

OCBC Group

2001 INTERIM FINANCIAL REVIEW

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Highlights

- ◆ Profit attributable to members fell marginally by 2.7% to S\$433 million (First Half 2000 : S\$445 million) but was 9.8% higher compared to the second half of 2000, driven by a 3.9% half-on-half improvement in operating profit.
- ◆ Annualised earnings per share were 67 cents (First Half 2000 : 69 cents).
- ◆ Return on average shareholders' equity (on an annualised basis) was 10.5% (First Half 2000 : 11.7%).
- ◆ A total interim dividend of 5 cents per share has been declared (First Half 2000 : 17 cents comprising 5 cents for normal dividend and 12 cents for special dividend). No special interim dividend has been declared for this half year in view of the Group's all-cash general offer for Keppel Capital Holdings.
- ◆ Gross loans to non-bank customers grew 14.2% to S\$36.3 billion, driven by loans to non-bank financial institutions, housing loans and building and construction loans.
- ◆ Non-performing loans (NPLs) fell from S\$4.09 billion as at 31 December 2000 to S\$3.92 billion as at 30 June 2001 (30 June 2000 : S\$4.55 billion). Non-bank NPLs as a percentage of non-bank loans fell from 11.5% to 10.7% over the same period (June 2000 : 14.2%).
- ◆ Total capital adequacy ratio based on BIS guidelines was 23.3% (June 2000 : 25.0%), with Tier 1 capital ratio of 18.7% (June 2000 : 20.9%).
- ◆ Unrealised valuation surplus was S\$4.42 billion as at 30 June 2001 (June 2000 : S\$3.04 billion), equivalent to S\$3.44 per share (June 2000 : S\$2.37).

Financial Summary

	1 st Half 2001	1 st Half 2000	+ / (-)	2 nd Half 2000
	S\$m	S\$m	%	S\$m
Selected profit and loss data :				
Net interest income	653	624	4.7	636
Fees and commissions	127	137	(7.6)	119
Dividends	16	13	22.2	13
Rental income	39	37	6.2	41
Other income	61	34	76.8	73
Total Income	896	845	6.0	882
Less : Operating expenses	362	288	25.6	368
Operating profit	534	557	(4.2)	514
Less : Total Provisions	125	54	131.5	85
Add : Share of associated companies' results	158	108	45.8	113
Profit before tax	567	611	(7.3)	542
Net profit attributable to members	433	445	(2.7)	395
Selected balance sheet data :				
	30 Jun 2001	30 Jun 2000	+ / (-)	31 Dec 2000
Total assets	60,776	55,767	9.0	59,710
Loans to customers (net of provisions)	34,126	29,361	16.2	32,936
Deposits of non-bank customers	39,537	38,412	2.9	37,942
Total shareholders' equity	8,423	7,915	6.4	8,151
Selected ratios :				
Return on equity (annualised, %)	10.45	11.69		10.19
Return on assets (annualised, %)	1.47	1.65		1.42
Earnings per share (annualised, S\$)	0.67	0.69	(2.8)	0.61
Dividends per S\$1 ordinary stock unit (S\$)				
- Interim dividend	0.05	0.05	-	-
- Special interim dividend	-	0.12	n.m.	-
- Final dividend	-	-	-	0.13
- Special final dividend	-	-	-	0.10
Total	0.05	0.17	(70.6)	0.23
Net tangible assets per share (S\$)				
- Before valuation surplus	6.55	6.16	6.4	6.34
- After valuation surplus	9.99	8.53	17.2	8.84

Valuation Surplus

	30 Jun 2001			30 Jun 2000			31 Dec 2000		
	Net book Value	Market value	Surplus	Net book value	Market value	Surplus	Net book value	Market value	Surplus
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m
Properties	772	2,569	1,797	774	2,690	1,916	771	2,745	1,974
Equity securities	1,480	4,040	2,560	1,255	2,346	1,091	1,353	2,539	1,186
Debt securities	7,786	7,853	67	5,680	5,716	36	5,708	5,767	59
Total investments	10,038	14,462	4,424	7,709	10,752	3,043	7,832	11,051	3,219

Overview

OCBC Group recorded a net profit of S\$433 million in the first half of 2001, a marginal decline of 2.7% compared to the first half of 2000. However, compared to the second half of 2000, net profit was 9.8% higher, reflecting a 3.9% improvement in the Group's operating profit despite a challenging environment, driven by an increase in income as costs stabilised.

Total income rose by 6.0% year-on-year to S\$896 million. Net interest income increased by 4.7% to S\$653 million, driven by the loan recovery which began in the second half of 2000. Average interest margin fell slightly by 9 basis points to 2.27%, largely due to lower customer spreads in Singapore and lower interest recoveries.

Non-interest income rose by 9.7% to S\$243 million, boosted by gains from the disposal of investment securities and properties and the contribution from two new subsidiaries incorporated during the second half of 2000. Fee and commission income fell by 7.6% to S\$127 million, largely because of a weak stock market which affected brokerage income as well as fund management income. Fee income from bancassurance and unit trust distribution continued to record sustained growth.

Operating expenses increased by 25.6% to S\$362 million, led by higher staff costs and investments in building capabilities. But compared to the second half of 2000, expenses have fallen slightly, as various cost management measures were put in place in the first half of 2001 in light of the challenging revenue environment. The cost-to-income ratio of 40.4%, although higher than in the first half of 2000, was below the 41.7% recorded in the second half of 2000.

Operating profit declined marginally by 4.2% to S\$534 million. But compared to the second half 2000, operating profit has risen 3.9%, reflecting the modest growth in income and the tight control on costs. This represents the first half-on-half increase in operating profit since the second half of 1998.

Net provisions charged increased by S\$71 million year-on-year to S\$125 million due mainly to increased provisions for diminution in value of investment securities and lower write-backs of general provisions.

