



First Quarter 2003

GROUP FINANCIAL RESULTS

14 May 2003

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Media Release

OCBC GROUP REPORTS FIRST QUARTER 2003 RESULTS

Operating profit fell 9.1% to S\$298 million due to weaker revenue

Net profit declined 26.0% to S\$159 million due to the reduced operating profit, compounded by lower associates' contributions

Singapore, 14 May 2003 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported an operating profit before provisions and goodwill amortisation of S\$298 million in the first quarter of 2003, a decline of 9.1% compared to the first quarter of 2002. The fall was due to lower revenue as the operating environment was affected by sluggish economic growth and weak investment sentiment.

Net profit attributable to members was S\$159 million, a decrease of 26.0% from first quarter 2002 mainly as a result of the lower operating profit as well as a 81.4% fall in associates' contributions from S\$60 million to S\$11 million. Major associate Great Eastern Holdings reported lower earnings while contributions from other associates also fell. In addition, first quarter 2002 results benefited from lower tax expenses due to the adoption of Financial Reporting Standards 12 which resulted in a one-time write back in deferred tax.

Total provision charge in the first quarter of 2003 amounted to S\$64 million. The soft property and equity markets continue to have a direct impact on loan collateral values as well as the Group's own property and equity investments resulting in additional specific provisions in the quarter.

Compared to the fourth quarter of 2002, the Group's net profit fell by a smaller 5.6%, as provisions were lower by 51%. Operating profit showed a quarter-on-quarter decline of 15.3%, a larger fall compared to the year-on-year decline of 9.1% as there were larger gains from securities dealing and from the disposal of an associated company during the fourth quarter.

Net Interest Income and Fee Income

Compared to first quarter 2002, total income fell by 6.5% to S\$499 million. Net interest income decreased by 4.9% to S\$352 million due to lower average loan balances and a reduction in net interest margin from 1.93% to 1.84%. Interest margins were affected by lower customer spreads and lower returns on free funds due to the low interest rate environment.

Fee-based activities, which in recent years have been generating strong growth, were impacted by the poor investment sentiment. Fee and commission income fell 12.8% to S\$82 million largely due to a

62.6% decline in brokerage income as a result of the weak equity markets. Fee income from unit trust distribution, fund management business and bancassurance sales were subdued, partly offset by higher loan-related fees and credit card fees.

Effective Cost Management

Despite having achieved significant cost savings in 2002, the Group continued to practise tight cost control. Total operating expenses of S\$201 million were 2.3% and 7.2% lower compared to the same quarter and fourth quarter of 2002 respectively. However, due to the lower income, the Group's cost-to-income ratio increased to 40.3%, compared to 38.6% in first quarter 2002 and 38.1% in fourth quarter 2002.

Cautious Provision Charge

Total provision charge amounted to S\$64 million representing a decrease of 29.6% from first quarter of 2002. Specific provisions for loans amounted to S\$70 million, and these were largely for loans to Business Banking customers in Singapore and Malaysia who were affected by weak economic conditions and lower collateral values. The Group also released S\$30 million from its general provision reserves, which remained at 2.44% of total non-bank loans (net of specific provisions) as at 31 March 2003, similar to the ratio of 2.49% as at the end of 2002.

In addition, specific provisions of S\$16 million were made for diminution in value of the Group's properties, and another S\$8 million for investments and other assets. Provisions for the Group's properties relate mainly to those which were consolidated at fair market value prevailing at the time of the Keppel Capital Holdings acquisition in August 2001 and which had since fallen in value.

As at 31 March 2003, the Group's overall provision coverage remained at a comfortable level of 62.7% of total non-performing loans (NPLs), compared to 62.3% as at the end of 2002. Cumulative specific provisions were 105% of unsecured NPLs, above the ratio of 100.5% at end-2002.

