

OVERSEA-CHINESE BANKING CORPORATION LIMITED

(Incorporated in Singapore)

The Directors of OCBC Bank wish to make the following announcement:

1 UNAUDITED RESULTS FOR THE HALF YEAR / QUARTER ENDED 30 JUNE 2003

	GROUP					
	1 st Half 2003	1 st Half 2002	+ / (-)	2 nd Qtr 2003	2 nd Qtr 2002	+ / (-)
	S\$'000	S\$'000		S\$'000	S\$'000	
Interest income	1,196,007	1,386,274	(13.7)	590,848	679,671	(13.1)
Less: Interest expense	488,673	641,281	(23.8)	235,081	304,475	(22.8)
Net interest income	707,334	744,993	(5.1)	355,767	375,196	(5.2)
Fees and commissions	169,952	183,845	(7.6)	87,653	89,478	(2.0)
Dividends	30,412	26,404	15.2	19,880	18,153	9.5
Rental income	29,182	42,597	(31.5)	13,564	23,786	(43.0)
Other income	92,488	109,721	(15.7)	53,326	67,296	(20.8)
Income before operating expenses	1,029,368	1,107,560	(7.1)	530,190	573,909	(7.6)
Less: Staff costs	238,070	240,047	(0.8)	118,967	120,878	(1.6)
Other operating expenses	186,214	188,739	(1.3)	104,266	102,078	2.1
	424,284	428,786	(1.0)	223,233	222,956	0.1
Operating profit before provisions and goodwill amortisation	605,084	678,774	(10.9)	306,957	350,953	(12.5)
Less: Goodwill amortisation	63,298	64,600	(2.0)	31,654	32,299	(2.0)
Provisions for possible loan losses and diminution in value of other assets	133,671	295,441	(54.8)	69,904	204,884	(65.9)
Operating profit after provisions and goodwill amortisation	408,115	318,733	28.0	205,399	113,770	80.5
Share of profits less losses of associated companies	89,204	103,404	(13.7)	77,992	43,266	80.3
Profit before tax	497,319	422,137	17.8	283,391	157,036	80.5
Less: Tax	89,272	74,459	19.9	41,845	41,489	0.9
Share of tax of associated companies	23,579	29,059	(18.9)	16,812	11,804	42.4
	112,851	103,518	9.0	58,657	53,293	10.1
Profit after tax	384,468	318,619	20.7	224,734	103,743	116.6
Less: Minority interests	756	1,352	(44.1)	436	1,817	(76.0)
Profit attributable to shareholders	383,712	317,267	20.9	224,298	101,926	120.1

2 SELECTED BALANCE SHEET DATA

	GROUP			BANK		
	30 Jun 2003	31 Dec 2002	30 Jun 2002	30 Jun 2003	31 Dec 2002	30 Jun 2002
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
(a) Assets						
Total assets	86,293,373	84,051,388	83,748,048	73,536,202	71,285,546	70,447,204
Loans to and bills receivable from customers ⁽¹⁾	48,801,295	47,367,213	47,632,191	39,558,432	38,126,244	37,913,447
(b) Liabilities						
Deposits of non-bank customers	54,760,025	53,947,536	54,898,111	44,821,907	43,944,085	44,392,379
Deposits and balances of banks	13,435,621	12,621,149	11,559,378	13,015,781	12,076,240	10,749,001
Subordinated term debts due after one year (unsecured)	3,855,844	3,879,214	3,876,994	3,880,844	3,879,214	3,876,994
Other debt securities issued due within one year (unsecured)	-	-	220,978	-	-	220,978
Other debt securities issued due within one year (secured) ⁽²⁾	153,500	133,000	-	-	-	-
(c) Capital and reserves						
Net proceeds from issue of preference shares	498,837	-	-	498,837	-	-
Issued and paid-up ordinary share capital	1,291,352	1,290,299	1,290,060	1,291,352	1,290,299	1,290,060
Ordinary shareholders' equity	9,060,136	9,224,222	8,963,746	6,896,961	7,015,698	6,755,907
Total (ordinary and preference) shareholders' equity	9,558,973	9,224,222	8,963,746	7,395,798	7,015,698	6,755,907

⁽¹⁾ Net of cumulative specific and general provisions.

