



# First Quarter 2004

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## GROUP FINANCIAL RESULTS

30 April 2004

## Contents

<b>Media Release</b>	<b>1</b>
<b>Financial Review</b>	<b>4</b>
Highlights	4
Financial Summary	5
Net Interest Income	6
Non-Interest Income	7
Operating Expenses	8
Provision Charge	9
Loans and Advances	10
Non-Performing Loans	11
Cumulative Provisions	13
Exposure to the Five Regional Countries, Hong Kong and China	14
Deposits	15
Capital Adequacy Ratios	16
Valuation Surplus	17
Performance by Geographical Segment	18
Appendix I: Group Income Statement (Unaudited)	19
Appendix II: Group Balance Sheet (Unaudited)	20
Appendix III: Statement of Changes in Shareholders' Equity – Group (Unaudited)	21
Appendix IV: Consolidated Cash Flow Statement (Unaudited)	22



## Media Release

### **OCBC'S FIRST QUARTER 2004 NET PROFIT INCREASED 61% TO S\$256 MILLION**

#### ***Operating Profit Rose 7%, Driven by 40% Surge in Fee Income***

Singapore, 30 April 2004 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported a net profit of S\$256 million for the first quarter of 2004, an increase of 61% compared to S\$159 million in first quarter 2003. The better performance was driven by stronger revenue, lower provisions and higher contributions from associates.

Operating profit before provisions and goodwill amortisation was S\$320 million, an increase of 7% over the same period last year, propelled by a 40% jump in fee and commission income. Net interest income grew by 4% in line with higher average loan volume, while operating expenses were stable.

Provisions fell from S\$64 million in first quarter 2003 to S\$20 million in first quarter 2004, largely attributable to lower specific provision for loans. This reflects the ongoing benefits of improved credit processes and successful recovery efforts, as well as the improvement in the overall economic environment.

Pre-tax contributions from associates increased from S\$11 million in first quarter 2003 to S\$62 million in first quarter 2004, mainly due to a higher contribution from insurance associate Great Eastern Holdings Limited.

Compared to the fourth quarter of 2003, the Group's net profit fell by 8%, as the fourth quarter included exceptional gains of S\$54 million from the divestment of non-core assets. Excluding these gains, the Group's net profit for first quarter 2004 would show a growth of 14% compared to fourth quarter 2003.

#### **Revenue**

Total income in the first quarter was S\$526 million, up 5% compared to the same period last year.

Net interest income was 4% higher year-on-year, contributed by higher average loan volume and lower deposit costs. Net interest margin remained unchanged at 1.90%.

Customer loan balances grew by 7% from 31 March 2003 to S\$53.01 billion as at 31 March 2004. The growth was derived mainly from consumer loans, with housing loans and loans to professionals and private individuals recording year-on-year expansion of 26% and 7% respectively.

Total non-interest income rose by 9% year-on-year to S\$161 million in the first quarter of 2004, driven by stronger fee and commission income.

Fee and commission income jumped 40% to S\$115 million reflecting the growth in wealth management activities as well as higher stockbroking and investment banking income. Wealth management activities, comprising sales of unit trusts, bancassurance and structured deposits, benefited from increased cross-selling efforts and the improved investment climate.

Dividend income increased by S\$34 million compared to first quarter 2003, mainly due to a special dividend of S\$29 million from Robinson & Company, Limited.

Other income however recorded a loss of S\$17 million, as higher income from foreign exchange dealing and other items were offset by losses of S\$62 million in derivatives and securities dealing. The S\$62 million losses were mainly unrealised revaluation losses on interest rate swaps arising from the sustained fall in interest rates during the first quarter. These swaps were entered into primarily to mitigate the interest rate risks of the bank's assets and liabilities, and are marked to market, whereas the assets and liabilities are accounted for on an accrual basis. This difference in accounting treatment results in income swings during periods of significant interest rate movements or interest rate volatility.

## **Operating Expenses**

Operating expenses of S\$206 million for the first quarter were up 2% over first quarter 2003, mainly due to the S\$5 million write back of un-utilised restructuring costs in first quarter 2003. Excluding the restructuring related expenses, operating expenses were 1% lower year-on-year. The Group's cost-to-income ratio for first quarter 2004 improved to 39.1% from 40.3% in first quarter 2003, as growth in revenue outpaced that of expenses.

## **Provisions and Asset Quality**

Total provisions in the first quarter amounted to S\$20 million, down from S\$64 million in first quarter 2003. Specific provisions for loans, net of recoveries, fell sharply from S\$70 million to S\$9 million, while specific provisions for diminution in value of investment securities and other assets declined from S\$24 million to S\$10 million. In addition, general provisions of S\$2 million were made in this quarter compared to a write-back of S\$30 million in first quarter 2003.

Compared to 31 December 2003, the Group's non-performing loans ("NPLs") declined by 5% or S\$190 million to S\$3.64 billion as at 31 March 2004. The decrease was mainly in Singapore NPLs as recoveries, repayments and write-offs of fully provided "loss" loans more than offset new NPLs in the first quarter of 2004. Correspondingly, the ratio of NPLs to non-bank loans improved from 6.9% to 6.6% over the three-month period.

The Group's overall provision coverage remained at a comfortable level of 69.5% of total NPLs, up from 67.0% as at end-2003. Cumulative specific provisions coverage over the unsecured NPLs was largely unchanged at 99.9%.

## Conclusion

Commenting on the Group's performance, David Conner, CEO of OCBC Bank, said:

"This set of results marks a good start for 2004, and we will build on the revenue momentum in a steadily improving economic environment. We will continue to pursue strategic initiatives that will strengthen OCBC's longer term growth prospects, as exemplified by our recent moves pertaining to Great Eastern Holdings and Bank NISP."