Loans and Asset Quality

Customer loan balances fell 4.4% year-on-year to S\$49.63 billion as at 31 March 2003 due to weak overall credit demand in Singapore. However the consumer segments continued to register healthy growth, with housing loans and loans to professionals and private individuals recording year-on-year expansion of 9% and 6.3% respectively. These two segments accounted for 41% of the Group's total loan portfolio.

The Group's NPLs declined by S\$760 million or 15% from S\$5.05 billion a year ago to S\$4.29 billion as at 31 March 2003. The decrease was mainly in Singapore NPLs as recoveries, repayments and write-offs of fully provided "loss" loans more than offset new classified loans. Correspondingly, the ratio of NPLs to non-bank loans improved from 9.6% to 8.0%. Compared to 31 December 2002, NPLs fell 1.5% while the NPL ratio was largely unchanged.

Conclusion

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

"Our performance in the first quarter was clearly affected by the difficult operating environment. Business and consumer sentiment was hit hard by the weak economy, the Iraq war, and the emergence of SARS. These are uncertain times, and business outlook will depend a lot on the duration of the SARS outbreak. I am confident that with the Groups' strong capital position and proactive risk management approach, we will continue to deliver reasonable results. Right now, our priority is to keep costs under control while we seek growth in selective areas. Most of all, we want to do all we can to help our customers get through this difficult period."

FINANCIAL REVIEW

Highlights

- ◆ Group operating profit before provisions and goodwill amortisation fell 9.1% from first quarter 2002 to S\$298 million in first quarter 2003, as performance was affected by the difficult macro environment.
- ◆ Total income fell 6.5% as net interest income and fee income were lower.
- ◆ Tight cost control resulted in a 2.3% reduction in operating expenses compared to first quarter 2002. Cost-to-income ratio rose to 40.3% as income base was lower.
- ◆ Net attributable profit registered a decline of 26.0% to S\$159 million due to the lower operating profit as well as a sharp drop in contributions from associates.
- ◆ Annualised return on ordinary shareholders' funds (ROE) was 6.8% (1st Qtr 2002: 9.8%), while cash ROE before goodwill amortisation was 8.2% (1st Qtr 2002: 11.3%). Annualised earnings per ordinary share fell from 68 cents to 50 cents.
- ◆ Loans to non-bank customers contracted by 4.4% year-on-year to S\$49.63 billion as at 31 March 2003 due to sluggish credit demand in Singapore.
- ◆ Non-performing loans (NPLs) declined 15% to S\$4.29 billion as at 31 March 2003. The ratio of NPLs to total non-bank loans improved from 9.6% to 8.0%. Provision coverage of total NPLs was a comfortable 62.7% (March 2002: 66.3%).
- ◆ Tier 1 and total capital adequacy ratios further strengthened to 12.5% and 21.8% respectively (March 2002: 10.6% and 20.3% respectively) largely due to the issuance of S\$500 million Tier 1 non-cumulative non-convertible preference shares in January 2003.
- ◆ Net asset value per ordinary share increased from S\$7.01 to S\$7.68. Including the unrealised valuation surplus of S\$2.65 per share (March 2002: S\$3.19), net asset value per share was S\$10.33 (March 2002: S\$10.20).

