



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

FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

*for the financial year ended 31 December 2003*

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

### **Directors**

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

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

### **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' REPORT

for the financial year ended 31 December 2003

### 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 are as follows:

	Number of ordinary shares of \$1 each			
	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At 31.12.2003	At 1.1.2003	At 31.12.2003	At 1.1.2003
<b>The Bank</b>				
Mr Wee Cho Yaw	16,390,248	16,390,248	210,608,142	209,258,142
Mr Wee Ee Cheong	2,794,899	2,794,899	144,985,251	143,985,251
Mr Ngiam Tong Dow	—	—	8,600	4,600
Prof Cham Tao Soon	—	—	6,520	4,520
Mr Ernest Wong Yuen Weng	50,000	50,000	—	—
Mr Tan Kok Quan	—	—	100,038	95,038
Mrs Margaret Lien Wen Hsien	99,783	99,783	84,605,287	81,538,287
Mr Ng Boon Yew	—	—	5,280	5,280
<b>United Overseas Insurance Limited</b>				
Mr Wee Cho Yaw	25,400	25,400	—	—
<b>Overseas Union Securities Limited</b>				
Mrs Margaret Lien Wen Hsien	—	—	15,625	15,625

- (b) According to the register of directors' shareholdings, no director holding office at 31 December 2003 had any interest in the share options in, or debentures of the Bank and related corporations except as follows:

	Number of unissued ordinary shares of \$1 each under option held by director	
	At 31.12.2003	At 1.1.2003
<b>The Bank</b>		
Mr Koh Beng Seng	50,000	—

- (c) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2004 (being the 21st day after the end of the financial year) except for Mr Wee Cho Yaw and Mr Wee Ee Cheong whose shareholdings in the Bank in which they are deemed to have an interest have increased by 200,000 shares each.

### 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' 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 2003 are as follows:

	Directors' fees %	Base or fixed salary %	Variable/ performance bonus %	Benefits-in-kind and other %	Total %
<b>\$6,750,000 to \$6,999,999</b>	<b>2.9</b>	<b>10.3</b>	<b>86.6</b>	<b>0.2</b>	<b>100.0</b>
Mr Wee Cho Yaw					
<b>\$2,000,000 to \$2,249,999</b>	<b>4.6</b>	<b>28.7</b>	<b>64.5</b>	<b>2.2</b>	<b>100.0</b>
Mr Wee Ee Cheong					
<b>\$1,250,000 to \$1,499,999</b>	<b>2.5</b>	<b>41.8</b>	<b>52.5</b>	<b>3.2</b>	<b>100.0</b>
Mr Koh Beng Seng					
<b>\$750,000 to \$999,999</b>	<b>4.4</b>	<b>30.9</b>	<b>–</b>	<b>64.7</b>	<b>100.0</b>
Mr Lee Hee Seng (retired on 8 May 2003)					
<b>Below \$250,000</b>	<b>100.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100.0</b>
Mr Ngiam Tong Dow					
Prof Cham Tao Soon					
Mr Ernest Wong Yuen Weng					
Mr Wong Meng Meng					
Mr Sim Wong Hoo					
Mr Philip Yeo Liat Kok					
Mr Tan Kok Quan					
Prof Lim Pin					
Mrs Margaret Lien Wen Hsien					
Mr Ng Boon Yew					

- (b) Save as disclosed in this report, no share options were granted to the above directors during the financial year.

### Share options

- (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 financial 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.

## DIRECTORS' REPORT

for the financial year ended 31 December 2003

### Share options (continued)

(c) During the financial year, options were granted pursuant to the UOB 1999 Share Option Scheme in respect of 2,200,000 unissued ordinary shares of \$1 each of the Bank (hereinafter called "Options 2003").

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

(i) Options	Option period	Offer price \$
<b>UOB 1999 Share Option Scheme</b>		
1999	27 December 2000 to 26 December 2004	14.70
2000	11 December 2001 to 10 December 2005	12.90
2003	6 June 2004 to 5 June 2008	11.67

(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 (hereinafter called "the Schemes") are set out in the circulars to shareholders dated 18 January 1990 and 10 September 1999 respectively.

(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). No options were granted at a discount during the financial year. Since the commencement of the Schemes, no options were granted to the directors of the Bank except 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 2003			Number of shares under option outstanding as at	
		Granted	Exercised	Lapsed	31.12.2003	1.1.2003
Mr Koh Beng Seng	50,000	50,000	—	—	50,000	—
Mr Ernest Wong Yuen Weng	—	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) The Schemes are administered by the Remuneration Committee, which comprises the following directors:

Mr Wee Cho Yaw (*Chairman*)  
 Prof Cham Tao Soon  
 Mr Philip Yeo Liat Kok  
 Prof Lim Pin

- (f) During the financial year, the Bank issued 61,000 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:

<b>Year in which options were granted</b>	<b>Subscription price per share, paid in cash</b> \$	<b>Number of ordinary shares of \$1 each in the Bank</b>
1998	3.14	7,000
2000	12.90	54,000
		<u>61,000</u>

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

- (g) Unissued ordinary shares of \$1 each under option in connection with the UOB 1999 Share Option Scheme at 31 December 2003 comprise the following:

<b>Year in which options were granted</b>	<b>Price per share payable in full upon application</b> \$	<b>Date of expiration of option</b>	<b>Number of shares</b>
1999	14.70	27 December 2004	1,185,000
2000	12.90	11 December 2005	1,121,000
2003	11.67	6 June 2008	2,161,000
			<u>4,467,000</u>

## DIRECTORS' REPORT

for the financial year ended 31 December 2003

### 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

Prof 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 consolidated financial statements of the Group for the financial year ended 31 December 2003 and the balance sheet of the Bank at 31 December 2003. The consolidated financial statements of the Group for the financial year ended 31 December 2003 and the balance sheet of the Bank at 31 December 2003 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.

The Audit Committee has undertaken a review of all non-audit services provided by PricewaterhouseCoopers. In the Audit Committee's opinion, the non-audit services provided by PricewaterhouseCoopers would not affect their independence as auditors.

### Auditors

In response to the requirement on rotation of auditors, Ernst & Young has been nominated for appointment as auditors for the financial year 2004. The appointment is subject to shareholders' approval at the forthcoming Annual General Meeting.

On behalf of the directors

**Wee Cho Yaw**

Chairman

**Wee Ee Cheong**

Deputy Chairman

20 February 2004

## STATEMENT BY DIRECTORS

*for the financial year ended 31 December 2003*

In the opinion of the directors, the balance sheet of the Bank and the consolidated financial statements of the Group as set out on pages 89 to 164 are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group at 31 December 2003 and of the results of the business, and changes in equity and 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

20 February 2004



# AUDITORS' REPORT TO THE MEMBERS OF UNITED OVERSEAS BANK LIMITED

for the financial year ended 31 December 2003

We have audited the balance sheet of United Overseas Bank Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2003 set out on pages 89 to 164. 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying balance sheet of the Bank and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2003 and the results, changes in equity and cash flows of the Group for the financial year ended on that date, and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report of the 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 45 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, 20 February 2004

# CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2003

	Note	The Group	
		2003 \$'000	2002 \$'000
Interest income	3	3,294,101	3,711,303
Less: Interest expense	4	1,223,563	1,583,358
Net interest income		2,070,538	2,127,945
Dividend income	5	42,004	31,881
Fee and commission income	6	587,866	500,545
Rental income		72,618	78,426
Other operating income	7	386,577	295,502
Income before operating expenses		3,159,603	3,034,299
Less:			
Staff costs	8	531,780	536,354
Other operating expenses	9	563,621	537,623
		1,095,401	1,073,977
Operating profit before goodwill amortisation and provisions		2,064,202	1,960,322
Less: Goodwill written off and amortised	11	201,620	195,554
Less: Provisions	12	361,503	464,519
<b>Operating profit after goodwill amortisation and provisions</b>		<b>1,501,079</b>	<b>1,300,249</b>
Exceptional item	13	–	(48,065)
Share of profit of associates		107,249	123,403
<b>Profit from ordinary activities before tax</b>		<b>1,608,328</b>	<b>1,375,587</b>
Less: Tax	14	392,751	340,271
Profit after tax		1,215,577	1,035,316
Less: Minority interests		13,491	29,381
<b>Net profit for the financial year attributable to members</b>		<b>1,202,086</b>	<b>1,005,935</b>
<b>Earnings per share:</b>	15		
Basic		76 cents	64 cents
Diluted		76 cents	64 cents

## BALANCE SHEETS

as at 31 December 2003

		The Group		The Bank	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Share capital and reserves</b>					
Share capital	16	<b>1,571,664</b>	1,571,603	<b>1,571,664</b>	1,571,603
Capital reserves	17	<b>4,242,284</b>	4,256,919	<b>4,180,133</b>	4,197,657
Statutory reserves	18	<b>2,859,850</b>	2,757,518	<b>2,493,172</b>	2,395,293
Revenue reserves	19	<b>4,464,952</b>	3,892,971	<b>3,514,142</b>	3,079,030
Share of reserves of associates	20	<b>143,285</b>	133,594	–	–
		<b>13,282,035</b>	12,612,605	<b>11,759,111</b>	11,243,583
<b>Minority interests</b>		<b>155,103</b>	149,655	–	–
<b>Liabilities</b>					
Current, fixed, savings accounts and other deposits of non-bank customers		<b>69,862,961</b>	67,918,581	<b>60,301,300</b>	57,931,265
Deposits and balances of banks and agents		<b>18,839,362</b>	19,302,058	<b>17,731,499</b>	17,966,942
Deposits from subsidiaries		–	–	<b>1,334,435</b>	1,421,386
	21	<b>88,702,323</b>	87,220,639	<b>79,367,234</b>	77,319,593
Bills and drafts payable		<b>163,780</b>	163,865	<b>88,060</b>	107,986
Provision for current tax		<b>490,872</b>	446,723	<b>441,958</b>	371,736
Other liabilities	22	<b>6,441,438</b>	4,662,937	<b>3,746,985</b>	2,842,129
Deferred tax liabilities	14	<b>14,579</b>	26,900	<b>3,607</b>	6,422
Debts issued	23	<b>4,196,269</b>	2,146,810	<b>3,343,862</b>	1,294,399
		<b>100,009,261</b>	94,667,874	<b>86,991,706</b>	81,942,265
		<b>113,446,399</b>	107,430,134	<b>98,750,817</b>	93,185,848
<b>Off-balance sheet items</b>					
Contingent liabilities	37	<b>8,728,749</b>	8,918,971	<b>7,390,726</b>	7,802,255
Derivative financial instruments	38	<b>183,839,995</b>	131,279,403	<b>180,696,126</b>	129,039,215
Commitments	39	<b>37,659,547</b>	36,526,489	<b>31,058,409</b>	30,392,941



		The Group		The Bank	
	Note	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					
Cash and balances with central banks		<b>8,034,677</b>	4,213,458	<b>5,449,325</b>	2,402,190
Singapore Government treasury bills and securities	24	<b>6,310,846</b>	8,218,372	<b>6,232,660</b>	7,959,795
Other government treasury bills and securities	25	<b>1,351,624</b>	1,332,976	<b>706,589</b>	419,031
Dealing securities	26	<b>524,506</b>	623,411	<b>176,864</b>	435,045
Placements and balances with banks and agents	27	<b>21,122,137</b>	19,426,221	<b>19,380,481</b>	18,419,738
Trade bills	28	<b>1,312,603</b>	1,051,030	<b>159,863</b>	139,405
Advances to customers	28	<b>57,983,953</b>	57,832,977	<b>50,350,598</b>	49,816,830
Placements with and advances to subsidiaries		–	–	<b>1,989,874</b>	1,018,173
Other assets	29	<b>4,715,737</b>	4,012,147	<b>3,657,413</b>	3,064,785
		<b>101,356,083</b>	96,710,592	<b>88,103,667</b>	83,674,992
Investment securities	30	<b>5,422,510</b>	3,945,383	<b>4,061,903</b>	2,687,019
Investments in associates	31	<b>1,396,784</b>	1,274,245	<b>775,380</b>	706,868
Investments in subsidiaries	32	–	–	<b>1,285,403</b>	1,409,829
Fixed assets	34	<b>1,768,393</b>	1,794,349	<b>1,147,140</b>	1,118,922
Deferred tax assets	14	<b>36,470</b>	39,519	<b>5,546</b>	2,790
Goodwill	11	<b>3,466,159</b>	3,666,046	<b>3,371,778</b>	3,585,428
		<b>113,446,399</b>	107,430,134	<b>98,750,817</b>	93,185,848

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 88.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2003

		2003					
	Note	Share capital \$'000	Capital reserves \$'000	Statutory reserves \$'000	Revenue reserves \$'000	Share of reserves of associates \$'000	Total \$'000
Balance at 1 January 2003							
As previously reported		1,571,603	4,256,919	2,757,518	3,933,004	133,594	12,652,638
Prior year adjustments resulting from change in accounting policy	2(f), 19(a)	–	–	–	(40,033)	–	(40,033)
As restated		1,571,603	4,256,919	2,757,518	3,892,971	133,594	12,612,605
Net profit for the financial year attributable to members		–	–	–	1,202,086	–	1,202,086
Differences arising from currency translation of financial statements of foreign branches, subsidiaries and associates	17(a)	–	10,481	–	–	–	10,481
Group's share of reserves of associates	20	–	–	–	–	9,691	9,691
Other adjustments	17(a), 19(a)	–	(1,805)	529	(632)	–	(1,908)
Total recognised gains for the financial year		–	8,676	529	1,201,454	9,691	1,220,350
Transfer from/(to) revenue reserves	17(a), 18, 19(a)	–	(23,969)	101,803	(77,834)	–	–
Dividends	19(a)	–	–	–	(551,639)	–	(551,639)
Issue of shares to option holders who exercised their rights	16(a), 17(a)	61	658	–	–	–	719
Balance at 31 December 2003							
		1,571,664	4,242,284	2,859,850	4,464,952	143,285	13,282,035

2002						
Note	Share capital \$'000	Capital reserves \$'000	Statutory reserves \$'000	Revenue reserves \$'000	Share of reserves of associates \$'000	Total \$'000
Balance at 1 January 2002						
As previously reported	1,571,109	5,258,762	2,150,271	3,199,343	537,354	12,716,839
Prior year adjustments resulting from change in accounting policy	19(a)	–	–	18,232	–	18,232
As restated	1,571,109	5,258,762	2,150,271	3,217,575	537,354	12,735,071
Net profit for the financial year attributable to members		–	–	1,005,935	–	1,005,935
Differences arising from currency translation of financial statements of foreign branches, subsidiaries and associates	17(a)	–	(14,514)	–	–	(14,514)
Group's share of reserves of associates	20	–	–	–	(393,977)	(393,977)
Other adjustments	17(a),19(a)	–	–	(2,968)	–	(5,097)
Total recognised gains/(losses) for the financial year		–	(14,514)	(2,968)	(393,977)	592,347
Transfer from/(to) revenue reserves	17(a),18,19(a)	–	(994,922)	610,215	–	–
Transfer from share of reserves of associates	17(a),19(a),20	–	2,552	–	(9,783)	–
Dividends	19(a)	–	–	–	–	(720,348)
Issue of shares to option holders who exercised their rights	16(a),17(a)	494	5,041	–	–	5,535
Balance at 31 December 2002		1,571,603	4,256,919	2,757,518	133,594	12,612,605

The movements of the respective reserve accounts are presented in Notes 16 to 20.

# CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2003

	2003 \$'000	2002 \$'000
<b>Cash flows from operating activities</b>		
Profit before tax	1,608,328	1,375,587
Adjustments for:		
Depreciation of fixed assets	107,755	114,536
Goodwill written off and amortised	201,620	195,554
Share of profit of associates	(107,249)	(123,403)
Operating profit before changes in operating assets and liabilities	1,810,454	1,562,274
Changes in operating assets and liabilities:		
Deposits	1,481,684	(5,324,852)
Bills and drafts payable	(85)	38,688
Other liabilities	1,778,501	1,216,704
Dealing securities	98,905	58,193
Placements and balances with banks and agents	(1,695,916)	5,319,369
Trade bills and advances to customers	(412,549)	2,008,087
Other government treasury bills and securities not qualifying as cash and cash equivalents	337,955	406,917
Other assets	(703,590)	(1,043,677)
Cash generated from operations	2,695,359	4,241,703
Income taxes paid	(335,092)	(371,089)
<b>Net cash provided by operating activities</b>	2,360,267	3,870,614
<b>Cash flows from investing activities</b>		
Increase in investment securities and investments in associates	(1,540,708)	(339,781)
Net dividends received from associates	31,559	52,210
Net increase in fixed assets	(81,799)	(184,031)
Change in/acquisition of minority interests of subsidiaries	(3,752)	(353,136)
Net cash flow on acquisition of subsidiaries	–	(1,204)
Net cash flow from disposal of subsidiaries	–	2
<b>Net cash used in investing activities</b>	(1,594,700)	(825,940)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	719	5,535
Net increase/(decrease) in debts issued	2,049,459	(2,010,343)
Dividends paid by the Bank	(551,639)	(720,348)
Dividends paid by subsidiaries to minority shareholders	(4,291)	(10,382)
<b>Net cash provided by/(used in) financing activities</b>	1,494,248	(2,735,538)
Currency translation adjustment	10,481	(14,514)
<b>Net increase in cash and cash equivalents</b>	2,270,296	294,622
Cash and cash equivalents at beginning of the financial year	13,041,471	12,746,849
<b>Cash and cash equivalents at end of the financial year (Note 40)</b>	15,311,767	13,041,471

The accompanying notes form an integral part of these financial statements. The Auditors' Report is on page 88.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

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

## 1 General

The Bank is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of its registered office is 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 45 to the financial statements.

## 2 Significant accounting policies

### (a) Effect of changes in Singapore Companies Legislation

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

Previously, the Group and the Bank prepared their financial statements in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have a material impact on the accounting policies and figures presented in the financial statements for the financial years ended 31 December 2002 and 2003.

### (b) Basis of accounting

These financial statements are presented in Singapore dollars.

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of dealing securities, certain Singapore Government treasury bills and securities, other government treasury bills and securities and derivative financial instruments to fair value at the balance sheet date and the inclusion of certain freehold and leasehold land and buildings at valuation.

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

### (c) 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 Financial Reporting Standard ("INT FRS") 12: Consolidation – Special Purpose Entities ("SPE") requires that the SPE be consolidated when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. The adoption of INT FRS 12 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 35.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 2 Significant accounting policies *(continued)*

#### (d) 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.

#### (e) 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.

#### (f) Investments

(i) Following the revision of Notice to Banks, MAS 605 – Revaluation of Assets, issued by the Monetary Authority of Singapore, which allows banks to mark to market their trading portfolios, the Group and the Bank have changed their accounting policy as follows:

- Singapore Government and other government treasury bills and securities held for trading are initially recognised in the balance sheets at amounts paid and subsequently remeasured to fair value. The resultant profits and losses are taken up in the income statements.
- Singapore Government and other government treasury bills, other than those held for trading, are stated at the lower of cost and market value, determined on an aggregate basis.
- Singapore Government and other government securities, other than those held for trading, are stated at cost (adjusted for amortisation of premium/discount) and provisions are made for diminution in value that is other than temporary, determined on an individual basis.
- Dealing securities are initially recognised in the balance sheets at amounts paid and subsequently remeasured to fair value. The resultant profits and losses are taken up in the income statements.

Prior to 1 January 2003:

- Singapore Government treasury bills and securities, other than those held as long-term investments, were stated at the lower of cost (without adjustment for amortisation of premium/discount) and market value determined on an aggregate basis. Long-term Singapore Government securities were stated at cost and provisions were made for diminution in value that is other than temporary, determined on an individual basis.
- Other government treasury bills and securities were stated at the lower of cost and market value determined on an aggregate basis.
- Dealing securities were stated at the lower of cost and market value determined on an aggregate basis.

The new accounting policy has been applied retrospectively, with the financial statements, including prior-year comparatives being presented as if the new accounting policy had always been in use. The comparatives have been restated to conform to the changed policy as follows:

	<b>2002</b>	
	<b>The Group</b> \$'000	<b>The Bank</b> \$'000
<i>Balance Sheet</i>		
Decrease in Singapore Government treasury bills and securities	(42,617)	(43,038)
Increase in other government treasury bills and securities	28	–
Increase in dealing securities	3,302	3,234
Increase in provision for current tax	(726)	(711)
Increase in minority interests	(20)	–
Decrease in retained profits	<u>(40,033)</u>	<u>(40,515)</u>
<i>Income Statement</i>		
Decrease in net profit for the financial year attributable to members	<u>(58,265)</u>	<u>(49,684)</u>
Decrease in earnings per share:		
Basic/Diluted	<u>(4 cents)</u>	<u>NA*</u>

The effects of the change in accounting policy for investments on the financial statements for the financial year ended 31 December 2003 are as follows:

	<b>2003</b>	
	<b>The Group</b> \$'000	<b>The Bank</b> \$'000
<i>Balance Sheet</i>		
Decrease in Singapore Government treasury bills and securities	<b>(14,057)</b>	<b>(13,188)</b>
Decrease in other government treasury bills and securities	<b>(54)</b>	–
Increase in dealing securities	<b>12,784</b>	<b>3,743</b>
Increase in provision for current tax	<b>(2,761)</b>	<b>(823)</b>
Increase in minority interests	<b>(2,756)</b>	–
Decrease in retained profits	<u><b>(6,844)</b></u>	<u><b>(10,268)</b></u>
<i>Income Statement</i>		
Increase in net profit for the financial year attributable to members	<u><b>33,189</b></u>	<u><b>30,247</b></u>
Increase in earnings per share:		
Basic/Diluted	<u><b>2 cents</b></u>	<u><b>NA*</b></u>

\* Not applicable.

- (ii) Investment securities are stated at cost (adjusted for amortisation of premium/discount) and provisions are made for diminution in value that is other than temporary, determined on an individual basis.

Investment securities held by the consolidated SPE are initially recognised in the balance sheets at amounts paid and subsequently remeasured to 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 valuation techniques, such as discounting estimated cash flows at an appropriate rate.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 2 Significant accounting policies

### (f) Investments *(continued)*

- (iii) Investments in associates and subsidiaries are stated at cost and provisions are made for impairment, determined on an individual basis.

### (g) Cash and cash equivalents

Cash equivalents are highly liquid assets that are readily convertible to cash.

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.

### (h) Revenue recognition

- (i) Interest income is recognised on an accrual 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. Where a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised. Rental income represents income from the tenanted areas of the buildings owned by the Group and/or the Bank.

### (i) 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. Computer software is included in fixed assets and similarly amortised. 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.

### (j) 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.

(k) **Foreign currencies**

The measurement currency of the Group and the Bank is the Singapore dollar and all currencies other than the measurement currency are foreign currencies.

Foreign currency monetary 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 reported in their measurement currencies are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date. All exchange adjustments arising on the translation into Singapore dollars are taken directly to the foreign currency translation reserve.

(l) **Derivative financial instruments**

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

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

Derivative financial instruments entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged items.

(m) **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, associates 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.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the goodwill adjusted directly against shareholders' equity.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 2 Significant accounting policies (continued)

### (n) Impairment

Investments in associates, investments in subsidiaries, fixed assets and goodwill are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and/or value in use.

### (o) 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.

Provisions for possible loan losses, diminution in value, and impairment of other classes of assets, despite the use of the term "provisions", are not provisions as defined above. Instead, they represent adjustments to the carrying values of assets.

### (p) Employee benefits

#### *Equity compensation benefits*

Employees of the Group and the Bank with the corporate grade of Vice President (or an equivalent rank) and above as well as selected employees below Vice President (or an equivalent rank) qualify for the UOB Executives' Share Option Scheme and the UOB 1999 Share Option Scheme (hereinafter called "the Schemes"), subject to certain conditions.

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

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

#### *Post employment benefits*

The Group contributes to legally required social security schemes (including Central Provident Fund) which are defined contribution schemes.

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

### (q) Dividends

Dividends on ordinary shares are recorded in the Group's financial statements in the period in which they are declared.

### (r) 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.

### (s) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the current presentation. The comparatives have been restated to take into account the change in accounting policy for investments [Note 2(f)].

### 3 Interest income

	The Group	
	2003	2002
	\$'000	\$'000
Government treasury bills and securities	166,504	198,790
Trade bills and advances to customers	2,532,943	2,810,875
Placements and balances with banks and agents	409,735	545,722
Dealing and investment securities	184,919	155,916
	<b>3,294,101</b>	<b>3,711,303</b>
Received/receivable from:		
Associates	13,898	11,718
Third parties	3,280,203	3,699,585
	<b>3,294,101</b>	<b>3,711,303</b>

### 4 Interest expense

	The Group	
	2003	2002
	\$'000	\$'000
Non-bank deposits	796,069	1,066,224
Deposits and balances of banks and agents	292,681	396,122
Debts issued	134,813	121,012
	<b>1,223,563</b>	<b>1,583,358</b>
Paid/payable to:		
Associates	2,420	1,005
Third parties	1,221,143	1,582,353
	<b>1,223,563</b>	<b>1,583,358</b>

### 5 Dividend income

	The Group	
	2003	2002
	\$'000	\$'000
Dividend income from investments		
Quoted	25,813	19,336
Unquoted	16,191	12,545
	<b>42,004</b>	<b>31,881</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 6 Fee and commission income

	The Group	
	2003	2002
	\$'000	\$'000
Credit card	93,734	95,948
Fund management	77,885	74,476
Futures broking and stockbroking	35,367	48,802
Investment-related	97,519	29,035
Loan-related	96,567	86,187
Service charges	49,490	44,193
Trade-related	111,322	100,910
Other	25,982	20,994
	<b>587,866</b>	<b>500,545</b>

## 7 Other operating income

	The Group	
	2003	2002
	\$'000	\$'000
Net profit on dealing securities, government treasury bills and securities, and derivatives	142,478	53,774
Net profit on foreign exchange dealings	111,205	82,250
Net profit on disposal of investment securities and associates	53,923	78,342
Net profit on disposal of fixed assets	18,564	11,512
Net profit on disposal and liquidation of subsidiaries	408	2
Other income	59,999	69,622
	<b>386,577</b>	<b>295,502</b>

## 8 Staff costs

(a)

	The Group	
	2003	2002
	\$'000	\$'000
Wages and salaries	449,822	449,935
Employer's contribution to defined contribution plans, including Central Provident Fund	49,422	52,174
Other staff-related costs	32,536	34,245
	<b>531,780</b>	<b>536,354</b>

(b)

	The Group	
	2003	2002
Number of employees at the balance sheet date	<b>10,547</b>	<b>10,320</b>

(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 (hereinafter called "the Schemes") to employees of the UOB Group with the corporate grade of Vice President (or an equivalent rank) and above as well as selected employees below the corporate grade of Vice President (or an equivalent rank), subject to certain conditions.

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

	<b>2003</b>	<b>2002</b>
	<b>'000</b>	<b>'000</b>
Outstanding at 1 January	<b>2,400</b>	3,077
Issued	<b>2,200</b>	–
Exercised	<b>(61)</b>	(494)
Lapsed	<b>(72)</b>	(183)
Outstanding at 31 December	<b>4,467</b>	2,400

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:

<b>Year in which options were granted under the Schemes</b>	<b>Price per share payable in full upon application</b>	<b>Date of expiration of option</b>	<b>Number of shares</b>	
	<b>\$</b>		<b>2003</b>	<b>2002</b>
			<b>'000</b>	<b>'000</b>
1998	3.14	14 June 2003	–	10
1999	14.70	27 December 2004	<b>1,185</b>	1,211
2000	12.90	11 December 2005	<b>1,121</b>	1,179
2003	11.67	6 June 2008	<b>2,161</b>	–
			<b>4,467</b>	2,400

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

<b>Year in which options were granted under the Schemes</b>	<b>Exercise price</b>	<b>Number of shares issued</b>		<b>Consideration received in cash</b>	
		<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>'000</b>	<b>'000</b>	<b>\$'000</b>	<b>\$'000</b>
1997	8.25	–	109	–	899
1998	3.14	<b>7</b>	39	<b>22</b>	122
1999	14.70	–	28	–	412
2000	12.90	<b>54</b>	318	<b>697</b>	4,102
		<b>61</b>	494	<b>719</b>	5,535



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 9 Other operating expenses

Included in other operating expenses are:

	The Group	
	2003	2002
	\$'000	\$'000
Depreciation of fixed assets	107,755	114,536
Rental of premises and equipment	39,388	50,059
Maintenance of premises and other assets	51,142	46,472
Other expenses of premises	31,613	32,506
Auditors' remuneration		
Payable to PricewaterhouseCoopers Singapore		
Current year	1,649	1,764
Prior year under/(over) provision	166	(244)
	1,815	1,520
Payable to PricewaterhouseCoopers firms outside Singapore	1,121	984
Payable to non-PricewaterhouseCoopers firms	117	–
Other fees*		
Payable to PricewaterhouseCoopers Singapore	912	554
Payable to PricewaterhouseCoopers firms outside Singapore	210	243

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

### 10 Directors' fees and other remuneration

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

	The Group	
	2003	2002
	\$'000	\$'000
Directors of the Bank		
Fees	871	1,147
Remuneration	11,156	11,534
Professional fees paid/payable to firms of which certain directors of the Bank are members	200	201
	12,227	12,882
Directors of subsidiaries		
Fees	689	648
Remuneration	8,982	7,167
Professional fees paid/payable to firms of which certain directors of subsidiaries are members	–	88
Less:		
Amount capitalised in fixed assets	–	83
Amount charged to the income statement	–	5
	9,671	7,820

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

	2003	2002
\$6,750,000 to \$6,999,999	1	–
\$6,500,000 to \$6,749,999	–	1
\$2,000,000 to \$2,249,999	1	1
\$1,750,000 to \$1,999,999	–	1
\$1,250,000 to \$1,499,999	1	1
\$750,000 to \$999,999	1	–
Below \$250,000	10	12
	<b>14</b>	<b>16</b>

## 11 Goodwill

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	<b>3,666,046</b>	3,776,651	<b>3,585,428</b>	–
Transfer to the Bank on the merger of OUT (2002: OUB) into the Bank				
At cost	–	–	<b>(25,533)</b>	3,824,457
Accumulated amortisation	–	–	<b>425</b>	(47,806)
	–	–	<b>(25,108)</b>	3,776,651
Net deferred tax liability on fair values of assets and liabilities of OUT acquired in 2002 and adjusted in 2003	<b>1,733</b>	–	<b>1,733</b>	–
Goodwill arising on acquisition of additional shares in subsidiaries	–	110,482	–	–
Goodwill written off to income statement upon liquidation of subsidiary				
At cost	<b>(1,288)</b>	–	–	–
Accumulated amortisation	<b>96</b>	–	–	–
	<b>(1,192)</b>	–	–	–
Negative goodwill arising on acquisition of additional shares in a subsidiary	–	(25,533)	–	–
Amortisation during the financial year	<b>(200,428)</b>	(195,554)	<b>(190,275)</b>	(191,223)
Balance at 31 December	<b>3,466,159</b>	3,666,046	<b>3,371,778</b>	3,585,428
Goodwill, at cost	<b>3,909,851</b>	3,909,406	<b>3,800,657</b>	3,824,457
Accumulated amortisation	<b>(443,692)</b>	(243,360)	<b>(428,879)</b>	(239,029)
	<b>3,466,159</b>	3,666,046	<b>3,371,778</b>	3,585,428

Following the Bank's acquisition of the remaining equity interest in its subsidiary, Overseas Union Trust Limited ("OUT"), in December 2002, an adjustment of \$1,733,000 was made to the goodwill account after the finalisation of the deferred tax computation on the fair value of the acquired assets and liabilities in 2003. The adjustment has no significant impact on the financial statements of the Group and the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 12 Provisions

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

	The Group	
	2003	2002
	\$'000	\$'000
Specific provisions for and net write-offs of trade bills and advances to customers	345,402	421,753
Provisions for diminution in value/impairment of investments, fixed assets and other assets [Note 33(a)]	16,110	33,966
(Write-back of provisions)/provisions for life funds	(9)	8,800
	<b>361,503</b>	<b>464,519</b>

### 13 Exceptional item

	The Group	
	2003	2002
	\$'000	\$'000
Restructuring costs as a result of the acquisition of OUB	–	(48,065)

### 14 Tax

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

	The Group	
	2003	2002
	\$'000	\$'000
On the profit of the financial year		
Current tax	386,686	318,417
Deferred tax	(6,585)	(8,135)
	<b>380,101</b>	<b>310,282</b>
Share of tax of associates	26,423	25,479
	<b>406,524</b>	<b>335,761</b>
(Over)/underprovision of tax in respect of prior financial years		
Current tax	(8,879)	4,680
Deferred tax	(4,894)	(170)
	<b>392,751</b>	<b>340,271</b>

The tax charge on the results of the Group 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:

	<b>The Group</b>	
	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Profit before tax	<b>1,608,328</b>	1,375,587
Tax calculated at a tax rate of 22% (2002: 22%)	<b>353,832</b>	302,629
Effects on:		
Singapore statutory stepped income exemption	<b>(278)</b>	(360)
Offshore income from the Asian Currency Unit and other income taxed at concessionary rates	<b>(40,199)</b>	(39,851)
Other tax rebates	<b>(2,509)</b>	(1,144)
Different tax rates in other countries	<b>23,819</b>	31,868
Losses of overseas branches, subsidiaries and associates not offset against taxable income of other entities	<b>9,872</b>	18,287
Income not subject to tax	<b>(1,906)</b>	(44,319)
Expenses not deductible for tax purposes	<b>65,393</b>	68,977
Realisation of deferred tax benefit in respect of tax losses not previously recognised	<b>(1,500)</b>	(326)
Tax expense on profit of the financial year	<b>406,524</b>	335,761

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 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 \$222,752,000 (2002: \$135,518,000) 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 \$188,124,000 (2002: \$110,707,000) which will expire between the year 2004 and 2023 (2002: 2003 and 2007).

