

OVERSEA-CHINESE BANKING CORPORATION LIMITED

(Incorporated in Singapore)

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

1(a) UNAUDITED CONSOLIDATED RESULTS

	GROUP					
	1st Half	1st Half	+ / (-)	2nd Qtr	2nd Qtr	+ / (-)
	2004	2003		2004	2003	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	1,216,915	1,196,007	1.7	618,635	590,848	4.7
Less: Interest expense	472,212	488,673	(3.4)	238,538	235,081	1.5
Net interest income	744,703	707,334	5.3	380,097	355,767	6.8
Fees and commissions	232,488	169,952	36.8	117,347	87,653	33.9
Dividends	65,187	30,412	114.3	20,725	19,880	4.3
Rental income	36,124	29,182	23.8	18,165	13,564	33.9
Income from insurance	26,408	–	n.m.	26,408	–	n.m.
Other income	67,586	92,488	(26.9)	84,202	53,326	57.9
Non-interest income	427,793	322,034	32.8	266,847	174,423	53.0
Income before operating expenses	1,172,496	1,029,368	13.9	646,944	530,190	22.0
Less: Staff costs	250,989	238,070	5.4	131,028	118,967	10.1
Other operating expenses	190,352	186,214	2.2	104,693	104,266	0.4
Total operating expenses	441,341	424,284	4.0	235,721	223,233	5.6
Operating profit before provisions and goodwill amortisation	731,155	605,084	20.8	411,223	306,957	34.0
Less: Goodwill amortisation	67,838	63,298	7.2	36,175	31,654	14.3
Provisions for possible loan losses and diminution in value of other assets	42,551	133,671	(68.2)	22,181	69,904	(68.3)
Operating profit after provisions and goodwill amortisation	620,766	408,115	52.1	352,867	205,399	71.8
Share of profits less losses of associated companies	109,440	89,204	22.7	47,902	77,992	(38.6)
Profit before tax	730,206	497,319	46.8	400,769	283,391	41.4
Less: Tax	134,510	89,272	50.7	75,584	41,845	80.6
Share of tax of associated companies	27,912	23,579	18.4	13,683	16,812	(18.6)
	162,422	112,851	43.9	89,267	58,657	52.2
Profit after tax	567,784	384,468	47.7	311,502	224,734	38.6
Less: Minority interests	8,582	756	n.m.	8,082	436	n.m.
Profit attributable to shareholders	559,202	383,712	45.7	303,420	224,298	35.3

n.m. – Not meaningful

1(b)(i) UNAUDITED BALANCE SHEET

	GROUP		BANK	
	30 June 2004	31 December 2003	30 June 2004	31 December 2003
	\$'000	\$'000	\$'000	\$'000
SHAREHOLDERS' EQUITY				
Share Capital				
Authorised	3,014,205	2,010,838	3,014,205	2,010,838
Issued and fully paid	1,336,567	1,284,084	1,336,567	1,284,084
Reserves				
Capital reserves	3,000,937	2,329,076	2,876,169	2,205,333
Statutory reserves	1,908,285	1,854,303	1,556,100	1,528,700
Revenue reserves	4,901,860	4,591,450	3,425,796	3,177,056
Total shareholders' equity	11,147,649	10,058,913	9,194,632	8,195,173
MINORITY INTERESTS	441,892	19,879	–	–
LIABILITIES				
Deposits of non-bank customers	57,214,568	53,459,680	47,979,891	45,673,695
Deposits and balances of banks	13,218,770	12,480,794	12,403,800	11,910,339
Deposits of subsidiary companies	–	–	1,613,282	1,268,267
Deposits of associated companies	175,154	1,457,708	109,217	878,968
Bills payable	202,503	185,233	117,021	102,478
Current tax	497,247	327,667	296,240	292,216
Deferred tax	71,280	76,043	29,913	55,482
Other liabilities	2,471,605	2,421,286	1,667,188	1,796,542
Debt securities	4,796,415	4,010,223	4,743,415	3,882,473
	90,237,083	84,497,426	78,154,599	74,055,633
Life assurance fund	27,751,198	–	–	–
Total liabilities and shareholders' equity	117,988,281	84,497,426	78,154,599	74,055,633
ASSETS				
Cash and placements with central banks	7,869,936	4,035,863	6,096,238	2,604,863
Singapore government treasury bills and securities	5,636,812	6,151,111	5,402,168	6,002,069
Other government treasury bills and securities	1,498,280	1,054,618	647,396	203,599
Dealing securities	375,908	235,541	243,231	134,929
Placements with and loans to banks	7,593,669	9,649,818	6,081,703	8,874,153
Bills receivable	446,003	428,195	278,892	218,965
Loans to customers	51,876,839	49,726,922	43,952,207	42,675,233
Investment securities	7,651,263	6,294,827	5,830,597	5,310,599
Deferred tax	49,481	53,670	–	–
Other assets	2,371,926	2,182,934	1,544,459	1,759,742
Associated companies	388,855	1,177,137	99,456	107,617
Subsidiary companies	–	–	5,330,409	3,427,270
Property, plant and equipment	1,397,725	1,434,736	720,178	748,439
Goodwill and intangible assets	3,080,386	2,072,054	1,927,665	1,988,155
	90,237,083	84,497,426	78,154,599	74,055,633
Life fund net assets attributable to policyholders	27,751,198	–	–	–
Total assets	117,988,281	84,497,426	78,154,599	74,055,633
OFF-BALANCE SHEET ITEMS				
Contingent liabilities	6,434,429	5,829,577	5,407,260	5,010,352
Commitments	30,188,720	27,261,292	25,441,734	23,637,732
Financial derivatives	218,365,148	191,246,606	216,196,753	189,829,605
	254,988,297	224,337,475	247,045,747	218,477,689