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## About OCBC Bank

OCBC Bank is a Singapore-based financial services group with assets of S\$87 billion and operations in 13 countries including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Japan, Australia, UK and USA, and has more than 110 branches and representative offices around the world. OCBC Bank offers a range of specialist financial services including consumer, corporate, investment, private and transaction banking, global treasury, asset management and stockbroking services to its customers. Additional information may be found at [www.ocbc.com](http://www.ocbc.com).

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# FINANCIAL REVIEW

## Highlights

- ◆ Net profit attributable to shareholders rose 61% to S\$256 million in first quarter 2004 due to stronger revenue, lower provisions and higher contributions from associates.
- ◆ Operating profit before provisions and goodwill amortisation rose 7% to S\$320 million, underpinned by 40% growth in fee and commission income and 4% growth in net interest income. Operating expenses were stable.
- ◆ Gross loans to non-bank customers grew by 7% year-on-year to S\$53.01 billion as at 31 March 2004, led by growth in consumer loans.
- ◆ NPLs declined 5% from 31 December 2003 to S\$3.64 billion as at 31 March 2004. The ratio of NPLs to total non-bank loans improved from 6.9% to 6.6%. Provision coverage of NPLs increased from 67.0% to 69.5%.
- ◆ Group Tier 1 and total capital adequacy ratios strengthened to 12.7% and 22.0% respectively (March 2003: 12.5% and 21.8% respectively).
- ◆ Annualised earnings per ordinary share rose from 50 cents to 80 cents. Annualised return on ordinary shareholders' funds improved from 6.8% to 10.7%.
- ◆ Net asset value per ordinary share was S\$7.34 as at 31 March 2004. Including the unrealised valuation surplus of S\$3.14 per share, net asset value per share was S\$10.48.

## Financial Summary

	1st Quarter 2004 S\$m	1st Quarter 2003 S\$m	+ / (-) %	4th Quarter 2003 S\$m
<b>Selected profit and loss data :</b>				
Net interest income	365	352	4	369
Fees and commissions	115	82	40	103
Dividends	44	11	322	8
Rental income	18	16	15	18
Other income	(17)	39	n.m.	76
Total income	526	499	5	575
Less : Operating expenses	206	201	2	216
Operating profit	320	298	7	358
Less : Goodwill amortisation	32	32	0	32
Less : Total provisions	20	64	(68)	54
Add : Share of associated companies' results	62	11	449	94
Profit before tax	329	214	54	366
Net profit attributable to shareholders	256	159	61	279
Cash basis net profit attributable to shareholders <sup>1/</sup>	287	191	50	310
<b>Selected balance sheet data :</b>				
Total assets	87,115	82,968	5	84,497
Loans to non-bank customers (net of provisions)	50,601	47,221	7	50,155
Deposits of non-bank customers	54,279	55,334	(2)	53,460
Ordinary shareholders' funds	9,405	9,407	0	9,163
Total shareholders' funds	10,301	9,907	4	10,059
<b>Key Indicators :</b>				
Return on ordinary shareholders' funds <sup>2/</sup> (% p.a.)	10.7	6.8		11.8
Return on ordinary shareholders' funds <sup>2/</sup> (% p.a.) - Cash basis <sup>1/</sup>	12.1	8.2		13.2
Return on total shareholders' funds (% p.a.)	10.1	6.7		11.2
Return on total shareholders' funds (% p.a.) - Cash basis <sup>1/</sup>	11.4	8.1		12.4
Return on assets (% p.a.)	1.18	0.77		1.30
Return on assets (% p.a.) - Cash basis <sup>1/</sup>	1.33	0.93		1.45
Basic Earnings per ordinary share (annualised, S\$) <sup>3/</sup>	0.80	0.50	60.4	0.81
Cash Earnings per ordinary share (annualised, S\$) <sup>1/</sup>	0.90	0.60	50.4	0.90
Net asset value per ordinary share (S\$)				
- Before valuation surplus	7.34	7.29	0.7	7.16
- After valuation surplus	10.48	9.94	5.4	9.95

<sup>1/</sup> Excluding goodwill amortisation charge

<sup>2/</sup> Calculated after deducting preference shares dividends paid and estimated to be due as at end of the quarter from net attributable profit attributable to shareholders

<sup>3/</sup> Calculated after deducting preference shares dividends paid from net attributable profit attributable to shareholders

<sup>4/</sup> Some of the figures may not add up to the relevant totals due to rounding

<sup>5/</sup> n.m. - Not meaningful

## Net Interest Income

Net interest income grew 4% year-on-year to S\$365 million in the first quarter of 2004, contributed by growth in average loan balances and lower deposit costs. Net interest margin was maintained at 1.90% as lower cost of funds largely cushioned the impact of lower yielding assets.

Compared to fourth quarter 2003, net interest income was marginally lower by 1% due mainly to competitive market pressures on margins partly offset by growth in asset volume.

### Average Balance Sheet<sup>1/</sup>

	1st Quarter 2004			1st Quarter 2003			4th Quarter 2003		
	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	%
<b>Assets</b>									
Loans and advances to non-bank customers	50,005	455	3.66	46,907	452	3.91	49,477	452	3.62
Placements with and loans to banks	13,708	71	2.08	15,857	73	1.88	12,977	66	2.00
Other interest earning assets <sup>2/</sup>	13,577	72	2.13	12,120	80	2.67	12,903	83	2.55
Total interest earning assets	77,291	598	3.11	74,885	605	3.28	75,357	600	3.16
Non-interest earning assets	9,099			8,892			9,502		
Total assets	86,389			83,777			84,859		
<b>Liabilities</b>									
Deposits of non-bank customers and floating rate negotiable certificates of deposits	55,902	162	1.16	55,980	189	1.37	55,295	159	1.14
Deposits and balances of banks	13,209	47	1.42	11,198	39	1.40	12,665	42	1.33
Other borrowings <sup>3/</sup>	4,150	25	2.44	4,155	26	2.57	4,188	30	2.82
Total interest bearing liabilities	73,261	234	1.28	71,333	254	1.44	72,147	231	1.27
Non-interest bearing liabilities	2,924			2,676			2,770		
Total liabilities	76,185			74,010			74,917		
<b>Net interest income/margin</b>		<b>365</b>	<b>1.90</b>		<b>352</b>	<b>1.90</b>		<b>369</b>	<b>1.94</b>

