



# First Half 2002

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## GROUP FINANCIAL RESULTS

For The Six Months Ended  
30 June 2002

5 August 2002

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## Media Release

### **OCBC GROUP REPORTS FIRST HALF 2002 RESULTS**

**Operating Profit rose 25% to S\$672 million**

**Net Profit fell 30% to S\$302 million due mainly to higher provisions**

Singapore, 5 August 2002 – Oversea-Chinese Banking Corporation (“OCBC Bank”) today reported an operating profit of S\$672 million for the six months ended 30 June 2002, an increase of 25.4% compared to the first half of 2001. The increase was driven by the expanded revenue base of the enlarged Group and the realisation of cost synergies from the integration of Keppel Capital Holdings (KCH), which was acquired in August 2001. Compared to the second half of 2001, operating profit would also show an increase of 22%, after excluding the one-off gain of S\$260 million from the sale of OUB shares in second half 2001.

However, the Group’s first half net profit after tax fell by 30.4% year-on-year to S\$302 million, due to higher provisions, goodwill amortisation and the effect of a one-off associate gain recorded in first half 2001.

The provision charge in first half 2002 was S\$289 million, a decline of 26.4% from the S\$392 million charge in second half 2001. Compared to first half 2001, provisions increased by 131%, due largely to an increase in specific provisions for loans from S\$100 million to S\$255 million. The relatively high level of provisions for loans was a reflection of the continuing soft economic conditions and property and equity markets in Singapore.

The year-on-year decline in net profit was also caused by a goodwill charge of S\$62 million in first half 2002 following the acquisition of KCH, and a one-off gain of S\$65 million in first half 2001 arising from the disposal of the banking business by associate PacificMas Berhad.

#### **Robust Top Line Growth, Led by Fee Income**

Total income rose by 22.5% to S\$1,098 million, underpinned by a 15.8% rise in net interest income to S\$745 million and 39.9% jump in non-interest income to S\$353 million. While net interest margin fell by 31 basis points year-on-year to 1.93%, this was partly due to the net interest expense of S\$63 million arising from the S\$3.88 billion subordinated debt issued in July 2001 for the acquisition of KCH. Compared to the second half of 2001, net interest margin was only marginally lower by three basis points.

Non-interest income was boosted by a 33% rise in fee and commission income to S\$181 million, as well as by gains from the disposal of investment securities. Growth in fees and commissions was broad-based, with the strongest growth coming from unit trust distribution, stockbroking income, trade-related fees and service charges.

### **Cost Synergies on Target**

The Group achieved integration-related cost savings of approximately S\$32 million in the first half of 2002, mainly from savings in premises and equipment costs and staff costs. This is ahead of the original target of S\$55 million integration cost savings for the full year. Apart from the integration cost savings, tighter cost control also resulted in lower expenses in other areas that were not related to the integration exercise. As a result, the enlarged Group's operating expenses in the first half fell by 15.2% compared to second half 2001, despite the fact that only four and a half months of KCH's costs were reflected in second half 2001. The Group's cost-to-income ratio improved to 38.8% from 40.1% in first half 2001 and 47.7% in second half 2001 (excluding the gain from the sale of OUB shares).

### **Provisions Remained High**

The higher provision charge in the first half, compared to the same period last year, reflected an increase in specific provisions for loans and, to a lesser extent, provisions for a fall in value of property assets. Specific provisions for loans, after writebacks and recoveries, rose by 155% year-on-year to S\$255 million. Around two-thirds of the specific provisions made in first half 2002 (before writebacks and recoveries) were provisions for existing NPLs due to either a decline in collateral values or weaker recovery prospects for the existing NPL accounts. The remaining one-third of specific provisions was for new NPLs classified during the first half of 2002. The bulk of the net increase in specific provisions was for business loans in Singapore and Malaysia.

Specific provisions for investment securities and other assets rose by 72.1% to S\$63 million, largely due to lower valuation of properties which were consolidated in the balance sheet at fair market value at the time of the KCH acquisition.

The Group's overall provision coverage continued to improve, from 64.7% of NPLs as at 31 December 2001 to 67.6% as at 30 June 2002. Cumulative provisions over unsecured NPLs increased from 156.6% to 183.3% over the same period, while cumulative general provisions rose from 2.4% to 2.5% of total non-bank loans (net of specific provisions).

### **Sluggish Credit Demand, But Asset Quality was Stable**

The subdued demand for credit in the domestic economy and the Group's selective and cautious lending approach resulted in a 4.0% decline in gross customer loans compared to December 2001. All major loan categories experienced a decline from their December 2001 levels except for housing loans. The Group's housing loans grew by 5.5% or S\$611 million to S\$11.79 billion, contributed by growth in both the Singapore and Malaysia portfolios. Housing loans now account for 23% of total loans, by far the largest segment.

The Group's asset quality remains stable. Non-performing loans fell by 3.9% from December 2001 to S\$4.98 billion, with the bulk of the decline attributed to the Singapore loan portfolio. While there were new NPLs classified during the first half, these were more than offset by NPL recoveries, upgrades and write-offs. The overall NPL ratio fell marginally from 9.7% at end-2001 to 9.6% as at 30 June 2002.

## Integration of KCH Largely Completed

The integration of KCH and its subsidiaries, acquired by OCBC Bank in August 2001, was largely completed as at the end of June 2002. Keppel TatLee Bank was legally and operationally merged with OCBC Bank on 25 February 2002.

To achieve an optimal network and remove branch duplications following the acquisition, the Group has to-date closed 41 branches and offices in Singapore and overseas (including finance company branches). The bulk of these closures took place before 25 February 2002. Currently, the Group has a domestic network of 63 bank branches and sales centres and 14 finance company branches, and an overseas network of 50 bank branches and representative offices.

Staff rationalisation was also undertaken to eliminate the redundancies in job positions arising from the combination of the two banking groups. The Group's headcount stood at 7,694 as at 30 June 2002, a decrease of around 900 compared to the combined headcount of the two banking groups in September 2001, before integration began. The reduction was due to retrenchments as well as natural attrition. Going forward, the Group will continue to re-assess its human resource needs as part of the ongoing streamlining of operations.

## CEO's Comments

Commenting on the first half performance, Mr David Conner, Chief Executive Officer of OCBC Bank, said: "The Group has achieved a satisfactory performance, with our operating profit holding up well under the challenging circumstances. We have worked hard to diversify our income streams, and the strong growth in fee-generating businesses is particularly encouraging. For example, our bancassurance market share has risen from 39% in 2001 to 48% in the first quarter of 2002, while unit trust sales have grown by 42% to S\$600 million during the first half. We also did well in managing down our costs, with integration cost synergies ahead of target. While provisioning remained high, this was substantially lower than in second half 2001. Importantly, our overall provision coverage is comfortable relative to the level of NPLs."

"In the first half we have also achieved a successful integration of KCH well ahead of schedule. Our business focus for the rest of this year will be to exploit the revenue synergies from our enlarged customer base, continue to improve our asset quality, and enhance our operational efficiencies."

"Recently, OCBC Bank was named by US-based *Global Finance* magazine as the Best Corporate/Institutional Internet Bank in Singapore as well as in the Asia Pacific. Such accolades would not be possible if we had not continually invested in our staff, systems and the latest technology to stay ahead of our competitors and to better serve our customers. With our solid foundation, I am confident that OCBC Bank is in a strong position to face the challenges ahead."