1(b)(ii) AGGREGATE GROUP BORROWINGS AND DEBT SECURITIES

	30 June 2004		31 December 2003	
	Secured ⁽¹⁾	Unsecured	Secured ⁽¹⁾	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less	78,000	–	152,750	–
Amount repayable after one year	–	4,718,415	–	3,857,473

⁽¹⁾ The collateralised 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 designated assets of the SPE.

1(c) UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June		Three months ended 30 June	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Operating profit before provisions and goodwill amortisation	731,155	605,084	411,223	306,957
<u>Adjustments for non-cash items</u>				
Amortisation of computer software costs	13,237	9,640	7,474	4,863
Depreciation of property, plant and equipment	30,213	46,403	15,386	29,115
(Gains)/losses on disposal of investment securities	(6,042)	(3,062)	(642)	(3,678)
(Gains)/losses on disposal of property, plant and equipment	(1,793)	748	(1,637)	45
Operating profit before changes in operating assets and liabilities	766,770	658,813	431,804	337,302
<u>Increase/(decrease) in operating liabilities</u>				
Deposits of non-bank customers	2,472,334	463,012	1,553,213	(637,823)
Deposits and balances of banks	737,976	814,472	(702,444)	3,590,215
Bills payable and other liabilities	(181,693)	261,858	(241,650)	336,228
<u>(Increase)/decrease in operating assets</u>				
Dealing securities	(123,398)	(266,943)	(36,665)	(173,528)
Placements with and loans to banks	2,563,748	(231,837)	2,273,439	46,357
Loans to customers and bills receivable	(1,639,924)	(1,509,392)	(1,183,299)	(1,623,670)
Other assets	168,570	110,457	209,577	(257,706)
Cash provided by/(used in) operating activities	4,764,383	300,440	2,303,975	1,617,375
Income tax paid	(154,608)	(154,023)	(122,436)	(121,019)
Net cash provided by/(used in) operating activities	4,609,775	146,417	2,181,539	1,496,356
Cash flows from investing activities				
Acquisition of an associated company	(118,334)	–	(118,334)	–
Dividends from associated companies	58,658	29,190	36,139	29,139
Decrease/(increase) in associated companies	85	6,167	(4,211)	1,946
Net cash inflow/(outflow) from acquisition of additional interests in subsidiary companies	9,897	(288)	9,897	–
Purchase of investment securities	(1,444,705)	(1,115,279)	(836,042)	(674,395)
Purchase of property, plant and equipment	(28,649)	(25,406)	(21,891)	(7,217)
Proceeds from disposal of investment securities	1,001,004	717,621	335,372	346,498
Proceeds from disposal of property, plant and equipment	10,937	7,683	1,062	6,998
Net cash provided by/(used in) investing activities	(511,107)	(380,312)	(598,008)	(297,031)
Cash flows from financing activities				
Increase/(decrease) in debt securities	784,562	(6,584)	854,312	25,814
Dividends paid	(142,643)	(159,896)	(142,643)	(159,896)
Net proceeds from issue of preference shares	–	498,837	–	(165)
Proceeds from issue of ordinary shares	16,919	7,661	9,435	6,830
Selective capital reduction	(991,488)	–	(991,488)	–
Change in minority interests and dividends paid to minority interests	–	(47)	–	(57)
Net cash provided by/(used in) financing activities	(332,650)	339,971	(270,384)	(127,474)
Net foreign currency translation adjustments	(3,278)	38,592	18,079	14,666
Net change in cash and cash equivalents	3,762,740	144,668	1,331,226	1,086,517
Cash and cash equivalents as at beginning of the period	10,697,579	9,809,280	13,129,093	8,867,431
Cash and cash equivalents as at end of the period	14,460,319	9,953,948	14,460,319	9,953,948