<sup>1/</sup> Average balances are based on monthly averages

<sup>2/</sup> Comprise debt securities, government securities and treasury bills

<sup>3/</sup> Comprise debt securities issued, including the S\$3.88 billion Upper Tier 2 subordinated debt issued in July 2001, and bills payable



## Non-Interest Income

	1st Quarter 2004	1st Quarter 2003	+ / (-)	4th Quarter 2003
	S\$m	S\$m	%	S\$m
<b>Fee and commission income</b>				
Brokerage	20	8	137	19
Wealth management*	34	14	139	27
Fund management	6	5	29	5
Credit card	7	7	5	9
Loans-related	15	22	(29)	16
Trade-related	8	7	5	8
Guarantees	4	5	(18)	4
Investment Banking	7	2	209	4
Service charges	12	10	20	11
Others	2	2	21	0
Total	<u>115</u>	<u>82</u>	40	<u>103</u>
<b>Dividends</b>	44	11	322	8
<b>Rental income</b>	18	16	15	18
<b>Other income</b>				
Dealing in foreign exchange	19	14	42	16
Dealing in securities and derivatives	(62)	12	n.m.	(10)
Disposal of investment securities	5	(1)	n.m.	7
Disposal of properties	0	0	-	46
Others	21	14	50	17
Total	<u>(17)</u>	<u>39</u>	n.m.	<u>76</u>
<b>Total non-interest income</b>	<u>161</u>	<u>148</u>	9	<u>206</u>
Fees and Commissions/Total Income	21.9%	16.5%		18.0%
Non-Interest Income/Total Income	30.6%	29.6%		35.8%

\* Sales of unit trusts, bancassurance products and structured deposits and notes

Total non-interest income rose by 9% to S\$161 million in first quarter 2004, mainly from higher fee and commission income and dividend income. Fee and commission income grew by 40% to S\$115 million, boosted by higher wealth management income (sale of unit trusts, bancassurance and structured deposits) as well as stockbroking and investment banking income. Dividend income increased by S\$34 million due to the special dividend from Robinson & Company, Limited.

Other income recorded a loss of S\$17 million due to losses of S\$62 million from dealing in securities and derivatives, which offset gains in foreign exchange dealing and other items. The S\$62 million losses were mainly unrealised revaluation losses on interest rate swaps arising from the sustained fall in interest rates during the first quarter. These swaps were entered into primarily to mitigate the interest rate risks of the bank's assets and liabilities, and are marked to market, whereas the assets and liabilities are accounted for on an accrual basis. This difference in accounting treatment results in income swings during periods of significant interest rate movements or interest rate volatility.

## Operating Expenses

	1st Quarter 2004 S\$m	1st Quarter 2003 S\$m	+ / (-) %	4th Quarter 2003 S\$m
<b>Staff costs</b>	<b>120</b>	119	1	119
<b>Premises and equipment</b>				
Depreciation of fixed assets	15	17	(14)	17
Amortisation of computer software costs	6	5	21	6
Maintenance and hire of fixed assets	7	8	(11)	8
Rental expenses	4	5	(11)	4
Others	16	16	3	15
Total	<u>48</u>	<u>51</u>	(5)	<u>50</u>
<b>Other operating expenses</b>	<b>35</b>	36	(2)	47
	<u>204</u>	<u>206</u>	(1)	<u>216</u>
<b>Restructuring and other integration costs</b>	<b>2</b>	(5)	n.m.	0
<b>Total operating expenses</b>	<b><u>206</u></b>	<b><u>201</u></b>	2	<b><u>216</u></b>
Group staff strength – period end	<b>7,525</b>	7,314	3	7,424
Group staff strength – average	<b>7,495</b>	7,334	2	7,398
Cost-to-income ratio	<b>39.1%</b>	40.3%		37.6%

The Group's operating expenses remained largely stable. Total operating expenses showed a year-on-year increase of 2% to S\$206 million, but excluding the effect of a write-back in restructuring expenses in the first quarter of 2003, operating expenses were 1% lower year-on-year and 6% lower compared to fourth quarter 2003.

The cost-income ratio improved from 40.3% in first quarter 2003 to 39.1% in first quarter 2004, as growth in revenue outpaced that of expenses.

## Provision Charge

	1st Quarter 2004	1st Quarter 2003	+ / (-)	4th Quarter 2003
	S\$m	S\$m	%	S\$m
<b>Specific provision for loan losses</b>				
- Singapore	22	55	(60)	34
- Malaysia	(4)	32	n.m.	12
- Other regional countries	(6)	(3)	n.m.	(0)
- Others	(3)	(14)	n.m.	1
Sub-Total	<u>9</u>	<u>70</u>	(87)	<u>47</u>
<b>General provision for loan losses</b>				
- Five regional countries <sup>1/</sup>	0	(30)	n.m.	0
- Singapore & others	2	(0)	n.m.	2
Sub-Total	<u>2</u>	<u>(30)</u>	n.m.	<u>2</u>
Specific provision for diminution in value of investment securities and other assets	10	24	(60)	5
<b>Total provision charge</b>	<u>20</u>	<u>64</u>	(68)	<u>54</u>

<sup>1/</sup> Five regional countries comprise Malaysia, Indonesia, Thailand, South Korea and the Philippines

Total provisions in first quarter 2004 were S\$20 million, representing a reduction of S\$44 million from first quarter 2003.