# FINANCIAL REVIEW

## Highlights

- ◆ Operating profit increased by 25.4% to S\$672 million, driven by the enlarged revenue base of the Group following the integration of KCH, and the realisation of cost savings.
- ◆ Total income rose by 22.5% while operating expenses rose by a slower rate of 18.3%. Cost-to-income ratio improved from 40.1% to 38.8%.
- ◆ Profit attributable to members fell by 30.4% to S\$302 million (First Half 2001: S\$433 million) mainly as a result of higher provisions, the effect of goodwill amortisation and the inclusion of a one-time gain by an associate in first half 2001.
- ◆ Gross loans to non-bank customers fell 4.0% from December 2001 to S\$50.72 billion as at 30 June 2002, as credit demand remained sluggish in the current economic environment.
- ◆ Non-performing loans fell 3.9% from December 2001 to S\$4.98 billion as at 30 June 2002. The Group's NPL ratio improved marginally from 9.7% to 9.6% over the same period, and provision coverage of NPLs rose from 64.7% to 67.6%.
- ◆ Total capital adequacy ratio based on BIS guidelines remained strong at 19.9% (December 2001: 18.8%), with Tier 1 capital ratio of 11.1% (December 2001: 10.4%).
- ◆ Annualised EPS was 47 cents (First Half 2001: 67 cents). Annualised ROE was 6.8% (First Half 2001: 10.4%) while cash ROE before goodwill amortisation was 8.2% (First Half 2001: 10.5%).
- ◆ Net tangible assets per share was S\$5.23 (December 2001: S\$5.10). Including the unrealised valuation surplus of S\$2.70 per share (December 2001: S\$2.79), net tangible assets per share was S\$7.93 (December 2001: S\$7.89).
- ◆ Interim dividend was maintained at 5 cents per share.

# Financial Summary

	1st Half 2002 S\$m	1st Half 2001 S\$m	+ / (-) %	2nd Half 2001 S\$m
<b>Selected profit and loss data :</b>				
Net interest income	745	644	15.8	748
Fees and commissions	181	136	33.0	152
Dividends	26	16	61.2	20
Rental income	43	39	8.9	42
Other income	103	61	69.2	351
Total income	1,098	896	22.5	1,313
Less : Operating expenses	426	360	18.3	502
Operating profit	672	536	25.4	811
Less : Goodwill amortisation	62	2	2,521.6	47
Less : Total provisions	289	125	131.0	392
Add : Share of associated companies' results	103	158	(34.4)	41
Profit before tax	425	567	(24.9)	412
Less : Tax	122	132	(7.2)	59
Less : Minority interest	1	1	(4.2)	2
Net profit attributable to stockholders	302	433	(30.4)	352
Cash basis net profit attributable to stockholders *	363	436	(16.7)	398

## Selected balance sheet data :

Total assets	83,560	60,776	37.5	85,226
Loans to customers (net of provisions)	47,494	34,126	39.2	49,609
Deposits of non-bank customers	55,119	39,537	39.4	54,904
Total shareholders' equity	8,879	8,423	5.4	8,763

## Key Indicators :

Return on equity (% p.a.)	6.8	10.4		8.4
Return on equity (% p.a.) - Cash basis*	8.2	10.5		9.6
Return on assets (% p.a.)	0.72	1.47		0.88
Return on assets (% p.a.) - Cash basis*	0.87	1.48		1.00
Basic Earnings per share (annualised, S\$)	0.47	0.67	(30.1)	0.55
Cash Earnings per share (annualised, S\$) *	0.56	0.68	(17.0)	0.62
Gross dividends per share (S\$)				
- Interim dividend	0.05	0.05	-	-
- Final dividend	-	-	-	0.13
Total	0.05	0.05	-	0.13
Net tangible assets per share (S\$)				
- Before valuation surplus	5.23	6.54	(20.0)	5.10
- After valuation surplus	7.93	9.98	(20.5)	7.89

**Note:** Some of the figures may not add up to the relevant totals due to rounding

\* Excluding goodwill amortisation charge

## Net Interest Income

Net interest income rose by 15.8% to S\$745 million in first half 2002, as a result of the enlarged interest earning asset base following the acquisition of KCH. However, net interest margin was 31 basis points (bps) lower at 1.93%, mainly due to the lower return on surplus funds as a result of lower interbank rates, and the S\$63 million in net interest expense arising from the S\$3.88 billion subordinated debt issued in July 2001 for the acquisition of KCH.

Compared to second half 2001, customer spreads were stable and net interest margin was marginally lower by three bps as a result of lower interest recoveries.

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

	1st Half 2002			1st Half 2001			2nd Half 2001		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	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	51,401	1,211	4.75	35,676	1,111	6.28	48,281	1,502	6.17
Placements with and loans to banks	14,227	171	2.43	15,964	353	4.46	16,512	279	3.35
Other interest earning assets <sup>(2)</sup>	12,154	187	3.09	6,340	134	4.25	10,993	199	3.60
Total interest earning assets	77,782	1,569	4.07	57,980	1,598	5.56	75,786	1,980	5.18
Non-interest earning assets	8,628			3,958			7,132		
Total assets	86,410			61,938			82,918		
<b>Liabilities</b>									
Deposits of non-bank customers	57,362	654	2.30	39,584	763	3.88	51,460	955	3.68
Deposits and balances of banks	10,840	107	2.00	10,030	188	3.79	13,814	190	2.73
Other borrowings <sup>(3)</sup>	4,189	63	3.03	216	3	3.09	3,892	87	4.43
Total interest bearing liabilities	72,391	824	2.30	49,830	954	3.86	69,166	1,232	3.53
Non-interest bearing liabilities	5,067			3,667			4,979		
Total liabilities	77,458			53,497			74,145		
<b>Net interest income/margin</b>		<b>745</b>	<b>1.93</b>		<b>644</b>	<b>2.24</b>		<b>748</b>	<b>1.96</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 Half 2002	1st Half 2001	+ / (-)	2nd Half 2001
	S\$m	S\$m	%	S\$m
<b>Fee and commission income</b>				
Brokerage	35	26	32.4	21
Investment banking	7	8	(13.1)	8
Trade-related	16	10	51.7	13
Loans-related	24	20	20.0	24
Service charges	24	16	50.3	18
Guarantees	9	6	37.9	7
Credit cards	13	10	30.5	12
Fund management	9	7	24.3	8
Unit trust distribution	26	16	63.3	16
Bancassurance	15	15	0.9	15
Others	4	1	206.6	9
Total	<u>181</u>	<u>136</u>	33.0	<u>152</u>
<b>Dividends</b>	26	16	61.2	20
<b>Rental income</b>	43	39	8.9	42
<b>Other income</b>				
Dealing in foreign exchange	17	13	31.2	20
Dealing in securities and derivatives	9	-	n.m.	72
Disposal of investment securities	46	13	257.2	243
Sale of properties	-	8	n.m.	-
Others	31	27	13.1	17
Total	<u>103</u>	<u>61</u>	69.2	<u>351</u>
<b>Total non-interest income</b>	<u>353</u>	<u>252</u>	39.9	<u>565</u>
Fees and Commissions/Total Income	16.5%	15.2%		11.6%
Non-Interest Income/Total Income	32.2%	28.2%		43.0%

Non-interest income grew by S\$101 million or 39.9% to \$353 million, accounting for 32.2% of total income. The increase was largely due to stronger fee and commission income, as well as higher other income arising from the disposal of investment securities. Compared to second half 2001, non-interest income was S\$212 million lower, as there was a S\$260 million gain from the disposal of OUB shares booked in second half 2001.

Fees and commissions registered a year-on-year growth of 33% to S\$181 million, underpinned by the cross-selling of products and increased penetration of an enlarged customer base. While growth was broad-based, the strongest segments were unit trust sales, stockbroking income, trade-related fees and service charges. Unit trust sales benefited from the launch of several new products which were well received by investors, while brokerage income was boosted by the enlarged client base and comparatively more active trading on the Singapore stock market.