Financial Summary

	1st Quarter 2003 S\$m	1st Quarter 2002 S\$m	+ / (-) %	4th Quarter 2002 S\$m
Selected profit and loss data :				
Net interest income	352	370	(4.9)	376
Fees and commissions	82	94	(12.8)	91
Dividends	11	8	27.6	4
Rental income	16	19	(17.0)	17
Other income	39	42	(7.7)	79
Total income	499	534	(6.5)	569
Less : Operating expenses	201	206	(2.3)	217
Operating profit	298	328	(9.1)	352
Less : Goodwill amortisation	32	32	(2.0)	32
Less : Total provisions	64	91	(29.6)	130
Add : Share of associated companies' results	11	60	(81.4)	47
Profit before tax	214	265	(19.3)	237
Net profit attributable to stockholders	159	215	(26.0)	169
Cash basis net profit attributable to stockholders ^{1/}	191	248	(22.8)	201
Selected balance sheet data :				
Total assets	82,968	85,131	(2.5)	84,051
Loans to customers (net of provisions)	47,133	48,741	(3.3)	47,269
Deposits of non-bank customers	55,334	55,849	(0.9)	53,948
Ordinary shareholders' funds	9,408	9,041	4.0	9,224
Total (ordinary and preference) shareholders' funds	9,907	9,041	9.6	9,224
Key Indicators :				
Return on ordinary shareholders' funds ^{2/} (% p.a.)	6.8	9.8		7.3
Return on ordinary shareholders' funds ^{2/} (% p.a.) - Cash basis ^{1/}	8.2	11.3		8.7
Return on total shareholders' funds (% p.a.)	6.7	9.8		7.3
Return on total shareholders' funds (% p.a.) - Cash basis ^{1/}	8.1	11.3		8.7
Return on assets (% p.a.)	0.77	1.03		0.80
Return on assets (% p.a.) - Cash basis ^{1/}	0.93	1.18		0.95
Basic Earnings per ordinary share (annualised, S\$)	0.50	0.68	(26.1)	0.52
Cash Earnings per ordinary share (annualised, S\$) ^{1/}	0.60	0.78	(23.0)	0.62
Net asset value per ordinary share (S\$)				
- Before valuation surplus	7.68	7.01	9.5	7.15
- After valuation surplus	10.33	10.20	1.3	9.69

^{1/} Excluding goodwill amortisation charge

^{2/} Calculated after deducting preference shares dividends from net attributable profit

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

Net Interest Income

Net interest income of S\$352 million was down 4.9% from first quarter 2002, due to a reduction in average loan balances as well as lower interest margins. Net interest margin decreased by 9 basis points to 1.84% as a result of lower customer spreads and reduced interest income from net available funds in the prevailing low interest rate environment.

Compared to fourth quarter 2002, net interest income showed a decrease of 6.6% due to lower customer spreads as well as comparatively shorter interest-earning days in the first quarter.

Average Balance Sheet^{1/}

	1st Quarter 2003			1st Quarter 2002			4th Quarter 2002		
	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m	S\$m	%
Assets									
Loans and advances to non-bank customers	49,325	452	3.72	51,658	533	4.18	49,896	488	3.88
Placements with and loans to banks	15,857	73	1.88	13,856	81	2.37	16,428	83	2.00
Other interest earning assets ^{2/}	12,314	88	2.90	12,119	94	3.15	11,910	102	3.39
Total interest earning assets	77,497	614	3.21	77,633	708	3.70	78,233	672	3.41
Non-interest earning assets	8,986			8,862			8,715		
Total assets	86,483			86,495			86,948		
Liabilities									
Deposits of non-bank customers and floating rate negotiable certificates of deposits	55,971	189	1.37	58,548	245	1.70	55,369	208	1.49
Deposits and balances of banks	11,198	47	1.71	9,995	57	2.32	12,638	62	1.95
Other borrowings ^{3/}	4,155	26	2.57	4,030	36	3.61	4,070	26	2.52
Total interest bearing liabilities	71,324	262	1.49	72,574	338	1.89	72,077	296	1.63
Non-interest bearing liabilities	5,392			5,017			5,727		
Total liabilities	76,716			77,591			77,804		
Net interest income/margin		352	1.84		370	1.93		376	1.91

