilities that are directly attributable, and those that can be allocated on a reasonable basis, to a segment.

Business segment information is stated after elimination of inter-segment transactions.

The Group's businesses are organised into five segments, based on the types of products and services that it provides worldwide. These segments are Individual Banking, Institutional Banking, Global Treasury, Investment Banking, and Others that include mainly property-related activities.

Individual Banking

The Group's Individual Banking segment encompasses personal financial services and private banking. The personal financial services business delivers a wide array of consumer services that includes the issue of credit and debit cards, loans and mortgages, deposit services and investment advisory services. Private Banking offers wealth management services for high networth individuals.

Institutional Banking

Institutional Banking encompasses commercial credit, corporate banking and capital markets. The commercial credit business serves the small and medium-sized enterprises, while corporate banking serves the large corporations, institutions and governments. Both commercial credit and corporate banking provide customers with a broad range of products and services that include financing options, trade services, custody services and cash management services. The capital markets business offers corporate finance services, including initial public offering and corporate advisory services.

Global Treasury

The Group's Global Treasury segment extends a wide range of treasury capabilities in foreign exchange, money market, fixed income, derivatives, leveraged trading and futures broking. It is a dominant player in Singapore dollar treasury instruments and a major primary dealer in Singapore Government securities. Global Treasury also provides banknotes services and a full range of gold products, and continues to lead in the provision of Singapore dollar cheque clearing services to correspondent banks.

Investment Banking

Investment Banking comprises asset management, venture capital management, insurance and proprietary investment activities.

Others

Other operations of the Group include stockbroking and property-related activities.

(b) **Secondary Reporting Format – Geographical Segments**

The Group's activities can be analysed into the following geographical areas:

	Income Before Operating Expenses		The Group Profit Before Tax		Total Assets	
	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore (including Asian Currency Units)	2,330,211	1,725,398	1,264,829	1,100,816	77,285,422	83,042,172
Malaysia	356,599	247,319	230,129	122,452	9,256,549	9,588,852
Other ASEAN countries	125,146	80,981	(25,164)	(39,461)	3,220,872	4,008,776
	481,745	328,300	204,965	82,991	12,477,421	13,597,628
Other Asia-Pacific countries	187,867	115,996	111,846	35,511	8,365,078	8,135,632
Rest of the world	79,422	54,397	47,484	26,050	5,675,454	5,336,011
	3,079,245	2,224,091	1,629,124	1,245,368	103,803,375	110,111,443
Goodwill	–	–	(195,554)	(47,806)	3,666,046	3,776,651
	3,079,245	2,224,091	1,433,570	1,197,562	107,469,421	113,888,094

With the exception of Singapore and Malaysia, no individual country contributed 10% or more of the Group's total income before operating expenses, total profit before tax or total assets.

The geographical segment information is based on the location where the assets and transactions are booked. It provides an approximation to geographical segment information that is based on the location of customers and assets.

Geographical segment information is stated after elimination of inter-segment transactions.

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43 Non-Current Assets and Liabilities

To comply with the disclosure requirements of the Ninth Schedule of the Singapore Companies Act, set out below are the non-current assets and non-current liabilities of the Group and the Bank. Assets and liabilities other than those disclosed below are current.

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Non-Current Assets				
Singapore Government treasury bills and securities	568,803	552,957	568,803	552,957
Trade bills and advances to customers (gross)	32,944,833	36,487,701	28,674,127	13,296,229
Placements and balances with banks and agents	229,129	157,229	229,129	80,354
Investment securities	3,945,383	3,431,062	2,687,019	989,656
Investments in associates	1,274,245	1,781,322	706,868	737,601
Investments in subsidiaries	–	–	1,409,829	10,260,598
Fixed assets	1,794,349	1,724,515	1,118,922	610,132
Deferred tax assets	39,519	29,218	2,790	14,033
Goodwill	3,666,046	3,776,651	3,585,428	–
	44,462,307	47,940,655	38,982,915	26,541,560
Non-Current Liabilities				
Deposits of and amounts owing to non-bank customers, banks and agents, and subsidiaries	897,142	537,294	756,159	201,932
Deferred tax liabilities	26,900	23,539	6,422	874
Debts issued	1,294,399	3,639,095	1,294,399	3,639,095
	2,218,441	4,199,928	2,056,980	3,841,901

44 Financial Risk Management

The Group's activities are principally related to transacting in and the use of financial instruments, including derivatives. Transactions in, and the use of, financial instruments expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Managing financial risks is an integral part of the Group's business and it is carried out centrally by the various specialist committees of the UOB Group under policies approved by the directors of the Bank. These policies not only include the parameters for the risks that the Group may undertake for the various financial instruments, but also directions on the types of business that the Group may engage in, guidelines for accepting customers for all types of financial instruments and the terms under which customer business is conducted.

The various specialist committees of the UOB Group have established processes to identify, measure, monitor and ultimately, mitigate these financial risks. Additionally, the Board of Directors of the Bank and the UOB Group's Risk Management & Compliance Sector provide an independent oversight to ensure that those risk management policies are complied with through a variety of established controls and reporting processes.

Discussions on the main financial risks that the Group is exposed to and how it manages these risks are set out below.

(a) **Credit Risk**

Credit risk is the potential loss arising from any failure by the Group's customers or counter-parties to fulfil their obligations as and when these obligations fall due. These obligations may arise from lending, trade finance, investments, receivables under derivative contracts and other credit-related activities undertaken by the Group.

The Credit Committee is responsible for the management of credit risk of the Group. Apart from direct credit management, such as approval of significant loans, it is also responsible for providing directions and timely guidance on lending to different geographical sectors, industries and products.

In general, the Group monitors the levels of credit risk it undertakes through regular review by management, with independent oversight of its credit concentration and portfolio quality by the Credit Committee.

In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, geographical and industry segments, types of acceptable security, level of non-performing loans and adequacy of provisioning requirements.

In respect of other credit risk activities such as money market transactions and derivative financial instruments, the Group has counter-party risk policies that set out approved counter-parties with whom the Group may transact and their respective transaction limits.

Exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral when certain exposure thresholds are exceeded, the right to terminate transactions upon the occurrence of unfavourable events, the right to reset the terms of transactions after specified time periods or upon the occurrence of unfavourable events, and entering into netting agreements with counter-parties that permit the Group to offset receivables and payables with such counter-parties.