## Operating Expenses

	1st Half 2002 S\$m	1st Half 2001 S\$m	+ / (-) %	2nd Half 2001 S\$m
<b>Staff costs</b>				
Salaries and other costs	208	180	15.3	236
Provident fund contribution	27	23	17.4	26
Directors' emoluments	5	5	14.4	6
Total staff costs	240	208	15.5	268
<b>Premises and equipment</b>				
Depreciation of fixed assets	35	30	15.0	41
Amortisation of computer software costs	5	4	20.5	6
Maintenance and hire of fixed assets	13	11	18.5	13
Rental of premises	13	12	2.6	16
Others	29	25	15.4	36
Total premises and equipment costs	94	83	14.0	112
<b>Other operating expenses</b>	81	69	16.8	90
	415	360	15.4	470
<b>Restructuring and other integration costs</b>	11	-	n.m.	32
<b>Total operating expenses</b>	426	360	18.3	502
Group staff strength - period end	7,694	6,707	14.7	8,567
Group staff strength - average	8,016	6,651	20.5	8,386
Cost-to-income ratio	38.8%	40.1%		38.3% *

\* Excluding the S\$260 million gain from sale of OUB shares, cost-to-income ratio would be 47.7%

Operating expenses increased by 18.3% to S\$426 million in first half 2002, due to the consolidation of KCH. Staff costs increased by 15.5% as the average headcount of the enlarged group was 20.5% higher than the base in first half 2001. Similarly, the enlarged operations of the merged group resulted in a 14% rise in premises and equipment costs and 16.8% rise in other operating expenses.

However, operating expenses showed a decline of 15.2% when compared to the second half of 2001, which contained 4½ months of KCH's expenses. The underlying reduction in expenses can be attributed to cost savings and scale efficiencies from the integration, as well as tighter cost control. The Group achieved an estimated S\$32 million in integration-related cost synergies in first half 2002, slightly ahead of its original target of S\$55 million for the full year.

The cost-to-income ratio improved to 38.8% compared with 40.1% in first half 2001 and 47.7% in second half 2001 (excluding the gain from sale of OUB shares).

## Provision Charge

	1st Half 2002 S\$m	1st Half 2001 S\$m	+ / (-) %	2nd Half 2001 S\$m
<b>Specific provision for loan losses</b>				
- Singapore	165	56	196.3	172
- Malaysia	42	19	115.9	80
- Other regional countries	11	7	60.7	31
- Others	37	18	104.3	66
Sub-Total	<u>255</u>	<u>100</u>	154.7	<u>348</u>
<b>General provision for loan losses</b>				
- Five regional countries	(24)	(32)	n.m.	(19)
- Singapore & others	(5)	20	n.m.	33
Sub-Total	<u>(29)</u>	<u>(12)</u>	n.m.	<u>14</u>
Specific provision for diminution in value of investment securities and other assets	63	37	72.1	31
<b>Total provision charge</b>	<u><b>289</b></u>	<u><b>125</b></u>	131.0	<u><b>392</b></u>

Total provision charge in the first half of 2002 amounted to S\$289 million, an increase of S\$164 million or 131% compared to first half 2001. Compared to second half 2001, the provision charge fell by S\$103 million or 26.4%. The year-on-year increase in provision charge was largely due to higher specific provisions for loans, which rose by 155% to S\$255 million, and to a smaller extent, higher specific provisions for diminution in value of investment securities and other assets, which increased by 72.1% to S\$63 million.

The higher specific provisions for loans were a reflection of the continuing soft economic conditions and property and equity markets in Singapore. Around two-thirds of the specific provisions made in first half 2002 (before writebacks) were provisions for existing NPLs (those already classified as at end-2001) due to either a decline in collateral values or weaker recovery prospects for the existing NPL accounts. The remaining one-third of specific provisions was for new NPLs classified during the first half of 2002. Compared to first half 2001, the bulk of the net increase in specific provisions was for business loans in Singapore and Malaysia.

The Group made a S\$29 million net write-back of excess general provision, higher than the net write-back of S\$12 million in first half 2001.

The increase in provisions for diminution in value of investment securities and other assets was largely due to a S\$35 million downward valuation of properties which were consolidated at fair market value at the time of the KCH acquisition.

## Loans and Advances

	<b>30 Jun 2002</b>	<b>30 Jun 2001</b>	<b>+ / (-)</b>	<b>31 Dec 2001</b>
	S\$m	S\$m	%	S\$m
Loans to customers	<b>50,400</b>	36,102	39.6	52,543
Bills receivable	<b>316</b>	239	32.4	306
Gross loans to customers	<b>50,716</b>	36,341	39.6	52,849
Less Provisions:				
Specific provisions	<b>(2,013)</b>	(1,404)	43.4	(1,993)
General provisions	<b>(1,210)</b>	(811)	49.2	(1,246)
Net loans to customers	<b>47,494</b>	34,126	39.2	49,609

Gross customer loans expanded by 39.6% year-on-year to S\$50.72 billion, largely due to the consolidation of KCH. Reflecting the Group's increased market shares in consumer loans following the acquisition of KCH, housing loans and loans to professional and individuals were the largest contributors to the year-on-year increase.

However, compared to 31 December 2001, gross loans fell by 4.0%, reflecting the subdued demand for credit in the first half as well as the Group's selective and cautious lending approach. The decline was led by loans to the transport and communication sector which fell by 33%, largely due to repayment of certain short-term loans which were refinanced through the capital markets. Housing loans were the only major growth segment, registering an increase of 5.5% or S\$611 million to S\$11.79 billion, and accounting for 23% of Group loans.

	<b>30 Jun 2002</b>		<b>30 Jun 2001</b>		<b>+ / (-)</b>	<b>31 Dec 2001</b>	
	S\$m	%	S\$m	%	%	S\$m	%
<b>By Maturity</b>							
Less than 7 days	<b>9,874</b>	<b>19</b>	9,521	26	3.7	11,615	22
1 week to 1 month	<b>3,796</b>	<b>7</b>	4,203	12	(9.7)	4,039	8
1 to 3 months	<b>3,409</b>	<b>7</b>	2,513	7	35.7	3,835	7
3 to 12 months	<b>4,704</b>	<b>9</b>	2,492	7	88.8	4,395	8
1 to 3 years	<b>5,540</b>	<b>11</b>	4,005	11	38.3	5,520	10
Over 3 years	<b>23,394</b>	<b>47</b>	13,606	37	71.9	23,445	45
	<b>50,716</b>	<b>100</b>	36,341	100	39.6	52,849	100

### By Industry

Agriculture, mining & quarrying	<b>415</b>	<b>1</b>	405	1	2.5	503	1
Transport, storage and communication	<b>1,868</b>	<b>4</b>	996	3	87.6	2,786	5
Building and construction	<b>8,610</b>	<b>17</b>	6,683	18	28.8	9,099	17
Manufacturing	<b>3,601</b>	<b>7</b>	2,856	8	26.1	3,697	7
Financial institutions, investment and holding companies	<b>9,047</b>	<b>17</b>	8,338	23	8.5	9,798	18
General commerce	<b>3,261</b>	<b>6</b>	2,415	7	35.0	3,576	7
Professionals and individuals	<b>7,423</b>	<b>15</b>	4,823	13	53.9	7,544	14
Housing loans	<b>11,785</b>	<b>23</b>	6,176	17	90.8	11,174	21
Others	<b>4,706</b>	<b>10</b>	3,649	10	29.0	4,672	10
	<b>50,716</b>	<b>100</b>	36,341	100	39.6	52,849	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>30 Jun 2002</b>	<b>1,137</b>	<b>851</b>	<b>181</b>	<b>105</b>	<b>75.9</b>	<b>15.7</b>
31 Dec 2001	1,176	856	168	152	70.2	16.1
30 Jun 2001	1,182	777	181	224	59.2	16.3
<b>Other Four Regional Countries</b>						
<b>30 Jun 2002</b>	<b>229</b>	<b>25</b>	<b>175</b>	<b>29</b>	<b>20.9</b>	<b>36.2</b>
31 Dec 2001	259	98	125	36	17.4	39.1
30 Jun 2001	223	115	108	0	25.6	49.6
<b>Total Regional Countries</b>						
<b>30 Jun 2002</b>	<b>1,366</b>	<b>875</b>	<b>356</b>	<b>134</b>	<b>66.7</b>	<b>17.4</b>
31 Dec 2001	1,435	954	293	188	60.6	18.0
30 Jun 2001	1,405	891	289	225	53.9	18.3
<b>Singapore</b>						
<b>30 Jun 2002</b>	<b>3,306</b>	<b>2,020</b>	<b>497</b>	<b>789</b>	<b>63.6</b>	<b>8.9</b>
31 Dec 2001	3,440	2,349	619	472	60.9	8.6
30 Jun 2001	2,221	1,530	549	142	63.5	8.9
<b>Others</b>						
<b>30 Jun 2002</b>	<b>307</b>	<b>127</b>	<b>118</b>	<b>62</b>	<b>42.1</b>	<b>4.1</b>
31 Dec 2001	308	151	149	8	25.0	5.4
30 Jun 2001	295	174	121	0	23.7	7.1
<b>Group Total</b>						
<b>30 Jun 2002</b>	<b>4,979</b>	<b>3,023</b>	<b>971</b>	<b>985</b>	<b>63.1</b>	<b>9.6</b>
31 Dec 2001	5,183	3,454	1,061	668	58.7	9.7
30 Jun 2001	3,921	2,595	960	366	57.0	10.7