^{1/} Average balances are based on monthly averages

^{2/} Comprise debt securities, government securities and treasury bills

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

Non-Interest Income

	1st Quarter 2003	1st Quarter 2002	+ / (-)	4th Quarter 2002
	S\$m	S\$m	%	S\$m
Fee and commission income				
Brokerage	8	22	(62.6)	10
Investment banking	2	3	(22.6)	3
Trade-related	7	7	1.0	8
Loan-related	22	15	47.8	24
Service charges	12	15	(16.8)	11
Guarantees	5	5	11.6	5
Credit cards	7	6	17.4	8
Fund management	5	5	(6.7)	4
Unit trust distribution	7	10	(36.3)	5
Bancassurance	5	5	4.8	12
Others	2	2	(1.8)	3
Total	<u>82</u>	<u>94</u>	(12.8)	<u>91</u>
Dividends	11	8	27.6	4
Rental income	16	19	(17.0)	17
Other income				
Dealing in foreign exchange	14	9	56.4	16
Dealing in securities and derivatives	12	(1)	n.m.	35
Disposal of investment securities	(1)	19	n.m.	(0)
Disposal of associated companies	0	(0)	n.m.	10
Others	14	16	(15.0)	19
Total	<u>39</u>	<u>42</u>	(7.7)	<u>79</u>
Total non-interest income	<u>148</u>	<u>164</u>	(9.9)	<u>192</u>
Fees and Commissions/Total Income	16.5%	17.7%		16.1%
Non-Interest Income/Total Income	29.6%	30.7%		33.8%

Compared to first quarter 2002, fee and commission income fell 12.8% to S\$82 million, largely due to a 62.6% fall in brokerage income as a result of the weak equity markets. Fee income from unit trust distribution, fund management and bancassurance sales were also subdued given the poor overall investment sentiment. Partly mitigating this was higher loan-related fees and credit card fees.

Other income declined by 7.7% year-on-year to S\$39 million largely due to the absence of gains from the disposal of investment securities. However, foreign exchange activities recorded higher gains while securities dealing income was boosted by gains from the sale of government securities.

Operating Expenses

	1st Quarter 2003	1st Quarter 2002	+ / (-)	4th Quarter 2002
	S\$m	S\$m	%	S\$m
Staff costs	119	119	(0.1)	113
Premises and equipment				
Depreciation of fixed assets	17	16	6.3	20
Amortisation of computer software costs	5	2	108.3	3
Maintenance and hire of fixed assets	7	6	29.1	6
Rental expenses	5	6	(20.1)	4
Others	16	14	14.3	18
Total	<u>51</u>	<u>45</u>	13.4	<u>51</u>
Other operating expenses	36	38	(5.1)	52
	<u>206</u>	<u>202</u>	2.0	<u>216</u>
Restructuring and other integration costs	(5)	4	n.m.	1
Total operating expenses	<u>201</u>	<u>206</u>	(2.3)	<u>217</u>
Group staff strength - period end	7,314	7,936	(7.8)	7,477
Group staff strength – average	7,334	8,213	(10.7)	7,777
Cost-to-income ratio	40.3%	38.6%		38.1%

The Group continued to manage its costs tightly despite having achieved significant cost savings in 2002. Total operating expenses of S\$201 million in the first quarter were 2.3% lower compared to the same quarter last year, and 7.2% lower compared to fourth quarter of 2002. The year-on-year decline was mainly due to a S\$5 million write back of specific restructuring costs that were identified earlier and provided for, but were not fully utilised. Staff costs were unchanged, while premises and equipment expenses increased by 13.4% as a result of higher computer charges and amortisation of software costs arising from implementation of the new core banking system.

As the decline in revenue was larger than the reduction in costs, the Group's cost-income ratio increased to 40.3%, from 38.6% in first quarter 2002.