1(d)(i) UNAUDITED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	Share	Capital	Statutory	Revenue	
For half year ended 30 June	Capital	Reserves	Reserves	Reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2004	1,284,084	2,329,076	1,854,303	4,591,450	10,058,913
Profit attributable to shareholders	-	-	-	559,202	559,202
Foreign currency translation losses not recognised in the income statement	-	-	-	(3,278)	(3,278)
Total recognised gains for the financial period	-	-	-	555,924	555,924
Transfers	-	1,025	24,279	(25,304)	-
Reserves arising from acquisition of additional interests in GEH	-	-	29,703	48,433	78,136
Class E preference dividends paid	-	-	-	(11,281)	(11,281)
Class G preference dividends paid	-	-	-	(8,335)	(8,335)
Final dividends paid to ordinary stockholders	-	-	-	(123,027)	(123,027)
Selective capital reduction	(80,192)	(785,296)	-	(126,000)	(991,488)
Shares issued pursuant to voluntary unconditional offer	130,847	1,441,041	-	-	1,571,888
Shares issued under Share Option Schemes	1,828	15,091	-	-	16,919
Balance at 30 June 2004	1,336,567	3,000,937	1,908,285	4,901,860	11,147,649
Comprise:					
Share of reserves of associated companies	-	20,628	-	86,743	107,371
Balance at 1 January 2003	1,290,299	1,505,515	1,936,244	4,492,164	9,224,222
Profit attributable to shareholders	-	-	-	383,712	383,712
Foreign currency translation gains not recognised in the income statement	-	-	-	38,592	38,592
Total recognised gains for the financial period	-	-	-	422,304	422,304
Transfers	-	3,170	27,670	(30,840)	-
Class E preference shares issued for cash	50	499,950	-	-	500,000
Class E preference dividends paid	-	-	-	(8,815)	(8,815)
Class G preference shares to be issued in lieu of special cash dividends	-	208,264	-	(208,264)	-
Expenses relating to the issue of preference shares	-	(1,163)	-	-	(1,163)
Final dividends paid to ordinary stockholders	-	-	-	(151,081)	(151,081)
Special dividends payable to ordinary stockholders	-	-	-	(434,155)	(434,155)
Shares issued under Share Option Schemes	1,053	6,608	-	-	7,661
Balance at 30 June 2003	1,291,402	2,222,344	1,963,914	4,081,313	9,558,973
Comprise:					
Share of reserves of associated companies	-	20,691	-	908,823	929,514

1(d)(i) UNAUDITED STATEMENT OF CHANGES IN EQUITY (continued)