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

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

The Group continued to make progress in managing down its NPLs despite the challenging economic environment. Compared to 31 December 2001, NPLs fell by 3.9% or S\$204 million to S\$4.98 billion as at 30 June 2002. While there were new NPLs classified during the first half, these were more than offset by NPL recoveries, upgrades and write-offs. The bulk of the net decline in NPLs came from the Singapore portfolio, where NPLs fell by S\$134 million to S\$3.31 billion.

Of the total NPLs, 63.1% were secured by collateral and 22.3% were still servicing interest. There was some migration of NPLs from the substandard to the doubtful and loss categories, with the proportion of doubtful and loss NPLs rising from 33% in December 2001 to 39% in June 2002.

## Non-Performing Loans *continued*

The Group's NPL ratio (non-bank NPLs over non-bank loans) fell marginally from 9.7% at 31 December 2001 to 9.6% at 30 June 2002. Over the same period, the Singapore NPL ratio increased from 8.6% to 8.9% (as loans fell proportionally more than the fall in NPLs), while the Malaysia NPL ratio improved from 16.1% to 15.7%.

	<b>30 Jun 2002</b>		<b>30 Jun 2001</b>		<b>31 Dec 2001</b>	
	Amount	As % of Gross	Amount	As % of Gross	Amount	As % of Gross
	S\$m	Customer Loans	S\$m	Customer Loans	S\$m	Customer Loans
<b>By industry</b>						
Agriculture, mining & quarrying	42	10.2	29	7.2	38	7.6
Transport, storage and communication	127	6.8	97	9.8	139	5.0
Building and construction	756	8.8	653	9.8	970	10.7
Manufacturing	614	17.1	521	18.2	668	18.1
Financial institutions, investment and holding companies	1,191	13.2	849	10.2	1,102	11.2
General commerce	660	20.2	436	18.1	666	18.6
Professionals and individuals	682	9.2	509	10.6	618	8.2
Housing loans	301	2.6	245	4.0	336	3.0
Others	500	10.6	533	14.6	582	12.5
Sub-total	4,875	9.6	3,873	10.7	5,119	9.7
Debt securities	105		48		64	
Total	4,979	9.8	3,921	10.8	5,183	9.8
	Amount	As % of	Amount	As % of	Amount	As % of
	S\$m	Total NPLs	S\$m	Total NPLs	S\$m	Total NPLs
<b>By period overdue</b>						
Over 180 days	3,162	64	2,733	70	3,168	61
90 to 180 days	434	9	420	11	582	11
30 to 90 days	311	6	264	7	331	6
Less than 30 days	268	5	128	3	229	4
No overdue	804	16	376	10	873	17
	4,979	100	3,921	100	5,183	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>30 Jun 2002</b>	<b>669</b>	<b>303</b>	<b>367</b>	<b>26.6</b>	<b>58.8</b>	<b>243.9</b>
31 Dec 2001	721	346	375	29.5	61.3	205.6
30 Jun 2001	760	419	341	35.5	64.3	157.8
<b>Other Four Regional Countries</b>						
<b>30 Jun 2002</b>	<b>407</b>	<b>163</b>	<b>244</b>	<b>71.4</b>	<b>178.1</b>	<b>225.1</b>
31 Dec 2001	463	192	271	74.1	178.9	216.5
30 Jun 2001	226	103	123	46.2	101.4	136.3
<b>Total Regional Countries</b>						
<b>30 Jun 2002</b>	<b>1,076</b>	<b>466</b>	<b>611</b>	<b>34.1</b>	<b>78.8</b>	<b>236.4</b>
31 Dec 2001	1,184	538	646	37.5	82.5	209.7
30 Jun 2001	986	522	464	37.2	70.2	152.3
<b>Singapore</b>						
<b>30 Jun 2002</b>	<b>1,976</b>	<b>1,468</b>	<b>508</b>	<b>44.4</b>	<b>59.8</b>	<b>164.1</b>
31 Dec 2001	1,889	1,378	511	40.1	54.9	140.4
30 Jun 2001	1,108	816	292	36.7	49.9	136.5
<b>Others</b>						
<b>30 Jun 2002</b>	<b>315</b>	<b>224</b>	<b>91</b>	<b>72.9</b>	<b>102.6</b>	<b>177.4</b>
31 Dec 2001	282	193	89	62.6	91.3	121.6
30 Jun 2001	212	158	54	53.4	71.8	94.0
<b>Group Total</b>						
<b>30 Jun 2002</b>	<b>3,368</b>	<b>2,158</b>	<b>1,210</b>	<b>43.3</b>	<b>67.6</b>	<b>183.3</b>
31 Dec 2001	3,355	2,109	1,246	40.7	64.7	156.6
30 Jun 2001	2,306	1,495	811	38.1	58.8	136.9

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

The Group's provision coverage remains high and has improved compared to December 2001. Total cumulative specific and general provisions amounted to S\$3.37 billion as at 30 June 2002, representing 67.6% of NPLs (December 2001: 64.7%) and 183.3% of unsecured NPLs (December 2001: 156.6%). Cumulative general provisions were 2.5% (December 2001: 2.4%) 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>								
<b>30 Jun 2002</b>	<b>1,260</b>	<b>2,698</b>	<b>6,941</b>	<b>624</b>	<b>11,523</b>	<b>1,230</b>	<b>10,293</b>	<b>12.3</b>
31 Dec 2001	1,631	1,950	6,977	650	11,208	1,390	9,818	11.5
30 Jun 2001	904	1,599	6,863	643	10,009	976	9,033	14.8
<b>Indonesia</b>								
<b>30 Jun 2002</b>	<b>194</b>	<b>132</b>	<b>374</b>	<b>40</b>	<b>740</b>	<b>53</b>	<b>687</b>	<b>0.8</b>
31 Dec 2001	269	60	422	42	793	39	754	0.9
30 Jun 2001	118	43	258	42	461	39	422	0.7
<b>Thailand</b>								
<b>30 Jun 2002</b>	<b>124</b>	<b>34</b>	<b>128</b>	<b>0</b>	<b>286</b>	<b>78</b>	<b>208</b>	<b>0.2</b>
31 Dec 2001	133	30	141	1	305	85	220	0.3
30 Jun 2001	146	29	143	1	319	105	214	0.4
<b>Korea</b>								
<b>30 Jun 2002</b>	<b>212</b>	<b>35</b>	<b>152</b>	<b>0</b>	<b>399</b>	<b>27</b>	<b>372</b>	<b>0.4</b>
31 Dec 2001	301	0	52	0	353	22	331	0.4
30 Jun 2001	208	0	2	0	210	22	188	0.3
<b>Philippines</b>								
<b>30 Jun 2002</b>	<b>33</b>	<b>1</b>	<b>44</b>	<b>5</b>	<b>83</b>	<b>0</b>	<b>83</b>	<b>0.1</b>
31 Dec 2001	22	1	52	6	81	6	75	0.1
30 Jun 2001	22	1	28	6	57	6	51	0.1
<b>Total Regional Countries</b>								
<b>30 Jun 2002</b>	<b>1,823</b>	<b>2,900</b>	<b>7,639</b>	<b>669</b>	<b>13,031</b>	<b>1,388</b>	<b>11,643</b>	<b>13.9</b>
31 Dec 2001	2,356	2,041	7,644	699	12,740	1,542	11,198	13.1
30 Jun 2001	1,398	1,672	7,294	692	11,056	1,148	9,908	16.3
<b>Hong Kong</b>								
<b>30 Jun 2002</b>	<b>214</b>	<b>29</b>	<b>1,430</b>	<b>34</b>	<b>1,707</b>	<b>9</b>	<b>1,698</b>	<b>2.0</b>
31 Dec 2001	209	31	1,660	21	1,921	9	1,912	2.2
30 Jun 2001	192	30	1,272	10	1,504	57	1,447	2.4
<b>China</b>								
<b>30 Jun 2002</b>	<b>497</b>	<b>2</b>	<b>1,003</b>	<b>11</b>	<b>1,513</b>	<b>390</b>	<b>1,123</b>	<b>1.3</b>
31 Dec 2001	487	2	1,081	7	1,577	422	1,155	1.4
30 Jun 2001	694	1	744	6	1,445	537	908	1.5
<b>Total</b>								
<b>30 Jun 2002</b>	<b>2,534</b>	<b>2,931</b>	<b>10,072</b>	<b>714</b>	<b>16,251</b>	<b>1,787</b>	<b>14,464</b>	<b>17.3</b>
31 Dec 2001	3,052	2,074	10,385	727	16,238	1,973	14,265	16.7
30 Jun 2001	2,284	1,703	9,310	708	14,005	1,742	12,263	20.2