Given the amounts, types and nature of its existing products and businesses, the Group assesses that industry concentration risk arises primarily from the Group's trade bills and advances to customers. Note 28(c) analyses the Group's total gross trade bills and advances to customers by industry classification as at the balance sheet date.

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44 Financial Risk Management

(a) Credit Risk (continued)

The following table analyses the Group's financial assets and credit-related contingent liabilities by geographical concentration as at the balance sheet date:

	The Group				
	Trade Bills and Advances to Customers (Gross) \$'000	Placements and Balances with Banks and Agents \$'000	Other Financial Assets \$'000	Credit-Related Contingent Liabilities \$'000	Total \$'000
2002					
Five Regional Countries*	8,453,200	2,671,000	5,338,661	1,691,170	18,154,031
Greater China	2,481,400	1,870,800	747,960	503,610	5,603,770
Singapore	46,403,255	2,579,000	16,836,822	5,641,270	71,460,347
Others**	5,000,900	12,305,421	735,836	846,420	18,888,577
	62,338,755	19,426,221	23,659,279	8,682,470	114,106,725
2001					
Five Regional Countries*	8,562,500	1,988,000	5,432,807	1,334,350	17,317,657
Greater China	2,911,600	911,400	705,078	352,180	4,880,258
Singapore	47,328,426	5,865,750	15,973,179	5,701,345	74,868,700
Others**	5,408,400	15,980,440	608,962	285,390	22,283,192
	64,210,926	24,745,590	22,720,026	7,673,265	119,349,807

* The Five Regional Countries refer to Malaysia, Indonesia, the Philippines, Thailand and South Korea.

** Others comprise mainly other OECD countries.

In addition to the above, the Group also has potential credit risk exposure to undrawn credit facilities of \$35,948 million (2001: \$34,354 million). These represent unused portions of the approved credit facilities mainly in the form of loans, guarantees and trade finance products such as letters of credit. However, the likely amount of exposure is less than the total undrawn credit facilities since most of these are contingent upon customers maintaining specific credit standards and are cancellable at the option of the Group subject to notice requirements. From past experience, many of these undrawn credit facilities are expected to expire without being drawn upon.

(b) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The Group's foreign exchange exposures arise from its foreign exchange position-taking or proprietary business, customer facilitation business as well as a certain amount of structural foreign currency exposures as represented by the net asset values of its overseas branches and investments in overseas subsidiaries, and long-term investments in overseas properties. The Group utilises mainly foreign currency forwards and swaps to hedge its foreign exchange exposures.

Foreign exchange risk is managed through risk limits and policies as approved by the Asset Liability Committee. These limits and policies, such as on the level of exposure by currency and in total for both overnight and intra-day positions, are independently monitored on a daily basis by the UOB Group's Risk Management & Compliance Sector, through the Business Area Control Unit.

The following table sets out the Group's assets, liabilities and derivative financial instruments by currency as at the balance sheet date. The off-balance sheet gap represents the net contract/underlying principal amounts of derivatives, which are principally used to reduce the Group's exposure to currency movements.

	The Group – 2002							
	Singapore Dollars \$'000	US Dollars \$'000	Malaysian Ringgit \$'000	Hong Kong Dollars \$'000	Australian Dollars \$'000	Thai Baht \$'000	Others \$'000	Total \$'000
Assets								
Cash and balances								
with central banks	2,178,006	27,110	1,529,513	2,968	8,104	28,597	439,160	4,213,458
Government treasury								
bills and securities	8,260,989	50,883	73,757	48,840	39,052	747,157	373,259	9,593,937
Placements and								
balances with banks								
and agents	2,976,417	10,865,952	630,182	707,554	956,826	20,618	3,198,395	19,355,944
Trade bills and advances								
to customers	38,808,810	7,928,389	5,466,862	1,386,682	1,721,819	1,000,815	2,570,630	58,884,007
Investment securities	1,341,025	1,423,365	33,651	51,121	19,374	11,105	249,359	3,129,000
Investments in								
associates	1,197,741	2	73,987	–	–	–	2,515	1,274,245
Goodwill	3,556,184	–	–	–	–	9,389	100,473	3,666,046
Others	4,050,897	1,123,617	570,363	68,907	113,197	124,682	401,283	6,452,946
	62,370,069	21,419,318	8,378,315	2,266,072	2,858,372	1,942,363	7,335,074	106,569,583
Assets attributable								
to SPE								899,838
Total assets								107,469,421
Liabilities								
Current, fixed,								
savings accounts								
and other deposits								
of non-bank								
customers	41,028,457	13,930,267	5,431,283	760,697	1,920,685	1,551,163	3,296,029	67,918,581
Deposits and balances								
of banks and agents	3,411,755	11,226,120	741,514	995,957	616,653	281,564	2,028,495	19,302,058
Bills and drafts payable	94,856	11,089	45,860	665	189	7,328	3,878	163,865
Debts issued	1,294,399	–	–	–	–	–	–	1,294,399
Other liabilities	3,327,582	436,923	1,019,908	82,854	25,480	37,793	160,867	5,091,407
	49,157,049	25,604,399	7,238,565	1,840,173	2,563,007	1,877,848	5,489,269	93,770,310
Liabilities attributable								
to SPE								896,838
Total liabilities								94,667,148
On-balance sheet								
open position	13,213,020	(4,185,081)	1,139,750	425,899	295,365	64,515	1,845,805	
Off-balance sheet								
open position	(3,187,522)	4,777,273	365,624	(406,175)	(212,663)	(136,639)	(1,199,898)	
Net open position	10,025,498	592,192	1,505,374	19,724	82,702	(72,124)	645,907	
Net structural								
position	–	43,564	769,579	(654)	111,302	6,870	338,018	

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44 Financial Risk Management

(b) Foreign Exchange Risk (continued)