The share of associated companies' results increased by 45.8% to S\$158 million. This was mainly due to a S\$65 million gain on the disposal of the banking business by PacificMas Berhad, which was partially offset by the loss of S\$12 million arising from the termination of the Internet Bank joint venture with Australia and New Zealand Banking Group.

Gross customer loans rose by 14.2% year-on-year and 3.1% over December 2000 to S\$36.3 billion, led by growth in loans to financial institutions, housing loans and loans to the building and construction sector. The Group's NPLs continued their downtrend, falling 4.2% from 31 December 2000 to S\$3.92 billion as at 30 June 2001.

The Group's earnings per share fell by 2.8% to S\$0.67, while net tangible assets per share increased by 6.4% to S\$6.55. Due largely to the rise in market value of associate Great Eastern Holdings, the unrealised valuation surplus rose sharply from S\$3.04 billion to S\$4.42 billion, or S\$3.44 per share. Including the valuation surplus, adjusted net tangible assets per share would amount to S\$9.99. Return on equity was 10.5% compared to 11.7% for the first half of 2000.

Net Interest Income

	1 st Half 2001			1 st Half 2000			2 nd Half 2000		
	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m	S\$m	%
Interest earning assets	57,980	1,607	5.59	53,127	1,526	5.78	54,806	1,632	5.92
Interest bearing liabilities	49,830	954	3.86	45,294	902	4.01	46,972	996	4.22
Net interest income		653			624			636	
Average interest margin			2.27			2.36			2.31
<i>Loans to customers</i>	35,676	1,120	6.33	32,033	1,036	6.50	32,632	1,079	6.58

Net interest income for the Group rose 4.7% to S\$653 million, driven mainly by a recovery in loan growth in the second half of 2000.

Average customer loans during the first half of 2001 were 11.4% or S\$3.6 billion higher compared to the first half of 2000. Average interest margin fell by 9 basis points to 2.27% due to the effect of intense price competition on customer spreads in Singapore, as well as lower interest recoveries, offset partly by higher spreads in Malaysia. Compared to the second half of 2000, average interest margin was 4 basis points lower.

Non-Interest Income

	1 st Half 2001 S\$m	1 st Half 2000 S\$m	+ / (-) %	2 nd Half 2000 S\$m
Fee and commission income				
Brokerage	26	37	(29.3)	27
Investment banking	8	12	(32.6)	8
Trade related	13	14	(3.8)	14
Loan related	11	10	2.5	14
Service charges	13	16	(21.6)	11
Guarantees	6	5	20.8	6
Credit cards	10	9	9.9	9
Fund management	7	10	(23.6)	7
Unit trust distribution	16	13	18.4	14
Bancassurance	15	8	77.7	7
Others	2	3	(18.5)	2
Total	<u>127</u>	<u>137</u>	(7.6)	<u>119</u>
Dividends	16	13	22.2	13
Rental income	39	37	6.2	41
Other income				
Dealing in foreign exchange	13	12	8.1	3
Dealing in securities	0	3	(99.2)	1
Disposal of investment securities	13	2	601.8	23
Sale of properties	8	0	n.m	2
Others	27	17	52.5	44
Total	<u>61</u>	<u>34</u>	76.8	<u>73</u>
Total non-interest income	<u>243</u>	<u>221</u>	9.7	<u>246</u>
Fees and Commissions/Total Income	14.1%	16.2%		13.4%
Non-Interest Income/Total Income	27.1%	26.2%		27.8%

Non-interest income increased by 9.7% to S\$243 million, accounting for 27.1% of total income. The increase came largely from other income which was boosted by gains from the disposal of investment securities (including the distribution gain from the voluntary liquidation of Harimau Investments Ltd) and the sale of properties, as well as the inclusion of S\$11 million in income from two new subsidiaries which were consolidated into the Group in the second half of 2000. (These subsidiaries are engaged in banking computer and consultancy services.)

Fees and commissions, the largest component of non-interest income, fell by 7.6% to S\$127 million. This was attributed mainly to lower brokerage income arising from the deregulation in stockbroking commissions and weak stock market turnover. However, non-stockbroking fee income was resilient, improving by 8.5% over the second half of 2000. Higher income from bancassurance sales and unit trust distribution compensated for the lower contributions from investment banking, fund management and service charges.

Operating Expenses

	1 st Half 2001	1 st Half 2000	+ / (-)	2 nd Half 2000
	S\$m	S\$m	%	S\$m
Staff costs				
Salaries and other costs	180	140	28.6	172
Provident fund contributions	23	13	83.0	16
Directors' emoluments	5	5	(15.1)	4
Total staff costs	<u>208</u>	<u>158</u>	31.4	<u>192</u>
Premises and equipment				
Depreciation of fixed assets	29	22	30.5	28
Amortisation of computer software costs	4	2	147.0	4
Maintenance and hire of fixed assets	11	7	55.4	11
Rental of premises	12	11	12.1	11
Others	27	23	14.1	25
Total premises and equipment costs	<u>83</u>	<u>65</u>	27.2	<u>79</u>
Other operating expenses	72	65	10.2	97
Total operating expenses	<u>362</u>	<u>288</u>	25.6	<u>368</u>
Group Staff strength - period end	6,553	6,127	7.0	6,412
Group Staff strength - average	6,513	5,993	8.7	6,288
Cost-to-income ratio	40.4%	34.1%		41.7%

The Group's attention to managing its costs, while continuing to invest in critical infrastructure and talent, has begun to bear fruit in the first half of 2001. Although operating expenses rose by S\$74 million or 25.6% year-on-year to S\$362 million, they were largely unchanged when compared to the second half of 2000. This was despite the first time inclusion of expenses from the newly-acquired retail stockbroking operations of UBS Warburg & Associates (Singapore) Pte Ltd. The Group's cost-to-income ratio rose from 34.1% to 40.4%, which was nevertheless lower than the 41.7% registered in the second half of 2000.