BANK For half year ended 30 June	Share Capital	Capital Reserves	Statutory Reserves	Revenue Reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2004	1,284,084	2,205,333	1,528,700	3,177,056	8,195,173
Profit attributable to shareholders	–	–	–	547,895	547,895
Foreign currency translation losses not recognised in the income statement	–	–	–	(3,112)	(3,112)
Total recognised gains for the financial period	–	–	–	544,783	544,783
Transfers	–	–	27,400	(27,400)	–
Class E preference dividends paid	–	–	–	(11,281)	(11,281)
Class G preference dividends paid	–	–	–	(8,335)	(8,335)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Shares issued pursuant to voluntary unconditional offer	130,847	1,441,041	–	–	1,571,888
Shares issued under Share Option Schemes	1,828	15,091	–	–	16,919
Balance at 30 June 2004	1,336,567	2,876,169	1,556,100	3,425,796	9,194,632
Balance at 1 January 2003	1,290,299	1,395,457	1,464,200	2,865,742	7,015,698
Profit attributable to shareholders	–	–	–	444,066	444,066
Foreign currency translation gains not recognised in the income statement	–	–	–	23,587	23,587
Total recognised gains for the financial period	–	–	–	467,653	467,653
Transfers	–	–	22,260	(22,260)	–
Class E preference shares issued for cash	50	499,950	–	–	500,000
Class E preference dividends paid	–	–	–	(8,815)	(8,815)
Class G preference shares to be issued in lieu of special cash dividends	–	208,264	–	(208,264)	–
Expenses relating to the issue of preference shares	–	(1,163)	–	–	(1,163)
Final dividends paid to ordinary stockholders	–	–	–	(151,081)	(151,081)
Special dividends payable to ordinary stockholders	–	–	–	(434,155)	(434,155)
Shares issued under Share Option Schemes	1,053	6,608	–	–	7,661
Balance at 30 June 2003	1,291,402	2,109,116	1,486,460	2,508,820	7,395,798

1(d)(i) UNAUDITED STATEMENT OF CHANGES IN EQUITY (continued)

CONSOLIDATED For quarter ended 30 June	Share Capital	Capital Reserves	Statutory Reserves	Revenue Reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2004	1,284,926	2,335,742	1,869,783	4,810,371	10,300,822
Profit attributable to shareholders	–	–	–	303,420	303,420
Foreign currency translation gains not recognised in the income statement	–	–	–	18,079	18,079
Total recognised gains for the financial period	–	–	–	321,499	321,499
Transfers	–	1,001	8,799	(9,800)	–
Reserves arising from acquisition of additional interests in GEH	–	–	29,703	48,433	78,136
Class E preference dividends paid	–	–	–	(11,281)	(11,281)
Class G preference dividends paid	–	–	–	(8,335)	(8,335)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Shares issued pursuant to voluntary unconditional offer	130,847	1,441,041	–	–	1,571,888
Shares issued under Share Option Schemes	986	8,449	–	–	9,435
Balance at 30 June 2004	1,336,567	3,000,937	1,908,285	4,901,860	11,147,649
Comprise:					
Share of reserves of associated companies	–	20,628	–	86,743	107,371
Balance at 1 April 2003	1,290,466	2,006,264	1,946,605	4,664,060	9,907,395
Profit attributable to shareholders	–	–	–	224,298	224,298
Foreign currency translation gains not recognised in the income statement	–	–	–	14,666	14,666
Total recognised gains for the financial period	–	–	–	238,964	238,964
Transfers	–	2,087	17,309	(19,396)	–
Class E preference dividends paid	–	–	–	(8,815)	(8,815)
Class G preference shares to be issued in lieu of special cash dividends	–	208,264	–	(208,264)	–
Expenses relating to the issue of preference shares	–	(165)	–	–	(165)
Final dividends paid to ordinary stockholders	–	–	–	(151,081)	(151,081)
Special dividends payable to ordinary stockholders	–	–	–	(434,155)	(434,155)
Shares issued under Share Option Schemes	936	5,894	–	–	6,830
Balance at 30 June 2003	1,291,402	2,222,344	1,963,914	4,081,313	9,558,973
Comprise:					
Share of reserves of associated companies	–	20,691	–	908,823	929,514

1(d)(i) UNAUDITED STATEMENT OF CHANGES IN EQUITY (continued)