The Group's net exposure to the five regional countries – Malaysia, Indonesia, Thailand, the Philippines and South Korea - increased by S\$445 million from December 2001 to S\$11.64 billion as at 30 June 2002, representing 13.9% of the Group's total assets. The bulk of the increase came from Malaysia, which accounted for 12.3% of Group assets. The Group's exposure to Hong Kong and China represented 3.3% of total assets.



## Deposits

	<b>30 Jun 2002</b>	<b>30 Jun 2001</b>	<b>+ / (-)</b>	<b>31 Dec 2001</b>
	S\$m	S\$m	%	S\$m
Deposits of non-bank customers	<b>55,119</b>	39,537	39.4	54,904
Borrowings from banks	<b>11,559</b>	9,986	15.8	14,051
	<b>66,678</b>	<b>49,523</b>	<b>34.6</b>	<b>68,955</b>
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	<b>86.2%</b>	<b>86.3%</b>		90.4%

Due to the consolidation of KCH, the Group's total deposits grew by 34.6% year-on-year to S\$66.68 billion as at 30 June 2002. Of the total deposits, 82.7% or S\$55.12 billion were deposits of non-bank customers.

Compared to December 2001, total deposits declined by 3.3%, mainly due to lower bank borrowings. Non-bank deposits grew by a marginal 0.4%. The Group's loans-to-deposits ratio (net non-bank loans over non-bank deposits) fell from 90.4% to 86.2%, reflecting the decline in loans between December 2001 and June 2002.

	<b>30 Jun 2002</b>		<b>30 Jun 2001</b>		<b>+ / (-)</b>	<b>31 Dec 2001</b>	
	S\$m	%	S\$m	%	%	S\$m	%
Less than 7 days	<b>26,193</b>	<b>39</b>	20,978	42	24.9	27,718	40
1 week to 1 month	<b>17,399</b>	<b>26</b>	13,955	28	24.7	17,705	26
1 to 3 months	<b>9,974</b>	<b>15</b>	6,645	13	50.1	9,859	14
3 to 12 months	<b>11,832</b>	<b>18</b>	6,823	14	73.4	12,110	18
1 to 3 years	<b>684</b>	<b>1</b>	779	2	(12.2)	847	1
Over 3 years	<b>596</b>	<b>1</b>	344	1	73.3	715	1
	<b>66,678</b>	<b>100</b>	<b>49,523</b>	<b>100</b>	<b>34.6</b>	<b>68,955</b>	<b>100</b>

### Total Deposits By Maturity

### Non-Bank Deposits By Product

Fixed deposits	<b>37,156</b>	<b>67</b>	27,249	69	36.4	37,441	68
Savings deposits	<b>11,160</b>	<b>20</b>	7,473	19	49.3	10,837	20
Current account	<b>5,196</b>	<b>9</b>	3,537	9	46.9	5,057	9
Other	<b>1,607</b>	<b>3</b>	1,277	3	25.8	1,569	3
	<b>55,119</b>	<b>100</b>	<b>39,537</b>	<b>100</b>	<b>39.4</b>	<b>54,904</b>	<b>100</b>

## Dividends

	1st Half 2002		1st Half 2001	
	cts	S\$m	cts	S\$m
Interim dividend	<b>5</b>	<b>50</b>	5	49
Payout ratio	<b>16.7%</b>		11.2%	

The Board has recommended an interim dividend of 5 cents per share. The total interim dividends of S\$50 million (net of tax) represent a dividend payout ratio of 16.7%, compared to 11.2% in first half 2001.

## Capital Adequacy Ratios

	30 Jun 2002	30 Jun 2001	31 Dec 2001
	S\$m	S\$m	S\$m
<b>Tier 1 Capital</b>			
Paid-up ordinary shares	1,290	1,285	1,287
Disclosed reserves/others	7,566	7,112	7,378
Less: Goodwill	2,137	22	2,199
	<u>6,719</u>	<u>8,376</u>	<u>6,466</u>
<b>Tier 2 Capital</b>			
Asset revaluation reserves <sup>(1)</sup>	1,326	1,717	1,374
Cumulative general provisions	599	347	600
Subordinated term debt <sup>(2)</sup>	3,360	0	3,233
	<u>5,284</u>	<u>2,064</u>	<u>5,207</u>
<b>Total Capital</b>	<u>12,003</u>	<u>10,440</u>	<u>11,673</u>
Risk weighted assets including market risk	60,357	44,755	62,014
Tier 1 ratio	11.1%	18.7%	10.4%
Total capital adequacy ratio	19.9%	23.3%	18.8%

<sup>(1)</sup> After discount of 55% based on BIS guidelines.

<sup>(2)</sup> Tier 2 subordinated debt is capped at 50% of Tier 1 capital under the BIS guidelines

The Group's capital position remains strong. Total capital adequacy ratio (CAR), calculated in accordance with the Basel Committee on Banking Supervision guidelines, was 19.9% as at 30 June 2002, more than twice the minimum requirement of 8% stipulated by the Bank of International Settlements (BIS). The Group's Tier 1 capital ratio was 11.1% after deducting the goodwill associated with the acquisition of KCH.

Compared to December 2001, the Group's total and Tier 1 CAR have increased due to the decline in risk weighted assets and higher retained earnings.

## Valuation Surplus

	30 Jun 2002			30 Jun 2001			31 Dec 2001		
	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	1,421	2,996	1,575	773	2,569	1,797	1,469	3,129	1,660
Equity securities	1,501	3,258	1,756	1,480	4,040	2,560	1,620	3,522	1,902
Debt securities	12,118	12,281	163	7,786	7,853	67	11,844	11,872	28
Total investments	<b>15,040</b>	<b>18,534</b>	<b>3,494</b>	10,039	14,462	4,424	14,933	18,523	3,590

The Group's unrealised valuation surplus amounted to S\$3.49 billion as at 30 June 2002, down slightly from December 2001 (S\$3.59 billion) due to lower market valuations for its properties and equity securities. Properties accounted for S\$1.58 billion of the surplus while equity securities accounted for S\$1.76 billion.

## Performance by Business Segment

The business segment results are prepared based on internal management reports, which are used by senior management for decision-making and performance management. The Group is organised into seven major business segments.