Provision Charge

	1st Quarter 2003	1st Quarter 2002	+ / (-)	4th Quarter 2002
	S\$m	S\$m	%	S\$m
Specific provision for loan losses				
- Singapore	55	67	(18.1)	16
- Malaysia	32	12	159.5	46
- Other regional countries	(8)	10	n.m.	(11)
- Others	(9)	1	n.m.	5
Sub-Total	<u>70</u>	<u>91</u>	(23.1)	<u>55</u>
General provision for loan losses				
- Five regional countries ^{1/}	(30)	4	n.m.	1
- Singapore & others	0	0	(100.0)	0
Sub-Total	<u>(30)</u>	<u>4</u>	n.m.	<u>1</u>
Specific provision for diminution in Value of investment securities And other assets	24	(5)	n.m.	74
Total provision charge	<u>64</u>	<u>91</u>	(29.6)	<u>130</u>

^{1/} Five regional countries comprise Malaysia, Indonesia, Thailand, South Korea and the Philippines

Total provision charge amounted to S\$64 million, representing a decrease of S\$27 million or 29.6% from first quarter 2002.

Specific provisions for loans amounted to S\$70 million. These were largely for loans to Business Banking customers in Singapore and Malaysia who were affected by weak economic conditions and lower collateral values. The Group also released S\$30 million from its general provision reserves, which remained at 2.44% of total non-bank loans (net of specific provisions) as at 31 March 2003, similar to the ratio of 2.49% as at the end of 2002.

In addition, the Group made specific provisions of S\$16 million for diminution in value of its properties and S\$8 million for investments and other assets. Provisions for the Group's properties relate mainly to those which were consolidated at fair market value prevailing at the time of the Keppel Capital Holdings acquisition in August 2001 and which had since fallen in value.

Loans and Advances

	31 Mar 2003	31 Mar 2002	+ / (-)	31 Dec 2002
	S\$m	S\$m	%	S\$m
Loans to customers	49,344	51,657	(4.5)	49,485
Bills receivable	284	280	1.1	297
Gross loans to customers	49,627	51,938	(4.4)	49,782
Less Provisions:				
Specific provisions	1,316	1,949	(32.5)	1,306
General provisions	1,179	1,248	(5.6)	1,206
Net loans to customers	47,133	48,741	(3.3)	47,269

Loans to customers decreased by 4.4% year-on-year from S\$51.94 billion as at 31 March 2002 to S\$49.63 billion at the end of this quarter. Housing loans and loans to professionals and private individuals grew at 9% and 6.3% respectively. Limited credit demand and a highly competitive loan market continued to dampen loan growth, while the Group's cautious approach in granting quality credits also impacted loan balances. Compared to 31 December 2002, loans fell by a marginal 0.3%.

	31 Mar 2003		31 Mar 2002		31 Dec 2002	
	S\$m	%	S\$m	%	S\$m	%
By Maturity						
Less than 7 days	8,475	17	10,653	21	9,190	18
1 week to 1 month	3,318	7	3,876	7	3,630	7
Over 1 to 3 months	3,133	6	3,379	7	3,077	6
Over 3 to 12 months	4,455	9	4,765	9	5,026	10
Over 1 to 3 years	9,031	18	5,980	12	8,206	16
Over 3 years	21,215	43	23,284	44	20,652	43
	49,627	100	51,938	100	49,782	100

	31 Mar 2003		31 Mar 2002		31 Dec 2002	
	S\$m	%	S\$m	%	S\$m	%
By Industry						
Agriculture, mining & quarrying	476	1	456	1	437	1
Transport, storage and communication	1,424	3	2,098	4	1,753	4
Building and construction	7,611	15	8,537	16	7,453	15
Manufacturing	3,375	7	3,792	7	3,455	7
Financial institutions, investment and holding companies	8,875	18	10,305	20	9,047	18
General commerce	2,912	6	3,334	6	3,208	6
Professionals and individuals	7,570	15	7,120	14	7,510	15
Housing loans	12,688	26	11,636	22	12,313	25
Others	4,696	9	4,661	10	4,605	9
	49,627	100	51,938	100	49,782	100