The decrease came primarily from lower specific provisions for loans, which declined from S\$70 million to S\$9 million. This reflects the ongoing benefits of improved credit processes and successful recovery efforts, as well as the improvement in the overall economic environment.

Specific provisions for diminution in value of investments, properties and other assets also registered a decline from S\$24 million to S\$10 million in the first quarter of 2004 mainly due to improved market valuation for investment securities.

A general provision of S\$2 million was made in the quarter compared to a write-back of S\$30 million in the same quarter last year.

## Loans and Advances

	31 Mar 2004	31 Dec 2003	+ / (-)	31 Mar 2003
	S\$m	S\$m	%	S\$m
Loans to customers	52,594	52,159	1	49,436
Bills receivable	411	429	(4)	284
Gross loans to customers	53,005	52,589	1	49,720
Less Provisions:				
Specific provisions	1,221	1,251	(2)	1,316
General provisions	1,183	1,183	(0)	1,183
Net loans to customers	50,601	50,155	1	47,221

Loans to customers grew by 7% year-on-year from S\$49.72 billion to S\$53.01 billion as at 31 March 2004. Housing loans grew by 26% while loans to professionals and private individuals grew by 7%. Compared to 31 December 2003, customer loans grew by S\$416 million or 1%.

	31 Mar 2004		31 Dec 2003		31 Mar 2003	
	S\$m	%	S\$m	%	S\$m	%
<b>By Maturity</b>						
Less than 7 days	7,800	15	8,267	16	8,567	17
1 week to 1 month	3,261	6	3,037	6	3,318	7
Over 1 to 3 months	2,965	6	3,128	6	3,133	6
Over 3 to 12 months	5,458	10	5,245	10	4,455	9
Over 1 to 3 years	9,628	18	9,686	18	9,031	18
Over 3 years	23,894	45	23,227	44	21,215	43
	53,005	100	52,589	100	49,720	100

	31 Mar 2004		31 Dec 2003		31 Mar 2003	
	S\$m	%	S\$m	%	S\$m	%
<b>By Industry</b>						
Agriculture, mining & quarrying	557	1	519	1	476	1
Transport, storage and communication	1,382	3	1,525	3	1,424	3
Building and construction	7,163	14	7,302	14	7,611	15
Manufacturing	3,090	6	3,265	6	3,375	7
Financial institutions, investment and holding companies	8,896	17	8,924	17	8,875	18
General commerce	3,411	6	3,065	6	2,912	6
Professionals and individuals	8,205	15	8,129	15	7,662	15
Housing loans	15,936	30	15,382	29	12,688	26
Others	4,365	8	4,478	9	4,696	9
	53,005	100	52,589	100	49,720	100

## Non-Performing Loans

By grading, security coverage and countries

	Total NPLs <sup>1/</sup>	Sub-standard NPLs	Doubtful NPLs	Loss NPLs	Secured NPLs as % of total NPLs	Non-bank NPLs as % of non-bank loans <sup>2/</sup>
	S\$m	S\$m	S\$m	S\$m	%	%
<b>Malaysia</b>						
<b>31 Mar 2004</b>	<b>1,040</b>	<b>689</b>	<b>252</b>	<b>99</b>	<b>67.6</b>	<b>11.2</b>
31 Dec 2003	1,068	699	126	243	69.3	11.3
31 Mar 2003	1,250	833	198	219	69.9	14.7
<b>Other Four Regional Countries</b>						
<b>31 Mar 2004</b>	<b>127</b>	<b>14</b>	<b>93</b>	<b>20</b>	<b>22.2</b>	<b>29.8</b>
31 Dec 2003	140	17	100	24	22.8	30.8
31 Mar 2003	202	21	152	29	28.2	34.4
<b>Total Regional Countries</b>						
<b>31 Mar 2004</b>	<b>1,167</b>	<b>703</b>	<b>345</b>	<b>119</b>	<b>62.7</b>	<b>12.1</b>
31 Dec 2003	1,208	716	225	267	63.9	12.4
31 Mar 2003	1,453	854	351	248	64.1	16.2
<b>Singapore</b>						
<b>31 Mar 2004</b>	<b>2,266</b>	<b>1,589</b>	<b>482</b>	<b>194</b>	<b>63.3</b>	<b>5.8</b>
31 Dec 2003	2,389	1,725	498	166	65.0	6.2
31 Mar 2003	2,559	1,784	595	180	70.7	7.1
<b>Others</b>						
<b>31 Mar 2004</b>	<b>212</b>	<b>138</b>	<b>73</b>	<b>0</b>	<b>59.8</b>	<b>3.7</b>
31 Dec 2003	237	155	82	0	53.0	3.6
31 Mar 2003	278	143	98	38	39.2	3.4
<b>Group Total</b>						
<b>31 Mar 2004</b>	<b>3,644</b>	<b>2,431</b>	<b>901</b>	<b>313</b>	<b>62.9</b>	<b>6.6</b>
31 Dec 2003	3,834	2,596	805	433	63.9	6.9
31 Mar 2003	4,290	2,781	1,044	465	66.4	8.0

<sup>1/</sup> Comprise non-bank loans, debt securities and contingent facilities

<sup>2/</sup> Excluding debt securities

The Group's NPLs fell by S\$190 million or 5% from 31 December 2003 to S\$3.64 billion as at 31 March 2004. Compared to 31 March 2003, NPLs were lower by S\$646 million or 15%.

Singapore NPLs amounted to S\$2.27 billion and accounted for 62% of the Group's total NPLs, while Malaysia NPLs of S\$1.04 billion accounted for 29%. Of the total NPLs, 66.7% were in the substandard category while 62.9% were secured by collateral.

The ratio of NPLs to non-bank loans was 6.6% as at 31 March 2004, down from 6.9% in December 2003 and 8.0% in March 2003. The Singapore NPL ratio improved from 6.2% in December 2003 to 5.8% as at 31 March 2004, while the Malaysia NPL ratio was stable at 11.2%.