### Net Profit by Business Segment

	1st Half 2002	1st Half 2001	+/(−)	2nd Half 2001
	S\$m	S\$m	%	S\$m
Consumer Financial Services	169	74	128.3	74
Business Banking	44	89	(50.7)	23
Investment Banking & Insurance	36	67	(46.6)	5
Global Treasury	74	23	231.7	88
Property & Investment Holding	33	40	(16.6)	230
Others*	(134)	(3)	n.m.	(109)
<b>Total Singapore</b>	<b>222</b>	<b>290</b>	<b>(23.1)</b>	<b>311</b>
Malaysia Operations	44	123	(64.4)	32
International Banking	37	22	65.6	11
Minority Interests	(1)	(2)	n.m.	(2)
<b>Group</b>	<b>302</b>	<b>433</b>	<b>(30.4)</b>	<b>352</b>

\* Includes after-tax interest expense for subordinated debt (1<sup>st</sup> Half 2002: S\$51 million; 2<sup>nd</sup> Half 2001: S\$57 million) and goodwill charge (1<sup>st</sup> Half 2002: S\$62 million; 2<sup>nd</sup> Half 2001: S\$47 million)

### Consumer Financial Services

Consumer Financial Services provides a whole suite of products and services to individuals, including current accounts, savings, fixed deposits, consumer loans and mortgages, wealth management products, and credit and debit cards. The division's net profit rose 128% from first half 2001 to S\$169 million as an enlarged customer base contributed to strong growth in net interest income and fee income.

### 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. Net profit decreased 50.7% from first half 2001 to S\$44 million, due to an increase in provisions reflecting the weak market conditions and uncertain economic outlook. Operating income however improved from higher net interest income backed by growth in loans.

## Performance by Business Segment *continued*

### Investment Banking and Insurance

Investment Banking & Insurance comprises corporate finance and advisory services, asset management, custodian services, venture capital, stockbroking, and the insurance business held through associate Great Eastern Holdings. The division's net profit declined 46.6% to S\$36 million, largely due to provisions for private equity and venture funds. Operating income improved due to higher stockbroking income from a larger client base and a more active stock market.

### Global Treasury

Global Treasury engages in foreign exchange activities, futures trading and money market operations, as well as customer-driven derivatives business. The division's net profit increased to S\$74 million due to the enlarged operations of the merged Group and higher gapping profits.

### 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. Its profit decreased by 16.6% to S\$33 million, mainly due to provisions for diminution in value of properties, partly compensated by gains from the disposal of investment securities and the capital distribution from Fraser & Neave Limited.

### 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 fell 64.4% to S\$44 million, as first half 2001 results were boosted by a S\$65 million gain from the disposal of PacificMas' banking business. OBMB's net profit fell 15.3% from first half 2001 to RM103 million, due to lower net interest income arising from margin pressure and lower interest recoveries, and higher provisions. Gross customer loans grew 5.0% from December 2001 to RM15.8 billion, led by housing loans and loans to the commerce sector.

### International Banking

International Banking comprises the Group's operations outside Singapore and Malaysia. Its net profit increased 65.6% to S\$37 million, driven by higher operating income and a higher writeback in provisions.

### Others

Other operations of the Group include other investments, management and nominees services and unallocated items including subordinated debt issued and goodwill, none of which constitutes a separately reportable segment.

## Performance by Business Segment *continued*

### First Half 2002

S\$ million	Consumer Financial Services	Business Banking	Investment Banking & Insurance	Global Treasury	Property & Investment Holding	Others	Total Singapore	Malaysia Operations	International Banking	Group
Segment income before operating expenses	394	301	62	104	113	(62)	912	156	62	1,130
Elimination										(32)
<b>Income before operating expenses</b>										<b>1,098</b>
Profit before tax	214	56	(32)	90	39	(158)	209	59	53	321
Less: Tax	(45)	(12)	-	(16)	(10)	24	(59)	(17)	(16)	(92)
Profit after tax	169	44	(32)	74	29	(134)	150	42	37	229
Share of profits of associated companies (net of tax)	-	-	68	-	4	-	72	2	-	74
	169	44	36	74	33	(134)	222	44	37	303
Less: Minority interest										(1)
<b>Profit attributable to stockholders</b>										<b>302</b>
Segment assets	19,220	22,622	1,000	18,928	3,284	1,584	66,638	10,077	8,249	84,964
Associated companies' assets	-	(1)	793	-	68	(4)	856	23	-	879
Total segment assets	19,220	22,621	1,793	18,928	3,352	1,580	67,494	10,100	8,249	85,843
Elimination										(2,283)
<b>Total assets</b>										<b>83,560</b>
Segment liabilities	26,481	17,581	561	11,768	446	3,449	60,286	9,223	7,111	76,620
Elimination										(2,283)
Unallocated liabilities										316
<b>Total liabilities</b>										<b>74,653</b>
<b>Other information</b>										
Loans	18,751	19,596	79	4	-	61	38,491	7,052	5,173	50,716
NPLs and debt securities:										
- Substandard	837	1,231	-	-	-	-	2,068	823	132	3,023
- Doubtful	187	439	-	-	-	-	626	169	176	971
- Loss	230	617	-	-	-	-	847	104	34	985
	1,254	2,287	-	-	-	-	3,541	1,096	342	4,979
Specific provision	(451)	(1,196)	-	-	-	-	(1,647)	(255)	(170)	(2,072)
	803	1,091	-	-	-	-	1,894	841	172	2,907
Capital expenditure	9	-	-	2	6	14	31	7	3	41
Depreciation of property, plant and equipment	5	1	2	-	7	13	28	6	1	35
Amortisation of software	2	1	-	-	-	2	5	-	-	5
Amortisation of goodwill	-	-	-	-	-	62	62	-	-	62

Note: Each associated company is allocated in total to a segment based on its principal activity

## Performance by Business Segment *continued*

### First Half 2001

S\$ million	Consumer Financial Services	Business Banking	Investment Banking & Insurance	Global Treasury	Property & Investment Holding	Others	Total Singapore	Malaysia Operations	International Banking	Group
Segment income before operating expenses	233	234	49	44	87	50	697	168	57	922
Elimination										(26)
<b>Income before operating expenses</b>										<b>896</b>
Profit before tax	97	115	(10)	27	50	25	304	74	31	409
Less: Tax	(23)	(26)	2	(4)	(11)	(17)	(79)	(20)	(9)	(108)
Profit after tax	74	89	(8)	23	39	8	225	54	22	301
Share of profits of associated companies (net of tax)	-	-	75	-	1	(11)	65	69	-	134
	74	89	67	23	40	(3)	290	123	22	435
Less: Minority interest										(2)
<b>Profit attributable to stockholders</b>										<b>433</b>
Segment assets	9,519	18,006	565	14,152	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	9,519	18,005	1,304	14,152	1,452	1,415	45,846	9,813	6,678	62,337
Elimination										(1,561)
<b>Total assets</b>										<b>60,776</b>
Segment liabilities	16,065	11,691	291	10,142	388	418	38,996	8,871	5,729	53,596
Elimination										(1,561)
Unallocated liabilities										294
<b>Total liabilities</b>										<b>52,329</b>
<b>Other information</b>										
Loans	9,482	15,725	1	30	-	47	25,285	6,877	4,179	36,341
NPLs and debt securities:										
- Substandard	517	1,132	-	-	-	-	1,650	745	200	2,595
- Doubtful	163	480	-	-	-	-	643	173	145	960
- Loss	101	40	-	-	-	-	142	224	0	366
	782	1,653	-	-	-	-	2,434	1,142	345	3,921
Specific provision	(292)	(582)	-	-	-	-	(873)	(384)	(157)	(1,413)
	490	1,071	-	-	-	-	1,561	758	189	2,508
Capital expenditure	7	2	1	-	5	37	52	15	1	68
Depreciation of property, plant and equipment	4	-	2	-	8	8	22	6	1	29
Amortisation of software	2	1	-	-	-	1	4	-	-	4
Amortisation of goodwill	-	-	-	-	-	2	2	-	-	2