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

	Accelerated tax depreciation \$'000	2003 Fair value of depreciable properties acquired in business combination \$'000	Other \$'000	Total \$'000	Accelerated tax depreciation \$'000	2002 Fair value of depreciable properties acquired in business combination \$'000	Other \$'000	Total \$'000
<b>The Group</b>								
At 1 January	51,310	49,526	9,073	109,909	52,621	53,087	10,512	116,220
Currency translation differences	(124)	–	(40)	(164)	80	–	44	124
Adjustment to goodwill (Note 11)	–	7,922	–	7,922	–	–	–	–
Liquidation of a subsidiary	(8)	–	–	(8)	–	–	–	–
Charged/(credited) to income statement	7,819	(5,267)	(2,061)	491	(1,391)	(3,561)	(1,483)	(6,435)
At 31 December	58,997	52,181	6,972	118,150	51,310	49,526	9,073	109,909
<b>The Bank</b>								
At 1 January	39,658	49,526	2,209	91,393	32,704	–	1,027	33,731
Currency translation differences	(17)	–	(57)	(74)	(21)	–	44	23
Adjustment to goodwill (Note 11)	–	7,922	–	7,922	–	–	–	–
Transfer from subsidiaries upon merger	319	–	–	319	9,813	53,087	–	62,900
Charged/(credited) to income statement	8,566	(5,267)	1,280	4,579	(2,838)	(3,561)	1,138	(5,261)
At 31 December	48,526	52,181	3,432	104,139	39,658	49,526	2,209	91,393

## Deferred tax assets

	2003			2002		
	Non-tax deductible general provisions \$'000	Other \$'000	Total \$'000	Non-tax deductible general provisions \$'000	Other \$'000	Total \$'000
<b>The Group</b>						
At 1 January	110,548	11,980	122,528	116,220	5,679	121,899
Currency translation differences	(651)	5	(646)	(1,101)	(140)	(1,241)
Adjustment to goodwill (Note 11)	6,189	–	6,189	–	–	–
(Charged)/credited to income statement	7,766	4,204	11,970	(4,571)	6,441	1,870
At 31 December	123,852	16,189	140,041	110,548	11,980	122,528
<b>The Bank</b>						
At 1 January	78,626	9,135	87,761	42,710	4,180	46,890
Currency translation differences	–	(22)	(22)	–	30	30
Adjustment to goodwill (Note 11)	6,189	–	6,189	–	–	–
Transfer from subsidiaries upon merger	–	–	–	40,276	–	40,276
(Charged)/credited to income statement	7,766	4,384	12,150	(4,360)	4,925	565
At 31 December	92,581	13,497	106,078	78,626	9,135	87,761

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. Deferred tax assets and liabilities after netting are shown in the balance sheets as follows:

	The Group		The Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Deferred tax liabilities</b>				
Before netting	118,150	109,909	104,139	91,393
Amount netted against deferred tax assets	(103,571)	(83,009)	(100,532)	(84,971)
After netting	14,579	26,900	3,607	6,422
<b>Deferred tax assets</b>				
Before netting	(140,041)	(122,528)	(106,078)	(87,761)
Amount netted against deferred tax liabilities	103,571	83,009	100,532	84,971
After netting	(36,470)	(39,519)	(5,546)	(2,790)

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for the financial year ended 31 December 2003

### 15 Earnings per share

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

	The Group	
	2003 \$'000	2002 \$'000
Net profit for the financial year attributable to members	<b>1,202,086</b>	1,005,935
	<b>Number '000</b>	Number '000
Weighted average number of ordinary shares in issue for computation of basic EPS	<b>1,571,627</b>	1,571,519
Adjustment for assumed exercise of share options	–	39
Weighted average number of ordinary shares for computation of diluted EPS	<b>1,571,627</b>	1,571,558

### 16 Share capital

(a)

	The Group and The Bank			
	2003 Number of shares '000	\$'000	2002 Number of shares '000	\$'000
<b>Ordinary shares of \$1 each</b>				
Authorised	<b>3,000,000</b>	<b>3,000,000</b>	3,000,000	3,000,000
Issued and fully paid:				
Balance at 1 January	<b>1,571,603</b>	<b>1,571,603</b>	1,571,109	1,571,109
Shares issued upon exercise of options	<b>61</b>	<b>61</b>	494	494
Balance at 31 December	<b>1,571,664</b>	<b>1,571,664</b>	1,571,603	1,571,603

(b) During the financial year, the Bank issued 61,000 (2002: 494,000) 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 8(c).

## 17 Capital reserves

### (a) The Group

	2003					2002				
	Share	Merger	Foreign			Share	Merger	Foreign		
	premium	reserve	translation	Other	Total	premium	reserve	translation	Other	Total
	\$'000	\$'000	reserves	\$'000	\$'000	\$'000	\$'000	reserves	\$'000	\$'000
Balance at										
1 January	791,233	3,431,570	(95,389)	129,505	4,256,919	786,192	4,431,679	(80,875)	121,766	5,258,762
Currency										
translation										
differences	–	–	10,481	–	10,481	–	–	(14,514)	–	(14,514)
Share premium										
arising from										
the issue of										
shares to										
option holders										
who exercised										
their rights	658	–	–	–	658	5,041	–	–	–	5,041
Transfer (to)/from										
retained profits										
[Note 19(a)]	–	(14,069)	–	(9,900)	(23,969)	–	(1,000,109)	–	5,187	(994,922)
Transfer from										
share of										
reserves of										
associates										
(Note 20)	–	–	–	–	–	–	–	–	2,552	2,552
Other										
adjustments	–	–	–	(1,805)	(1,805)	–	–	–	–	–
Balance at										
31 December	791,891	3,417,501	(84,908)	117,800	4,242,284	791,233	3,431,570	(95,389)	129,505	4,256,919



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 17 Capital reserves (continued)

### (b) The Bank

	2003				2002			
	Share	Merger	Foreign		Share	Merger	Foreign	
	premium	reserve	currency	Total	premium	reserve	currency	Total
	\$'000	\$'000	translation	\$'000	\$'000	\$'000	translation	\$'000
			reserve				reserve	
			\$'000				\$'000	
Balance at								
1 January	791,233	3,431,570	(25,146)	4,197,657	786,192	4,431,679	(9,545)	5,208,326
Currency								
translation								
differences	–	–	(4,113)	(4,113)	–	–	(15,601)	(15,601)
Share premium								
arising from the								
issue of shares								
to option holders								
who exercised								
their rights	658	–	–	658	5,041	–	–	5,041
Transfer to retained								
profits [Note 19(b)]	–	(14,069)	–	(14,069)	–	(1,000,109)	–	(1,000,109)
Balance at								
31 December	791,891	3,417,501	(29,259)	4,180,133	791,233	3,431,570	(25,146)	4,197,657

- (c) The share premium account may only be utilised for specific purposes provided for by the Singapore Companies Act ("the Act").

The merger reserve of the Group and the Bank represent 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 Act. The balances at balance sheet dates were net of the amount transferred to retained profits following the receipt of dividends paid out of OUB Group's pre-acquisition profits.

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.

The other reserves of the Group include \$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.

## 18 Statutory reserves

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	2,757,518	2,150,271	2,395,293	1,654,100
Transfer from revenue reserves (Note 19)	101,803	610,215	97,879	741,193
Other adjustments	529	(2,968)	–	–
Balance at 31 December	2,859,850	2,757,518	2,493,172	2,395,293

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.

## 19 Revenue reserves

### (a) The Group

	General reserves \$'000	2003 Retained profits \$'000	Total \$'000	General reserves \$'000	2002 Retained profits \$'000	Total \$'000
Balance at 1 January						
As previously reported	<b>957,973</b>	<b>2,975,031</b>	<b>3,933,004</b>	1,148,706	2,050,637	3,199,343
Prior year adjustments resulting from change in accounting policy	–	<b>(40,033)</b>	<b>(40,033)</b>	–	18,232	18,232
As restated	<b>957,973</b>	<b>2,934,998</b>	<b>3,892,971</b>	1,148,706	2,068,869	3,217,575
Net profit for the financial year attributable to members	–	<b>1,202,086</b>	<b>1,202,086</b>	–	1,005,935	1,005,935
Transfer to general reserves	<b>349,746</b>	<b>(349,746)</b>	–	331,000	(331,000)	–
Transfer to statutory reserves (Note 18)	<b>(43,879)</b>	<b>(57,924)</b>	<b>(101,803)</b>	(519,604)	(90,611)	(610,215)
Transfer from/(to) other reserves [Note 17(a)]	–	<b>9,900</b>	<b>9,900</b>	–	(5,187)	(5,187)
Transfer from merger reserve [Note 17(a)]	–	<b>14,069</b>	<b>14,069</b>	–	1,000,109	1,000,109
Transfer from share of reserves of associates (Note 20)	–	–	–	–	7,231	7,231
Other adjustments	<b>(628)</b>	<b>(4)</b>	<b>(632)</b>	(2,129)	–	(2,129)
Dividends:						
Final dividend in respect of financial year ended 31 December 2002 (2002: 31 December 2001) of 25 cents (2002: 25 cents) per share paid, net of tax at 22% (2002: 22%)	–	<b>(306,463)</b>	<b>(306,463)</b>	–	(306,454)	(306,454)
Interim dividend in respect of financial year ended 31 December 2003 (2002: 31 December 2002) of 20 cents (2002: 15 cents) per share paid, net of tax at 22% (2002: 22%)	–	<b>(245,176)</b>	<b>(245,176)</b>	–	(183,874)	(183,874)
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%	–	–	–	–	(230,020)	(230,020)
	–	<b>(551,639)</b>	<b>(551,639)</b>	–	(720,348)	(720,348)
Balance at 31 December	<b>1,263,212</b>	<b>3,201,740</b>	<b>4,464,952</b>	957,973	2,934,998	3,892,971

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 19 Revenue reserves (continued)

### (b) The Bank

	General reserve \$'000	2003 Retained profits \$'000	Total \$'000	General reserve \$'000	2002 Retained profits \$'000	Total \$'000
Balance at 1 January						
As previously reported	<b>488,128</b>	<b>2,631,417</b>	<b>3,119,545</b>	829,321	1,319,630	2,148,951
Prior year adjustments resulting from change in accounting policy	–	<b>(40,515)</b>	<b>(40,515)</b>	–	9,169	9,169
As restated	<b>488,128</b>	<b>2,590,902</b>	<b>3,079,030</b>	829,321	1,328,799	2,158,120
Net profit for the financial year attributable to members	–	<b>1,070,561</b>	<b>1,070,561</b>	–	1,382,342	1,382,342
Transfer to general reserve	<b>346,000</b>	<b>(346,000)</b>	–	328,000	(328,000)	–
Transfer to statutory reserve (Note 18)	<b>(43,879)</b>	<b>(54,000)</b>	<b>(97,879)</b>	(669,193)	(72,000)	(741,193)
Transfer from merger reserve [Note 17(b)]	–	<b>14,069</b>	<b>14,069</b>	–	1,000,109	1,000,109
Dividends:						
Final dividend in respect of financial year ended 31 December 2002 (2002: 31 December 2001) of 25 cents (2002: 25 cents) per share paid, net of tax at 22% (2002: 22%)	–	<b>(306,463)</b>	<b>(306,463)</b>	–	(306,454)	(306,454)
Interim dividend in respect of financial year ended 31 December 2003 (2002: 31 December 2002) of 20 cents (2002: 15 cents) per share paid, net of tax at 22% (2002: 22%)	–	<b>(245,176)</b>	<b>(245,176)</b>	–	(183,874)	(183,874)
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%	–	–	–	–	(230,020)	(230,020)
	–	<b>(551,639)</b>	<b>(551,639)</b>	–	(720,348)	(720,348)
Balance at 31 December	<b>790,249</b>	<b>2,723,893</b>	<b>3,514,142</b>	488,128	2,590,902	3,079,030

- (c) In each financial year, a certain amount of retained profits is transferred to general reserves of the Group and the Bank. These general reserves have not been earmarked for any particular purpose.
- (d) The revenue reserves of the Group and the Bank are distributable except for the amount of \$343,705,000 (2002: \$294,438,000) 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	
	2003 \$'000	2002 \$'000
Balance at 1 January	133,594	537,354
Movements in other reserves of associates	9,691	(374,356)
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 capital reserves	–	(2,552)
Balance at 31 December	143,285	133,594

The balance comprises the Group's share of associates' post-acquisition revenue reserves at the beginning of 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 reserves as appropriate.

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

## 21 Deposits of and amounts owing to non-bank customers, banks and agents, and subsidiaries

(a)

	The Group		The Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Analysed by remaining maturity:				
Within 1 year	87,450,283	86,323,497	78,303,812	76,563,434
Over 1 year but within 3 years	702,924	742,978	590,401	602,494
Over 3 years but within 5 years	433,679	80,368	393,074	79,869
Over 5 years	115,437	73,796	79,947	73,796
	88,702,323	87,220,639	79,367,234	77,319,593

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

	The Group		The Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Fixed rate deposits	45,801,200	47,286,535	38,664,804	39,292,729
Current, savings and other deposits	24,061,761	20,632,046	21,636,496	18,638,536
	69,862,961	67,918,581	60,301,300	57,931,265

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 21 Deposits of and amounts owing to non-bank customers, banks and agents, and subsidiaries (continued)

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

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Obligations on securities sold under repurchase agreements ("REPOs")	<b>151,180</b>	302,306	<b>151,180</b>	294,257

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

### 22 Other liabilities

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Accrued interest payable	<b>349,785</b>	310,120	<b>285,777</b>	249,884
Trading derivative financial instruments at fair value (Note 38)	<b>2,599,658</b>	1,773,594	<b>2,563,077</b>	1,747,998
Other liabilities	<b>3,491,995</b>	2,579,223	<b>898,131</b>	844,247
	<b>6,441,438</b>	4,662,937	<b>3,746,985</b>	2,842,129

### 23 Debts issued

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
(a) <b>Subordinated Notes</b>				
S\$ 4.95% Subordinated Notes due 2016 callable with step-up in 2011 ("S\$ Notes"), at cost	<b>1,300,000</b>	1,300,000	<b>1,300,000</b>	1,300,000
US\$ 4.50% Subordinated Notes due 2013 ("US\$ Notes"), at cost adjusted for discount	<b>1,700,154</b>	–	<b>1,700,154</b>	–
	<b>3,000,154</b>	1,300,000	<b>3,000,154</b>	1,300,000
Unamortised expenses incurred in connection with the issue of the Subordinated Notes	<b>(9,345)</b>	(5,601)	<b>(9,345)</b>	(5,601)
	<b>2,990,809</b>	1,294,399	<b>2,990,809</b>	1,294,399
(b) <b>Asset Backed Commercial Paper ("ABCP")</b>				
At cost adjusted for discount:				
S\$ ABCP	<b>678,500</b>	641,500	–	–
US\$ ABCP	<b>173,907</b>	210,911	–	–
	<b>852,407</b>	852,411	–	–
(c) <b>Other</b>				
Credit linked notes, at cost	<b>34,016</b>	–	<b>34,016</b>	–
Interest rate linked notes, at cost	<b>65,830</b>	–	<b>65,830</b>	–
Equity linked notes, at cost adjusted for discount	<b>253,207</b>	–	<b>253,207</b>	–
	<b>353,053</b>	–	<b>353,053</b>	–
	<b>4,196,269</b>	2,146,810	<b>3,343,862</b>	1,294,399

- (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 in the tax laws of Singapore, subject to the prior approval of the Monetary Authority of Singapore ("MAS") 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 US\$ Notes were issued at 99.96% on 30 June 2003 and mature on 2 July 2013. These US\$ Notes may be redeemed at par at the option of the Bank, in whole, on notice, in the event of certain changes in the tax laws of Singapore, subject to the approval of the MAS and certain other conditions. Interest is payable semi-annually at 4.50% per annum beginning 2 January 2004.