	<b>31 Mar 2004</b>		<b>31 Dec 2003</b>		<b>31 Mar 2003</b>	
	Amount S\$m	As % of Gross Customer Loans	Amount S\$m	As % of Gross Customer Loans	Amount S\$m	As % of Gross Customer Loans
<b><u>By industry</u></b>						
Agriculture, mining & quarrying	<b>32</b>	<b>5.7</b>	33	6.4	44	9.2
Transport, storage and communication	<b>114</b>	<b>8.2</b>	131	8.6	82	5.8
Building and construction	<b>709</b>	<b>9.9</b>	763	10.4	752	9.9
Manufacturing	<b>468</b>	<b>15.1</b>	497	15.2	615	18.2
Financial institutions, investment and holding companies	<b>518</b>	<b>5.8</b>	524	5.9	724	8.2
General commerce	<b>443</b>	<b>13.0</b>	463	15.1	551	18.9
Professionals and individuals	<b>579</b>	<b>7.1</b>	600	7.4	603	7.9
Housing loans	<b>224</b>	<b>1.4</b>	223	1.4	227	1.8
Others	<b>387</b>	<b>8.9</b>	393	8.8	397	8.5
Sub-total	<b>3,474</b>	<b>6.6</b>	3,627	6.9	3,995	8.0
Debt securities	<b>170</b>		207		295	
Total	<b>3,644</b>	<b>6.9</b>	3,834	7.3	4,290	8.6

	<b>31 Mar 2004</b>		<b>31 Dec 2003</b>		<b>31 Mar 2003</b>	
	Amount S\$m	As % of Total NPLs	Amount S\$m	As % of Total NPLs	Amount S\$m	As % of Total NPLs
<b><u>By period overdue</u></b>						
Over 180 days	<b>2,255</b>	<b>62</b>	2,224	58	2,530	59
Over 90 to 180 days	<b>222</b>	<b>6</b>	302	8	356	8
30 to 90 days	<b>224</b>	<b>6</b>	242	6	228	5
Less than 30 days	<b>140</b>	<b>4</b>	136	4	150	4
No overdue	<b>803</b>	<b>22</b>	931	24	1,026	24
	<b>3,644</b>	<b>100</b>	3,834	100	4,290	100

## Cumulative Provisions

	Total cumulative provisions <sup>1/</sup>	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	%	%	%
<b>Malaysia</b>						
<b>31 Mar 2004</b>	<b>754</b>	<b>392</b>	<b>362</b>	<b>37.6</b>	<b>72.4</b>	<b>223.9</b>
31 Dec 2003	766	402	363	37.6	71.7	233.3
31 Mar 2003	792	423	369	33.8	63.3	210.5
<b>Other Four Regional Countries</b>						
<b>31 Mar 2004</b>	<b>329</b>	<b>116</b>	<b>213</b>	<b>91.6</b>	<b>259.5</b>	<b>333.7</b>
31 Dec 2003	340	127	213	90.9	242.8	314.7
31 Mar 2003	383	170	213	83.9	189.1	263.2
<b>Total Regional Countries</b>						
<b>31 Mar 2004</b>	<b>1,083</b>	<b>508</b>	<b>575</b>	<b>43.5</b>	<b>92.8</b>	<b>248.8</b>
31 Dec 2003	1,106	529	576	43.8	91.5	253.4
31 Mar 2003	1,174	592	582	40.8	80.8	225.2
<b>Singapore</b>						
<b>31 Mar 2004</b>	<b>1,276</b>	<b>763</b>	<b>513</b>	<b>33.7</b>	<b>56.3</b>	<b>153.3</b>
31 Dec 2003	1,282	771	511	32.3	53.7	153.5
31 Mar 2003	1,278	771	507	30.1	49.9	170.5
<b>Others</b>						
<b>31 Mar 2004</b>	<b>175</b>	<b>80</b>	<b>95</b>	<b>38.0</b>	<b>82.7</b>	<b>205.5</b>
31 Dec 2003	179	84	95	35.5	75.7	161.1
31 Mar 2003	243	149	94	53.6	87.4	143.8
<b>Group Total</b>						
<b>31 Mar 2004</b>	<b>2,534</b>	<b>1,351</b>	<b>1,183</b>	<b>37.1</b>	<b>69.5</b>	<b>187.3</b>
31 Dec 2003	2,568	1,385	1,183	36.1	67.0	185.6
31 Mar 2003	2,695	1,513	1,183	35.3	62.8	187.2

<sup>1/</sup> Include provisions for debt securities

Total cumulative specific and general provisions were S\$2.53 billion as at 31 March 2004, representing 69.5% of NPLs, an improvement from the coverage of 67.0% as at 31 December 2003. Cumulative specific provisions covered 99.9% of unsecured NPLs, largely unchanged from December 2003. Cumulative general provisions remained at 2.3% of total non-bank loans (net of specific provisions).