Note: Each associated company is allocated in total to a segment based on its principal activity



## Performance by Business Segment *continued*

### Second Half 2001

SS million	Consumer Financial Services	Business Banking	Investment Banking & Insurance	Global Treasury	Property & Investment Holding	Others	Total Singapore	Malaysia Operations	International Banking	Group
Segment income before operating expenses	331	306	46	129	301	2	1,115	159	71	1,345
Elimination										(32)
<b>Income before operating expenses</b>										<b>1,313</b>
Profit before tax	110	21	(29)	98	235	(109)	326	44	2	372
Less: Tax	(36)	2	8	(10)	(6)	2	(41)	(11)	9	(43)
Profit after tax	74	23	(21)	88	229	(108)	285	33	11	329
Share of profits of associated companies (net of tax)	-	-	26	-	1	(1)	26	(1)	-	25
	74	23	5	88	230	(109)	311	32	11	354
Less: Minority interest										(2)
<b>Profit attributable to stockholders</b>										<b>352</b>
Segment assets	18,699	24,104	835	22,003	1,714	4,853	72,208	10,066	8,570	90,844
Associated companies' assets	-	(1)	758	-	67	(5)	819	25	-	844
Total segment assets	18,699	24,103	1,593	22,003	1,781	4,848	73,027	10,091	8,570	91,688
Elimination										(6,462)
<b>Total assets</b>										<b>85,226</b>
Segment liabilities	28,411	14,962	414	16,573	431	4,846	65,637	9,185	7,713	82,535
Elimination										(6,462)
Unallocated liabilities										362
<b>Total liabilities</b>										<b>76,435</b>
<b>Other information</b>										
Loans	18,560	21,742	63	2	-	66	40,433	7,044	5,372	52,849
NPLs and debt securities:										
- Substandard	893	1,568	-	-	-	-	2,461	804	189	3,454
- Doubtful	173	554	-	-	-	-	727	152	182	1,061
- Loss	202	270	-	-	-	-	472	152	44	668
	1,268	2,392	-	-	-	-	3,660	1,108	415	5,183
Specific provision	(473)	(998)	-	-	-	-	(1,471)	(280)	(229)	(1,980)
	795	1,394	-	-	-	-	2,189	828	186	3,203
Capital expenditure	22	3	1	1	7	24	58	12	2	72
Depreciation of property, plant and equipment	9	1	3	1	15	4	33	8	1	42
Amortisation of software	3	-	-	-	-	2	5	1	-	6
Amortisation of goodwill	-	-	-	-	-	47	47	-	-	47

Note: Each associated company is allocated in total to a segment based on its principal activity

## Performance by Geographical Segment

	1st Half 2002		1st Half 2001		2nd Half 2001	
	S\$m	%	S\$m	%	S\$m	%
<b>Income before operating expenses</b>						
Singapore	886	81	678	76	1,077	82
Malaysia	123	11	145	16	76	6
Other ASEAN	8	1	8	1	10	1
Asia Pacific	66	6	51	5	136	10
Rest of the world	15	1	14	2	14	1
	<b>1,098</b>	<b>100</b>	<b>896</b>	<b>100</b>	<b>1,313</b>	<b>100</b>
<b>Profit before tax</b>						
Singapore	319	75	441	78	362	88
Malaysia	42	10	125	22	(30)	(7)
Other ASEAN	6	1	(38)	(7)	(17)	(4)
Asia Pacific	48	11	29	5	89	21
Rest of the world	10	2	10	2	8	2
	<b>425</b>	<b>100</b>	<b>567</b>	<b>100</b>	<b>412</b>	<b>100</b>
<b>Total assets</b>						
	30 Jun 2002		30 Jun 2001		31 Dec 2001	
	S\$m	%	S\$m	%	S\$m	%
Singapore	65,764	79	44,542	73	67,165	79
Malaysia	9,941	12	9,628	16	10,342	12
Other ASEAN	408	0	271	1	368	0
Asia Pacific	4,844	6	3,857	6	4,765	6
Rest of the world	2,603	3	2,478	4	2,586	3
	<b>83,560</b>	<b>100</b>	<b>60,776</b>	<b>100</b>	<b>85,226</b>	<b>100</b>

The geographical information is prepared based on the country in which the transactions are booked.

The bulk of the Group's profit before tax is derived from Singapore and Malaysia operations. Other contributions are mainly from Greater China operations.

# Group Income Statement (Unaudited)

Appendix I

	1st Half 2002	1st Half 2001	+ / (-)	2nd Half 2001
	S\$'000	S\$'000	%	S\$'000
Interest income	1,568,904	1,597,887	(1.8)	1,980,567
Less: Interest expense	823,911	954,279	(13.7)	1,232,274
<b>Net interest income</b>	<b>744,993</b>	<b>643,608</b>	<b>15.8</b>	<b>748,293</b>
Fees and commissions	180,787	135,930	33.0	151,832
Dividends	26,404	16,377	61.2	19,852
Rental income	42,597	39,110	8.9	41,729
Other income	103,286	61,028	69.2	351,291
<b>Income before operating expenses</b>	<b>1,098,067</b>	<b>896,053</b>	<b>22.5</b>	<b>1,312,997</b>
Less: Staff costs	240,047	207,797	15.5	268,128
Other operating expenses	185,681	151,931	22.2	234,125
	425,728	359,728	18.3	502,253
<b>Operating profit before provisions and amortisation of goodwill</b>	<b>672,339</b>	<b>536,325</b>	<b>25.4</b>	<b>810,744</b>
Less: Amortisation of goodwill	61,503	2,346	2,521.6	46,641
Less: Provisions for possible loan losses and diminution in value of other assets	288,986	125,081	131.0	392,449
<b>Operating profit after provisions and amortisation of goodwill</b>	<b>321,850</b>	<b>408,898</b>	<b>(21.3)</b>	<b>371,654</b>
<b>Share of profits less losses of associated companies</b>	<b>103,404</b>	<b>157,649</b>	<b>(34.4)</b>	<b>40,823</b>
<b>Profit before tax</b>	<b>425,254</b>	<b>566,547</b>	<b>(24.9)</b>	<b>412,477</b>
Less: Tax	93,231	107,826	(13.5)	43,560
Share of tax of associated companies	29,059	23,942	21.4	15,409
	122,290	131,768	(7.2)	58,969
<b>Profit after tax</b>	<b>302,964</b>	<b>434,779</b>	<b>(30.3)</b>	<b>353,508</b>
Less: Minority interests	1,352	1,411	(4.2)	1,854
<b>Profit attributable to stockholders of the Bank</b>	<b>301,612</b>	<b>433,368</b>	<b>(30.4)</b>	<b>351,654</b>