	Singapore Dollars \$'000	US Dollars \$'000	Malaysian Ringgit \$'000	The Group – 2001 Hong Kong Dollars \$'000	Australian Dollars \$'000	Thai Baht \$'000	Others \$'000	Total \$'000
Assets								
Cash and balances								
with central banks	1,568,092	50,635	1,337,459	29,857	12,616	101,877	229,291	3,329,827
Government treasury								
bills and securities	8,711,833	73,695	208,435	68,934	32,742	1,155,766	277,788	10,529,193
Placements and								
balances with banks								
and agents	4,839,718	15,316,399	431,743	325,309	655,449	20,199	3,098,523	24,687,340
Trade bills and advances								
to customers	39,247,425	9,274,726	5,778,996	1,686,868	1,381,770	858,587	2,663,722	60,892,094
Investment securities	1,010,408	1,479,640	149,395	8,051	85,587	32,063	191,981	2,957,125
Investments in								
associates	1,755,025	2	24,964	–	–	–	1,331	1,781,322
Goodwill	3,776,651	–	–	–	–	–	–	3,776,651
Others	2,788,735	1,414,290	374,102	117,529	71,763	122,830	496,747	5,385,996
	63,697,887	27,609,387	8,305,094	2,236,548	2,239,927	2,291,322	6,959,383	113,339,548
Assets attributable								
to SPE								548,546
Total assets								113,888,094
Liabilities								
Current, fixed,								
savings accounts								
and other deposits								
of non-bank								
customers	45,258,917	15,552,335	5,618,313	794,490	1,263,153	2,081,411	3,883,065	74,451,684
Deposits and balances								
of banks and agents	5,105,171	9,483,734	348,986	665,786	509,498	55,075	1,925,557	18,093,807
Bills and drafts payable	68,538	3,343	48,849	557	125	2,578	1,187	125,177
Debts issued	1,292,027	2,347,068	–	–	–	–	–	3,639,095
Other liabilities	1,618,773	453,183	521,681	70,405	38,297	37,720	1,174,327	3,914,386
	53,343,426	27,839,663	6,537,829	1,531,238	1,811,073	2,176,784	6,984,136	100,224,149
Liabilities attributable								
to SPE								548,546
Total liabilities								100,772,695
On-balance sheet								
 open position	10,354,461	(230,276)	1,767,265	705,310	428,854	114,538	(24,753)	
Off-balance sheet								
 open position	534,213	853,534	(103,132)	(318,143)	(283,602)	(171,294)	(511,576)	
Net open position	10,888,674	623,258	1,664,133	387,167	145,252	(56,756)	(536,329)	
Net structural								
 position	–	46,634	1,021,315	368,095	112,738	10,178	317,686	

Other foreign exchange exposures of the Group are primarily structural foreign currency exposures. These comprise the net asset values of the Group's overseas branches and investments in overseas subsidiaries, and long-term investments in overseas properties.

Where possible, the Group mitigates the effect of structural currency exposures by funding all the Group's investments in overseas branches with borrowings in the same currencies as the functional currencies of the respective overseas branches. On a selective basis, the Group's investments in overseas subsidiaries and long-term investments in overseas properties are also funded in the same functional currencies. The Group also hedges some of the structural foreign currency exposures using foreign exchange derivatives.

The structural currency exposures of the Group are as follows:

Currency of Structural Exposures	Structural Currency Exposures in Overseas Operations \$'000	Hedges by Funding in Respective Currencies \$'000	Other Currency Hedges \$'000	Net Structural Currency Exposures \$'000
2002				
Australian dollars	241,901	37,280	93,319	111,302
Hong Kong dollars	301,138	16,533	285,259	(654)
Indonesian rupiah	98,863	–	(51)	98,914
Malaysian ringgit	769,579	–	–	769,579
Philippine pesos	77,567	–	–	77,567
Thai baht	119,973	–	113,103	6,870
US dollars	386,674	209,162	133,948	43,564
Others	228,084	9,357	57,190	161,537
Total	2,223,779	272,332	682,768	1,268,679
2001				
Australian dollars	156,626	36,622	7,266	112,738
Hong Kong dollars	576,597	17,633	190,869	368,095
Indonesian rupiah	51,650	–	(36)	51,686
Malaysian ringgit	1,021,315	–	–	1,021,315
Philippine pesos	71,068	–	–	71,068
Thai baht	81,877	–	71,699	10,178
US dollars	375,830	199,283	129,913	46,634
Others	223,008	12,752	15,324	194,932
Total	2,557,971	266,290	415,035	1,876,646

(c) **Interest Rate Risk**

Interest rate risk is the risk to earnings and value of financial instruments caused by fluctuations in interest rates.

Sensitivity to interest rates arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies.

The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

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for the financial year ended 31 December 2002

44 Financial Risk Management

(c) Interest Rate Risk (continued)

		The Group – 2002							Total Interest Bearing \$'000	Effective Interest Rate %	
	Total \$'000	Non- Interest Bearing \$'000	Up to 7 Days \$'000	Over 7 Days to 1 Month \$'000	Over 1 to 3 Months \$'000	Over 3 to 12 Months \$'000	Over 1 to 3 Years \$'000	Over 3 Years \$'000			
Assets											
Cash and balances with central banks	4,213,458	4,213,458	–	–	–	–	–	–	–	–	–
Government treasury bills and securities	9,593,937	–	214,443	1,045,295	2,087,502	2,337,488	2,875,334	1,033,875	9,593,937	2.36	
Placements and balances with banks and agents	19,355,944	46,692	2,042,919	7,654,531	4,832,063	4,550,610	226,213	2,916	19,309,252	1.76	
Trade bills and advances to customers	58,884,007	–	19,085,476	9,854,814	7,644,059	14,924,121	4,853,634	2,521,903	58,884,007	4.63	
Dealing and investment securities	3,749,109	1,436,944	130,910	137,039	662,312	220,777	125,439	1,035,688	2,312,165	4.99	
Investments in associates	1,274,245	1,270,163	–	–	–	2,014	2,068	–	4,082	2.31	
Goodwill	3,666,046	3,666,046	–	–	–	–	–	–	–	–	
Others	5,832,837	5,832,837	–	–	–	–	–	–	–	–	
	106,569,583	16,466,140	21,473,748	18,691,679	15,225,936	22,035,010	8,082,688	4,594,382	90,103,443	–	
Assets attributable to SPE	899,838										
Total assets	107,469,421										