## Exposure to the Five Regional Countries, Hong Kong and China

	Loans and debt securities			Investments	Total Gross Exposure	Less: Loans to and investments in subsidiaries /branches	Net Exposure	
	Bank	Central Bank and Government	Non-bank				Total	% of Group assets
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	%
<b>Malaysia</b>								
31 Mar 2004	2,853	4,115	8,092	579	15,640	2,371	13,269	15.2
31 Dec 2003	2,954	3,210	8,164	579	14,907	2,494	12,413	14.7
31 Mar 2003	2,009	3,002	7,231	615	12,857	1,554	11,303	13.6
<b>Indonesia</b>								
31 Mar 2004	98	137	274	68	577	70	506	0.6
31 Dec 2003	91	121	285	68	566	68	498	0.6
31 Mar 2003	196	123	352	46	717	59	658	0.8
<b>Thailand</b>								
31 Mar 2004	50	38	76	0	164	47	118	0.1
31 Dec 2003	70	46	87	0	203	55	148	0.2
31 Mar 2003	41	34	111	0	186	38	148	0.2
<b>Korea</b>								
31 Mar 2004	500	34	132	0	665	27	638	0.7
31 Dec 2003	387	34	111	0	532	26	505	0.6
31 Mar 2003	229	42	105	0	376	26	350	0.4
<b>Philippines</b>								
31 Mar 2004	17	16	34	1	68	1	67	0.1
31 Dec 2003	35	16	38	1	90	1	89	0.1
31 Mar 2003	41	17	0	1	59	1	58	0.1
<b>Total Regional Countries</b>								
31 Mar 2004	3,519	4,339	8,608	649	17,114	2,516	14,599	16.8
31 Dec 2003	3,536	3,428	8,686	648	16,298	2,646	13,652	16.2
31 Mar 2003	2,516	3,218	7,798	663	14,195	1,678	12,517	15.1
<b>Hong Kong</b>								
31 Mar 2004	262	17	1,241	19	1,539	9	1,530	1.8
31 Dec 2003	421	28	1,274	19	1,742	9	1,733	2.1
31 Mar 2003	857	29	1,217	22	2,126	9	2,117	2.6
<b>China</b>								
31 Mar 2004	624	11	960	3	1,598	435	1,163	1.3
31 Dec 2003	592	7	891	3	1,493	370	1,123	1.3
31 Mar 2003	535	8	872	8	1,424	331	1,093	1.3
<b>Total</b>								
31 Mar 2004	4,404	4,367	10,809	671	20,251	2,960	17,291	19.8
31 Dec 2003	4,549	3,463	10,851	670	19,533	3,024	16,508	19.5
31 Mar 2003	3,909	3,256	9,887	693	17,745	2,018	15,727	19.0

The Group's net exposure to the five regional countries – Malaysia, Indonesia, Thailand, South Korea and the Philippines – was S\$14.60 billion as at 31 March 2004, an increase of 7% compared to 31 December 2003. This exposure amounted to 16.8% of the Group's total assets. The increase was primarily from Malaysia, which accounted for 15.2% of Group assets.



## Deposits

	31 Mar 2004	31 Dec 2003	+ / (-)	31 Mar 2003
	S\$m	S\$m	%	S\$m
Deposits of non-bank customers	<b>54,279</b>	53,460	2	55,334
Deposits and balances of banks	<b>13,921</b>	12,481	12	9,845
	<b>68,200</b>	<b>65,940</b>	3	<b>65,179</b>
Loans -to-deposits ratio (net non-bank loans/non-bank deposits)	<b>93.2%</b>	93.8%		85.3%

Compared to 31 December 2003, total deposits increased by S\$2.26 billion or 3% to S\$68.20 billion as at 31 March 2004, with S\$1.44 billion of the increase coming from bank borrowings and S\$0.82 billion from non-bank customer deposits. Non-bank customer deposits rose by 2% and accounted for 80% of total deposits.

The Group's loans-to-deposits ratio was 93.2% as at 31 March 2004, largely unchanged from the end of 2003.

	31 Mar 2004		31 Dec 2003		31 Mar 2003	
	S\$m	%	S\$m	%	S\$m	%
<b>Total Deposits By Maturity</b>						
Less than 7 days	<b>29,272</b>	<b>43</b>	28,490	42	26,646	40
1 week to 1 month	<b>16,830</b>	<b>25</b>	17,899	27	17,824	27
Over 1 to 3 months	<b>11,078</b>	<b>16</b>	9,420	14	9,217	14
Over 3 to 12 months	<b>9,567</b>	<b>14</b>	9,091	14	10,162	16
Over 1 to 3 years	<b>585</b>	<b>1</b>	617	1	902	1
Over 3 years	<b>867</b>	<b>1</b>	425	1	428	1
	<b>68,200</b>	<b>100</b>	<b>65,940</b>	<b>100</b>	<b>65,179</b>	<b>100</b>

	31 Mar 2004		31 Dec 2003		31 Mar 2003	
	S\$m	%	S\$m	%	S\$m	%
<b>Non-Bank Deposits By Product</b>						
Fixed deposits	<b>34,602</b>	<b>64</b>	34,272	64	36,918	67
Savings deposits	<b>11,358</b>	<b>21</b>	11,131	21	11,086	20
Current account	<b>6,180</b>	<b>11</b>	6,108	11	5,571	10
Others	<b>2,140</b>	<b>4</b>	1,948	4	1,760	3
	<b>54,279</b>	<b>100</b>	<b>53,460</b>	<b>100</b>	<b>55,334</b>	<b>100</b>

## Capital Adequacy Ratios

	<b>31 Mar 2004</b>	<b>31 Dec 2003</b>	<b>31 Mar 2003</b>
	S\$m	S\$m	S\$m
<b>Tier 1 Capital</b>			
Paid-up ordinary and preference shares	<b>1,285</b>	1,284	1,290
Disclosed reserves/others	<b>8,843</b>	8,681	8,429
Less: Goodwill	<b>2,040</b>	2,072	2,167
	<b>8,088</b>	7,893	7,552
<b>Tier 2 Capital</b>			
Asset revaluation reserves <sup>1/</sup>	<b>1,493</b>	1,301	1,171
Cumulative general provisions	<b>608</b>	607	597
Hybrid (debt / equity) capital instruments	<b>3,858</b>	3,857	3,855
	<b>5,960</b>	5,766	5,624
Less: Capital deductions for private equity and venture capital investments	<b>2</b>	2	4
<b>Total Capital</b>	<b>14,045</b>	13,657	13,171
<b>Risk weighted assets including market risk</b>	<b>63,901</b>	62,723	60,452
<b>Tier 1 ratio</b>	<b>12.7%</b>	12.6%	12.5%
<b>Total capital adequacy ratio</b>	<b>22.0%</b>	21.8%	21.8%

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

Note: Capital adequacy ratio is calculated in accordance with the BIS guidelines

The Group's total capital adequacy ratio ("CAR"), computed in accordance with the Bank for International Settlements ("BIS") guidelines, remained strong at 22% as at 31 March 2004. The Tier 1 capital ratio was 12.7%.