# Group Balance Sheet (Unaudited)

## Appendix II

	30 Jun 2002	30 Jun 2001	31 Dec 2001
	S\$'000	S\$'000	S\$'000
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share Capital</b>			
Authorised	<b>2,000,000</b>	2,000,000	2,000,000
Issued and fully paid	<b>1,290,060</b>	1,285,363	1,286,606
<b>Reserves</b>			
Capital reserves	<b>1,675,946</b>	1,827,006	1,911,490
Statutory reserves	<b>1,889,466</b>	1,836,195	1,889,924
Revenue reserves	<b>4,023,256</b>	3,474,461	3,674,841
<b>Total shareholders' equity</b>	<b>8,878,728</b>	8,423,025	8,762,861
<b>MINORITY INTERESTS</b>	<b>28,001</b>	23,264	28,082
<b>LIABILITIES</b>			
Deposits of non-bank customers	<b>55,119,089</b>	39,536,820	54,903,996
Deposits and balances of banks	<b>11,559,378</b>	9,986,491	14,050,998
Deposits of associated companies	<b>992,736</b>	1,245,878	1,011,814
Bills payable	<b>159,297</b>	112,713	123,068
Current tax	<b>276,719</b>	277,337	315,404
Deferred tax	<b>40,103</b>	15,923	46,614
Other liabilities	<b>2,628,711</b>	1,084,198	2,107,390
Debt securities (unsecured)	<b>3,876,994</b>	70,000	3,875,341
<b>Total liabilities and shareholders' equity</b>	<b>83,559,756</b>	<b>60,775,649</b>	<b>85,225,568</b>
<b>ASSETS</b>			
Cash and placements with central banks	<b>2,834,434</b>	1,553,836	2,014,096
Singapore Government treasury bills and securities	<b>6,399,115</b>	3,704,397	6,308,646
Other government treasury bills and securities	<b>835,681</b>	732,781	1,001,792
Dealing securities	<b>247,781</b>	328,717	399,958
Placements with and loans to banks	<b>13,315,891</b>	13,781,404	14,427,268
Loans to customers (including bills receivable)	<b>47,493,635</b>	34,126,058	49,609,375
Investment securities	<b>5,061,849</b>	3,478,297	4,714,498
Other assets	<b>2,522,629</b>	1,073,660	1,819,966
	<b>78,711,015</b>	58,779,150	80,295,599
Associated companies	<b>1,085,632</b>	1,021,787	1,049,789
Property, plant and equipment	<b>1,625,694</b>	952,714	1,681,262
Goodwill	<b>2,137,415</b>	21,998	2,198,918
<b>Total assets</b>	<b>83,559,756</b>	<b>60,775,649</b>	<b>85,225,568</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
Contingent liabilities	<b>6,391,458</b>	5,515,876	6,506,962
Commitments	<b>29,297,661</b>	18,090,064	24,877,442
Financial derivatives	<b>150,856,267</b>	31,035,773	73,814,953
	<b>186,545,386</b>	<b>54,641,713</b>	<b>105,199,357</b>

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

Appendix III

	Share capital S\$'000	Capital reserves S\$'000	Statutory reserves S\$'000	Revenue reserves S\$'000	Total S\$'000
<b>Balance at 1 January 2002</b>	<b>1,286,606</b>	<b>1,911,490</b>	<b>1,889,924</b>	<b>3,674,841</b>	<b>8,762,861</b>
Profit attributable to stockholders of the Bank	-	-	-	301,612	301,612
Foreign currency translation loss not recognised in the income statements	-	-	-	(67,669)	(67,669)
<b>Total recognised gains for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,943</b>	<b>233,943</b>
Transfer to unappropriated profit	-	(257,725)	(458)	258,183	-
Adjustment in reserves of associated company	-	-	-	(12,908)	(12,908)
Dividends	-	-	-	(130,803)	(130,803)
Shares issued under Executives' Share Option Scheme	3,454	22,181	-	-	25,635
<b>Balance at 30 June 2002</b>	<b>1,290,060</b>	<b>1,675,946</b>	<b>1,889,466</b>	<b>4,023,256</b>	<b>8,878,728</b>
<b>Balance at 1 January 2001</b>	<b>1,285,968</b>	<b>1,802,348</b>	<b>1,835,826</b>	<b>3,231,074</b>	<b>8,155,216</b>
Profit attributable to stockholders of the Bank	-	-	-	433,368	433,368
Foreign currency translation gains not recognised in the income statements	-	-	-	70,363	70,363
<b>Total recognised gains for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>503,731</b>	<b>503,731</b>
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)
Shares issued under Executives' Share Option Scheme	1,936	11,869	-	-	13,805
<b>Balance at 30 June 2001</b>	<b>1,285,363</b>	<b>1,827,006</b>	<b>1,836,195</b>	<b>3,474,461</b>	<b>8,423,025</b>
<b>Balance at 1 July 2001</b>	<b>1,285,363</b>	<b>1,827,006</b>	<b>1,836,195</b>	<b>3,474,461</b>	<b>8,423,025</b>
Profit attributable to stockholders of the Bank	-	-	-	351,654	351,654
Foreign currency translation gains not recognised in the income statements	-	-	-	29,336	29,336
<b>Total recognised gains for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>380,990</b>	<b>380,990</b>
Transfer from unappropriated profit	-	78,353	53,729	(132,082)	-
Dividends	-	-	-	(48,528)	(48,528)
Shares issued under Executives' Share Option Scheme	1,243	6,131	-	-	7,374
<b>Balance at 31 December 2001</b>	<b>1,286,606</b>	<b>1,911,490</b>	<b>1,889,924</b>	<b>3,674,841</b>	<b>8,762,861</b>

# Consolidated Cash Flow Statement (Unaudited)

Appendix IV

	Six months ended		
	30 Jun 2002	30 Jun 2001	31 Dec 2001
	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>			
Operating profit before provisions and amortisation of goodwill	672,339	536,325	810,744
Adjustments for :			
Amortisation of computer software costs	4,986	4,137	5,891
Depreciation of property, plant and equipment	34,751	30,225	40,806
Loss on disposal of an associated company	81	-	-
Gains on disposal of investment securities	(45,855)	(12,921)	(242,965)
Gains on disposal of subsidiary companies	(305)	-	(115)
Losses/(gains) on disposal of property, plant and equipment	131	(7,524)	10,258
Operating profit before changes in operating assets and liabilities	666,128	550,242	624,619
Increase/(decrease) in operating liabilities :			
Deposits of non-bank customers	196,015	1,053,841	(553,721)
Deposits and balances of banks	(2,491,620)	(106,055)	(2,008,450)
Bills payable and other liabilities	566,971	(157,413)	198,624
(Increase)/decrease in operating assets :			
Dealing securities	152,211	(153,794)	334,191
Placements with and loans to banks	1,111,377	2,207,394	4,167,756
Loans to customers and bills receivable	1,937,503	(1,302,987)	(1,345,908)
Other assets	(705,632)	72,345	(174,140)
Cash provided by operating activities	1,432,953	2,163,573	1,242,971
Income tax paid	(136,554)	(133,427)	(128,584)
<b>Net cash provided by operating activities</b>	<b>1,296,399</b>	<b>2,030,146</b>	<b>1,114,387</b>
<b>Cash flows from investing activities</b>			
Acquisition of additional interest in a subsidiary company	-	(49,574)	(856)
Acquisition of new subsidiary companies	-	(46,587)	(1,234,923)
Capital return from an associated company	-	-	68,192
Dividends from associated companies	24,424	41,342	9,169
Net decrease/(increase) in associated companies	1,451	(15,964)	(11,145)
Purchase of investment securities	(1,447,918)	(2,093,764)	(1,434,188)
Purchase of property, plant and equipment	(23,902)	(77,964)	(74,057)
Net cash (outflow)/inflow from disposal of subsidiary companies	(1,980)	-	4,259
Proceeds from disposal of an associated company	60	-	-
Proceeds from disposal of investment securities	1,065,221	385,926	1,091,103
Proceeds from disposal of property, plant and equipment	4,578	19,176	7,946
<b>Net cash used in investing activities</b>	<b>(378,066)</b>	<b>(1,837,409)</b>	<b>(1,574,500)</b>
<b>Cash flows from financing activities</b>			
Debt securities	-	-	3,805,341
Proceeds from issue of shares	25,635	13,805	7,374
Buy-back of shares	-	(26,544)	0
Dividends paid	(130,803)	(223,183)	(48,528)
Change in minority interests in subsidiaries	(800)	(881)	110
<b>Net cash (used in)/provided by financing activities</b>	<b>(105,968)</b>	<b>(236,803)</b>	<b>3,764,297</b>
<b>Net foreign currency translation adjustments</b>	<b>(67,669)</b>	<b>70,363</b>	<b>29,336</b>
<b>Net change in cash and cash equivalents</b>	<b>744,696</b>	<b>26,297</b>	<b>3,333,520</b>
<b>Cash and cash equivalents as at beginning of period</b>	<b>9,324,534</b>	<b>5,964,717</b>	<b>5,991,014</b>
<b>Cash and cash equivalents as at end of period</b>	<b>10,069,230</b>	<b>5,991,014</b>	<b>9,324,534</b>