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

The S\$ Notes and US\$ Notes are unsecured subordinated obligations of the Bank and have been approved by the MAS as qualifying for Upper Tier II capital. They rank equally with all present and future Upper Tier II unsecured subordinated indebtedness of the Bank and rank senior to all ordinary and preference shares of the Bank. At the balance sheet date, all outstanding liabilities of the Bank rank senior to these Notes.

- (b) The ABCP were issued in relation to a \$1 billion ABCP programme carried out by Archer 1 Limited, an SPE (Note 35). The ABCP have a maturity of less than one year, and are secured by a first floating charge in favour of the trustee, Bermuda Trust (Singapore) Limited, on all assets of the SPE.

Interest rates of the S\$ ABCP and US\$ ABCP range from 1.10% to 1.25% (2002: 1.50% to 1.90%) per annum and 1.20% to 1.25% (2002: 2.10% to 2.45%) per annum respectively.

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.

- (c) The credit linked notes, with embedded credit default swaps, were issued at par between 5 February 2003 and 18 February 2003 and mature between 8 June 2005 and 15 February 2008. The notes will be redeemed at face value on their respective maturity dates provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying assets or the market values of the underlying assets in cash term, depending on the terms and conditions of the contracts, would be delivered to the holders of the notes.

The interest rate linked notes, with embedded interest rate derivatives, were issued at par between 19 September 2003 and 6 November 2003 and mature between 19 September 2013 and 6 November 2015. The periodic payouts and redemptions are linked to the interest rate indices.

The equity linked notes, with embedded equity derivatives, were issued at discount between 14 March 2003 and 12 November 2003 and mature between 12 November 2008 and 19 May 2011. The periodic payments and payouts at maturity are linked to the closing value of certain underlying equities listed on various stock exchanges or the closing value of certain underlying stock exchange indices or equity indices.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 24 Singapore Government treasury bills and securities

(a)

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Held for trading, at fair value	388,543	172,812	375,069	158,485
Not held for trading, at cost adjusted for premium and discount	5,922,450	8,045,560	5,857,734	7,801,310
Provision for diminution in value (Note 33)	(147)	–	(143)	–
	5,922,303	8,045,560	5,857,591	7,801,310
	6,310,846	8,218,372	6,232,660	7,959,795
Market value at 31 December: Not held for trading	5,947,716	8,151,189	5,870,779	7,903,616

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

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Securities sold under repurchase agreements	151,180	294,257	151,180	294,257

### 25 Other government treasury bills and securities

(a)

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Held for trading, at fair value	114,597	7,903	–	–
Not held for trading, at cost adjusted for premium and discount	1,237,030	1,325,077	706,592	419,035
Provision for diminution in value (Note 33)	(3)	(4)	(3)	(4)
	1,237,027	1,325,073	706,589	419,031
	1,351,624	1,332,976	706,589	419,031
Market value at 31 December: Not held for trading	1,240,151	1,338,815	713,002	431,117

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

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Securities sold under repurchase agreements	–	8,049	–	–

(c) Included in the Group's other government treasury bills and securities is an amount of \$385,380,000 (2002: \$723,335,000) relating to promissory notes which are guaranteed by a foreign government authority. The Group is not permitted 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	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
At fair value:				
Quoted equity shares	158,878	78,438	101,935	55,122
Quoted debt securities	61,845	79,396	32,325	56,049
Unquoted marketable unit trusts	19,046	14,585	—	—
Unquoted debt securities	284,737	450,992	42,604	323,874
	<b>524,506</b>	<b>623,411</b>	<b>176,864</b>	<b>435,045</b>

## 27 Placements and balances with banks and agents

(a)

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Analysed by maturity period:				
Within 1 year	20,550,410	19,197,092	18,810,364	18,190,609
Over 1 year but within 3 years	571,727	226,213	570,117	226,213
Over 3 years but within 5 years	—	—	—	—
Over 5 years	—	2,916	—	2,916
	<b>21,122,137</b>	<b>19,426,221</b>	<b>19,380,481</b>	<b>18,419,738</b>

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

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Negotiable certificates of deposit, floating rate certificates of deposit and other similar instruments	2,425,003	1,956,618	1,157,840	1,516,029
Government securities bought under reverse repurchase agreements	1,470,946	383,393	1,275,494	383,393
	<b>3,895,949</b>	<b>2,340,011</b>	<b>2,433,334</b>	<b>1,899,422</b>

## 28 Trade bills and advances to customers

(a)

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Gross trade bills	1,323,477	1,061,210	159,863	139,405
Specific provisions	(10,874)	(10,180)	—	—
	<b>1,312,603</b>	<b>1,051,030</b>	<b>159,863</b>	<b>139,405</b>
Gross advances to customers	61,257,548	61,277,545	53,019,100	52,521,429
Specific provisions	(1,566,053)	(1,726,403)	(1,221,267)	(1,326,679)
Interest-in-suspense	(285,123)	(293,152)	(170,871)	(146,615)
General provisions	(1,422,419)	(1,425,013)	(1,276,364)	(1,231,305)
	<b>57,983,953</b>	<b>57,832,977</b>	<b>50,350,598</b>	<b>49,816,830</b>
Total gross trade bills and advances to customers	<b>62,581,025</b>	<b>62,338,755</b>	<b>53,178,963</b>	<b>52,660,834</b>



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 28 Trade bills and advances to customers (continued)

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

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Within 1 year	30,255,728	29,393,922	25,508,168	23,986,707
Over 1 year but within 3 years	9,668,217	10,045,408	8,853,289	9,471,390
Over 3 years but within 5 years	5,385,747	6,626,850	4,841,847	6,030,506
Over 5 years	17,271,333	16,272,575	13,975,659	13,172,231
	<b>62,581,025</b>	<b>62,338,755</b>	<b>53,178,963</b>	<b>52,660,834</b>

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

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	2,103,559	2,057,485	1,928,170	1,878,186
Building and construction	7,319,732	9,147,960	6,361,641	7,918,866
Manufacturing	5,846,022	5,391,630	3,920,081	3,515,973
Non-bank financial institutions	10,408,312	10,809,361	9,999,362	10,010,178
General commerce	6,142,565	6,200,322	4,928,889	4,958,561
Professionals and private individuals (excluding housing loans)	9,653,344	9,335,235	8,335,653	7,698,203
Housing loans	14,789,494	13,841,234	12,319,357	11,846,719
Other	6,317,997	5,555,528	5,385,810	4,834,148
	<b>62,581,025</b>	<b>62,338,755</b>	<b>53,178,963</b>	<b>52,660,834</b>

(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	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Substandard	3,290,275	3,618,373	2,570,668	2,669,371
Doubtful	354,861	406,598	321,611	370,081
Loss	1,435,980	1,590,410	1,065,349	1,116,729
	<b>5,081,116</b>	<b>5,615,381</b>	<b>3,957,628</b>	<b>4,156,181</b>

Non-performing loans are those classified as Substandard, Doubtful and Loss in accordance with Notice to Banks, MAS 612. Specific provisions are made for any debts considered to be doubtful of collection.

(e) The movements in provisions are as follows:

	2003				2002			
	Specific provisions \$'000	Interest-in-suspense \$'000	General provisions \$'000	Total \$'000	Specific provisions \$'000	Interest-in-suspense \$'000	General provisions \$'000	Total \$'000
<b>The Group</b>								
Balance at								
1 January	1,736,583	670,500	1,425,013	3,832,096	1,613,974	640,219	1,434,502	3,688,695
Currency translation differences	(6,832)	(5,032)	(2,594)	(14,458)	(39,807)	(13,871)	(9,489)	(63,167)
Write-off against provisions	(431,181)	(34,541)	–	(465,722)	(256,675)	(123,041)	–	(379,716)
Charge to income statements	284,437	–	–	284,437	426,196	–	–	426,196
Interest suspended	–	82,757	–	82,757	–	169,223	–	169,223
Transfer to provisions for diminution in value/impairment of investments and other assets [Note 33(a)]	(6,080)	(1,796)	–	(7,876)	(7,105)	(2,030)	–	(9,135)
Balance at 31 December	1,576,927	711,888	1,422,419	3,711,234	1,736,583	670,500	1,425,013	3,832,096
<b>The Bank</b>								
Balance at								
1 January	1,326,679	507,569	1,231,305	3,065,553	342,551	158,427	538,133	1,039,111
Currency translation differences	(1,355)	(2,667)	(51)	(4,073)	(16,704)	(7,988)	(912)	(25,604)
Write-off against provisions	(379,184)	(22,437)	–	(401,621)	(222,841)	(102,680)	–	(325,521)
Charge to income statements	216,524	–	2,442	218,966	312,804	–	16,126	328,930
Interest suspended	–	40,156	–	40,156	–	101,962	–	101,962
Transfer from subsidiaries upon merger	58,603	53,955	42,668	155,226	910,869	357,848	677,958	1,946,675
Balance at 31 December	1,221,267	576,576	1,276,364	3,074,207	1,326,679	507,569	1,231,305	3,065,553

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 28 Trade bills and advances to customers (continued)

- (f) The Group has granted credit facilities to related parties in the ordinary course of business at arm's length commercial terms. The outstanding credit facilities to related parties as at the balance sheet date are as follows:

	The Group					
	2003			2002		
	Trade bills and advances \$'000	Off-balance sheet credit facilities \$'000	Estimated values of collateral \$'000	Trade bills and advances \$'000	Off-balance sheet credit facilities \$'000	Estimated values of collateral \$'000
Associates of the Group						
Financial activities	61,937	13,725	132,391	51,787	15,114	143,980
Non-financial activities	582,861	64,982	1,138,560	566,635	89,865	1,127,484
Directors of the Bank and director-related parties*	722,345	51,417	1,741,068	792,384	154,990	2,359,216
Corporations where directors of the Bank are also directors <sup>+</sup>	640,788	20,371	479,609	666,872	16,270	747,123

\* Excluding credit facilities already included in the first category.

<sup>+</sup> Excluding credit facilities already included in the first two categories.

Off-balance sheet credit facilities comprise direct credit substitutes, transaction-related contingencies and trade-related contingencies.

Director-related parties include the family members of the directors of the Bank, entities in which the directors of the Bank or their family members have substantial shareholdings, and individuals, companies or firms whose credit facilities are guaranteed by the directors of the Bank.

### 29 Other assets

	The Group		The Bank	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Interest receivable	935,811	846,965	790,068	724,265
Interest-in-suspense [Note 28(e)]	(426,765)	(377,348)	(405,705)	(360,954)
	509,046	469,617	384,363	363,311
Trading derivative financial instruments at fair value (Note 38)	2,580,988	1,675,701	2,572,878	1,653,254
Other assets	1,649,393	1,943,485	710,801	1,112,890
Provisions for diminution in value of other assets (Note 33)	(23,690)	(76,656)	(10,629)	(64,670)
	4,206,691	3,542,530	3,273,050	2,701,474
	4,715,737	4,012,147	3,657,413	3,064,785

### 30 Investment securities

(a)

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Quoted securities				
Equity shares, at cost	844,999	816,856	582,704	550,487
Debt securities, at cost adjusted for premium and discount	1,822,353	1,207,253	1,776,621	1,144,993
	2,667,352	2,024,109	2,359,325	1,695,480
Provisions for diminution in value (Note 33)	(40,691)	(21,814)	(18,069)	(9,405)
	2,626,661	2,002,295	2,341,256	1,686,075
Quoted securities, at fair value				
Equity shares	22,927	9,360	–	–
Debt securities	855,388	784,218	–	–
	878,315	793,578	–	–
Unquoted securities				
Equity shares, at cost	604,646	453,476	467,812	318,622
Debt securities, at cost adjusted for premium and discount	1,372,386	692,719	1,325,077	741,291
	1,977,032	1,146,195	1,792,889	1,059,913
Provisions for diminution in value (Note 33)	(90,283)	(89,490)	(72,242)	(58,969)
	1,886,749	1,056,705	1,720,647	1,000,944
Unquoted debt securities, at fair value	30,785	92,805	–	–
Total investment securities	5,422,510	3,945,383	4,061,903	2,687,019
Market value at 31 December:				
Quoted equity shares	964,318	759,726	666,701	511,001
Quoted debt securities	2,760,393	1,974,425	1,860,469	1,149,559
	3,724,711	2,734,151	2,527,170	1,660,560

Quoted securities at fair value amounting to \$878,315,000 (2002: \$793,578,000) are subject to a first floating charge as security for the liabilities under the ABCP programme [Note 23(b)].

Included in the cost of investment securities are:

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Equity interests in companies in which the Group has significant influence	708,352	703,498	513,420	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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 30 Investment securities (continued)

(b) Gross investment securities analysed by industry group:

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Transport, storage and communication	400,904	559,442	286,803	429,220
Building and construction	235,811	320,686	69,889	277,277
Manufacturing	560,861	606,085	436,829	514,375
Financial institutions	2,613,212	1,320,915	1,825,040	620,482
General commerce	149,788	72,018	136,881	66,741
Other	1,592,908	1,177,541	1,396,772	847,298
	<b>5,553,484</b>	<b>4,056,687</b>	<b>4,152,214</b>	<b>2,755,393</b>

### 31 Investments in associates

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Quoted securities, at cost				
Equity shares	650,905	555,065	614,440	518,718
Debt securities	2,068	2,068	–	–
Warrants	4,847	23,757	4,847	23,757
Unquoted securities, at cost				
Equity shares	324,809	335,329	166,309	167,757
Debt securities	–	2,014	–	–
	<b>982,629</b>	<b>918,233</b>	<b>785,596</b>	<b>710,232</b>
Provisions for impairment [Note 33(b)]	–	–	(10,216)	(3,364)
Group's share of post-acquisition reserves of associates, net of dividends received	<b>414,155</b>	<b>356,012</b>	<b>–</b>	<b>–</b>
	<b>1,396,784</b>	<b>1,274,245</b>	<b>775,380</b>	<b>706,868</b>
Market value at 31 December:				
Quoted equity shares	993,344	701,321	720,727	507,617
Quoted debt securities	2,495	2,476	–	–
Quoted warrants	9,926	36,017	9,926	36,017
	<b>1,005,765</b>	<b>739,814</b>	<b>730,653</b>	<b>543,634</b>

The major associates of the Group as at the balance sheet date are set out in Note 46 to the financial statements. The carrying amount of the Group's investments in associates includes unamortised goodwill amounting to \$16,721,000 (2002: \$17,581,000).

## 32 Investments in subsidiaries

(a)

	<b>The Bank</b>	
	<b>2003</b>	2002
	<b>\$'000</b>	\$'000
Quoted equity shares, at cost	<b>25,961</b>	18,393
Unquoted equity shares, at cost	<b>1,626,105</b>	1,733,754
Provisions for impairment [Note 33(b)]	<b>(366,663)</b>	(342,318)
	<b>1,259,442</b>	1,391,436
Total investments in subsidiaries	<b>1,285,403</b>	1,409,829
Market value of quoted equity shares at 31 December	<b>89,604</b>	70,967

The subsidiaries of the Group as at the balance sheet date are set out in Note 45 to the financial statements.