## Valuation Surplus

	31 Mar 2004			31 Dec 2003			31 Mar 2003		
	Net book value S\$m	Market value S\$m	Surplus S\$m	Net book value S\$m	Market value S\$m	Surplus S\$m	Net book value S\$m	Market value S\$m	Surplus S\$m
Properties	1,252	2,649	1,397	1,274	2,664	1,390	1,342	2,859	1,517
Equity securities	1,499	3,892	2,393	1,466	3,499	2,033	1,421	3,058	1,637
Debt securities <sup>1/</sup>	13,361	13,592	231	13,438	13,587	149	11,977	12,249	272
<b>Total investments</b>	<b>16,111</b>	<b>20,133</b>	<b>4,021</b>	<b>16,178</b>	<b>19,750</b>	<b>3,571</b>	<b>14,740</b>	<b>18,165</b>	<b>3,426</b>

<sup>1/</sup> Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$4.02 billion as at 31 March 2004, an increase of 13% compared to 31 December 2003. The increase was due largely to the appreciation in market valuations of equity securities. Properties accounted for S\$1.40 billion or 35% of the surplus while equity securities accounted for S\$2.39 billion or 60%.



## Appendix I

**Group Income Statement (Unaudited)**

For the quarter ended 31 March 2004

	1st Quarter 2004	1st Quarter 2003	+ / -	4th Quarter 2003
	S\$'000	S\$'000	%	S\$'000
Interest income	598,280	605,159	(1.1)	599,959
Less: Interest expense	233,674	253,592	(7.9)	231,156
<b>Net interest income</b>	<b>364,606</b>	<b>351,567</b>	<b>3.7</b>	<b>368,803</b>
Fees and commissions	115,141	82,299	39.9	103,235
Dividends	44,462	10,532	322.2	8,080
Rental income	17,959	15,618	15.0	18,191
Other income	(16,616)	39,162	n.m.	76,261
<b>Income before operating expenses</b>	<b>525,552</b>	<b>499,178</b>	<b>5.3</b>	<b>574,570</b>
Less: Staff costs	119,961	119,103	0.7	119,126
Other operating expenses	85,659	81,948	4.5	97,081
	205,620	201,051	2.3	216,207
<b>Operating profit before provisions and goodwill amortisation</b>	<b>319,932</b>	<b>298,127</b>	<b>7.3</b>	<b>358,363</b>
Less: Goodwill amortisation	31,663	31,644	0.1	31,664
Less: Provisions for possible loan losses and diminution in value of other assets	20,370	63,767	(68.1)	54,074
<b>Operating profit after provisions and goodwill amortisation</b>	<b>267,899</b>	<b>202,716</b>	<b>32.2</b>	<b>272,625</b>
<b>Share of profits less losses of associated companies</b>	<b>61,538</b>	<b>11,212</b>	<b>448.9</b>	<b>93,651</b>
<b>Profit before tax</b>	<b>329,437</b>	<b>213,928</b>	<b>54.0</b>	<b>366,276</b>
Less: Tax	58,926	47,427	24.2	68,078
Share of tax of associated companies	14,229	6,767	110.3	19,226
	73,155	54,194	35.0	87,304
<b>Profit after tax</b>	<b>256,282</b>	<b>159,734</b>	<b>60.4</b>	<b>278,972</b>
Less: Minority interests	500	320	56.3	416
<b>Profit attributable to shareholders</b>	<b>255,782</b>	<b>159,414</b>	<b>60.5</b>	<b>278,556</b>

## Appendix II

**Group Balance Sheet (Unaudited)**

As at 31 March 2004

	31 Mar 2004	31 Dec 2003	31 Mar 2003
	S\$'000	S\$'000	S\$'000
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share Capital</b>			
Authorised	<b>2,010,835</b>	2,010,838	2,000,845
Issued and fully paid	<b>1,284,926</b>	1,284,084	1,290,466
<b>Reserves</b>			
Capital reserves	<b>2,335,742</b>	2,329,076	2,006,264
Statutory reserves	<b>1,869,783</b>	1,854,303	1,946,605
Revenue reserves	<b>4,810,371</b>	4,591,450	4,664,060
<b>Total shareholders' equity</b>	<b>10,300,822</b>	10,058,913	9,907,395
<b>MINORITY INTERESTS</b>	<b>20,347</b>	19,879	19,189
<b>LIABILITIES</b>			
Deposits of non-bank customers	<b>54,278,997</b>	53,459,680	55,333,771
Deposits and balances of banks	<b>13,921,214</b>	12,480,794	9,845,406
Deposits of associated companies	<b>1,557,512</b>	1,457,708	1,168,966
Bills payable	<b>238,702</b>	185,233	142,127
Current tax	<b>363,640</b>	327,667	339,286
Deferred tax	<b>65,738</b>	76,043	128,770
Other liabilities	<b>2,426,704</b>	2,421,286	2,099,728
Debt securities	<b>3,941,288</b>	4,010,223	3,982,921
<b>Total liabilities and shareholders' equity</b>	<b>87,114,964</b>	84,497,426	82,967,559
<b>ASSETS</b>			
Cash and placements with central banks	<b>6,571,753</b>	4,035,863	2,138,863
Singapore Government treasury bills and securities	<b>5,609,303</b>	6,151,111	5,580,768
Other government treasury bills and securities	<b>1,492,398</b>	1,054,618	1,147,800
Dealing securities	<b>322,274</b>	235,541	266,491
Placements with and loans to banks	<b>9,359,509</b>	9,649,818	14,737,162
Loans to customers (including bills receivable)	<b>50,601,105</b>	50,155,117	47,221,137
Investment securities	<b>6,246,497</b>	6,294,827	5,356,132
Deferred tax	<b>52,240</b>	53,670	70,546
Other assets	<b>2,217,641</b>	2,182,934	1,684,303
	<b>82,472,720</b>	79,813,499	78,203,202
Associated companies	<b>1,199,182</b>	1,177,137	1,046,968
Property, plant and equipment	<b>1,402,671</b>	1,434,736	1,550,288
Goodwill	<b>2,040,391</b>	2,072,054	2,167,101
<b>Total assets</b>	<b>87,114,964</b>	84,497,426	82,967,559
<b>OFF-BALANCE SHEET ITEMS</b>			
Contingent liabilities	<b>6,079,710</b>	5,829,577	5,762,638
Commitments	<b>28,365,997</b>	27,261,292	30,322,485
Financial derivatives	<b>199,881,316</b>	191,246,606	175,274,756
	<b>234,327,023</b>	224,337,475	211,359,879