The Group – 2002										
	Total \$'000	Non- Interest Bearing \$'000	Up to 7 Days \$'000	Over 7 Days to 1 Month \$'000	Over 1 to 3 Months \$'000	Over 3 to 12 Months \$'000	Over 1 to 3 Years \$'000	Over 3 Years \$'000	Total Interest Bearing \$'000	Effective Interest Rate %
Liabilities										
Current, fixed, savings accounts and other deposits of non-bank customers	67,918,581	5,341,916	19,525,284	19,825,301	9,792,529	12,536,409	742,978	154,164	62,576,665	1.43
Deposits and balances of banks and agents, and bills and drafts payable	19,465,923	721,619	2,567,341	7,750,258	5,289,989	3,136,716	–	–	18,744,304	1.67
Debts issued	1,294,399	–	–	–	–	–	–	1,294,399	1,294,399	4.95
Others	5,091,407	5,091,407	–	–	–	–	–	–	–	–
	93,770,310	11,154,942	22,092,625	27,575,559	15,082,518	15,673,125	742,978	1,448,563	82,615,368	–
Liabilities attributable to SPE	896,838									
Total liabilities	94,667,148									
Shareholders' funds and minority interests	12,799,273	12,799,273	–	–	–	–	–	–	–	–
Shareholders' funds attributable to SPE	3,000									
Total share-holders' funds and minority interests	12,802,273									
	107,469,421									
Net on-balance sheet position	(7,488,075)	(618,877)	(8,883,880)	143,418	6,361,885	7,339,710	3,145,819	7,488,075	–	–
Net off-balance sheet position	–	193,829	(205,618)	(60,918)	491,295	(1,414,935)	996,347	–	–	–
Net interest rate sensitivity gap	(7,488,075)	(425,048)	(9,089,498)	82,500	6,853,180	5,924,775	4,142,166	7,488,075	–	–

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44 Financial Risk Management

(c) Interest Rate Risk (continued)

		The Group – 2001								
	Total \$'000	Non- Interest Bearing \$'000	Up to 7 Days \$'000	Over 7 Days to 1 Month \$'000	Over 1 to 3 Months \$'000	Over 3 to 12 Months \$'000	Over 1 to 3 Years \$'000	Over 3 Years \$'000	Total Interest Bearing \$'000	Effective Interest Rate %
Assets										
Cash and balances with central banks	3,329,827	3,329,827	–	–	–	–	–	–	–	–
Government treasury bills and securities	10,529,193	–	18,300	1,341,663	2,135,759	2,180,855	2,335,009	2,517,607	10,529,193	3.54
Placements and balances with banks and agents	24,687,340	37,460	5,443,105	7,903,518	3,694,198	7,451,830	109,621	47,608	24,649,880	2.86
Trade bills and advances to customers	60,892,094	–	20,827,428	16,100,213	7,348,703	6,483,402	7,843,418	2,288,930	60,892,094	5.55
Dealing and investment securities	3,638,114	1,554,586	9,040	99,850	180,489	903,939	583,081	307,129	2,083,528	4.44
Investments in associates	1,781,322	1,779,254	–	–	–	–	2,068	–	2,068	1.50
Goodwill	3,776,651	3,776,651	–	–	–	–	–	–	–	–
Others	4,705,007	4,705,007	–	–	–	–	–	–	–	–
	113,339,548	15,182,785	26,297,873	25,445,244	13,359,149	17,020,026	10,873,197	5,161,274	98,156,763	–
Assets attributable to SPE	548,546									
Total assets	113,888,094									

The Group – 2001										
	Total	Non-Interest Bearing	Up to 7 Days	Over 7 Days to 1 Month	Over 1 to 3 Months	Over 3 to 12 Months	Over 1 to 3 Years	Over 3 Years	Total Interest Bearing	Effective Interest Rate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Liabilities										
Current, fixed, savings accounts and other deposits of non-bank customers	74,451,684	6,749,568	23,058,979	19,585,026	11,491,515	13,029,302	375,723	161,571	67,702,116	1.93
Deposits and balances of banks and agents, and bills and drafts payable	18,218,984	125,177	5,810,760	4,374,135	5,163,894	2,745,018	–	–	18,093,807	2.95
Debts issued	3,639,095	–	–	–	2,345,343	–	–	1,293,752	3,639,095	4.46
Others	3,914,386	3,914,386	–	–	–	–	–	–	–	–
	100,224,149	10,789,131	28,869,739	23,959,161	19,000,752	15,774,320	375,723	1,455,323	89,435,018	–
Liabilities attributable to SPE	548,546									
Total liabilities	100,772,695									
Shareholders' funds and minority interests	13,115,399	13,115,399	–	–	–	–	–	–	–	–
	113,888,094									
Net on-balance sheet position	(8,721,745)		(2,571,866)	1,486,083	(5,641,603)	1,245,706	10,497,474	3,705,951	8,721,745	–
Net off-balance sheet position	–		202,472	381,312	351,082	(491,907)	(339,452)	(103,507)	–	–
Net interest rate sensitivity gap	(8,721,745)		(2,369,394)	1,867,395	(5,290,521)	753,799	10,158,022	3,602,444	8,721,745	–

Actual repricing dates may differ from contractual dates because prepayments and contractual terms do not reflect the actual behavioural patterns of assets and liabilities. Therefore, the Group manages its interest rate risk by applying dynamic simulation modelling techniques on the above information, which is based on contractual terms.

Notes to the Financial Statements

for the financial year ended 31 December 2002

44 Financial Risk Management *(continued)*

(d) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its cash flow obligations as and when they fall due, such as upon the maturity of deposits and loan draw-downs.

It is not unusual for a bank to have mismatches in the contractual maturity profile of its assets and liabilities. The Group manages liquidity risk in accordance with a framework of liquidity policies, controls and limits that is approved by the Asset Liability Committee, with the main objectives of honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

These controls and policies include the setting of limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Additionally, the Group is required by law in the various locations that it operates from, including Singapore, to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements.

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms.