The year-on year cost increases were driven mainly by higher staff costs, which rose by S\$50 million or 31.4% due to an increase in headcount, higher salaries, and the higher employers' CPF contribution rates. The Group's intensive investments in capability building over the past two years resulted in more new systems and equipment being purchased or developed, contributing to an S\$18 million increase in premises and equipment costs. The increase in other operating expenses came mainly from advertisement costs associated with product marketing and launching of the new corporate brand. In addition, the two new subsidiaries consolidated during the second half of 2000 contributed S\$14 million in expenses.

Provisions Charge

	1 st Half 2001 S\$m	1 st Half 2000 S\$m	+ / (-) %	2 nd Half 2000 S\$m
Specific provisions for loan losses				
- Singapore	56	29	89.0	50
- Malaysia	19	43	(54.9)	60
- Other regional countries	7	(1)	736.9	13
- Others	18	17	6.7	32
Sub-Total	<u>100</u>	<u>89</u>	12.9	<u>155</u>
General provisions for loan losses				
- Five regional countries	(32)	(39)	(17.5)	(79)
- Singapore & others	20	(6)	431.7	(17)
Sub-Total	<u>(12)</u>	<u>(45)</u>	(73.9)	<u>(96)</u>
Specific provisions for diminution in value of investment securities and other assets				
	37	10	262.8	27
Total charge to income statement	<u>125</u>	<u>54</u>	131.5	<u>85</u>

Net provisions charged to income statement rose by S\$71 million or 132% to S\$125 million. In view of the uncertain economic outlook for Singapore and the regional countries, net write-backs of general provisions were reduced by S\$33 million compared to last year's first half. In addition, the weaker market conditions had affected the market values of investment securities and other assets, resulting in an increase of S\$27 million in specific provisions for diminution in value of these assets.

Loans and Advances

	<u>30 Jun 2001</u>	<u>30 Jun 2000</u>	<u>+ / (-)</u>	<u>31 Dec 2000</u>
	S\$m	S\$m	%	S\$m
Loans to customers	36,102	31,620	14.2	34,910
Bills receivable	239	205	16.8	328
Gross loans to customers	<u>36,341</u>	<u>31,825</u>	14.2	<u>35,238</u>
Less:				
Specific provisions	(1,404)	(1,546)	(9.2)	(1,484)
General provisions	(811)	(918)	(11.7)	(818)
Net loans to customers	<u>34,126</u>	<u>29,361</u>	16.2	<u>32,936</u>

The Group's loan portfolio continued to expand in the first half of 2001, following the turnaround which began in the second half of 2000. Loans grew by S\$4.52 billion or 14.2% year-on-year and expanded by S\$1.10 billion or 3.1% compared to December 2000. Loans to financial institutions led the growth with a 43.4% increase year-on-year, followed by housing loans and building and construction loans, which expanded by 17.3% and 13.5% respectively. Manufacturing loans rose by 8.0% while other personal loans increased by 7.1%.

	<u>30 Jun 2001</u>		<u>30 Jun 2000</u>		<u>+ / (-)</u>	<u>31 Dec 2000</u>	
	S\$m	%	S\$m	%	%	S\$m	%
<u>By maturity</u>							
Less than 7 days	9,521	26	10,224	32	(6.9)	10,068	29
1 week to 1 month	4,203	12	2,922	9	43.8	3,430	10
1 to 3 months	2,513	7	2,670	8	(5.9)	2,435	7
3 to 12 months	2,492	7	2,583	8	(3.5)	2,705	8
1 to 3 years	4,005	11	4,702	15	(14.8)	3,932	11
Over 3 years	13,606	37	8,724	28	56.0	12,667	35
	<u>36,341</u>	<u>100</u>	<u>31,825</u>	<u>100</u>	14.2	<u>35,238</u>	<u>100</u>
<u>By industry</u>							
Agriculture, mining & quarrying	405	1	356	1	13.9	394	1
Transport, storage and communication	996	3	954	3	4.4	962	3
Building and construction	6,683	18	5,890	19	13.5	6,537	19
Manufacturing	2,856	8	2,644	8	8.0	2,842	8
Financial institutions	8,338	23	5,813	18	43.4	7,753	22
General commerce	2,415	7	2,969	9	(18.7)	2,486	7
Professionals and individuals	4,823	13	4,503	14	7.1	4,509	13
Housing	6,176	17	5,264	17	17.3	5,930	17
Others	3,649	10	3,431	11	6.3	3,825	10
	<u>36,341</u>	<u>100</u>	<u>31,825</u>	<u>100</u>	14.2	<u>35,238</u>	<u>100</u>

Non-Performing Loans

By loan grading, security coverage and countries

	Total NPLs ⁽¹⁾	Sub-standard NPLs	Doubtful NPLs	Loss NPLs	Secured NPLs as % of total NPLs	Non-bank NPLs as % of non-bank loans ⁽²⁾
	S\$m	S\$m	S\$m	S\$m	%	%
Malaysia						
30-Jun-01	1,182	777	181	224	59.2	18.2
31-Dec-00	964	616	180	168	55.2	14.3
30-Jun-00	839	513	119	207	54.2	14.1
Other Four Regional Countries						
30-Jun-01	223	115	108	0	25.6	49.6
31-Dec-00	312	122	165	25	23.1	62.7
30-Jun-00	378	91	262	25	20.1	58.8
Total Regional Countries						
30-Jun-01	1,405	891	289	225	53.9	20.3
31-Dec-00	1,277	738	345	194	47.4	17.6
30-Jun-00	1,217	604	381	232	43.6	18.4
Singapore						
30-Jun-01	2,221	1,530	549	142	63.5	8.9
31-Dec-00	2,492	1,797	549	146	66.3	10.6
30-Jun-00	2,919	2,204	575	140	70.0	13.7
Others						
30-Jun-01	295	174	121	0	23.7	5.9
31-Dec-00	323	186	137	0	24.2	6.6
30-Jun-00	414	272	142	0	38.9	10.0
Group Total						
30-Jun-01	3,921	2,595	960	366	57.0	10.7
31-Dec-00	4,092	2,721	1,031	340	57.0	11.5
30-Jun-00	4,550	3,080	1,098	372	60.1	14.2

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

⁽²⁾ Excluding debt securities

The Group continued to make progress in managing down its NPLs. NPLs fell by 4.2% from end-2000 to S\$3.92 billion as at 30 June 2001. Compared to June 2000, NPLs have fallen 13.8%.