Non-Performing Loans

By grading, security coverage and countries

	Total NPLs ^{1/}	Sub-standard NPLs	Doubtful NPLs	Loss NPLs	Secured NPLs as % of total NPLs	Non-bank NPLs as % of non-bank loans ^{2/}
	S\$m	S\$m	S\$m	S\$m	%	%
Malaysia						
31 Mar 2003	1,250	833	198	219	69.9	14.7
31 Dec 2002	1,199	831	183	186	70.7	14.2
31 Mar 2002	1,115	854	162	99	80.3	15.3
Other Four Regional Countries						
31 Mar 2003	202	21	152	29	28.2	34.4
31 Dec 2002	208	23	156	28	28.4	34.1
31 Mar 2002	245	86	127	32	35.8	38.2
Total Regional Countries						
31 Mar 2003	1,453	854	351	248	64.1	16.2
31 Dec 2002	1,407	854	339	214	64.5	15.8
31 Mar 2002	1,360	940	288	131	72.2	17.1
Singapore						
31 Mar 2003	2,559	1,784	595	180	70.7	7.1
31 Dec 2002	2,646	1,952	502	192	69.9	7.3
31 Mar 2002	3,373	2,193	629	551	60.5	8.6
Others						
31 Mar 2003	278	143	98	38	39.2	3.4
31 Dec 2002	304	148	96	61	32.9	3.5
31 Mar 2002	316	154	122	40	22.0	5.1
Group Total						
31 Mar 2003	4,290	2,781	1,044	465	66.4	8.0
31 Dec 2002	4,356	2,953	936	467	65.6	8.1
31 Mar 2002	5,050	3,287	1,040	723	61.3	9.6

^{1/} Comprise non-bank loans, debt securities and contingent facilities

^{2/} Excluding debt securities

The Group's NPLs decreased by S\$66 million or 1.5% from 31 December 2002 to S\$4.29 billion as at 31 March 2003. The decrease was mainly in Singapore NPLs, as recoveries, repayments and the write-off of fully provided "loss" loans more than offset loans which were newly classified in the first quarter. Compared to 31 March 2002, NPLs were lower by S\$760 million or 15%.

Singapore NPLs amounted to S\$2.56 billion (December 2002: S\$2.65 billion) and accounted for 60% of the Group's total NPLs, while Malaysia NPLs of S\$1.25 billion (December 2002: S\$1.20 billion) made up 29%. Of the total NPLs, 64.8% were in the substandard category (December 2002: 67.8%) while 66.4% were secured by collateral (December 2002: 65.6%).

The ratio of NPLs to non-bank loans stood at 8.0% as at end of this quarter. The Singapore NPL ratio decreased from 7.3% in December 2002 to 7.1% in March 2003, while the Malaysia NPL ratio increased from 14.2% to 14.7% over the same period.

	31 Mar 2003		31 Mar 2002		31 Dec 2002	
	Amount	As % of Gross	Amount	As % of Gross	Amount	As % of Gross
	S\$m	Customer Loans	S\$m	Customer Loans	S\$m	Customer Loans
<u>By industry</u>						
Agriculture, mining & quarrying	44	9.3	40	8.8	39	8.9
Transport, storage and communication	82	5.7	134	6.4	72	4.1
Building and construction	752	9.9	881	10.3	756	10.1
Manufacturing	615	18.2	660	17.4	680	19.7
Financial institutions, investment and holding companies	724	8.2	1,160	11.3	768	8.5
General commerce	551	18.9	655	19.7	539	16.8
Professionals and individuals	603	8.0	643	9.0	582	7.7
Housing loans	227	1.8	304	2.6	227	1.8
Others	397	8.5	494	10.6	379	8.2
Sub-total	3,995	8.0	4,972	9.6	4,042	8.1
Debt securities	295		78		314	
Total	4,290	8.6	5,050	9.7	4,356	8.8

	31 Mar 2003		31 Mar 2002		31 Dec 2002	
	Amount	As % of	Amount	As % of	Amount	As % of
	S\$m	Total NPLs	S\$m	Total NPLs	S\$m	Total NPLs
<u>By period overdue</u>						
Over 180 days	2,530	59	3,102	61	2,339	54
Over 90 to 180 days	356	8	417	8	567	13
30 to 90 days	228	5	344	7	267	6
Less than 30 days	150	4	272	5	208	5
No overdue	1,026	24	915	18	975	22
Total	4,290	100	5,050	100	4,356	100