	The Group – 2002							
		Up to	Over 7	Over	Over	Over		Non-
	Total	7 Days	Days to	1 to 3	3 to 12	1 to 3	Over	Specific
	\$'000	\$'000	1 Month	Months	Months	Years	3 Years	Maturity
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Cash and balances								
with central banks	4,213,458	4,213,458	–	–	–	–	–	–
Government treasury								
bills and securities	9,593,937	214,443	1,045,187	2,086,935	1,974,078	3,237,786	1,035,508	–
Placements and								
balances with								
banks and agents	19,355,944	2,158,301	7,654,531	4,763,373	4,550,610	226,213	2,916	–
Trade bills and								
advances to								
customers	58,884,007	12,337,096	3,911,198	4,218,308	6,225,664	9,815,778	22,375,963	–
Dealing and								
investment								
securities	3,749,109	31,012	53,142	117,933	536,617	461,936	1,196,897	1,351,572
Investments in								
associates	1,274,245	–	–	–	2,014	25,825	–	1,246,406
Goodwill	3,666,046	–	–	–	–	–	–	3,666,046
Others	5,832,837	136,620	119,349	45,931	79,379	50,592	37,746	5,363,220
	106,569,583	19,090,930	12,783,407	11,232,480	13,368,362	13,818,130	24,649,030	11,627,244
Assets								
attributable								
to SPE	899,838							
Total assets	107,469,421							

	The Group – 2002							
	Total \$'000	Up to 7 Days \$'000	Over 7 Days to 1 Month \$'000	Over 1 to 3 Months \$'000	Over 3 to 12 Months \$'000	Over 1 to 3 Years \$'000	Over 3 Years \$'000	Non- Specific Maturity \$'000
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	67,918,581	24,867,200	19,825,301	9,792,529	12,536,409	742,978	154,164	–
Deposits and balances of banks and agents, and bills and drafts payable	19,465,923	3,288,960	7,750,258	5,289,989	3,136,716	–	–	–
Debts issued	1,294,399	–	–	–	–	–	1,294,399	–
Others	5,091,407	269,113	15,158	11,184	14,149	428	88	4,781,287
	93,770,310	28,425,273	27,590,717	15,093,702	15,687,274	743,406	1,448,651	4,781,287
Liabilities attributable to SPE	896,838							
Total liabilities	94,667,148							
Shareholders' funds and minority interests	12,799,273	–	–	–	–	–	–	12,799,273
Shareholders' funds attributable to SPE	3,000							
Total shareholders' funds and minority interests	12,802,273							
	107,469,421							
Net maturity mismatch	(9,334,343)	(14,807,310)	(3,861,222)	(2,318,912)	13,074,724	23,200,379	(5,953,316)	

Notes to the Financial Statements

for the financial year ended 31 December 2002

44 Financial Risk Management

(d) Liquidity Risk (continued)

		The Group – 2001								
		Up to	Over 7	Over	Over	Over	Over	Over	Non-	
		7 Days	Days to	1 to 3	3 to 12	1 to 3	3 Years	Specific		
		\$'000	1 Month	Months	Months	Years	\$'000	Maturity		
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
Assets										
Cash and balances										
with central banks	3,329,827	3,329,827	–	–	–	–	–	–	–	–
Government treasury										
bills and securities	10,529,193	18,300	1,341,663	2,135,759	2,180,855	2,335,009	2,517,607	–	–	–
Placements and										
balances with										
banks and agents	24,687,340	5,480,565	7,903,518	3,694,198	7,451,830	109,621	47,608	–	–	–
Trade bills and										
advances to										
customers	60,892,094	12,298,234	6,085,570	3,083,811	4,852,874	9,865,132	24,706,473	–	–	–
Dealing and										
investment										
securities	3,638,114	–	56,905	112,979	206,449	713,338	1,189,764	1,358,679	–	–
Investments in										
associates	1,781,322	–	–	–	–	25,825	–	1,755,497	–	–
Goodwill	3,776,651	–	–	–	–	–	–	3,776,651	–	–
Others	4,705,007	120,224	59,491	30,147	47,441	96,440	241,526	4,109,738	–	–
	113,339,548	21,247,150	15,447,147	9,056,894	14,739,449	13,145,365	28,702,978	11,000,565	–	–
Assets										
attributable										
to SPE	548,546									
Total assets	113,888,094									

		The Group – 2001						
	Total	Up to	Over 7	Over	Over	Over	Over	Non-
	\$'000	7 Days	Days to	1 to 3	3 to 12	1 to 3	3 Years	Specific
		\$'000	1 Month	Months	Months	Years	\$'000	Maturity
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities								
Current, fixed, savings accounts and other deposits of non-bank customers	74,451,684	29,808,547	19,585,026	11,491,515	13,029,302	375,723	161,571	–
Deposits and balances of banks and agents, and bills and drafts payable	18,218,984	5,906,780	4,390,738	5,176,448	2,745,018	–	–	–
Debts issued	3,639,095	–	–	–	–	–	3,639,095	–
Others	3,914,386	188,457	123,821	72,652	82,374	2,375	130	3,444,577
	100,224,149	35,903,784	24,099,585	16,740,615	15,856,694	378,098	3,800,796	3,444,577
Liabilities attributable to SPE	548,546							
Total liabilities	100,772,695							
Shareholders' funds and minority interests	13,115,399	–	–	–	–	–	–	13,115,399
	113,888,094							
Net maturity mismatch		(14,656,634)	(8,652,438)	(7,683,721)	(1,117,245)	12,767,267	24,902,182	(5,559,411)

The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group has a significant amount of "core" deposits of non-bank customers which are contractually at call and thus, included in the "Up to 7 Days" time band, but history shows that such deposits provide a stable source of long-term funding for the Group.

In addition to the above, the Group is also subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 38 and 40. The total outstanding contractual amounts do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the commitments to pay third parties (such as letters of credit) are reimbursed immediately by customers.

Notes to the Financial Statements

for the financial year ended 31 December 2002

45 Fair Values of Financial Instruments

Financial instruments comprise financial assets, financial liabilities and also derivative 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, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with Singapore Statement of Accounting Standard 32 ("SAS 32") comprise all its assets and liabilities with the exception of deferred tax assets, investments in subsidiaries, investments in associates, fixed assets, goodwill, provision for current tax and deferred tax liabilities. The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	The Group		The Bank	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	\$'000	\$'000	\$'000	\$'000
2002				
Singapore Government treasury bills and securities	8,260,989	8,324,001	8,002,833	8,062,101
Other government treasury bills and securities	1,332,948	1,346,718	419,031	431,117
Dealing securities	620,109	623,411	431,811	435,045
Investment securities	3,945,383	3,929,455	2,687,019	2,690,153
Debts issued	2,146,810	2,272,921	1,294,399	1,420,510
2001				
Singapore Government treasury bills and securities	8,711,833	8,692,326	4,272,411	4,252,904
Other government treasury bills and securities	1,817,360	1,823,652	244,261	246,078
Dealing securities	680,989	683,801	358,104	358,104
Investment securities	3,431,062	3,680,783	989,656	987,119
Debts issued	4,157,153	4,153,412	3,639,095	3,635,354

The fair values of derivative financial instruments are shown in Note 39.