The decline in NPLs during the first half of 2001 was accounted for mainly by Singapore NPLs, which was partly offset by higher NPLs in Malaysia. The Group's NPL ratio (non-bank NPLs over non-bank loans) fell from 11.5% at 31 December 2000 to 10.7% at 30 June 2001. Over the same period, the Singapore NPL ratio fell from 10.6% to 8.9%, while the Malaysia NPL ratio rose from 14.3% to 18.2%.

Of the Group's total NPLs, 13.0% were still paying interest, and 9.6% were not overdue.

Non-Performing Loans (continued)

	30 Jun 2001		31 Dec 2000	
	S\$m	%	S\$m	%
<u>By industry</u>				
Agriculture, mining & quarrying	29	1	59	1
Transport, storage and communication	97	2	98	2
Building and construction	659	17	703	17
Manufacturing	539	14	570	14
Financial institutions	855	22	786	19
General commerce	436	11	460	11
Professionals and individuals	509	13	663	16
Housing	245	6	346	8
Others	552	14	408	10
	<u>3,921</u>	<u>100</u>	<u>4,092</u>	<u>100</u>
 <u>By period overdue</u> ⁽¹⁾				
Over 180 days	2,733	70	2,862	70
90 to 180 days	420	11	361	9
30 to 90 days	264	7	248	6
Less than 30 days	128	3	175	4
No overdue	376	10	446	11
	<u>3,921</u>	<u>100</u>	<u>4,092</u>	<u>100</u>

(1) As the analyses of non-performing loans by period overdue were compiled for the first time for 31 December 2000, the comparative figures for 30 June 2000 are not readily available.

Cumulative Provisions

	Total cumulative provisions ⁽¹⁾	Specific provisions	General provisions	Specific provisions as % of total NPLs	Cumulative provisions as % of total NPLs	Cumulative provisions as % of unsecured NPLs
	S\$m	S\$m	S\$m	%	%	%
Malaysia						
30-Jun-01	760	419	341	35.5	64.3	157.8
31-Dec-00	725	392	334	40.6	75.2	167.9
30-Jun-00	723	346	377	41.2	86.2	188.3
Other Four Regional Countries						
30-Jun-01	226	103	123	46.2	101.4	136.3
31-Dec-00	332	182	150	58.4	106.5	138.5
30-Jun-00	434	239	195	63.2	114.8	143.7
Total Regional Countries						
30-Jun-01	986	522	464	37.2	70.2	152.3
31-Dec-00	1,058	574	484	45.0	82.8	157.4
30-Jun-00	1,157	585	572	48.1	95.1	168.7
Singapore						
30-Jun-01	1,108	816	292	36.7	49.9	136.5
31-Dec-00	1,161	871	290	34.9	46.6	138.0
30-Jun-00	1,192	886	306	30.4	40.8	136.1
Others						
30-Jun-01	212	158	54	53.4	71.8	94.0
31-Dec-00	186	142	44	44.0	57.5	75.9
30-Jun-00	170	130	40	31.4	41.1	67.2
Group Total						
30-Jun-01	2,306	1,495	811	38.1	58.8	136.9
31-Dec-00	2,405	1,587	818	38.8	58.8	136.8
30-Jun-00	2,519	1,601	918	35.2	55.4	138.8

⁽¹⁾ Include provisions for debt securities.

Provisioning coverage of NPLs remains high. Total cumulative provisions for loan losses as at 30 June 2001 amounted to S\$2.31 billion, representing 58.8% of total NPLs (June 2000 : 55.4%; December 2000 : 58.8%) and 136.9% of unsecured NPLs (June 2000 : 138.8%; December 2000 : 136.8%). Cumulative general provisions were 2.3% (June 2000: 3.0%; December 2000 : 2.4%) of total net non-bank loans excluding debt securities.

Exposure to the Five Regional Countries, Hong Kong and China

	Loans and debt securities			Investments	Total Gross Exposure	<i>Less:</i> Loans to and investments in subsidiaries /branches	Net Exposure	
	Bank	Central Government	Non-bank				Total	% of Group assets
	S\$m (a)	S\$m (b)	S\$m (c)	S\$m (d)	S\$m (e)=(a+b+c+d)	S\$m (f)	S\$m (g=e-f)	% (h)
Malaysia								
30-Jun-01	904	1,235	7,227	643	10,009	976	9,033	14.8
31-Dec-00	831	1,441	7,467	609	10,348	857	9,491	15.9
30-Jun-00	614	1,629	6,541	619	9,403	733	8,670	15.5
Indonesia								
30-Jun-01	118	25	276	42	461	39	422	0.7
31-Dec-00	112	66	258	45	481	39	442	0.7
30-Jun-00	128	53	286	66	533	60	473	0.8
Thailand								
30-Jun-01	146	29	143	1	319	105	214	0.4
31-Dec-00	187	26	237	1	451	156	295	0.5
30-Jun-00	214	30	298	0	542	186	356	0.6
Korea								
30-Jun-01	208	0	2	0	210	22	188	0.3
31-Dec-00	75	0	2	0	77	22	55	0.1
30-Jun-00	40	8	55	0	103	27	76	0.1
Philippines								
30-Jun-01	22	1	28	6	57	6	51	0.1
31-Dec-00	4	2	1	6	13	6	7	0.0
30-Jun-00	7	2	1	6	16	6	10	0.0
Total Regional Countries								
30-Jun-01	1,398	1,290	7,676	692	11,056	1,148	9,908	16.3
31-Dec-00	1,209	1,535	7,965	661	11,370	1,080	10,290	17.2
30-Jun-00	1,003	1,722	7,181	691	10,597	1,012	9,585	17.2
Hong Kong								
30-Jun-01	192	30	1,272	10	1,504	57	1,447	2.4
31-Dec-00	380	29	971	11	1,391	91	1,300	2.2
30-Jun-00	315	33	891	11	1,250	9	1,241	2.2
China								
30-Jun-01	694	1	744	6	1,445	537	908	1.5
31-Dec-00	562	0	785	6	1,353	512	841	1.4
30-Jun-00	660	0	784	6	1,450	566	884	1.6
Total								
30-Jun-01	2,284	1,321	9,692	708	14,005	1,742	12,263	20.2
31-Dec-00	2,151	1,564	9,721	678	14,114	1,683	12,431	20.8
30-Jun-00	1,978	1,755	8,856	708	13,297	1,587	11,710	21.0