BANK For quarter ended 30 June	Share Capital	Capital Reserves	Statutory Reserves	Revenue Reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2004	1,284,926	2,211,975	1,544,180	3,468,756	8,509,837
Profit attributable to shareholders	–	–	–	238,464	238,464
Foreign currency translation losses not recognised in the income statement	–	–	–	(861)	(861)
Total recognised gains for the financial period	–	–	–	237,603	237,603
Transfers	–	–	11,920	(11,920)	–
Class E preference dividends paid	–	–	–	(11,281)	(11,281)
Class G preference dividends paid	–	–	–	(8,335)	(8,335)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Shares issued pursuant to voluntary unconditional offer	130,847	1,441,041	–	–	1,571,888
Shares issued under Share Option Schemes	986	8,449	–	–	9,435
Balance at 30 June 2004	1,336,567	2,876,169	1,556,100	3,425,796	9,194,632
Balance at 1 April 2003	1,290,466	1,895,123	1,471,830	3,020,213	7,677,632
Profit attributable to shareholders	–	–	–	292,426	292,426
Foreign currency translation gains not recognised in the income statement	–	–	–	13,126	13,126
Total recognised gains for the financial period	–	–	–	305,552	305,552
Transfers	–	–	14,630	(14,630)	–
Class E preference dividends paid	–	–	–	(8,815)	(8,815)
Class G preference shares to be issued in lieu of special cash dividends	–	208,264	–	(208,264)	–
Expenses relating to the issue of preference shares	–	(165)	–	–	(165)
Final dividends paid to ordinary stockholders	–	–	–	(151,081)	(151,081)
Special dividends payable to ordinary stockholders	–	–	–	(434,155)	(434,155)
Shares issued under Share Option Schemes	936	5,894	–	–	6,830
Balance at 30 June 2003	1,291,402	2,109,116	1,486,460	2,508,820	7,395,798

1(d)(ii) SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

- (a) On 28 May 2004, pursuant to a selective capital reduction exercise proposal (“Selective Capital Reduction”) approved at an extraordinary general meeting held on 30 April 2004, the Bank cancelled 80,192,220 ordinary shares of S\$1 par value each held by three subsidiaries of Great Eastern Holdings Limited (“GEH subsidiaries”) and made a cash distribution of \$991,488,589 or S\$12.3639 per ordinary share. In connection with the Selective Capital Reduction, part of the cash distribution was effected by way of a cancellation of bonus shares issued and allotted to the aforesaid GEH subsidiaries through the capitalisation of unappropriated profits amounting to \$126,000,000.
- (b) Pursuant to the voluntary unconditional offer made for GEH (“Offer”), the Bank has issued a total of 130,847,051 new OCBC shares in settlement of valid acceptances of the Offer by GEH shareholders (including the acquisition of 10,000,000 GEH shares from Singapore Investments (Pte) Limited) and the Options Proposal by GEH option holders that are received up to 5.00 p.m. on 22 June 2004. In addition, the Bank has issued 976 irredeemable non-cumulative convertible Class H Preference Shares (“INCCPS”) in settlement of valid acceptance by a GEH shareholder who has elected for the INCCPS alternative.
- (c) From 1 April 2004 to 30 June 2004 (both dates inclusive), the Bank issued 985,858 ordinary shares of S\$1 each upon the exercise of options by officers of the Group pursuant to the OCBC Share Option Schemes 1994 and 2001.
- (d) As at 30 June 2004, there were 35,013,199 ordinary shares of S\$1 each (30 June 2003: 35,689,209) that may be issued on the exercise of options.
- (e) Pursuant to shareholders’ approval of the OCBC Employee Share Purchase Plan (ESP Plan) on 30 April 2004, the Bank has successfully launched its maiden scheme in June 2004 which allows eligible staff to subscribe for new OCBC shares after the first anniversary of the two-year offering period commencing 1 July 2004 to 30 June 2006. As at 30 June 2004, the number of shares entitled to be issued under the ESP Plan was 2,807,587 (including 11,880 shares arising from the participation by two executive directors).
- (f) Other than mentioned above, no new preference shares were allotted and issued in the second quarter ended 30 June 2004.

2 OTHER INFORMATION

	GROUP					
	1st Half 2004	1st Half 2003	+ /(-) %	2nd Qtr 2004	2nd Qtr 2003	+ /(-) %
(a) Attributable net profit as a percentage of weighted average total equity (%) ⁽²⁾	11.0	8.0	38.0	11.9	9.2	29.0
(b) Attributable net profit as a percentage of average assets (%) ^{(1) (2)}	1.28	0.92	39.0	1.37	1.06	28.9
(c) Earnings per ordinary share (S\$) ^{(2) (3)}						
– Basic	0.85	0.59	44.7	0.89	0.67	33.2
– Fully diluted	0.85	0.59	44.4	0.89	0.67	32.9
(d) Depreciation of property, plant and equipment (S\$'000)	30,213	46,403	(34.9)	15,386	29,115	(47.2)
(e) Amortisation of computer software costs (S\$'000)	13,237	9,640	37.3	7,474	4,863	53.7

Note:

⁽¹⁾ Average assets computed exclude life fund net assets.

⁽²⁾ Return on equity, return on assets and earning per ordinary share are annualised.