The fair values of financial instrument contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs of obligations or services to be rendered. The Group and the Bank assess that their respective fair values are unlikely to be significant.

Where available, quoted and observable market prices are used as the measure of fair values, such as for government treasury bills and securities, quoted securities, debts issued and most of the derivative financial instruments.

Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions, the principal ones being as follows:

- The fair values of cash and balances with central banks, and placements and balances with banks, agents and related companies are considered to approximate their carrying values because most of these are (a) of negligible credit risk and (b) either short-term in nature or repriced frequently.
- The Group and the Bank consider the carrying amount of advances to customers as a reasonable approximation of its fair value. Presently, market and observable prices do not exist as there is currently no ready market wherein exchanges between willing parties occur. In estimating the fair value, loans are categorised into homogeneous groups by product types, risk characteristics, maturity and pricing profiles, and non-performing accounts. In evaluating the reasonableness of fair value, the Group and the Bank performed analysis on each of the homogeneous groups, taking into account various hypothetical credit spread and market interest rate scenarios, future expected loss experience and estimated forced sale values of collateral. General provisions are also deducted in arriving at the fair value as a discount for credit risk inherent in the large portfolio of advances to customers.
- The Group and the Bank consider the carrying amounts of all its deposits, such as deposits of non-bank customers and deposits and balances of banks, agents and related companies, as reasonable approximation of their respective fair values given that these are mostly either repayable on demand or in the shorter term, and the interest rates will be repriced.
- For derivative financial instruments where quoted and observable market prices are not available, fair values are arrived at using internal pricing models.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, the fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of SAS 32 which requires fair value information to be disclosed. These include fixed assets, long-term relationships with customers, franchise and other intangibles, which are integral to the full assessment of the Group's and the Bank's financial positions and the value of their net assets.

Notes to the Financial Statements

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46 Subsidiaries

The subsidiaries of the Group as at the balance sheet date are as follows:

	Country of Incorporation	Place of Business	Percentage of Paid-Up Capital Held By				Carrying Amount of Bank's Investment	
			The Bank		Subsidiaries		2002 \$'000	2001 \$'000
			2002 %	2001 %	2002 %	2001 %		
Commercial Banking								
Far Eastern Bank Limited	Singapore	Singapore	77	76	—	—	37,912	37,387
* PT Bank UOB Indonesia	Indonesia	Indonesia	99	80	—	—	48,462	30,562
* United Overseas Bank (Canada)	Canada	Canada	100	100	—	—	—	18,155
* United Overseas Bank (Malaysia) Bhd	Malaysia	Malaysia	45	45	55	55	123,731	123,731
* United Overseas Bank Philippines	Philippines	Philippines	100	60	—	—	#	21,101
* UOB Radanasin Bank Public Company Limited	Thailand	Thailand	79	75	—	—	124,087	83,618
Industrial & Commercial Bank Limited	Singapore	Inactive	100	87	—	—	—	384,286
* Overseas Union Bank (Malaysia) Berhad	Malaysia	Inactive	—	—	100	100	—	—
Overseas Union Bank Limited	Singapore	Inactive	100	100	—	—	—	9,014,903
Merchant Banking								
* UOB Asia (Hong Kong) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	50	50	50	50	11,687	11,687
UOB Asia Limited	Singapore	Singapore	100	100	—	—	9,747	9,747
* UOB Australia Limited	Australia	Australia	100	100	—	—	10,865	10,670
+ OUB Australia Ltd (under voluntary liquidation)	Australia	Inactive	100	—	—	100	—	—
Finance								
Overseas Union Trust Limited	Singapore	Singapore	100	###	—	53	158,468	398
+ OUB Finance (H.K.) Limited (liquidated during the year)	Hong Kong S.A.R.	Inactive	—	—	—	100	—	—
Leasing								
* OUB Credit Bhd	Malaysia	Malaysia	—	—	100	100	—	—
+ OUL Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	100	—	—	100	—	—
Insurance								
* PT UOB Life - Sun Assurance	Indonesia	Indonesia	—	—	80	80	—	—
United Overseas Insurance Limited	Singapore	Singapore	51	51	—	—	7,700	7,700
* UOB Insurance (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	—	—	100	100	—	—
UOB Life Assurance Limited	Singapore	Singapore	88	88	12	12	31,509	40,116

	Country of Incorporation	Place of Business	Percentage of Paid-Up Capital Held By				Carrying Amount of Bank's Investment	
			The Bank		Subsidiaries		2002	2001
			2002 %	2001 %	2002 %	2001 %	2002 \$'000	2001 \$'000
Investment								
* Chung Khiaw Bank (Malaysia) Bhd	Malaysia	Malaysia	100	100	—	—	152,403	152,403
OUB.com Pte Ltd	Singapore	Singapore	100	—	—	100	17,267	
* Overseas Union Holdings (Aust) Pty Limited	Australia	Australia	—	—	100	100	—	—
Overseas Union Holdings Private Limited	Singapore	Singapore	100	—	—	100	181,882	—
Overseas Union Securities Limited	Singapore	Singapore	16	6	36	46	10,693	3,310
Overseas Union Securities Trading Pte Ltd	Singapore	Singapore	—	—	100	100	—	—
United Investments Limited	Singapore	Singapore	100	100	—	—	26,100	26,100
UOB Capital Investments Pte Ltd	Singapore	Singapore	100	100	—	—	50,000	50,000
UOB Capital Management Pte Ltd	Singapore	Singapore	100	100	—	—	29,700	3,100
UOB Equity Holdings (Pte) Ltd	Singapore	Singapore	100	100	—	—	9,600	9,600
* UOB Finance (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	100	—	—	19,760	19,557
** UOB Holdings (USA) Inc.	United States of America	United States of America	100	100	—	—	17,956	20,114
* UOB Realty (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	—	—	100	100	—	—
** UOB Venture Management (Shanghai) Co., Ltd	People's Republic of China	People's Republic of China	—	—	100	100	—	—
+ asia-reach.com Pte Ltd (under voluntary liquidation)	Singapore	Inactive	100	100	—	—	—	##
CKB (2000) Limited	Singapore	Inactive	100	100	—	—	—	—
+ ICB Finance Limited (under voluntary liquidation)	Hong Kong S.A.R.	Inactive	100	—	—	100	—	—
ICB Pte. Ltd.	Singapore	Inactive	100	—	—	100	##	—
+ OUB Investments Pte Ltd (under voluntary liquidation)	Singapore	Inactive	100	—	—	100	—	—
+ Overseas Union Facilities (H.K.) Ltd (liquidated during the year)	Hong Kong S.A.R.	Inactive	—	—	—	100	—	—
+ Overseas Union Garden (Private) Limited (under voluntary liquidation)	Singapore	Inactive	100	—	—	100	—	—
+ Securities Investments Pte Ltd (under voluntary liquidation)	Singapore	Inactive	100	—	—	100	—	—
* United Overseas Finance (Malaysia) Bhd.	Malaysia	Inactive	—	—	100	100	—	—
UOF (2000) Limited	Singapore	Inactive	100	100	—	—	10	10