- (b) On 28 April 2003, OUT, a wholly-owned subsidiary, was merged into the Bank by way of a scheme of arrangement and amalgamation pursuant to Sections 210 and 212 of the Singapore Companies Act, Cap. 50. As a result of the merger, the assets, rights, properties, business, debts, liabilities and obligations of OUT were transferred to and vested in the Bank.

The fair values of identifiable assets and liabilities as at 28 April 2003 transferred to the Bank were \$1,505 million and \$1,359 million respectively.

Arising from the merger, the unamortised negative goodwill of the Group in respect of OUT as at 28 April 2003 amounting to \$25,108,000 was transferred to the Bank at net book value (Note 11).

The merger has no financial effect on the consolidated income statement.

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

The liquidations had no material effect on the Group's consolidated financial statements and the Bank's balance sheet for the current financial year.

- (d) In financial year 2002, the Group increased its interest in a subsidiary, United Overseas Bank Philippines, from 60% to 100%. In-principle approval had been given by the authorities in the Philippines for the acquisition, subject to subsequent fulfillment of certain conditions.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 33 Movements in the provisions for diminution in value/impairment 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
<b>2003</b>							
At 1 January							
As previously reported	444	4	29,661	76,656	111,304	54,511	272,580
Prior year adjustments resulting from change in accounting policy	(444)	–	(29,661)	–	–	–	(30,105)
As restated	–	4	–	76,656	111,304	54,511	242,475
Currency translation differences	–	1	–	470	300	1,952	2,723
Write-off against provisions (Write-back)/charge to income statement (Note 12)	–	–	–	(49,030)	(4,952)	–	(53,982)
Transfer from specific provisions and interest-in-suspense for trade bills and advances to customers [Note 28(e)]	147	(2)	–	(4,406)	16,446	3,925	16,110
At 31 December	147	3	–	23,690	130,974	60,388	215,202

	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
<b>2002</b>							
At 1 January							
As previously reported	31,062	510	59,611	100,188	84,094	37,325	312,790
Prior year adjustments resulting from change in accounting policy	(31,046)	(506)	(59,611)	–	–	–	(91,163)
As restated	16	4	–	100,188	84,094	37,325	221,627
Currency translation differences	–	–	–	(478)	(2,502)	(3)	(2,983)
Write-off against provisions (Write-back)/ charge to income statement (Note 12)	–	–	–	(325)	(18,945)	–	(19,270)
Transfer from specific provisions and interest-in- suspense for trade bills and advances to customers [Note 28(e)]	–	–	–	–	9,135	–	9,135
At 31 December	–	4	–	76,656	111,304	54,511	242,475



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 33 Movements in the provisions for diminution in value/impairment 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
<b>2003</b>									
At 1 January									
As previously reported	–	4	22,628	64,670	68,374	3,364	342,318	16,897	518,255
Prior year adjustments resulting from change in accounting policy	–	–	(22,628)	–	–	–	–	–	(22,628)
As restated	–	4	–	64,670	68,374	3,364	342,318	16,897	495,627
Currency translation differences	–	1	–	124	629	–	(39)	15	730
Write-off against provisions	–	–	–	(51,627)	–	–	–	–	(51,627)
Charge/ (write-back) to income statement	143	(2)	–	(2,538)	21,308	6,852	24,384	2,436	52,583
At 31 December	143	3	–	10,629	90,311	10,216	366,663	19,348	497,313

	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
<b>2002</b>									
At 1 January									
As previously reported	22,476	3	6,875	83,625	9,491	2,960	185,736	2,417	313,583
Prior year adjustments resulting from change in accounting policy	(22,476)	–	(6,875)	–	–	–	–	–	(29,351)
As restated	–	3	–	83,625	9,491	2,960	185,736	2,417	284,232
Currency translation differences	–	–	–	(310)	(1,115)	–	(325)	(72)	(1,822)
Charge/ (write-back) to income statement	–	1	–	(19,645)	43,561	(170)	156,907	12,624	193,278
Transfer from subsidiaries upon merger	–	–	–	1,000	16,437	574	–	1,928	19,939
At 31 December	–	4	–	64,670	68,374	3,364	342,318	16,897	495,627

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 34 Fixed assets

#### (a) The Group

		2003 Office equipment, computers, fixtures and other assets			2002 Office equipment, computers, fixtures and other assets	
	Land and buildings \$'000	\$'000	Total \$'000	Land and buildings \$'000	\$'000	Total \$'000
Balance at 1 January						
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)
Provisions for impairment	(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
Movements during the financial year						
Currency translation differences	5,742	752	6,494	(7,889)	(4,033)	(11,922)
Additions	2,501	134,308	136,809	177,351	96,679	274,030
Disposals	(48,069)	(9,510)	(57,579)	(40,538)	(20,011)	(60,549)
Depreciation charge	(26,677)	(81,078)	(107,755)	(25,054)	(89,482)	(114,536)
Provisions for impairment	(3,925)	–	(3,925)	(17,189)	–	(17,189)
Net book value at 31 December	1,474,102	294,291	1,768,393	1,544,530	249,819	1,794,349
Balance at 31 December						
Cost/valuation	1,753,898	924,383	2,678,281	1,795,322	841,312	2,636,634
Accumulated depreciation	(219,408)	(630,092)	(849,500)	(196,281)	(591,493)	(787,774)
Provisions for impairment [Note 33(a)]	(60,388)	–	(60,388)	(54,511)	–	(54,511)
Net book value	1,474,102	294,291	1,768,393	1,544,530	249,819	1,794,349

(b) **The Bank**

	2003			2002		
	Land and buildings \$'000	Office equipment, computers, fixtures and other assets \$'000	Total \$'000	Land and buildings \$'000	Office equipment, computers, fixtures and other assets \$'000	Total \$'000
Balance at 1 January						
Cost/valuation	<b>1,052,901</b>	<b>592,261</b>	<b>1,645,162</b>	572,865	412,647	985,512
Accumulated depreciation	<b>(100,080)</b>	<b>(409,263)</b>	<b>(509,343)</b>	(84,422)	(288,541)	(372,963)
Provisions for impairment	<b>(16,897)</b>	–	<b>(16,897)</b>	(2,417)	–	(2,417)
Net book value	<b>935,924</b>	<b>182,998</b>	<b>1,118,922</b>	486,026	124,106	610,132
Movements during the financial year						
Currency translation differences	<b>6,397</b>	<b>403</b>	<b>6,800</b>	721	(128)	593
Additions	<b>3,431</b>	<b>112,565</b>	<b>115,996</b>	159,229	81,197	240,426
Transfer from subsidiaries upon merger	<b>36,010</b>	<b>1,320</b>	<b>37,330</b>	327,052	62,558	389,610
Disposals	<b>(42,634)</b>	<b>(8,761)</b>	<b>(51,395)</b>	(10,775)	(17,832)	(28,607)
Depreciation charge	<b>(15,752)</b>	<b>(62,325)</b>	<b>(78,077)</b>	(13,705)	(66,903)	(80,608)
Provisions for impairment	<b>(2,436)</b>	–	<b>(2,436)</b>	(12,624)	–	(12,624)
Net book value at 31 December	<b>920,940</b>	<b>226,200</b>	<b>1,147,140</b>	935,924	182,998	1,118,922
Balance at 31 December						
Cost/valuation	<b>1,055,953</b>	<b>677,363</b>	<b>1,733,316</b>	1,052,901	592,261	1,645,162
Accumulated depreciation	<b>(115,665)</b>	<b>(451,163)</b>	<b>(566,828)</b>	(100,080)	(409,263)	(509,343)
Provisions for impairment [Note 33(b)]	<b>(19,348)</b>	–	<b>(19,348)</b>	(16,897)	–	(16,897)
Net book value	<b>920,940</b>	<b>226,200</b>	<b>1,147,140</b>	935,924	182,998	1,118,922

- (c) Based on directors' valuation, the estimated market values of the land and buildings of the Group and the Bank as at 31 December 2003 were \$2,656 million and \$1,608 million respectively (2002: \$2,747 million and \$1,629 million respectively). The excess of the estimated market values over the net book values 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 values as at 31 December 2003 amounting to \$1,112 million and \$785 million respectively (2002: \$1,131 million and \$770 million respectively). The rest of the properties are freehold.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 34 Fixed assets (continued)

- (e) Certain freehold and leasehold land and buildings of the Group and 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 impairment are in respect of certain properties in Singapore, Malaysia, Hong Kong, 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 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 Financial Reporting Standard 12: 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 and apply the proceeds from the notes and bonds towards the purchase of debt securities.

### 36 Dividends

The directors have proposed a final dividend in respect of the financial year ended 31 December 2003 of 40 cents per share net of tax at 22%, amounting to a total of \$490,359,000. 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 2004. The proposed final dividend in respect of the financial year ended 31 December 2002 was 25 cents per share net of tax at 22%, amounting to a total of \$306,463,000 based on the number of shares in issue on 31 December 2002.

### 37 Contingent liabilities

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Direct credit substitutes	2,779,159	3,244,290	2,597,514	3,340,645
Transaction-related contingencies	3,965,083	3,632,120	3,170,169	2,911,975
Trade-related contingencies	1,800,080	1,806,060	1,460,115	1,378,571
Other contingent liabilities	184,427	236,501	162,928	171,064
	<b>8,728,749</b>	<b>8,918,971</b>	<b>7,390,726</b>	<b>7,802,255</b>

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 is reimbursable by corresponding obligations of customers. No assets of the Group and the Bank have been pledged as security for these contingent liabilities.

The Group is a party to various legal proceedings which arose from its normal course of business. Included in other contingent liabilities are estimated amounts relating to major legal cases of \$158 million (2002: \$166 million). The Bank is of the view that these claims have no merit and the ultimate resolution of which is not expected to have significant effect on the financial position or results of the Group. Accordingly, the Group and the Bank have not provided for any liability in the financial statements.

### 38 Derivative financial instruments

#### (a) The Group

	Trading derivatives			Non-trading derivatives		
	Contract or underlying principal amount \$'000	Fair values		Contract or underlying principal amount \$'000	Fair values	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
<b>2003</b>						
<b>Foreign exchange contracts</b>						
Forwards	9,967,975	253,519	118,029	57,886	191	126
Swaps	80,471,027	1,783,700	1,817,974	3,764,205	36,074	82,828
Options purchased	5,965,359	73,207	–	245,871	2,291	–
Options written	5,021,386	–	73,020	10,613	–	80
<b>Interest rate contracts</b>						
Forwards	11,582,832	3,906	5,565	–	–	–
Swaps	57,901,585	453,164	538,916	3,703,398	69,105	200,884
Futures	2,103,314	1,355	2,343	–	–	–
Options purchased	121,882	730	–	205,290	3,969	–
Options written	41,670	–	17	205,290	–	3,969
<b>Equity-related contracts</b>						
Swaps	–	–	–	46,401	1,988	1,988
Futures	79,644	–	3,921	–	–	–
Options purchased	611,290	11,407	–	315,519	33,250	–
Options written	739,021	–	39,873	314,626	–	33,248
<b>Credit-related contracts</b>						
Swaps	–	–	–	363,911	4,020	3,172
	<b>174,606,985</b>	<b>2,580,988</b>	<b>2,599,658</b>	<b>9,233,010</b>	<b>150,888</b>	<b>326,295</b>

(Note 29) (Note 22)

<b>2002</b>						
<b>Foreign exchange contracts</b>						
Forwards	6,463,503	105,348	53,300	51,815	73	125
Swaps	71,606,877	963,335	993,300	5,646,068	24,334	59,609
Options purchased	6,753,860	65,013	–	121,409	176	–
Options written	8,075,346	–	66,780	2,984	–	58
<b>Interest rate contracts</b>						
Forwards	2,715,000	1,132	2,097	43,502	17	7
Swaps	25,136,154	536,937	648,304	1,749,125	52,682	59,268
Futures	1,800,952	1,137	3,147	–	–	–
Options purchased	79,107	1,581	–	187,688	477	–
Options written	–	–	–	186,795	–	477
<b>Equity-related contracts</b>						
Swaps	–	–	–	48,935	1,942	1,942
Futures	11,221	36	41	–	–	–
Options purchased	94,585	1,081	–	–	–	–
Options written	158,343	–	6,625	–	–	–
<b>Credit-related contracts</b>						
Swaps	17,359	101	–	328,775	1,036	7,589
	<b>122,912,307</b>	<b>1,675,701</b>	<b>1,773,594</b>	<b>8,367,096</b>	<b>80,737</b>	<b>129,075</b>

(Note 29) (Note 22)

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 38 Derivative financial instruments (continued)

#### (b) The Bank

	Trading derivatives			Non-trading derivatives		
	Contract or underlying principal amount \$'000	Fair values		Contract or underlying principal amount \$'000	Fair values	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
<b>2003</b>						
<b>Foreign exchange contracts</b>						
Forwards	9,508,285	251,073	116,571	28,755	58	48
Swaps	80,948,933	1,784,724	1,815,464	3,753,165	35,950	82,828
Options purchased	5,965,359	73,207	–	235,258	2,211	–
Options written	5,021,386	–	73,020	–	–	–
<b>Interest rate contracts</b>						
Forwards	11,582,832	3,906	5,565	–	–	–
Swaps	56,429,768	447,029	506,820	3,661,416	84,993	196,542
Futures	483,302	802	1,826	–	–	–
Options purchased	121,882	730	–	205,290	3,969	–
Options written	41,670	–	17	205,290	–	3,969
<b>Equity-related contracts</b>						
Swaps	–	–	–	46,401	1,988	1,988
Futures	79,644	–	3,921	–	–	–
Options purchased	611,290	11,407	–	314,626	33,248	–
Options written	739,021	–	39,873	314,626	–	33,248
<b>Credit-related contracts</b>						
Swaps	–	–	–	397,927	4,020	3,898
	<b>171,533,372</b>	<b>2,572,878</b>	<b>2,563,077</b>	<b>9,162,754</b>	<b>166,437</b>	<b>322,521</b>

(Note 29) (Note 22)

<b>2002</b>						
<b>Foreign exchange contracts</b>						
Forwards	6,277,348	104,859	52,317	50,782	55	120
Swaps	71,625,820	965,688	997,173	5,646,068	24,334	59,609
Options purchased	6,753,860	65,013	–	121,409	176	–
Options written	8,075,346	–	66,780	2,984	–	58
<b>Interest rate contracts</b>						
Forwards	2,723,680	1,132	2,097	–	–	–
Swaps	24,512,301	512,979	619,932	1,815,417	52,260	57,037
Futures	304,926	770	3,033	–	–	–
Options purchased	80,000	1,581	–	186,795	477	–
Options written	–	–	–	186,795	–	477
<b>Equity-related contracts</b>						
Swaps	–	–	–	48,935	1,942	1,942
Futures	11,221	36	41	–	–	–
Options purchased	93,692	1,080	–	–	–	–
Options written	158,343	–	6,625	–	–	–
<b>Credit-related contracts</b>						
Swaps	34,718	116	–	328,775	1,036	7,589
	<b>120,651,255</b>	<b>1,653,254</b>	<b>1,747,998</b>	<b>8,387,960</b>	<b>80,280</b>	<b>126,832</b>

(Note 29) (Note 22)

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

In its normal course of business, the Group and the Bank transact in customised derivatives to meet the specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage their 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 43.

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 represents a financial liability. The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date. They do not necessarily indicate the amounts of future cash flows or the fair values of the derivatives and, therefore, do not represent total amounts at risk.

### 39 Commitments

(a)

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Capital commitments contracted but not provided for on purchase of fixed assets	26,265	15,442	22,908	11,183
Undrawn credit facilities	36,217,586	35,947,655	30,017,072	29,912,571
Operating lease commitments	62,200	64,107	46,061	43,338
Other	1,353,496	499,285	972,368	425,849
	<b>37,659,547</b>	<b>36,526,489</b>	<b>31,058,409</b>	<b>30,392,941</b>

### (b) Operating lease commitments

- (i) The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	27,104	30,220	21,779	24,340
Later than 1 year but not later than 5 years	28,940	27,681	21,078	16,246
Later than 5 years	6,156	6,206	3,204	2,752
	<b>62,200</b>	<b>64,107</b>	<b>46,061</b>	<b>43,338</b>

- (ii) The future aggregate minimum lease payments receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group		The Bank	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	49,005	48,068	26,994	25,404
Later than 1 year but not later than 5 years	58,748	61,358	28,708	28,962
Later than 5 years	6,511	3,934	–	–
	<b>114,264</b>	<b>113,360</b>	<b>55,702</b>	<b>54,366</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 40 Cash and cash equivalents

	The Group	
	2003	2002
	\$'000	\$'000
Cash and balances with central banks	8,034,677	4,213,458
Singapore Government treasury bills and securities	6,310,846	8,218,372
Other government treasury bills and securities, less non-cash equivalents of \$385,380,000 (2002: \$723,335,000)	966,244	609,641
	<b>15,311,767</b>	<b>13,041,471</b>

## 41 Related party transactions

All related party transactions entered into by the Group are made in the ordinary course of its business and are at arm's length commercial terms. There are no significant transactions with related parties during the financial year.