⁽²⁾ The other debt securities are issued by Pioneer Funding Limited, a special purpose entity ("SPE") of the Group, and secured by a first fixed charge over the assets of the SPE.

3 NET ASSET VALUE

	GROUP			BANK		
	30 Jun 2003	31 Dec 2002	30 Jun 2002	30 Jun 2003	31 Dec 2002	30 Jun 2002
	S\$	S\$	S\$	S\$	S\$	S\$
Net asset value per ordinary share	7.02	7.15	6.95	5.34	5.44	5.24

4 OTHER INFORMATION

	GROUP					
	1 st Half 2003	1 st Half 2002	+ /(-) %	2 nd Qtr 2003	2 nd Qtr 2002	+ /(-) %
(a) Annualised net profit as a percentage of weighted average total (ordinary and preference) shareholders' equity (%)	8.0	7.1	11.7	9.2	4.5	103.2
(b) Annualised net profit as a percentage of average total assets (%)	0.92	0.76	20.4	1.07	0.49	117.2
(c) Annualised earnings per ordinary share (S\$) ⁽³⁾						
- Basic	0.59	0.50	18.0	0.67	0.32	111.3
- Fully diluted	0.59	0.50	18.2	0.67	0.32	111.7
(d) Depreciation of property, plant and equipment (S\$'000)	46,403	34,751	33.5	29,115	18,484	57.5
(e) Amortisation of computer software costs (S\$'000)	9,640	4,986	93.3	4,863	2,692	80.6

⁽³⁾ Basic earnings per ordinary share is calculated by dividing the annualised net profit attributable to shareholders after deducting declared preference dividends by the weighted average number of ordinary shares in issue during the financial period. For purposes of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the period).

5 COMMENTS ON PERFORMANCE AND BALANCE SHEET ITEMS

- (a) OCBC Group prepares its financial statements in accordance with Financial Reporting Standards ("FRS"). The same accounting policies and methods of computation have been applied in the financial statements for the current reporting period and the audited financial statements for the year ended 31 December 2002.
- (b) Group net profit attributable to shareholders rose by 20.9% for the first half of 2003 to S\$384 million driven by a 54.8% fall in provisions. For the second quarter of 2003, Group net attributable profit of S\$224 million was an increase of 120.1% over the same period last year as provisions were 65.9% lower.
- (c) Operating profit before provisions and goodwill amortisation fell 10.9% to S\$605 million in the first half of 2003 as the Group registered lower gains from disposal of investment securities and revenue was affected by the generally weak economic and investment environment. Operating profit of S\$307 million in the second quarter of 2003 was a decline of 12.5% from the same quarter last year.
- (d) Net interest income in the first half of 2003 decreased by 5.1% to S\$707 million due to pressure on interest margin which contracted by 11 basis points to 1.90% as a result of the strong market competition. Net interest income in the second quarter of 2003 was 5.2% lower than the same quarter last year.
- (e) Total non-interest income declined 11.2% in the first half of 2003 and 12.2% in the second quarter due to weaker gains from disposal of investment securities. However, strong treasury income was registered mainly due to higher gains from sale of government securities and higher profits on foreign exchange. Fee and commission income fell 7.6% to S\$170 million in the first half of 2003 as poor investment sentiments hit brokerage, unit trust and bancassurance sales.