Notes to the Financial Statements

for the financial year ended 31 December 2002

46 Subsidiaries (continued)

	Country of Incorporation	Place of Business	Percentage of Paid-Up Capital Held By				Carrying Amount of Bank's Investment	
			The Bank		Subsidiaries		2002 \$'000	2001 \$'000
			2002 %	2001 %	2002 %	2001 %		
Trustee/Investment Management								
OUB Asset Management Ltd	Singapore	Singapore	100	—	—	100	13,455	—
++ OUB Optimix Funds Management Limited	Singapore	Singapore	—	—	100	—	—	—
Overseas Union Bank Trustees Ltd	Singapore	Singapore	20	—	80	51	1,437	—
United Overseas Bank Trustee Limited	Singapore	Singapore	20	20	80	80	100	100
UOB Asset Management Ltd	Singapore	Singapore	100	100	—	—	2,000	2,000
UOB Bioventures Management Pte Ltd	Singapore	Singapore	—	—	100	100	—	—
** UOB Global Capital (Dublin) Ltd	Ireland	Ireland	—	—	100	100	—	—
** UOB Global Capital LLC	United States of America	United States of America	—	—	70	70	—	—
UOB Global Capital Private Limited	Singapore	Singapore	70	70	—	—	67	72
** UOB Global Capital SARL	France	France	—	—	100	100	—	—
UOB Hermes Asia Management Pte Limited	Singapore	Singapore	—	—	60	60	—	—
* UOB Investment Advisor (Taiwan) Ltd	Taiwan	Taiwan	—	—	100	100	—	—
UOB Venture Management Private Limited	Singapore	Singapore	100	100	—	—	250	250
* UOB-OSK Asset Management Sdn Bhd	Malaysia	Malaysia	—	—	70	70	—	—
+ OUB (Australia) Securities Pty Ltd (liquidated during the year)	Australia	Inactive	—	—	—	100	—	—
+ OUB-TA Asset Management Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	—	—	51	51	—	—
Nominee Services								
* Chung Khiaw Nominees (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	100	—	—	2	2
Far Eastern Bank Nominees (Private) Limited	Singapore	Singapore	—	—	100	100	—	—
Mandarin Nominees Pte Ltd	Singapore	Singapore	—	—	100	100	—	—
* OUB Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	—	—	100	100	—	—
* OUB Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	—	—	100	100	—	—
Overseas Union Bank Nominees (Private) Limited	Singapore	Singapore	100	—	—	100	192	—
* Overseas Union Nominees (H.K.) Limited [formerly known as Overseas Union Bank Nominees (H.K.) Limited]	Hong Kong S.A.R.	Hong Kong S.A.R.	100	—	—	100	4	—

	Country of Incorporation	Place of Business	Percentage of Paid-Up Capital Held By				Carrying Amount of Bank's Investment	
			The Bank		Subsidiaries		2002	2001
			2002 %	2001 %	2002 %	2001 %	\$'000	\$'000
Overseas Union Trust (Nominees) Pte Ltd	Singapore	Singapore	—	—	100	100	—	—
Tye Hua Nominees Private Limited	Singapore	Singapore	100	100	—	—	10	10
United Merchant Bank Nominees (Pte) Ltd	Singapore	Singapore	—	—	100	100	—	—
* United Overseas Bank Nominees (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	100	—	—	4	4
United Overseas Bank Nominees (Private) Limited	Singapore	Singapore	100	100	—	—	10	10
* United Overseas Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	—	—	100	100	—	—
* United Overseas Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	—	—	100	100	—	—
* UOB Nominees (Australia) Limited	Australia	Australia	—	—	100	100	—	—
** UOB Nominees (UK) Limited	United Kingdom	United Kingdom	100	100	—	—	2	2
* UOBM Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	—	—	100	100	—	—
* UOBM Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	—	—	100	100	—	—
Chung Khiaw Nominees (Private) Limited	Singapore	Inactive	100	100	—	—	10	10
+ Grand Orient Nominees Pte Ltd (under voluntary liquidation)	Singapore	Inactive	—	—	100	100	—	—
ICB Nominees (Private) Limited	Singapore	Inactive	100	—	—	100	10	—
Lee Wah Nominees (S) Pte Ltd	Singapore	Inactive	100	100	—	—	##	##
+ OUB Australia Nominees Pty Ltd (liquidated during the year)	Australia	Inactive	—	—	—	100	—	—
+ Overseas Union Bank Nominees (U.K.) Limited (liquidated during the year)	United Kingdom	Inactive	—	—	—	100	—	—
* Singapore UMB (Hong Kong) Limited	Hong Kong S.A.R.	Inactive	—	—	100	100	—	—
UOF Nominees (Private) Limited	Singapore	Inactive	100	100	—	—	##	##
Stockbroking								
Grand Orient Securities Pte Ltd	Singapore	Singapore	—	—	100	100	—	—
* OUB Securities (H.K.) Limited	Hong Kong S.A.R.	Hong Kong S.A.R.	100	—	—	100	11,303	—
OUB Securities Pte Ltd	Singapore	Singapore	100	—	—	100	41,156	—

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46 Subsidiaries (continued)