⁽³⁾ Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders, after deducting declared and/or paid 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).

3 NET ASSET VALUE

	GROUP		BANK	
	30 June 2004	31 December 2003	30 June 2004	31 December 2003
Net asset value per ordinary share (S\$)	7.69	7.16	6.23	5.70

4 COMMENTS ON PERFORMANCE AND BALANCE SHEET ITEMS

- (a) OCBC Group prepares its financial statements in accordance with the Singapore 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 2003.
- (b) Group net profit attributable to shareholders for the first half ended 30 June 2004 was S\$559 million, an increase of 45.7% over the same period in 2003. The improved performance was mainly contributed by growth in operating profit and lower provisions. Net profit for the second quarter of 2004 was S\$303 million, up 35.3% compared to second quarter 2003, driven by strong growth in revenue and decline in provisions.
- (c) Following the completion of the Bank’s voluntary unconditional offer (“Offer”) for Great Eastern Holdings (“GEH”) on 30 June 2004, the Group achieved an effective shareholding of 81.1% in GEH, up from 48.9% before the Offer. For second quarter 2004, the Group continued to equity account its 48.9% share of GEH’s profit up to end of May, and GEH’s results as a subsidiary was consolidated for the month of June, based on the effective shareholding of 70.1% achieved at the end of May. With the consolidation of GEH’s assets and liabilities, the Group’s total assets soared to S\$118.0 billion, up 39.6% from S\$84.5 billion as at December 2003.
- (d) Operating profit before provisions and goodwill amortisation grew by 20.8% to S\$731 million in first half 2004, driven mainly by a 13.9% increase in total revenue which outpaced the 4% rise in operating expenses. Operating profit of S\$411 million in the second quarter of 2004 was also higher by 34.0% compared to the same period last year.
- (e) Net interest income in first half 2004 increased by 5.3% year-on-year to S\$745 million, boosted by growth in average loan balances and lower deposit costs. Net interest margin rose slightly to 1.91%, as lower cost of funds largely cushioned the impact of lower yielding assets. Compared to second quarter 2003, net interest income in second quarter 2004 was higher by 6.8% mainly due to a higher average loan volume, coupled with marginal improvement of 3 basis points in the net interest margin to 1.92%.
- (f) Total non-interest income grew by 32.8% in first half 2004 to S\$428 million, and by 53.0% in the second quarter to S\$267 million, propelled by stronger fee and commission income, higher dividend income as well as income from GEH’s insurance business. The growth in fee and commission income was contributed largely from wealth management, stockbroking and investment banking activities. Dividend income increased by S\$35 million to S\$65 million in first half 2004 predominantly due to a special dividend of S\$29 million from Robinson & Company, Limited.
- (g) Other income declined 26.9% to S\$68 million in the first half when compared to the same period last year, primarily due to losses of S\$13 million in derivatives and securities dealing partly offset by gains in foreign exchange dealing and various other income. The S\$13 million losses were mainly due to unrealised revaluation losses on interest rate swaps during the first quarter, partly offset by gains in the second quarter when interest rates rose.
- (h) Total operating expenses, including the consolidation of GEH’s S\$5 million expenses, increased by 4.0% to S\$441 million in first half 2004. The increase was attributed to higher staff costs and business promotion expenses, partially offset by lower premises and equipment expenses. The higher staff costs reflected the increase in average headcount while the lower premises and equipment expenses was the result of a S\$10 million one time write-off relating to certain fixed assets in the second quarter of 2003. With stronger growth in revenue compared to expenses, the Group’s cost-to-income ratio improved from 41.2% in first half 2003 to 37.6% in first half 2004.
- (i) Total provisions for the first half of 2004 amounted to S\$43 million, down from S\$134 million in first half 2003. Second quarter 2004 provisions also fell to S\$22 million from S\$70 million in the same quarter last year. The decline in provisions came largely from lower specific provisions for loans, which can be attributed to an improvement in the overall credit processes and quality of the loan portfolio in the midst of better economic conditions in Singapore and Malaysia.