- (f) Total operating expenses decreased by 1.0% to S\$424 million in the first half of 2003 despite a one-time write-off of approximately S\$10 million in fixed assets. The lower operating expenses was mainly due to a S\$5 million reversal of specific restructuring costs in the first quarter of 2003. Cost-to-income ratio was 41.2% in the first half of 2003 (first half 2002: 38.7%) and 42.1% in the second quarter of 2003 (second quarter 2002: 38.8%) due mainly to the comparatively lower income base in 2003.
- (g) Total provisions for the first half of 2003 amounted to S\$134 million representing a decrease of 54.8% from first half of 2002. Second quarter 2003 provisions was S\$70 million, 65.9% lower than in the same quarter last year. The decline in provisions came largely from lower specific provisions for loans and investment securities. Total cumulative specific and general provisions amounted to S\$2.6 billion as at 30 June 2003, reflecting provision coverage of 63.2% of total non-performing loans ("NPLs").
- (h) The share of pre-tax profits of associated companies fell by 13.7% to S\$89 million in the first half of 2003. However, profit contribution from associated companies recorded an increase of 80.3% in the second quarter of 2003 compared to the same quarter last year mainly due to higher contribution from the Group's insurance associate.
- (i) Compared to 31 December 2002, total assets increased by 2.7% to S\$86.3 billion as at 30 June 2003 while net loans to customers grew by 3.0% to S\$48.8 billion. Total NPLs declined by 5.5% from December 2002 to S\$4.12 billion as at 30 June 2003. The ratio of non-bank NPLs to non-bank loans improved from 8.1% to 7.5% over the same period.
- (j) As at 30 June 2003, total shareholders' equity was S\$9.6 billion, an increase of 3.6% compared to end December 2002. The Tier 1 and total capital adequacy ratios computed based on the Bank for International Settlements guidelines were 11.8% and 21.1% respectively.
- (k) Annualised basic earnings per ordinary share (EPS) was 59 cents for the first half of 2003, up from 50 cents in first half of 2002. For the second quarter of 2003, annualised basic EPS was 67 cents, an increase of 35 cents from 32 cents for the second quarter of 2002.

6 DIVIDENDS

An interim dividend of 11 cents (2002: 5 cents interim) for every S\$1 ordinary stock unit less 22% (2002: 22%) Singapore income tax has been declared in respect of the financial year ending 31 December 2003, and will be paid on 3 September 2003. The dividend rate is 11% (2002: 5%). The interim dividend, representing a payout of 29%, is in line with OCBC's dividend policy adopted earlier this year, which targets to pay out at least 25% of profit after tax from its core business, barring unforeseen circumstances. It also targets to pay more uniform dividends every half-year, increasing in line with its core earnings.

On 20 June 2003, the Bank paid the semi-annual dividend of 4.5% per annum (net of Singapore income tax) on its non-cumulative, non-convertible Class E Preference Shares.

	<u>2003</u>	<u>2002</u>
	S\$'000	S\$'000
Interim dividend on ordinary stock		
11 cents (2002: 5 cents) per S\$1 stock less 22% (2002: 22%) tax	<u>110,798</u>	<u>50,317</u>
Semi-annual dividend for Class E Preference Shares		
4.5% per annum net of 22% tax (2002: not applicable)	<u>8,815</u>	<u>-</u>

7 CLOSURE OF BOOKS

Notice is hereby given that the Transfer Books and the Register of Stockholders of the Bank will be closed from 22 August 2003 to 26 August 2003 (both dates inclusive) for the purpose of determining the entitlements of stockholders to the interim dividend of 11 cents less 22% Singapore income tax for every S\$1 ordinary stock unit held. Duly completed registrable transfers of stock units received by the Bank's Share Registrar, KPMG of 138 Robinson Road #17-00 The Corporate Office Singapore 068906 up to 5.00 pm on 21 August 2003 will be registered in order to determine the entitlements of Stockholders to the interim dividend. Subject as aforesaid, Stockholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with stock units as at 5.00 p.m. on 21 August 2003 will be entitled to the interim dividend.

8 SCRIP DIVIDEND SCHEME

The Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme, which was approved by the Stockholders of the Bank at the Extraordinary General Meeting on 8 June 1996, will not be applicable to the interim dividend.