In addition to other related party information shown elsewhere in the financial statements, the following related party information, which may be of interest, are as follows:

### (a) Rental income/expense

The Group has lease contracts with associates of the Group and director-related parties. The rental income and expenses of these contracts for the financial year constitute 1.0% and 1.2% (2002: 1.1% and 2.1%) of the total non-interest income and total other operating expenses of the Group respectively.

### (b) Deposits of non-bank customers

The Group has accepted deposits from the associates of the Group, directors and director-related parties in its ordinary course of banking business. The deposits from related parties constitute less than 1% of the current, fixed, savings accounts and other deposits of non-bank customers as at 31 December 2003 and 2002.

Director-related parties refer to:

- immediate family members of the Bank's directors
- companies that are majority-owned by the Bank's directors or their family members
- companies or firms in which the Bank's directors or their family members control or exercise significant influence over the Board of Directors
- individuals, companies or firms whose credit facilities are guaranteed by the Bank's directors.

## 42 Segment information

### (a) Primary reporting format – Business segments

	The Group – 2003					
	Individual Financial Services \$' million	Institutional Financial Services \$' million	Global Treasury \$' million	Asset Management \$' million	Other \$' million	Total \$' million
<b>Income before operating expenses</b>	<b>1,013</b>	<b>1,230</b>	<b>445</b>	<b>203</b>	<b>269</b>	<b>3,160</b>
Less: Segment operating expenses	437	347	140	56	51	1,031
Less: Provisions	155	201	*	(2)	8	362
<b>Segment profit before tax<sup>(1)</sup></b>	<b>421</b>	<b>682</b>	<b>305</b>	<b>149</b>	<b>210</b>	<b>1,767</b>
Unallocated corporate expenses						(64)
						1,703
Goodwill written off and amortised						(202)
Operating profit after provisions and goodwill written off and amortised						1,501
Share of profit of associates						107
Profit before tax						1,608
Tax and minority interests						(406)
Net profit for the financial year attributable to members						1,202
<b>Other information:</b>						
<b>Segment assets<sup>(2)</sup></b>	<b>23,633</b>	<b>38,075</b>	<b>43,021</b>	<b>1,337</b>	<b>2,416</b>	<b>108,482</b>
Investments in associates						1,397
Goodwill						3,466
Unallocated assets						101
Total assets						113,446
Gross trade bills and advances to customers	24,443	38,138	–	–	–	62,581
Non-performing loans (“NPLs”) <sup>+</sup>	1,557	3,524	–	–	–	5,081
Specific provisions and interest-in-suspense for NPLs <sup>+</sup>	458	1,404	–	–	–	1,862
Investments not held for trading (gross) <sup>#</sup>						
Government and debt securities	–	1,319	9,320	502	99	11,240
Equity shares	–	25	24	592	832	1,473
<b>Segment liabilities<sup>(2)</sup></b>	<b>44,343</b>	<b>28,255</b>	<b>26,719</b>	<b>44</b>	<b>34</b>	<b>99,395</b>
Unallocated liabilities						614
Total liabilities						100,009
Capital expenditure	36	40	7	1	53	137
Depreciation of fixed assets	22	23	6	1	56	108

\* Amount is less than \$500,000.

+ Excluding debt securities.

# Excluding investments in associates.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 42 Segment information

#### (a) Primary reporting format – Business segments (continued)

	The Group – 2002					
	Individual Financial Services \$' million	Institutional Financial Services \$' million	Global Treasury \$' million	Asset Management \$' million	Other \$' million	Total \$' million
<b>Income before operating expenses</b>	980	1,225	467	75	287	3,034
Less: Segment operating expenses	449	325	154	56	35	1,019
Less: Provisions	151	291	13	9	1	465
<b>Segment profit before tax<sup>(1)</sup></b>	<b>380</b>	<b>609</b>	<b>300</b>	<b>10</b>	<b>251</b>	<b>1,550</b>
Unallocated corporate expenses						(54)
						1,496
Goodwill written off and amortised						(196)
Operating profit after provisions and goodwill written off and amortised						1,300
Exceptional item						(48)
Share of profit of associates						123
Profit before tax						1,375
Tax and minority interests						(369)
Net profit for the financial year attributable to members						1,006
<b>Other information:</b>						
<b>Segment assets<sup>(2)</sup></b>	22,634	38,008	36,836	3,184	1,730	102,392
Investments in associates						1,274
Goodwill						3,666
Unallocated assets						98
<b>Total assets</b>						<b>107,430</b>
Gross trade bills and advances to customers	23,177	39,162	–	–	–	62,339
Non-performing loans ("NPLs") <sup>+</sup>	1,682	3,933	–	–	–	5,615
Specific provisions and interest-in-suspense for NPLs <sup>+</sup>	471	1,559	–	–	–	2,030
Investments not held for trading (gross) <sup>#</sup>						
Government and debt securities	–	1,292	9,881	959	16	12,148
Equity shares	–	20	11	413	836	1,280
<b>Segment liabilities<sup>(2)</sup></b>	40,175	29,795	24,043	22	87	94,122
Unallocated liabilities						546
<b>Total liabilities</b>						<b>94,668</b>
Capital expenditure	26	30	9	1	208	274
Depreciation of fixed assets	19	20	5	1	70	115

<sup>+</sup> Excluding debt securities.

<sup>#</sup> Excluding investments in associates.

**Notes:**

- (1) Segment profit before tax represents 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.

Prior year comparatives have been restated to reflect changes in organisation structure and refinement in cost allocation methodologies.

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 Financial Services, Institutional Financial Services, Global Treasury, Asset Management, and Other that include mainly property-related activities.

**Individual Financial Services**

Individual Financial Services segment covers Personal Financial Services and High Networth Banking. Personal Financial Services serves individual customers, including the mass affluent. The principal products and services for personal customers include deposits, loans, investments, and credit and debit cards. Personal Financial Services also sells and distributes a range of life assurance products. High Networth Banking provides an extensive range of financial services, including wealth management and trust services, to the wealthy and more affluent customers.

**Institutional Financial Services**

Institutional Financial Services segment encompasses Commercial Credit, Corporate Banking, Corporate Finance and Capital Markets. Commercial Credit serves the small and medium-sized enterprises. Corporate Banking serves the middle market and large local corporate groups, including non-bank financial institutions. Both Commercial Credit and Corporate Banking provide customers with a broad range of products and services that include current accounts, deposits, lending, asset finance, trade finance, structured finance, cash management and cross-border payments. Corporate Finance serves corporations with services that include initial public offerings, rights issues, and corporate advisory services. Capital Markets specialises in providing solution-based structures to meet clients' financing requirements, as well as in the issue of debt and quasi-debt securities and loan syndications.

**Global Treasury**

Global Treasury segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, margin trading, futures broking, a full range of gold products, as well as an array of structured products. It is a dominant player in Singapore dollar treasury instruments as well as a provider of bank note services in the region.

**Asset Management**

Asset Management segment comprises asset management, venture capital management and proprietary investment activities.

**Other**

Other segment includes property-related activities, insurance businesses and the management of shareholders' funds.

## NOTES TO THE FINANCIAL STATEMENTS

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### 42 Segment information (continued)

#### (b) Secondary reporting format – Geographical segments

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

	The Group					
	Income before operating expenses		Profit before tax		Total assets	
	2003	2002	2003	2002	2003	2002
	\$' million	\$' million	\$' million	\$' million	\$' million	\$' million
Singapore (including Asian Currency Unit)	2,353	2,302	1,367	1,225	75,087	77,246
Malaysia	358	339	253	212	11,521	9,256
Other ASEAN countries	149	125	10	(25)	3,691	3,221
	507	464	263	187	15,212	12,477
Other Asia-Pacific countries	194	189	104	112	13,466	8,365
Rest of the world	106	79	76	47	6,215	5,676
	3,160	3,034	1,810	1,571	109,980	103,764
Goodwill	–	–	(202)	(196)	3,466	3,666
	3,160	3,034	1,608	1,375	113,446	107,430

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 transactions and assets 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.

### 43 Financial risk management

The Group's activities are principally related to transacting in and the use of financial instruments, including derivatives. These activities 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. It is carried out centrally by the various specialist committees of the UOB Group under policies approved by the Board of 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.

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 fulfill 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 reviews 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 advances to customers and trade bills. Note 28(c) analyses the Group's total gross trade bills and advances to customers by industry classification as at the balance sheet date.

- (i) The following table analyses the Group's financial assets and credit-related contingent assets (that is, contingent liabilities of customers and other counter-parties to the Group) by geographical concentration as at the balance sheet date:

	The Group				
	Trade bills and advances to customers (gross) \$' million	Placements and balances with banks and agents \$' million	Other financial assets \$' million	Credit- related contingent assets \$' million	Total \$' million
<b>2003</b>					
Five Regional Countries*	9,608	3,263	5,778	1,577	20,226
Greater China	1,968	2,690	1,395	481	6,534
Singapore	45,338	1,881	16,400	5,541	69,160
Other**	5,667	13,288	4,184	945	24,084
	<b>62,581</b>	<b>21,122</b>	<b>27,757</b>	<b>8,544</b>	<b>120,004</b>
<b>2002</b>					
Five Regional Countries*	8,453	2,671	5,339	1,691	18,154
Greater China	2,482	1,871	748	504	5,605
Singapore	46,403	2,579	16,797	5,641	71,420
Other**	5,001	12,305	736	846	18,888
	<b>62,339</b>	<b>19,426</b>	<b>23,620</b>	<b>8,682</b>	<b>114,067</b>

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

\*\* Other comprises mainly other OECD countries.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 43 Financial risk management

#### (a) Credit risk (continued)

- (ii) Total gross trade bills and advances to customers as at the balance sheet dates analysed by currency and interest rate sensitivity:

	The Group					
	2003			2002		
	Fixed \$' million	Variable \$' million	Total \$' million	Fixed \$' million	Variable \$' million	Total \$' million
Singapore dollar	8,987	31,777	40,764	9,570	31,799	41,369
US dollar	960	6,948	7,908	712	7,426	8,138
Malaysian ringgit	204	6,110	6,314	166	5,762	5,928
Hong Kong dollar	35	966	1,001	40	1,426	1,466
Thai baht	948	599	1,547	534	501	1,035
Other	1,066	3,981	5,047	1,059	3,344	4,403
	<b>12,200</b>	<b>50,381</b>	<b>62,581</b>	<b>12,081</b>	<b>50,258</b>	<b>62,339</b>

Fixed rate loans that have effectively been converted to variable rate loans through interest rate swaps are classified as variable.

- (iii) Total non-performing loans, debt securities and their related specific provisions analysed by geographical sector:

	The Group			
	2003		2002	
	Non-performing loans and debt securities \$' million	Specific provisions \$' million	Non-performing loans and debt securities \$' million	Specific provisions \$' million
Singapore	3,530	1,200	3,935	1,271
Five Regional Countries				
Malaysia	930	383	943	428
Indonesia	119	78	156	111
Philippines	184	76	208	72
Thailand	140	69	144	87
South Korea	5	2	7	2
	<b>1,378</b>	<b>608</b>	<b>1,458</b>	<b>700</b>
Greater China	161	61	182	69
Other	91	41	104	39
	<b>5,160</b>	<b>1,910</b>	<b>5,679</b>	<b>2,079</b>

(iv) Total non-performing loans, debt securities and their related specific provisions analysed by industry group:

	The Group			
	2003		2002	
	Non-performing loans and debt securities \$' million	Specific provisions \$' million	Non-performing loans and debt securities \$' million	Specific provisions \$' million
Transport, storage and communication	105	44	124	35
Building and construction	756	275	843	369
Manufacturing	765	372	895	419
Non-bank financial institutions	1,040	345	1,070	335
General commerce	703	300	769	309
Professionals and private individuals	926	360	1,014	329
Housing loans	632	98	668	143
Other	233	116	296	140
	<b>5,160</b>	<b>1,910</b>	<b>5,679</b>	<b>2,079</b>

(v) Total collateralised non-performing loans and debt securities analysed by collateral type:

	The Group				
	Properties \$' million	Marketable securities \$' million	Cash and deposits \$' million	Other \$' million	Total \$' million
<b>2003</b>					
Singapore	1,883	51	16	78	2,028
Five Regional Countries	579	69	9	41	698
Greater China	44	1	2	–	47
Other	30	–	–	1	31
	<b>2,536</b>	<b>121</b>	<b>27</b>	<b>120</b>	<b>2,804</b>
<b>2002</b>					
Singapore	2,067	86	36	135	2,324
Five Regional Countries	569	102	2	43	716
Greater China	61	2	–	–	63
Other	43	–	–	–	43
	<b>2,740</b>	<b>190</b>	<b>38</b>	<b>178</b>	<b>3,146</b>



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 43 Financial risk management

#### (a) Credit risk (continued)

(vi) Loans that were restructured and classified during the year were as follows:

	The Group	
	2003	2002
	\$' million	\$' million
Substandard	196	292
Doubtful	–	29
Loss	35	37
	<b>231</b>	<b>358</b>

(vii) Total non-performing loans and debt securities analysed by number of days overdue:

	The Group	
	2003	2002
	\$' million	\$' million
Not overdue	670	774
Not more than 90 days	378	473
Between 91 and 180 days	464	789
More than 181 days	3,648	3,643
	<b>5,160</b>	<b>5,679</b>

#### (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 proprietary business and customer facilitation businesses. It also has a certain amount of structural foreign currency exposures as represented by the net asset values of its overseas branches, 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 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 – 2003								
	Singapore dollar \$' million	US dollar \$' million	Malaysian ringgit \$' million	Hong Kong dollar \$' million	Australian dollar \$' million	Thai baht \$' million	Other \$' million	Total \$' million
<b>Assets</b>								
Cash and balances with central banks	1,603	34	2,309	25	7	43	4,014	8,035
Government treasury bills and securities	6,311	55	80	46	29	442	699	7,662
Placements and balances with banks and agents	4,376	10,279	1,581	488	1,030	2	3,366	21,122
Trade bills and advances to customers	38,366	7,723	5,857	922	1,831	1,514	3,084	59,297
Dealing and investment securities	1,761	2,228	280	78	27	93	631	5,098
Investments in associates	1,316	–	78	–	–	–	3	1,397
Goodwill	3,372	–	–	–	–	8	86	3,466
Other	4,250	1,373	354	173	(267)	294	334	6,511
	61,355	21,692	10,539	1,732	2,657	2,396	12,217	112,588
Assets attributable to SPE								858
<b>Total assets</b>								113,446
<b>Liabilities</b>								
Current, fixed, savings accounts and other deposits of non-bank customers	41,350	13,198	6,031	509	2,041	1,975	4,808	69,912
Deposits and balances of banks and agents, and bills and drafts payable	1,910	10,224	750	905	380	190	4,644	19,003
Debts issued	1,303	2,041	–	–	–	–	–	3,344
Other liabilities	3,765	337	1,885	248	51	52	558	6,896
	48,328	25,800	8,666	1,662	2,472	2,217	10,010	99,155
Liabilities attributable to SPE								854
<b>Total liabilities</b>								100,009
<b>On-balance sheet open position</b>	13,027	(4,108)	1,873	70	185	179	2,207	
<b>Off-balance sheet open position</b>	(1,365)	4,251	(1,189)	(297)	(77)	(436)	(887)	
<b>Net open position</b>	11,662	143	684	(227)	108	(257)	1,320	
<b>Net structural position included in above</b>	–	(8)	797	7	63	9	395	

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 43 Financial risk management