	Country of Incorporation	Place of Business	Percentage of Paid-Up Capital Held By				Carrying Amount of Bank's Investment	
			The Bank		Subsidiaries		2002 \$'000	2001 \$'000
			2002 %	2001 %	2002 %	2001 %		
Gold/Futures Dealing								
UOB Bullion and Futures Limited	Singapore	Singapore	100	100	—	—	9,000	9,000
+ OUB Bullion & Futures Ltd (under voluntary liquidation)	Singapore	Inactive	100	—	—	100	—	—
Computer Services								
Unicom Databank Private Limited	Singapore	Singapore	100	100	—	—	##	##
* UOB InfoTech Sdn Bhd	Malaysia	Inactive	—	—	100	100	—	—
Management Services								
Overseas Union Management Services Pte Ltd	Singapore	Singapore	100	—	—	100	228	—
A.I.M. Services Pte Ltd	Singapore	Inactive	100	—	—	100	25	—
ICB Management Pte. Ltd.	Singapore	Inactive	100	—	—	100	25	—
+ Overseas Union Management Services Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	100	—	—	100	—	—
+ UOB Management Services Pte Ltd (under voluntary liquidation)	Singapore	Inactive	100	100	—	—	—	##
General Services								
United General Services (Pte) Ltd	Singapore	Singapore	100	100	—	—	##	##
Consultancy and Research Services								
*** UOB Investment Consultancy (Beijing)								
++ Limited [formerly known as UOB Centek Technology (Beijing) Investment Consulting Co., Ltd]	People's Republic of China	People's Republic of China	—	—	100	—	—	—
** UOB Venture Management (USA) Inc.	United States of America	United States of America	—	—	100	100	—	—
+ OUB Research Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	—	—	100	100	—	—
Property								
Chung Khiaw Realty, Limited	Singapore	Singapore/ Malaysia	99	99	—	—	60,448	60,448
Industrial & Commercial Property (S) Pte Ltd	Singapore	Singapore	100	—	—	100	32,000	—
** UOB Realty (USA) Inc.	United States of America	United States of America	100	100	—	—	287	299
** UOB Realty (USA) Ltd Partnership	United States of America	United States of America	99	99	1	1	17,185	17,386

	Country of Incorporation	Place of Business	Percentage of Paid-Up Capital Held By				Carrying Amount of Bank's Investment	
			The Bank		Subsidiaries		2002	2001
			2002 %	2001 %	2002 %	2001 %	\$'000	\$'000
UOB Warehouse Private Limited	Singapore	Singapore	100	100	–	–	88,000	88,000
FEB Realty Company Pte. Ltd.	Singapore	Inactive	–	–	100	100	–	–
+ ICB Enterprises (Private) Limited (under voluntary liquidation)	Singapore	Inactive	100	100	–	–	–	495
+ Overseas Union Holdings Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	–	–	100	100	–	–
Property Management								
OUB Towers Pte Ltd	Singapore	Singapore	100	–	–	100	32,554	–
Overseas Union Developments (Private) Limited	Singapore	Singapore	100	–	–	100	16,539	–
+ Overseas Union Developments Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	–	–	100	100	–	–
Overseas Union Facilities Sdn Bhd (disposed of during the year)	Malaysia	Inactive	–	–	–	100	–	–
+ Overseas Union Project Management Pte Ltd (under voluntary liquidation)	Singapore	Inactive	–	–	100	100	–	–
+ Overseas Union Realty Services Pte Ltd (under voluntary liquidation)	Singapore	Inactive	–	–	100	100	–	–
+ UOB Property Management Pte Ltd (under voluntary liquidation)	Singapore	Inactive	100	100	–	–	–	##
Travel								
UOB Travel Planners Pte Ltd	Singapore	Singapore	100	100	–	–	3,987	3,987
+ UOB Travel (General Sales Agent) Pte Ltd (under voluntary liquidation)	Singapore	Inactive	55	55	–	–	–	268
							1,409,829	10,260,598

Notes:

- * Audited by other member firms of the worldwide PricewaterhouseCoopers organisation.
- ** Not required to be audited in country of incorporation.
- *** Not audited by PricewaterhouseCoopers, Singapore or another member firm of the worldwide PricewaterhouseCoopers organisation.
- + Not required to be audited as subsidiary has been put into liquidation.
- ++ This company was an associate at 31 December 2001 (see Note 47).
- # Investment cost is fully provided for.
- ## Investment cost is less than \$1,000.
- ### Percentage of paid-up capital held by the Bank is 0.2%.

Notes to the Financial Statements

for the financial year ended 31 December 2002

47 Major Associates

	Principal Activities	Country of Incorporation and Business	Effective Interest Held by the Group	
			2002 %	2001 %
Associates (Quoted)				
United International Securities Limited	Investment	Singapore	42	42
United Overseas Land Limited	Property/hotel	Singapore	45	45
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	40	39
Haw Par Corporation Limited (divested during the year)	Conglomerate	Singapore	*	42
Associates (Unquoted)				
Ace Net Financial Services Pte Ltd	Automated teller machine services	Singapore	50	50
Affin-UOB Securities Sdn Bhd	Stockbroking	Malaysia	45	45
Asfinco Singapore Limited	Investment holding	Singapore	40	39
Clearing and Payment Services Pte Ltd	Continuous linked settlement	Singapore	33	33
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	33	40
Novena Square Development Pte Ltd	Property	Singapore	20	20
Novena Square Investment Pte Ltd	Investment	Singapore	20	20
Orix Leasing Singapore Limited	Leasing/rental	Singapore	20	20
OSK-UOB Unit Trust Management Berhad	Investment management	Malaysia	30	30
OUB Manulife Pte Ltd	Life insurance	Singapore	–	50
# OUB Optimix Funds Management Limited	Unit trust fund management	Singapore	–	50
Overseas Union Insurance, Limited	General insurance	Singapore	50	48
PT Bali Walden UOB Venture Capital (under voluntary liquidation)	Venture capital investment	Indonesia	20	20
Singapore Consortium Investment Management Ltd	Unit trust fund management	Singapore	33	40
Tower-Ed Sdn Bhd	General and life insurance	Malaysia	49	–
# UOB Investment Consultancy (Beijing) Limited [formerly known as UOB Centek Technology (Beijing) Investment Consulting Co., Ltd]	Consultancy and research services	People’s Republic of China	–	50
UOB Venture Investments Limited	Venture capital investment	Singapore	21	21
Vertex Asia Limited	Investment	Singapore	21	21
Walden Asia II Limited	Venture capital investment	United States of America	25	25

Notes:

* The Group's interest in this company was divested during the year [Note 19(c)] and the investment has accordingly been classified in investment securities (Note 30).

This company was a subsidiary at 31 December 2002 (see Note 46).

48 Authorisation of Financial Statements

On 28 February 2003, the Board of Directors of United Overseas Bank Limited authorised these financial statements for issue.

The Auditors' Report is on page 90.