## Appendix III

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

For the quarter ended 31 March 2004

	Share capital	Capital reserves	Statutory reserves	Revenue reserves	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 1 January 2004</b>	<b>1,284,084</b>	<b>2,329,076</b>	<b>1,854,303</b>	<b>4,591,450</b>	<b>10,058,913</b>
Profit attributable to shareholders	-	-	-	255,782	255,782
Foreign currency translation gains / (losses) not recognised in the income statements	-	-	-	(21,357)	(21,357)
<b>Total recognised gains for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>234,425</b>	<b>234,425</b>
Transfers	-	24	15,480	(15,504)	-
Shares issued under Share Option Schemes	842	6,642	-	-	7,484
<b>Balance at 31 March 2004</b>	<b>1,284,926</b>	<b>2,335,742</b>	<b>1,869,783</b>	<b>4,810,371</b>	<b>10,300,822</b>
Include:					
Share of reserves of associated companies	-	20,715	-	1,041,978	1,062,693
<b>Balance at 1 January 2003</b>	<b>1,290,299</b>	<b>1,505,515</b>	<b>1,936,244</b>	<b>4,492,164</b>	<b>9,224,222</b>
Profit attributable to shareholders	-	-	-	159,414	159,414
Foreign currency translation gains / (losses) not recognised in the income statements	-	-	-	23,926	23,926
<b>Total recognised gains for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,340</b>	<b>183,340</b>
Transfers	-	1,083	10,361	(11,444)	-
Class E preference shares issued for cash	50	499,950	-	-	500,000
Expenses relating to the issue of preference shares	-	(998)	-	-	(998)
Shares issued under Share Option Schemes	117	714	-	-	831
<b>Balance at 31 March 2003</b>	<b>1,290,466</b>	<b>2,006,264</b>	<b>1,946,605</b>	<b>4,664,060</b>	<b>9,907,395</b>
Include:					
Share of reserves of associated companies	-	19,240	-	877,374	896,614

## Appendix IV

**Consolidated Cash Flow Statement (Unaudited)**

For the quarter ended 31 March 2004

	31 Mar 2004	31 Mar 2003
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Operating profit before provisions and amortisation of goodwill	319,932	298,127
Adjustments for :		
Amortisation of computer software costs	5,763	4,777
Depreciation of property, plant and equipment	14,827	17,288
(Gains)/losses on disposal of investment securities	(5,400)	616
(Gains)/losses on disposal of property, plant and equipment	(156)	703
Operating profit before changes in operating assets and liabilities	<u>334,966</u>	<u>321,511</u>
Increase/(decrease) in operating liabilities :		
Deposits of non-bank customers	919,121	1,100,835
Deposits and balances of banks	1,440,420	(2,775,743)
Bills payable and other liabilities	59,957	(74,370)
(Increase)/decrease in operating assets :		
Dealing securities	(86,733)	(93,415)
Placements with and loans to banks	290,309	(278,194)
Loans to customers and bills receivable	(456,625)	114,278
Other assets	(41,007)	368,163
Cash provided by/(used in) operating activities	<u>2,460,408</u>	<u>(1,316,935)</u>
Income tax paid	<u>(32,172)</u>	<u>(33,004)</u>
<b>Net cash provided by/(used in) operating activities</b>	<u>2,428,236</u>	<u>(1,349,939)</u>
<b>Cash flows from investing activities</b>		
Acquisition of additional interest in subsidiary companies	-	(288)
Dividends from associated companies	22,519	51
Net (increase)/decrease in associated companies	4,296	4,221
Purchase of investment securities	(608,663)	(440,884)
Purchase of property, plant and equipment	(6,758)	(18,189)
Proceeds from disposal of investment securities	665,632	371,123
Proceeds from disposal of property, plant and equipment	9,875	685
<b>Net cash provided by/(used in) investing activities</b>	<u>86,901</u>	<u>(83,281)</u>
<b>Cash flows from financing activities</b>		
Decrease in debt securities	(69,750)	(32,398)
Net proceeds from issue of preference shares	-	499,002
Proceeds from issue of ordinary shares	7,484	831
Change in minority interests in subsidiaries and dividends paid to minority interests	-	10
<b>Net cash (used in)/provided by financing activities</b>	<u>(62,266)</u>	<u>467,445</u>
<b>Net foreign currency translation adjustments</b>	<u>(21,357)</u>	<u>23,926</u>
<b>Net change in cash and cash equivalents</b>	<u>2,431,514</u>	<u>(941,849)</u>
<b>Cash and cash equivalents as at 1 January</b>	<u>10,697,579</u>	<u>9,809,280</u>
<b>Cash and cash equivalents as at 31 March</b>	<u>13,129,093</u>	<u>8,867,431</u>