9 SHARES ISSUED AND OUTSTANDING CONVERTIBLES

- (a) From 1 April 2003 to 30 June 2003 (both dates inclusive), the Bank issued 935,937 ordinary shares of S\$1 each upon the exercise of options by officers of the Bank pursuant to the OCBC Executives' Share Option Scheme 1994.
- (b) As at 30 June 2003, there were 35,689,209 ordinary shares of S\$1 each (30 June 2002: 27,963,986) that may be issued on the exercise of options.
- (c) No new preference shares were allotted and issued in the second quarter ended 30 June 2003.

10 SUBSEQUENT EVENTS

- (a) On 14 May 2003, stockholders of the Bank approved the one-off special cash dividend of S\$0.4975 (net of Singapore income tax) per stock unit of S\$1.00 each with an option to elect to receive new Class G Preference shares. Following the aforesaid approval, the Bank, on 14 July 2003, allotted and issued a total of 245,830,884 non-cumulative non-convertible Class G Preference Shares of S\$0.01 each ("Class G Preference Shares") at an issue price of S\$0.995 per share to satisfy in full stockholders' elections as well as their subscriptions for additional Class G Preference Shares. The Class G Preference Shares qualify as Tier 1 capital for the purposes of computing the regulatory capital adequacy ratio. The Class G Preference Shares have a fixed dividend rate of 4.2% per annum (net of Singapore income tax), payable semi-annually in arrears on 20 June and 20 December in each year when, as and if such dividends are declared by the Board of Directors of the Bank. For stockholders who have elected for cash dividend, a total of S\$434.15 million was paid to them.
- (b) On 23 May 2003, the Bank announced the selective capital reduction exercise ("OCBC Selective Capital Reduction") under which the Bank proposed to cancel 12,138,915 OCBC Stock Units held by Fraser and Neave, Limited ("F&N"), representing the entire 0.94% shareholding in the Bank held by F&N, with a cash distribution to F&N at S\$8.63 for each OCBC Stock Unit cancelled.

10 SUBSEQUENT EVENTS (continue)

On the same day, F&N proposed to reduce approximately 14.03% of its issued share capital in the following sequence:

- (i) firstly, the cancellation of 10% of the issued share capital of F&N, amounting to approximately 26,767,024 ordinary shares of S\$1.00 each in the capital of F&N ("F&N Shares"), held by all F&N shareholders in proportion to their shareholding in F&N, and making a cash distribution to the F&N shareholders of S\$8.57 for each F&N Share cancelled ("F&N Pro Rata Capital Reduction"). The actual number of F&N Shares to be cancelled pursuant to the F&N Capital Reduction Exercise may be adjusted, based on the issued share capital of F&N as at a books closure date to be determined; and
- (ii) secondly, the cancellation of 10,800,000 F&N Shares, representing approximately 4.03% of the issued share capital of F&N, held by the Bank and three of its subsidiaries and making a cash distribution to these entities of S\$8.15 for each F&N Share cancelled ("F&N Selective Capital Reduction").

At the extraordinary general meeting of the Bank held on 28 July 2003, stockholders approved the OCBC Selective Capital Reduction. At the extraordinary general meeting of F&N held on 29 July 2003, shareholders of F&N also approved the F&N Pro Rata Capital Reduction and F&N Selective Capital Reduction.

- (c) On 26 July 2003, the Bank announced the proposed issue of up to 150 million Class G Preference Shares at an issue price of S\$1.0027 per share by way of placement to investors. The proposed issue will strengthen the Bank's capital base in preparation for future expansion and growth and pave the way for the Bank to manage its capital structure more efficiently and, where possible, utilise its Section 44 Income Tax franking credits through the dividends payable under the Class G Preference Shares.

BY ORDER OF THE BOARD

Peter Yeoh
Secretary

Singapore, 5 Aug 2003

More details on the results are available at the Bank's website at www.ocbc.com