Compared to June 2000, the Group's net exposure to the five regional countries increased by S\$323 million to S\$9.9 billion, representing 16.3% of Group assets. The bulk of the increase came from Malaysia, which accounted for 91% of the Group's exposure to these five countries. However, compared to December 2000, the Group's net exposure to the five regional countries have fallen by S\$382 million.

Deposits

	30 Jun 2001	30 Jun 2000	+ / (-)	31 Dec 2000
	S\$m	S\$m	%	S\$m
Deposits of non-bank customers	39,537	38,412	2.9	37,942
Borrowings from banks	9,986	6,819	46.5	10,093
	<u>49,523</u>	<u>45,230</u>	9.5	<u>48,035</u>
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	86.3%	76.4%		86.8%

Group total deposits as at 30 June 2001 were S\$49.52 billion, of which non-bank deposits accounted for 80%. Non-bank deposits rose by a marginal 2.9% from June 2000, slower than the loan growth of 14.2%, resulting in a rise in the loans-to-deposits ratio from 76.4% to 86.3%. Compared to end-2000, the loans-to-deposits ratio was largely unchanged.

	30 Jun 2001		30 Jun 2000		+ / (-)	31 Dec 2000	
	S\$m	%	S\$m	%	%	S\$m	%
<u>Total Deposits By Maturity</u>							
Less than 7 days	20,978	42	15,718	35	33.5	18,919	39
1 week to 1 month	13,954	28	12,717	28	9.7	14,279	30
1 to 3 months	6,645	13	7,622	17	(12.8)	7,225	15
3 to 12 months	6,823	14	7,968	17	(14.4)	6,538	14
1 to 3 years	779	2	886	2	(12.1)	984	2
Over 3 years	344	1	320	1	7.6	90	0
	<u>49,523</u>	<u>100</u>	<u>45,230</u>	<u>100</u>	9.5	<u>48,035</u>	<u>100</u>
<u>Non-Bank Deposits By Products</u>							
Fixed deposits	24,689	62	25,830	67	(4.4)	22,964	61
Savings deposits	7,473	19	7,043	18	6.1	6,911	18
Current account	2,686	7	2,617	7	2.6	2,634	7
Other	4,689	12	2,922	8	60.5	5,434	14
	<u>39,537</u>	<u>100</u>	<u>38,412</u>	<u>100</u>	2.9	<u>37,942</u>	<u>100</u>

Dividends

	1 st Half 2001		1 st Half 2000	
	cts	S\$m	cts	S\$m
Interim dividend	5	49	5	48
Special interim dividend	-	-	12	115
Total interim dividend	<u>5</u>	<u>49</u>	<u>17</u>	<u>163</u>
Payout ratio		11.2%		36.6%

The Board has recommended an interim dividend of 5 cents per share. No special interim dividend has been recommended in view of the Group's all-cash general offer for Keppel Capital Holdings announced on 12 June 2001.

Capital Adequacy Ratios

	30 Jun 2001 S\$m	30 Jun 2000 S\$m	31 Dec 2000 S\$m
Tier 1 Capital			
Paid-up ordinary shares	1,285	1,285	1,286
Disclosed reserves/others	7,090	6,536	6,936
	<u>8,376</u>	<u>7,821</u>	<u>8,222</u>
Tier 2 Capital			
Asset revaluation reserves ⁽¹⁾	1,717	1,175	1,206
Cumulative general provisions	347	345	334
	<u>2,064</u>	<u>1,520</u>	<u>1,540</u>
Total Capital	<u>10,440</u>	<u>9,341</u>	<u>9,763</u>
Risk weighted assets including market risk	44,755	37,347	40,511
Tier 1 ratio	18.7%	20.9%	20.3%
Total capital adequacy ratio	23.3%	25.0%	24.1%

⁽¹⁾After discount of 55% based on BIS guidelines.

The total capital adequacy ratio of the Group calculated in accordance with the Basel Committee on Banking Supervision guidelines fell slightly to 23.3%. Overall capital increased by S\$1.10 billion or 11.8%, with S\$555 million coming from Tier 1 capital through higher retained profits and increase in share of reserves of associated companies, and S\$544 million from Tier 2 capital. During the first half, 2.541 million shares were re-purchased from the market under the Group's share buy-back program. The buy-back program has been suspended following the general offer for Keppel Capital Holdings.

Business Segment Analysis

The business segment results are prepared based on internal management reports, which are used by senior management for decision-making and performance management. All balance sheet items are internally transfer priced, and transactions between segments are recorded within the segment results as if they are third party transactions and are eliminated on consolidation. The share of associated companies' results is allocated to the business segment which most closely corresponds to their principal line of business.

The Group is organised into seven major business segments, which are analysed in the following sections.

Consumer Financial Services

Consumer Financial Services offers a whole suite of products and services to individuals, incorporating current accounts, savings, deposits, consumer loans and mortgages, wealth management products, and credit and debit cards. The division's net profit decreased 17% year-on-year to S\$74 million due largely to an increase in expenditure from higher staff costs and significant investment in systems; however, both revenues and profits improved over second half 2000 (by 15.5% and 21.3% respectively).