4 COMMENTS ON PERFORMANCE AND BALANCE SHEET ITEMS *(continued)*

- (j) The share of pre-tax profits of associated companies increased by 22.7% to S\$109 million in first half 2004. However, profit contribution from associated companies registered a decline of 38.6% to S\$48 million in second quarter 2004, as GEH's profit for June 2004 has been consolidated in the Group's income statement and not equity accounted. In second quarter 2004, the Group also equity accounted for its 22.5% share of PT Bank NISP's pretax profit following the completion of the acquisition at end of April 2004. Net of goodwill amortisation, PT Bank NISP contributed S\$1 million in pretax profit.
- (k) Compared to 31 December 2003, net loans to customers and bill receivables grew by 4.3% to S\$52.3 billion as at 30 June 2004. Total non-performing loans ("NPLs") declined by 8.4% from S\$3.8 billion as at 31 December 2003 to S\$3.5 billion as at 30 June 2004. The ratio of non-bank NPLs to non-bank loans improved from 6.9% to 6.1% over the same period. Total cumulative specific and general provisions amounted to S\$2.5 billion as at 30 June 2004, representing a provision coverage ratio of 70.4% of NPLs, up from 67.0% as at 31 December 2003.
- (l) As at 30 June 2004, total shareholders' equity was S\$11.1 billion, an increase of 10.8% compared to 31 December 2003. The Group's Tier 1 and total capital adequacy ratios, computed in accordance with the revised capital adequacy framework set out in MAS Notice 637, were 12.6% and 17.7% respectively.
- (m) Annualised earnings per ordinary share ("EPS") was 85 cents for the first half of 2004, up from 59 cents in first half 2003. For the second quarter of 2004, annualised basic EPS was 89 cents, an increase of 22 cents from 67 cents for the second quarter of 2003.

5 SUBSEQUENT EVENTS / OTHER MATTERS

- (a) Following the close of the Offer for GEH on 30 June 2004, the Bank has on 9 July 2004 issued a total of 5,359,176 new OCBC shares in respect of its final settlement of valid acceptances of the Offer by GEH shareholders and the Options Proposal by a GEH option holder.

As the aggregate number of INCCPS in issue is less than 1,000,000 and in view of the lack of sufficient shareholding spread and liquidity of the INCCPS, the Bank has exercised its right to convert the outstanding 976 INCCPS into 976 new OCBC shares. The 976 INCCPS were converted into 976 new OCBC shares on 10 August 2004.

- (b) On 12 July 2004, the Bank announced that its wholly-owned subsidiary, Select Securities Limited, has entered into a sale and purchase agreement with Aequitas Pte Ltd for the sale of 2,354,500 shares in Raffles Investments Limited ("RIL") representing 49.8% of RIL's issued share capital, for a cash consideration of S\$121.7 million. RIL has ceased to be a subsidiary of the Bank on the same day.

6 DIVIDENDS**Ordinary stock**

An interim dividend of 19 cents (2003: 11 cents) for every S\$1 ordinary stock unit less 20% (2003: 22%) Singapore income tax has been declared in respect of the financial year ending 31 December 2004, and will be paid on 13 September 2004. The dividend rate is 19% (2003: 11%). The interim dividend, representing a payout of 36%, is in line with OCBC's revised dividend policy announced on 31 May 2004, which targets to pay out at least 35% of profit after tax from its core business, barring unforeseen circumstances.

	2004	2003
	S\$'000	S\$'000
Interim dividend		
19 cents (2003: 11 cents) per S\$1 ordinary stock unit less 20% (2003: 22%) tax	202,549	110,811

6 DIVIDENDS *(continued)***Non-cumulative non-convertible preference shares**

On 21 June 2004, 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 and 4.2% per annum (net of Singapore income tax) on its non-cumulative non-convertible Class G Preference Shares.

	2004	2003
	S\$'000	S\$'000
Class E (OCBC 4.5% NCPS 100) – 1 st semi-annual dividend	11,281	8,815
Class G (OCBC 4.2% NCPS) – 1 st semi-annual dividend	8,335	–
	19,616	8,815

7 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.

8 CLOSURE OF BOOKS

Notice is hereby given that the Transfer Books and the Register of Stockholders of the Bank will be closed from 27 August 2004 to 30 August 2004 (both dates inclusive) for the purpose of determining the entitlement of Stockholders to the interim dividend of 19 cents less 20% 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 p.m. on 26 August 2004 will be registered to determine the entitlement of Stockholders to the interim dividend. Stockholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with stock units as at 5.00 p.m. on 26 August 2004 will be entitled to the interim dividend.

By Order of the Board

Peter Yeoh
Secretary

Singapore, 11 August 2004

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