### (b) Foreign exchange risk (continued)

	The Group – 2002							
	Singapore dollar \$' million	US dollar \$' million	Malaysian ringgit \$' million	Hong Kong dollar \$' million	Australian dollar \$' million	Thai baht \$' million	Other \$' million	Total \$' million
<b>Assets</b>								
Cash and balances with central banks	2,178	27	1,530	3	8	29	438	4,213
Government treasury bills and securities	8,218	51	74	49	39	747	373	9,551
Placements and balances with banks and agents	2,976	10,866	630	708	957	21	3,198	19,356
Trade bills and advances to customers	38,809	7,928	5,467	1,387	1,722	1,001	2,570	58,884
Dealing and investment securities	1,722	1,502	156	62	19	31	260	3,752
Investments in associates	1,198	–	74	–	–	–	2	1,274
Goodwill	3,556	–	–	–	–	9	101	3,666
Other	3,674	1,045	448	58	113	105	391	5,834
	62,331	21,419	8,379	2,267	2,858	1,943	7,333	106,530
Assets attributable to SPE								900
<b>Total assets</b>								107,430
<b>Liabilities</b>								
Current, fixed, savings accounts and other deposits of non-bank customers	41,028	13,930	5,431	761	1,921	1,551	3,297	67,919
Deposits and balances of banks and agents, and bills and drafts payable	3,507	11,237	788	997	617	289	2,031	19,466
Debts issued	1,294	–	–	–	–	–	–	1,294
Other liabilities	3,328	437	1,020	83	25	38	161	5,092
	49,157	25,604	7,239	1,841	2,563	1,878	5,489	93,771
Liabilities attributable to SPE								897
<b>Total liabilities</b>								94,668
<b>On-balance sheet open position</b>	13,174	(4,185)	1,140	426	295	65	1,844	
<b>Off-balance sheet open position</b>	(3,187)	4,777	366	(406)	(213)	(137)	(1,200)	
<b>Net open position</b>	9,987	592	1,506	20	82	(72)	644	
<b>Net structural position included in above</b>	–	44	770	(1)	112	7	339	

Other foreign exchange exposures of the Group are structural foreign currency exposures. These comprise the net assets of the Group's overseas branches, 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 as at the balance sheet dates are as follows:

Currency of structural exposures	The Group			
	Structural currency exposures in overseas operations \$' million	Hedges by funding in respective currencies \$' million	Other currency hedges \$' million	Net structural currency exposures \$' million
<b>2003</b>				
Australian dollar	207	–	144	63
Hong Kong dollar	151	16	128	7
Indonesian rupiah	113	–	–	113
Malaysian ringgit	797	–	–	797
Philippine peso	98	–	–	98
Thai baht	133	–	124	9
US dollar	424	207	225	(8)
Other	305	44	77	184
<b>Total</b>	<b>2,228</b>	<b>267</b>	<b>698</b>	<b>1,263</b>
<b>2002</b>				
Australian dollar	242	37	93	112
Hong Kong dollar	301	17	285	(1)
Indonesian rupiah	99	–	–	99
Malaysian ringgit	770	–	–	770
Philippine peso	78	–	–	78
Thai baht	120	–	113	7
US dollar	387	209	134	44
Other	228	9	57	162
<b>Total</b>	<b>2,225</b>	<b>272</b>	<b>682</b>	<b>1,271</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 43 Financial risk management (continued)

### (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 table below shows the interest rate sensitivity gap, by time band, in which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

The Group – 2003										
	Total \$' million	Non- interest bearing \$' million	Up to 7 days \$' million	Over 7 days to 1 month \$' million	Over 1 to 3 months \$' million	Over 3 to 12 months \$' million	Over 1 to 3 years \$' million	Over 3 years \$' million	Total interest bearing \$' million	Effective interest rate %
<b>Assets</b>										
Cash and balances with central banks	8,035	4,785	21	2,258	59	912	–	–	3,250	2.22
Government treasury bills and securities	7,662	–	30	402	1,944	2,662	1,800	824	7,662	2.69
Placements and balances with banks and agents	21,122	63	3,785	4,786	6,542	5,374	572	–	21,059	1.23
Trade bills and advances to customers	59,297	–	17,400	11,706	8,993	11,896	7,679	1,623	59,297	4.08
Dealing and investment securities	5,098	1,659	30	142	636	239	545	1,847	3,439	4.76
Investments in associates	1,397	1,395	–	–	–	2	–	–	2	1.50
Goodwill	3,466	3,466	–	–	–	–	–	–	–	–
Other	6,511	6,511	–	–	–	–	–	–	–	–
	<b>112,588</b>	<b>17,879</b>	<b>21,266</b>	<b>19,294</b>	<b>18,174</b>	<b>21,085</b>	<b>10,596</b>	<b>4,294</b>	<b>94,709</b>	<b>–</b>
Assets attributable to SPE	<b>858</b>									
<b>Total assets</b>	<b>113,446</b>									

The Group – 2003

	Total \$' million	Non- interest bearing \$' million	Up to 7 days \$' million	Over 7 days to 1 month \$' million	Over 1 to 3 months \$' million	Over 3 to 12 months \$' million	Over 1 to 3 years \$' million	Over 3 years \$' million	Total interest bearing \$' million	Effective interest rate %
<b>Liabilities</b>										
Current, fixed, savings accounts and other deposits of non-bank customers	69,912	6,000	25,873	16,458	8,401	11,928	703	549	63,912	1.04
Deposits and balances of banks and agents, and bills and drafts payable	19,003	864	3,453	8,142	4,167	2,377	–	–	18,139	1.05
Debts issued	3,344	–	–	17	104	178	–	3,045	3,344	4.85
Other	6,896	6,896	–	–	–	–	–	–	–	–
	99,155	13,760	29,326	24,617	12,672	14,483	703	3,594	85,395	–
Liabilities attributable to SPE	854									
<b>Total liabilities</b>	<b>100,009</b>									
Shareholders' funds and minority interests	13,433	13,433	–	–	–	–	–	–	–	–
Shareholders' funds attributable to SPE	4									
<b>Total shareholders' funds and minority interests</b>	<b>13,437</b>									
	113,446									
<b>Net on-balance sheet position</b>		(9,314)	(8,060)	(5,323)	5,502	6,602	9,893	700	9,314	–
<b>Net off-balance sheet position</b>		–	(1,746)	1,610	1,916	596	(4,586)	2,210	–	–
<b>Net interest rate sensitivity gap</b>		(9,314)	(9,806)	(3,713)	7,418	7,198	5,307	2,910	9,314	–

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 43 Financial risk management

### (c) Interest rate risk (continued)

The Group – 2002										
	Total \$' million	Non- interest bearing \$' million	Up to 7 days \$' million	Over 7 days to 1 month \$' million	Over 1 to 3 months \$' million	Over 3 to 12 months \$' million	Over 1 to 3 years \$' million	Over 3 years \$' million	Total interest bearing \$' million	Effective interest rate %
<b>Assets</b>										
Cash and balances with central banks	4,213	2,719	–	1,167	220	107	–	–	1,494	2.84
Government treasury bills and securities	9,551	–	213	1,040	2,079	2,327	2,862	1,030	9,551	2.36
Placements and balances with banks and agents	19,356	47	2,043	7,654	4,832	4,551	226	3	19,309	1.76
Trade bills and advances to customers	58,884	–	19,085	9,855	7,644	14,924	4,854	2,522	58,884	4.63
Dealing and investment securities	3,752	1,436	131	137	663	221	125	1,039	2,316	4.99
Investments in associates	1,274	1,270	–	–	–	2	2	–	4	2.31
Goodwill	3,666	3,666	–	–	–	–	–	–	–	–
Other	5,834	5,834	–	–	–	–	–	–	–	–
	106,530	14,972	21,472	19,853	15,438	22,132	8,069	4,594	91,558	–
Assets attributable to SPE	900									
<b>Total assets</b>	<b>107,430</b>									
<b>Liabilities</b>										
Current, fixed, savings accounts and other deposits of non-bank customers	67,919	5,342	19,526	19,825	9,793	12,536	743	154	62,577	1.43
Deposits and balances of banks and agents, and bills and drafts payable	19,466	722	2,567	7,750	5,290	3,137	–	–	18,744	1.67
Debts issued	1,294	–	–	–	–	–	–	1,294	1,294	4.95
Other	5,092	5,092	–	–	–	–	–	–	–	–
	93,771	11,156	22,093	27,575	15,083	15,673	743	1,448	82,615	–
Liabilities attributable to SPE	897									
<b>Total liabilities</b>	<b>94,668</b>									

### The Group – 2002

	Total \$' million	Non- interest bearing \$' million	Up to 7 days \$' million	Over 7 days to 1 month \$' million	Over 1 to 3 months \$' million	Over 3 to 12 months \$' million	Over 1 to 3 years \$' million	Over 3 years \$' million	Total interest bearing \$' million	Effective interest rate %
Shareholders' funds and minority interests	12,759	12,759	–	–	–	–	–	–	–	–
Shareholders' funds attributable to SPE	3									
<b>Total shareholders' funds and minority interests</b>	<u>12,762</u>									
	<u>107,430</u>									
<b>Net on-balance sheet position</b>		(8,943)	(621)	(7,722)	355	6,459	7,326	3,146	8,943	–
<b>Net off-balance sheet position</b>		–	371	(134)	188	398	(1,557)	734	–	–
<b>Net interest rate sensitivity gap</b>		(8,943)	(250)	(7,856)	543	6,857	5,769	3,880	8,943	–

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

#### (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 withdrawals of funds 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.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

### 43 Financial risk management

#### (d) Liquidity risk (continued)

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

	The Group – 2003							
	Total	Up to	Over 7	Over	Over	Over	Over	Non-
	\$' million	7 days	days to	1 to 3	3 to 12	1 to 3	3 years	specific
		\$' million	1 month	months	months	years	\$' million	maturity
			\$' million	\$' million	\$' million	\$' million		\$' million
<b>Assets</b>								
Cash and balances with central banks	8,035	4,806	2,258	59	912	–	–	–
Government treasury bills and securities	7,662	30	402	1,944	2,662	1,800	824	–
Placements and balances with banks and agents	21,122	3,848	4,786	6,542	5,374	572	–	–
Trade bills and advances to customers	59,297	14,336	4,440	5,010	4,882	9,161	21,468	–
Dealing and investment securities	5,098	–	35	21	145	845	2,475	1,577
Investments in associates	1,397	–	–	–	7	–	–	1,390
Goodwill	3,466	–	–	–	–	–	–	3,466
Other	6,511	73	100	159	63	55	59	6,002
	<b>112,588</b>	<b>23,093</b>	<b>12,021</b>	<b>13,735</b>	<b>14,045</b>	<b>12,433</b>	<b>24,826</b>	<b>12,435</b>
Assets attributable to SPE	<b>858</b>							
<b>Total assets</b>	<b>113,446</b>							

	The Group – 2003							Non-specific maturity
	Total	Up to	Over 7	Over	Over	Over	Over	
	\$' million	7 days	days to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 years	\$' million
<b>Liabilities</b>								
Current, fixed, savings accounts and other deposits of non-bank customers	69,912	31,873	16,458	8,401	11,928	703	549	–
Deposits and balances of banks and agents, and bills and drafts payable	19,003	4,317	8,142	4,167	2,377	–	–	–
Debts issued	3,344	–	–	–	–	17	3,327	–
Other	6,896	103	135	49	56	3	2	6,548
	99,155	36,293	24,735	12,617	14,361	723	3,878	6,548
Liabilities attributable to SPE	854							
<b>Total liabilities</b>	<b>100,009</b>							
Shareholders' funds and minority interests	13,433	–	–	–	–	–	–	13,433
Shareholders' funds attributable to SPE	4							
<b>Total shareholders' funds and minority interests</b>	<b>13,437</b>							
	<b>113,446</b>							
<b>Net maturity mismatch</b>		(13,200)	(12,714)	1,118	(316)	11,710	20,948	(7,546)

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 43 Financial risk management

### (d) Liquidity risk (continued)

	The Group – 2002							
	Total \$' million	Up to 7 days \$' million	Over 7 days to 1 month \$' million	Over 1 to 3 months \$' million	Over 3 to 12 months \$' million	Over 1 to 3 years \$' million	Over 3 years \$' million	Non- specific maturity \$' million
<b>Assets</b>								
Cash and balances								
with central banks	4,213	2,719	1,167	220	107	–	–	–
Government								
treasury bills and								
securities	9,551	213	1,040	2,078	1,965	3,223	1,032	–
Placements and								
balances with								
banks and agents	19,356	2,158	7,655	4,763	4,551	226	3	–
Trade bills and								
advances to								
customers	58,884	12,337	3,911	4,218	6,226	9,816	22,376	–
Dealing and								
investment								
securities	3,752	31	53	118	538	463	1,198	1,351
Investments in								
associates	1,274	–	–	–	2	26	–	1,246
Goodwill	3,666	–	–	–	–	–	–	3,666
Other	5,834	137	119	46	79	51	38	5,364
	106,530	17,595	13,945	11,443	13,468	13,805	24,647	11,627
Assets attributable								
to SPE	900							
<b>Total assets</b>	<b>107,430</b>							
<b>Liabilities</b>								
Current, fixed,								
savings accounts								
and other deposits								
of non-bank								
customers	67,919	24,868	19,825	9,793	12,536	743	154	–
Deposits and								
balances of banks								
and agents, and								
bills and drafts								
payable	19,466	3,289	7,750	5,290	3,137	–	–	–
Debts issued	1,294	–	–	–	–	–	1,294	–
Other	5,092	270	15	11	14	–	–	4,782
	93,771	28,427	27,590	15,094	15,687	743	1,448	4,782
Liabilities attributable								
to SPE	897							
<b>Total liabilities</b>	<b>94,668</b>							

<b>The Group – 2002</b>								
	Total	Up to	Over 7	Over	Over	Over	Over	Non-
	\$' million	7 days	days to	1 to 3	3 to 12	1 to 3	3 years	specific
	\$' million	\$' million	1 month	months	months	years	\$' million	maturity
Shareholders' funds and minority interests	12,759	–	–	–	–	–	–	12,759
Shareholders' funds attributable to SPE	3							
<b>Total shareholders' funds and minority interests</b>	<u>12,762</u>							
	<u>107,430</u>							
<b>Net maturity mismatch</b>		(10,832)	(13,645)	(3,651)	(2,219)	13,062	23,199	(5,914)

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 37 and 39. 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 2003

### 44 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 Financial Reporting Standard 32 ("FRS 32") comprise all its assets and liabilities with the exception of deferred tax assets, investments in subsidiaries, investments in associates, fixed assets, goodwill and provision for current and deferred tax.

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

The estimated fair values of those on-balance sheet financial assets and financial liabilities based on quoted and observable market prices as at the balance sheet date are as follows:

	The Group		The Bank	
	Carrying amount \$'000	Estimated fair value \$'000	Carrying amount \$'000	Estimated fair value \$'000
<b>2003</b>				
Singapore Government treasury bills and securities	6,310,846	6,336,259	6,232,660	6,245,848
Other government treasury bills and securities	1,351,624	1,354,748	706,589	713,002
Investment securities*	5,422,510	5,704,569	4,061,903	4,308,147
Debts issued*	4,196,269	4,214,182	3,343,862	3,361,775
<b>2002</b>				
Singapore Government treasury bills and securities	8,218,372	8,324,001	7,959,795	8,062,101
Other government treasury bills and securities	1,332,976	1,346,718	419,031	431,117
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

\* Where quoted and observable market prices are not available, fair values are arrived at using internal pricing models.

The fair values of derivative financial instruments are shown in Note 38.

Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions. The principal ones are 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 of negligible credit risk and are 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 their fair values. 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 type, risk characteristic, maturity and pricing profile, and non-performing accounts. In evaluating the reasonableness of fair value, the Group and the Bank perform 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 non-bank customers' deposits 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 are repriced at short intervals.
- For derivative financial instruments and investment securities where quoted and observable market prices are not available, fair values are arrived at using internal pricing models.

The fair values of 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.