Business Banking

Business Banking caters to business customers ranging from large corporates to SMEs and emerging businesses and includes the correspondent banking relationships with international foreign banks. Apart from traditional lending, relationship managers also work closely with product specialists in trade finance, capital markets, corporate finance and treasury to meet customers' needs. The division's net profit dipped 34% year-on-year to S\$89 million on the back of higher provisions to cover the shortfall in securities value. Revenue improved slightly (2.2%) over second half 2000, but the higher provisions in first half 2001 brought net profit down by 8.2%.

Investment Management & Insurance

Investment Management & Insurance comprises corporate finance and advisory services, asset management, trustee and custodian services, venture capital, stockbroking, and the insurance business held through associate Great Eastern Holdings. Its net profit fell 18% to S\$67 million, due largely to the sharp decline in stockbroking fees and commissions brought about by deregulation in brokerage rates and weak stock market sentiments. The division's expenditure was also driven up by integration costs arising from the acquisition of UBS Warburg & Associates (Singapore) Pte Ltd. Funds under management and administration by OCBC Asset Management rose from S\$2.8 billion at end-2000 to S\$3.1 billion as at 30 June 2001.

Global Treasury

Global Treasury engages in foreign exchange activities, futures trading and money market operations, as well as customer-driven derivatives business. Its net profit fell 34% to S\$19 million, as interest rate gapping activities were limited by a relatively flat yield curve. The result for first half 2001 was broadly in line with that of second half 2000.

Property and Investment Holding

Property and Investment Holding comprises property development and investment, marketing and sales, property management and maintenance, valuation services and hotel operations. It recorded a net profit of S\$40 million in the first half of 2001.

Malaysia Operations

The Malaysia operations comprise mainly wholly-owned subsidiary OCBC Bank (Malaysia) Berhad (OBMB), the Labuan offshore banking operations, and associate PacificMas Berhad. Net profit of the division rose 162% to S\$123 million, due largely to a S\$65 million gain from the disposal of PacificMas' banking business. Lower provisions and higher interest recoveries at OBMB also contributed to the improvement in net profit.

International Banking

International Banking comprises the Group's operations outside Singapore and Malaysia. Its net profit declined 29% to S\$22 million from higher specific provisions for loans and a smaller writeback in general provision due to the uncertain regional economic outlook.

Business segments	Consumer Financial Services	Business Banking	Investment Management & Insurance	Global Treasury	Property & Investment Holding	Other	Total Singapore	Malaysia Operations	International Banking	Group
6 months ended 30 June 2001										
Segment income before operating expenses	232	234	47	42	87	55	697	168	57	922
Elimination										(26)
Income before operating expenses										896
Profit before tax	97	115	(10)	23	50	29	304	74	31	409
Less: Tax	(23)	(26)	2	(4)	(11)	(17)	(79)	(20)	(9)	(108)
Profit after tax	74	89	(8)	19	39	12	225	54	22	301
Share of profits less losses of associated companies (net of tax)	-	-	75	-	1	(11)	65	69	-	134
	74	89	67	19	40	1	290	123	22	435
Less: Minority interests										(2)
Profit attributable to stockholders of the Bank										433
Segment assets	9,516	18,006	486	14,233	1,385	1,420	45,046	9,787	6,678	61,511
Associated companies' assets	-	(1)	739	-	67	(5)	800	26	-	826
Total segment assets	9,516	18,005	1,225	14,233	1,452	1,415	45,846	9,813	6,678	62,337
Elimination										(1,561)
Total assets										60,776
Segment liabilities	16,065	11,691	236	10,198	388	418	38,996	8,871	5,729	53,596
Elimination										(1,561)
Unallocated liabilities										294
Total liabilities										52,329
Capital expenditure	7	2	1	-	5	37	52	15	1	68
Depreciation	4	-	2	-	8	8	22	6	1	29
Amortisation	2	1	-	-	-	1	4	-	-	4

Business segments										
Smillion	Consumer Financial Services	Business Banking	Investment Management & Insurance	Global Treasury	Property & Investment Holding	Other	Total Singapore	Malaysia Operations	International Banking	Group
6 months ended 30 June 2000										
Segment income before operating expenses	235	219	60	51	68	30	663	147	57	867
Elimination										(22)
Income before operating expenses										845
Profit before tax	118	176	20	35	32	28	409	51	43	503
Less: Tax	(29)	(42)	(5)	(6)	(8)	(18)	(108)	(14)	(12)	(134)
Profit after tax	89	134	15	29	24	10	301	37	31	369
Share of profits less losses of associated companies (net of tax)	-	-	66	-	3	1	70	10	-	80
	89	134	81	29	27	11	371	47	31	449
Less: Minority interests										(4)
Profit attributable to stockholders of the Bank										445
Segment assets	8,922	13,061	703	18,625	1,346	595	43,252	8,281	6,316	57,849
Associated companies' assets	-	(1)	638	-	66	16	719	(14)	-	705
Total segment assets	8,922	13,060	1,341	18,625	1,412	611	43,971	8,267	6,316	58,554
Elimination										(2,787)
Total assets										55,767
Segment liabilities	16,571	12,345	451	7,536	387	338	37,628	7,413	5,246	50,287
Elimination										(2,787)
Unallocated liabilities										284
Total liabilities										47,784
Capital expenditure	10	3	4	-	5	13	35	9	-	44
Depreciation	4	-	1	-	8	4	17	4	1	22
Amortisation	-	-	-	-	-	2	2	-	-	2