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 FRS 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 values of their net assets.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 45 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		2003 \$'000	2002 \$'000	
			2003 %	2002 %	2003 %	2002 %			
<b>Commercial Banking</b>									
	Far Eastern Bank Limited	Singapore	Singapore	<b>77</b>	77	—	—	<b>38,050</b>	37,912
(1)	PT Bank UOB Indonesia	Indonesia	Indonesia	<b>99</b>	99	—	—	<b>48,462</b>	48,462
(1)	United Overseas Bank (Malaysia) Bhd	Malaysia	Malaysia	<b>45</b>	45	<b>55</b>	55	<b>123,731</b>	123,731
(1)	United Overseas Bank Philippines	Philippines	Philippines	<b>100</b>	100	—	—	<b>*</b>	<b>*</b>
(3)	UOB Radanasin Bank Public Company Limited	Thailand	Thailand	<b>79</b>	79	—	—	<b>136,182</b>	124,087
	Industrial & Commercial Bank Limited	Singapore	Inactive	<b>100</b>	100	—	—	—	—
(1)	Overseas Union Bank (Malaysia) Berhad	Malaysia	Inactive	—	—	<b>100</b>	100	—	—
	Overseas Union Bank Limited	Singapore	Inactive	<b>100</b>	100	—	—	—	—
(4)	United Overseas Bank (Canada) (liquidated during the year)	Canada	Inactive	—	100	—	—	—	—
<b>Merchant Banking</b>									
(1)	UOB Asia (Hong Kong) Limited	Hong Kong	Hong Kong	<b>50</b>	50	<b>50</b>	50	<b>11,687</b>	11,687
	UOB Asia Limited	Singapore	Singapore	<b>100</b>	100	—	—	<b>9,747</b>	9,747
(1)	UOB Australia Limited	Australia	Australia	<b>100</b>	100	—	—	<b>10,865</b>	10,865
(4)	OUB Australia Ltd (liquidated during the year)	Australia	Inactive	—	100	—	—	—	—
<b>Leasing</b>									
(1)	OUB Credit Bhd	Malaysia	Malaysia	—	—	<b>100</b>	100	—	—
(4)	OUL Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	<b>100</b>	100	—	—	—	—
<b>Insurance</b>									
(1)	PT UOB Life - Sun Assurance	Indonesia	Indonesia	—	—	<b>80</b>	80	—	—
	United Overseas Insurance Limited	Singapore	Singapore	<b>58</b>	51	—	—	<b>15,268</b>	7,700
(1)	UOB Insurance (H.K.) Limited	Hong Kong	Hong Kong	—	—	<b>100</b>	100	—	—
	UOB Life Assurance Limited	Singapore	Singapore	<b>88</b>	88	<b>12</b>	12	<b>31,885</b>	31,509



	Country of incorporation	Place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
			The Bank		Subsidiaries		2003 \$'000	2002 \$'000
			2003	2002	2003	2002		
			%	%	%	%		
Investment								
(1) Chung Khiaw Bank (Malaysia) Bhd	Malaysia	Malaysia	100	100	–	–	152,403	152,403
OUB.com Pte Ltd	Singapore	Singapore	100	100	–	–	18,774	17,267
(1) Overseas Union Holdings (Aust) Pty Limited	Australia	Australia	–	–	100	100	–	–
Overseas Union Holdings Private Limited	Singapore	Singapore	100	100	–	–	196,323	181,882
Overseas Union Securities Limited	Singapore	Singapore	16	16	36	36	10,693	10,693
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	–	–	80,987	50,000
UOB Capital Management Pte Ltd	Singapore	Singapore	100	100	–	–	30,550	29,700
UOB Equity Holdings (Pte) Ltd	Singapore	Singapore	100	100	–	–	9,600	9,600
(1) UOB Finance (H.K.) Limited	Hong Kong	Hong Kong	100	100	–	–	21,908	19,760
(2) UOB Holdings (USA) Inc.	United States of America	United States of America	100	100	–	–	21,183	17,956
(1) UOB Realty (H.K.) Limited	Hong Kong	Hong Kong	–	–	100	100	–	–
UOB Venture Bio Investments Ltd	Singapore	Singapore	–	–	100	–	–	–
(3) UOB Venture Management (Shanghai) Co., Ltd	People's Republic of China	People's Republic of China	–	–	100	100	–	–
(3) UOB Venture (Shenzhen) Limited	Mauritius	Mauritius	–	–	100	–	–	–
(4) asia-reach.com Pte Ltd (liquidated during the year)	Singapore	Inactive	–	100	–	–	–	–
CKB (2000) Limited	Singapore	Inactive	100	100	–	–	–	–
(4) ICB Finance Limited (liquidated during the year)	Hong Kong	Inactive	–	100	–	–	–	–
(4) OUB Investments Pte Ltd (under voluntary liquidation)	Singapore	Inactive	100	100	–	–	–	–
Overseas Union Trust Limited	Singapore	Inactive	100	100	–	–	10	158,468
(4) Securities Investments Pte Ltd (under voluntary liquidation)	Singapore	Inactive	100	100	–	–	–	–
(1) United Overseas Finance (Malaysia) Bhd.	Malaysia	Inactive	–	–	100	100	–	–
UOB International Investment Private Limited (formerly known as ICB Pte. Ltd.)	Singapore	Inactive	100	100	–	–	#	#
UOF (2000) Limited	Singapore	Inactive	100	100	–	–	10	10



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 45 Subsidiaries (continued)

	Country of incorporation	Place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
			The Bank		Subsidiaries		2003 \$'000	2002 \$'000
			2003 %	2002 %	2003 %	2002 %		
Trustee/Investment Management								
United Overseas Bank Trustee Limited (formerly known as Overseas Union Bank Trustees Ltd)	Singapore	Singapore	20	20	80	80	1,437	1,437
UOBT (2003) Limited (formerly known as 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	–	–
(2) UOB Capital Partners LLC	United States of America	United States of America	–	–	70	–	–	–
(2) UOBGC General Partners Limited	United Kingdom	United Kingdom	–	–	100	–	–	–
(2) UOB Global Capital (Dublin) Ltd	Ireland	Ireland	–	–	100	100	–	–
(2) UOB Global Capital LLC	United States of America	United States of America	–	–	70	70	–	–
UOB Global Capital Private Limited	Singapore	Singapore	70	70	–	–	107	67
(2) UOB Global Equity Sales LLC	United States of America	United States of America	–	–	100	–	–	–
(2) UOB Global Capital SARL	France	France	–	–	100	100	–	–
UOB Hermes Asia Management Pte Limited	Singapore	Singapore	–	–	60	60	–	–
(1) UOB Investment Advisor (Taiwan) Ltd	Taiwan	Taiwan	–	–	100	100	–	–
UOB Venture Management Private Limited	Singapore	Singapore	100	100	–	–	250	250
(1) UOB-OSK Asset Management Sdn. Bhd.	Malaysia	Malaysia	–	–	70	70	–	–
(4) OUB Asset Management Ltd (under voluntary liquidation)	Singapore	Inactive	100	100	–	–	–	13,455
(4) OUB Optimix Funds Management Limited (under voluntary liquidation)	Singapore	Inactive	–	–	100	100	–	–
(4) OUB-TA Asset Management Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	–	–	51	51	–	–
Nominee Services								
(1) Chung Khiaw Nominees (H.K.) Limited	Hong Kong	Hong Kong	100	100	–	–	2	2
Far Eastern Bank Nominees (Private) Limited	Singapore	Singapore	–	–	100	100	–	–
Mandarin Nominees Pte Ltd	Singapore	Singapore	–	–	100	100	–	–
(1) OUB Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–

	Country of incorporation	Place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
			The Bank		Subsidiaries		2003	2002
			2003 %	2002 %	2003 %	2002 %	\$'000	\$'000
(1) OUB Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
Overseas Union Bank Nominees (Private) Limited	Singapore	Singapore	100	100	–	–	192	192
(1) Overseas Union Nominees (H.K.) Limited	Hong Kong	Hong Kong	100	100	–	–	4	4
Overseas Union Trust (Nominees) Pte Ltd	Singapore	Singapore	100	–	–	100	10	–
Tye Hua Nominees Private Limited	Singapore	Singapore	100	100	–	–	10	10
United Merchant Bank Nominees (Pte) Ltd	Singapore	Singapore	–	–	100	100	–	–
(1) United Overseas Bank Nominees (H.K.) Limited	Hong Kong	Hong Kong	100	100	–	–	4	4
United Overseas Bank Nominees (Private) Limited	Singapore	Singapore	100	100	–	–	10	10
(1) United Overseas Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
(1) United Overseas Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
(1) UOB Nominees (Australia) Limited	Australia	Australia	–	–	100	100	–	–
(1) UOB Nominees (UK) Limited	United Kingdom	United Kingdom	100	100	–	–	2	2
(1) UOBM Nominees (Asing) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
(1) UOBM Nominees (Tempatan) Sdn Bhd	Malaysia	Malaysia	–	–	100	100	–	–
Chung Khiaw Nominees (Private) Limited	Singapore	Inactive	100	100	–	–	10	10
(4) Grand Orient Nominees Pte Ltd (under voluntary liquidation)	Singapore	Inactive	–	–	100	100	–	–
ICB Nominees (Private) Limited	Singapore	Inactive	100	100	–	–	10	10
Lee Wah Nominees (S) Pte Ltd	Singapore	Inactive	100	100	–	–	#	#
(1) Singapore UMB (Hong Kong) Limited	Hong Kong	Inactive	–	–	100	100	–	–
UOF Nominees (Private) Limited	Singapore	Inactive	100	100	–	–	#	#
<b>Stockbroking</b>								
Grand Orient Securities Pte Ltd	Singapore	Singapore	–	–	100	100	–	–
OUB Securities Pte Ltd	Singapore	Singapore	100	100	–	–	29,456	41,156
(4) OUB Securities (H.K.) Limited (under voluntary liquidation)	Hong Kong	Inactive	100	100	–	–	–	11,303

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 45 Subsidiaries (continued)

	Country of incorporation	Place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment		
			The Bank		Subsidiaries		2003 \$'000	2002 \$'000	
			2003 %	2002 %	2003 %	2002 %			
<b>Gold/Futures Dealing</b>									
	UOB Bullion and Futures Limited	Singapore	Singapore	<b>100</b>	100	—	—	<b>9,000</b>	9,000
(4)	OUB Bullion & Futures Ltd (under voluntary liquidation)	Singapore	Inactive	<b>100</b>	100	—	—	—	—
<b>Computer Services</b>									
	Unicom Databank Private Limited	Singapore	Singapore	<b>100</b>	100	—	—	<b>#</b>	<b>#</b>
(1)	UOB InfoTech Sdn Bhd	Malaysia	Inactive	—	—	<b>100</b>	100	—	—
<b>Management Services</b>									
(4)	Overseas Union Management Services Pte Ltd (under voluntary liquidation)	Singapore	Inactive	<b>100</b>	100	—	—	—	228
(4)	A.I.M. Services Pte Ltd (under voluntary liquidation)	Singapore	Inactive	<b>100</b>	100	—	—	—	25
(4)	ICB Management Pte. Ltd. (under voluntary liquidation)	Singapore	Inactive	<b>100</b>	100	—	—	—	25
(4)	Overseas Union Management Services Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	<b>100</b>	100	—	—	—	—
(4)	UOB Management Services Pte Ltd (liquidated during the year)	Singapore	Inactive	—	100	—	—	—	—
<b>General Services</b>									
	United General Services (Pte) Ltd	Singapore	Singapore	<b>100</b>	100	—	—	<b>#</b>	<b>#</b>
<b>Consultancy and Research Services</b>									
(3)	UOB Investment Consultancy (Beijing) Limited	People's Republic of China	People's Republic of China	—	—	<b>60</b>	100	—	—
(2)	UOB Venture Management (USA) Inc.	United States of America	United States of America	—	—	<b>100</b>	100	—	—
(4)	OUB Research Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	—	—	—	—	—	—



	Country of incorporation	Place of business	Percentage of paid-up capital held by				Carrying amount of Bank's investment	
			The Bank		Subsidiaries		2003	2002
			2003 %	2002 %	2003 %	2002 %	2003 \$'000	2002 \$'000
<b>Property</b>								
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	32,000
(2) UOB Realty (USA) Inc.	United States of America	United States of America	100	100	–	–	274	287
(2) UOB Realty (USA) Ltd Partnership	United States of America	United States of America	99	99	1	1	16,322	17,185
UOB Warehouse Private Limited	Singapore	Singapore	100	100	–	–	88,000	88,000
FEB Realty Company Pte. Ltd.	Singapore	Inactive	–	–	100	100	–	–
(4) ICB Enterprises (Private) Limited (liquidated during the year)	Singapore	Inactive	–	100	–	–	–	–
(4) Overseas Union Holdings Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	–	–	100	100	–	–
<b>Property Management</b>								
OUB Towers Pte Ltd	Singapore	Singapore	100	100	–	–	33,071	32,554
Overseas Union Developments (Private) Limited	Singapore	Singapore	100	100	–	–	14,279	16,539
(4) Overseas Union Developments Sdn Bhd (under voluntary liquidation)	Malaysia	Inactive	–	–	100	100	–	–
(4) Overseas Union Project Management Pte Ltd (liquidated during the year)	Singapore	Inactive	–	–	–	100	–	–
(4) Overseas Union Realty Services Pte Ltd (under voluntary liquidation)	Singapore	Inactive	–	–	100	100	–	–
(4) UOB Property Management Pte Ltd (liquidated during the year)	Singapore	Inactive	–	100	–	–	–	–
<b>Travel</b>								
UOB Travel Planners Pte Ltd	Singapore	Singapore	100	100	–	–	3,987	3,987
(4) UOB Travel (General Sales Agent) Pte Ltd (under voluntary liquidation)	Singapore	Inactive	55	55	–	–	–	–
							1,285,403	1,409,829

\* Investment cost is fully provided for.

# Investment cost is less than \$1,000.

**Notes:**

(1) Audited by PricewaterhouseCoopers firms outside Singapore.

(2) Not required to be audited in country of incorporation.

(3) Not audited by PricewaterhouseCoopers, Singapore or PricewaterhouseCoopers firms outside Singapore.

(4) Not required to be audited as subsidiary has been put into liquidation.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2003

## 46 Major associates

	Principal activities	Country of incorporation/ business	Effective interest held by the Group	
			2003 %	2002 %
<b>Associates (quoted)</b>				
United International Securities Limited	Investment	Singapore	<b>42</b>	42
United Overseas Land Limited	Property/hotel	Singapore	<b>49*</b>	45
UOB-Kay Hian Holdings Limited	Stockbroking	Singapore	<b>40</b>	40
<b>Associates (unquoted)</b>				
Ace Net Financial Services Pte Ltd	Automated teller machine services	Singapore	<b>50</b>	50
Affin-UOB Holdings Sdn Bhd	Stockbroking	Malaysia	<b>45</b>	45
Asfinco Singapore Limited	Investment holding	Singapore	<b>40</b>	40
Asia Fund Services Pte Ltd	Registrar services	Singapore	<b>50</b>	–
Clearing and Payment Services Pte Ltd	Continuous linked settlement	Singapore	<b>33</b>	33
Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	<b>33</b>	33
Novena Square Development Ltd	Property	Singapore	<b>20</b>	20
Novena Square Investment Ltd	Investment	Singapore	<b>20</b>	20
Orix Leasing Singapore Limited	Leasing/rental	Singapore	<b>20</b>	20
OSK-UOB Unit Trust Management Berhad	Investment management	Malaysia	<b>30</b>	30
Overseas Union Insurance, Limited	General insurance	Singapore	<b>50</b>	50
PT Bali Walden UOB Venture Capital (under voluntary liquidation)	Venture capital investment	Indonesia	<b>20</b>	20
Singapore Consortium Investment Management Ltd	Unit trust fund management	Singapore	<b>33</b>	33
SZVC-UOB Venture Management Co., Ltd	Investment	People's Republic of China	<b>50</b>	50
Uni.Asia Capital Sdn Bhd (formerly known as Tower-Ed Sdn Bhd)	General and life insurance	Malaysia	<b>49</b>	49
UOB Venture Investments Limited (under voluntary liquidation)	Venture capital investment	Singapore	<b>21</b>	21
Vertex Asia Limited	Venture capital investment	Singapore	<b>21</b>	21
Walden Asia II Limited	Venture capital investment	Cayman Islands/ People's Republic of China	<b>25</b>	25

\* The increase in percentage holdings was due to warrants exercised. The increase is deemed temporary and is expected to revert to 45% when all warrant holders convert their warrants into shares.

## 47 Authorisation of financial statements

On 20 February 2004, the Board of Directors of United Overseas Bank Limited authorised these financial statements for issue.