Business segments										
Smillion	Consumer Financial Services	Business Banking	Investment Management & Insurance	Global Treasury	Property & Investment Holding	Other	Total Singapore	Malaysia Operations	International Banking	Group
6 months ended 31 December 2000										
Segment income before operating expenses	201	229	43	42	98	63	676	162	56	894
Elimination										(13)
Income before operating expenses										881
Profit before tax	80	125	(3)	23	56	41	322	94	13	429
Less: Tax	(19)	(28)	1	(4)	(8)	(18)	(76)	(26)	(3)	(105)
Profit after tax	61	97	(2)	19	48	23	246	68	10	324
Share of profits less losses of associated companies (net of tax)	-	-	75	-	2	(7)	70	5	-	75
	61	97	73	19	50	16	316	73	10	399
Less: Minority interests										(4)
Profit attributable to stockholders of the Bank										395
Segment assets	8,802	16,332	431	16,821	1,925	1,646	45,957	9,381	6,082	61,420
Associated companies' assets	-	(1)	684	-	69	7	759	(31)	-	728
Total segment assets	8,802	16,331	1,115	16,821	1,994	1,653	46,716	9,350	6,082	62,148
Elimination										(2,438)
Total assets										59,710
Segment liabilities	17,495	11,930	203	9,687	900	284	40,499	8,308	4,806	53,613
Elimination										(2,438)
Unallocated liabilities										312
Total liabilities										51,487
Capital expenditure	10	5	4	-	6	19	44	13	2	59
Depreciation	4	1	1	-	7	6	19	7	1	27
Amortisation	1	1	-	-	-	2	4	-	-	4

Appendix I

Group Income Statement (Unaudited)

	1 st Half 2001 S\$'000	1 st Half 2000 S\$'000	+ / (-) %	2 nd Half 2000 S\$'000
Interest Income	1,607,133	1,526,119	5.3	1,631,947
Less: Interest expense	954,279	902,417	5.7	995,177
Net interest income	652,854	623,702	4.7	636,770
Fees and commissions	126,684	137,053	(7.6)	118,482
Dividends	16,377	13,399	22.2	12,898
Rental income	39,110	36,815	6.2	41,204
Other income	61,028	34,523	76.8	72,046
Income before operating expenses	896,053	845,492	6.0	881,400
Less: Staff costs	207,797	158,150	31.4	191,945
Operating expenses	154,277	130,015	18.7	175,517
	362,074	288,165	25.6	367,462
Operating profit before provisions	533,979	557,327	(4.2)	513,938
Less: Provisions for possible loan losses and diminution in value of other assets	125,081	54,020	131.5	85,186
Operating profit after provisions	408,898	503,307	(18.8)	428,752
Share of profits less losses of associated companies	157,649	108,114	45.8	112,714
Profit before tax	566,547	611,421	(7.3)	541,466
Less: Tax	107,826	133,973	(19.5)	104,961
Share of tax of associated companies	23,942	28,469	(15.9)	37,767
	131,768	162,442	(18.9)	142,728
Profit after tax	434,779	448,979	(3.2)	398,738
Less: Minority interests	1,411	3,736	(62.2)	3,947
Profit attributable to stockholders of the Bank	433,368	445,243	(2.7)	394,791

Appendix II

Group Balance Sheet (Unaudited)

	30 Jun 2001	30 Jun 2000	31 Dec 2000
	S\$'000	S\$'000	S\$'000
SHAREHOLDERS' EQUITY			
Share Capital			
Authorised	2,000,000	2,000,000	2,000,000
Issued and fully paid	1,285,363	1,285,020	1,285,968
Reserves			
Capital reserves	1,827,006	1,796,170	1,802,348
Statutory reserves	1,836,195	1,775,712	1,835,826
Revenue reserves	3,474,461	3,058,511	3,227,293
Total shareholders' equity	8,423,025	7,915,413	8,151,435
MINORITY INTERESTS	23,264	68,244	70,709
LIABILITIES			
Deposits of non-bank customers	39,536,820	38,411,814	37,942,375
Deposits and balances of banks	9,986,491	6,818,517	10,092,546
Deposits of associated companies	1,245,878	813,971	1,786,482
Bills payable	112,713	129,326	147,928
Current tax	277,337	266,834	297,378
Deferred tax	15,923	17,274	14,975
Other liabilities	1,084,198	1,256,066	1,135,772
Debt securities	70,000	70,000	70,000
Total liabilities and shareholders' equity	60,775,649	55,767,459	59,709,600
ASSETS			
Cash and placements with central banks	1,553,836	2,052,765	1,751,643
Singapore Government treasury bills and securities	3,704,397	3,864,757	3,476,823
Other government treasury bills and securities	732,781	805,821	736,251
Dealing securities	328,717	301,535	174,923
Placements with and loans to banks	13,781,404	15,418,591	15,988,798
Loans to customers (including bills)	34,126,058	29,360,659	32,936,035
Investment securities	3,478,297	1,073,511	1,760,741
Other assets	1,073,660	1,049,374	1,046,805
	58,779,150	53,927,013	57,872,019
Associated companies	1,021,787	935,058	918,135
Properties, plant and equipment	952,714	905,388	919,446
Intangibles	21,998	-	-
Total assets	60,775,649	55,767,459	59,709,600
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	5,515,876	2,724,471	5,055,908
Commitments	18,090,064	14,463,458	16,198,572
Financial derivatives	31,035,773	22,036,692	20,469,556
	54,641,713	39,224,621	41,724,036

Statement of Changes in Shareholders' Equity – Group (Unaudited)

	Share capital S\$'000	Capital reserves S\$'000	Statutory reserves S\$'000	Revenue reserves S\$'000	Total S\$'000
Balance at 1 January 2001	1,285,968	1,802,348	1,835,826	3,227,293	8,151,435
Profit attributable to stockholders of the Bank	-	-	-	433,368	433,368
Foreign currency translation gains not recognised in the income statements	-	-	-	74,138	74,138
Total recognised gains for the financial period	-	-	-	507,506	507,506
Transfer from unappropriated profit	-	10,248	369	(10,617)	-
Dividends	-	-	-	(223,183)	(223,183)
Buy-back of shares	(2,541)	2,541	-	(26,544)	(26,544)
Adjustment in reserves of associated companies	-	-	-	6	6
Shares issued under Executives' Share Option Scheme	1,936	11,869	-	-	13,805
Balance at 30 June 2001	1,285,363	1,827,006	1,836,195	3,474,461	8,423,025
Balance at 1 January 2000					
- as previously reported	1,284,518	1,782,454	1,770,370	2,538,175	7,375,517
- effect of adopting SAS 10 (revised)	-	-	-	190,109	190,109
- adjustment for share of reserves of associated companies	-	-	5,342	47,054	52,396
- as restated	1,284,518	1,782,454	1,775,712	2,775,338	7,618,022
Profit attributable to stockholders of the Bank	-	-	-	445,243	445,243
Foreign currency translation gains not recognised in the income statements	-	-	-	43,471	43,471
Total recognised gains for the financial period	-	-	-	488,714	488,714
Transfer from unappropriated profit	-	934	-	(934)	-
Dividends	-	-	-	(191,441)	(191,441)
Buy-back of shares	(1,180)	1,180	-	(12,826)	(12,826)
Shares issued under Executives' Share Option Scheme	1,682	11,493	-	-	13,175
Adjustment in reserves of associated companies	-	109	-	-	109
Amount arising from new associated companies	-	-	-	(340)	(340)
Balance at 30 June 2000	1,285,020	1,796,170	1,775,712	3,058,511	7,915,413
Balance at 1 July 2000	1,285,020	1,796,170	1,775,712	3,058,511	7,915,413
Profit attributable to stockholders of the Bank	-	-	-	394,791	394,791
Foreign currency translation losses not recognised in the income statements	-	-	-	(2,370)	(2,370)
Goodwill arising on acquisition of subsidiaries not recognised in the income statements	-	-	-	(2,113)	(2,113)
Total recognised gains for the financial period	-	-	-	390,308	390,308
Transfer from unappropriated profit	-	205	60,114	(60,319)	-
Dividends	-	-	-	(162,792)	(162,792)
Shares issued under Executives' Share Option Scheme	948	6,497	-	-	7,445
Adjustment in reserves of associated companies	-	(460)	-	1,245	785
Amount arising from disposal of an associated company	-	(64)	-	-	(64)
Amount arising from new associated companies	-	-	-	340	340
Balance at 31 December 2000	1,285,968	1,802,348	1,835,826	3,227,293	8,151,435

Appendix IV

Consolidated CashFlow Statement (Unaudited)
For the six months ended :

	30 Jun 2001 S\$'000	30 Jun 2000 S\$'000	31 Dec 2000 S\$'000
Cash flows from operating activities			
Operating profit after provisions	408,898	503,307	428,752
Adjustments for:			
Amortisation of computer software costs	4,137	1,675	3,903
Amortisation of goodwill	2,346	-	-
Depreciation of properties, plant and equipment	28,720	22,000	27,379
Gains on disposal of properties, plant and equipment	(7,524)	(677)	(9,217)
Gains on disposal of investment securities	(12,921)	(1,841)	(4,364)
Gain on disposal of an associated company	-	-	(18,276)
Provisions for possible loan losses and diminution in value of other assets	125,081	54,020	85,186
Operating profit before changes in operating assets and liabilities	<u>548,738</u>	<u>578,484</u>	<u>513,363</u>
Increase/(decrease) in operating liabilities:			
Deposits of non-bank customers	1,053,841	1,154,495	751,114
Deposits and balances of banks	(106,055)	252,346	3,272,841
Bills payable and other liabilities	(161,188)	(329,982)	(322,572)
(Increase)/decrease in operating assets:			
Dealing securities	(153,794)	(255,211)	126,612
Placements with and loans to banks	2,207,394	(484,198)	(557,019)
Loans to customers and bills receivable	(1,302,987)	412,442	(3,599,604)
Other assets	72,345	(187,339)	(2,604)
Cash provided by operating activities	<u>2,158,294</u>	<u>1,141,037</u>	<u>182,131</u>
Income tax paid	(133,427)	(108,817)	(77,347)
Net cash provided by operating activities	<u>2,024,867</u>	<u>1,032,220</u>	<u>104,784</u>
Cash flows from investing activities			
Purchase of investment securities	(2,093,764)	(215,652)	(722,478)
Proceeds from disposal of investment securities	385,926	5,133	5,500
Dividends from associated companies	41,342	31,458	27,608
Net (increase)/decrease in associated companies	(15,964)	3,693	(18,143)
Proceeds from disposal of an associated company	-	-	44,178
Acquisition of additional interest in a subsidiary company	(49,574)	-	-
Acquisition of new subsidiary companies	(46,587)	-	(5,000)
Purchase of properties, plant and equipment	(76,459)	(49,785)	(63,127)
Proceeds from disposal of properties, plant and equipment	19,176	2,522	27,251
Net cash used in investing activities	<u>(1,835,904)</u>	<u>(222,631)</u>	<u>(704,211)</u>
Cash flows from financing activities			
Proceeds from issue of shares	13,805	13,175	7,445
Buy-back of shares	(26,544)	(12,826)	-
Dividends paid	(223,183)	(191,441)	(162,792)
Change in minority interests in subsidiaries	(881)	(1,135)	(1,482)
Net cash used in financing activities	<u>(236,803)</u>	<u>(192,227)</u>	<u>(156,829)</u>
Net foreign currency translation adjustments	<u>74,138</u>	<u>43,471</u>	<u>(2,370)</u>
Net change in cash and cash equivalents	<u>26,297</u>	<u>660,833</u>	<u>(758,626)</u>
Cash and cash equivalents as at beginning of period	<u>5,964,717</u>	<u>6,062,510</u>	<u>6,723,343</u>
Cash and cash equivalents as at end of period	<u>5,991,014</u>	<u>6,723,343</u>	<u>5,964,717</u>