Cumulative Provisions

	Total cumulative provisions ^{1/}	Specific provisions	General provisions	Specific provisions as % of total NPLs	Cumulative provisions as % of total NPLs	Cumulative provisions as % of unsecured NPLs
	S\$m	S\$m	S\$m	%	%	%
Malaysia						
31 Mar 2003	792	423	369	33.8	63.3	210.5
31 Dec 2002	743	377	366	31.5	62.0	211.9
31 Mar 2002	660	289	371	25.9	59.2	299.8
Other Four Regional Countries						
31 Mar 2003	383	170	213	83.9	189.1	263.2
31 Dec 2002	415	171	244	82.6	200.0	279.4
31 Mar 2002	468	195	273	79.4	190.7	297.1
Total Regional Countries						
31 Mar 2003	1,174	592	582	40.8	80.8	225.2
31 Dec 2002	1,159	549	610	39.0	82.4	232.0
31 Mar 2002	1,128	484	644	35.6	82.9	298.7
Singapore						
31 Mar 2003	1,274	771	503	30.1	49.8	170.0
31 Dec 2002	1,301	800	502	30.2	49.2	163.6
31 Mar 2002	1,922	1,407	515	41.7	57.0	144.4
Others						
31 Mar 2003	243	149	94	53.6	87.4	143.8
31 Dec 2002	253	158	95	52.0	83.2	124.0
31 Mar 2002	297	208	89	65.6	93.7	120.1
Group Total						
31 Mar 2003	2,692	1,513	1,179	35.3	62.7	186.9
31 Dec 2002	2,713	1,506	1,206	34.6	62.3	181.0
31 Mar 2002	3,346	2,098	1,248	41.5	66.3	171.1

^{1/} Include provisions for debt securities

Total cumulative specific and general provisions decreased by S\$21 million in the first quarter of 2003 to S\$2.69 billion as at 31 March 2003. This represents 62.7% of NPLs (31 December 2002: 62.3%) while cumulative specific provisions covered 105% of unsecured NPLs (31 December 2002: 100.5%). Cumulative general provisions were 2.44% (31 December 2002: 2.49%) 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	%
Malaysia								
31 Mar 2003	2,009	3,002	7,078	615	12,703	1,554	11,149	13.4
31 Dec 2002	1,259	2,823	7,078	590	11,750	1,229	10,522	12.5
31 Mar 2002	1,449	2,818	6,439	732	11,437	1,371	10,067	11.9
Indonesia								
31 Mar 2003	196	123	352	46	717	59	658	0.8
31 Dec 2002	181	105	356	50	692	49	643	0.8
31 Mar 2002	225	129	383	41	778	38	740	0.9
Thailand								
31 Mar 2003	41	34	111	0	186	38	148	0.2
31 Dec 2002	74	33	108	0	215	58	157	0.2
31 Mar 2002	127	35	156	1	318	80	238	0.3
Korea								
31 Mar 2003	229	42	105	0	376	26	350	0.4
31 Dec 2002	228	35	102	0	364	27	337	0.4
31 Mar 2002	207	37	114	0	358	26	332	0.4
Philippines								
31 Mar 2003	41	17	0	1	59	1	58	0.1
31 Dec 2002	25	17	28	5	74	5	69	0.1
31 Mar 2002	17	1	55	7	79	7	73	0.1
Total Regional Countries								
31 Mar 2003	2,516	3,218	7,645	663	14,042	1,678	12,363	14.9
31 Dec 2002	1,767	3,012	7,671	645	13,095	1,367	11,727	14.0
31 Mar 2002	2,024	3,021	7,146	781	12,971	1,522	11,450	13.5
Hong Kong								
31 Mar 2003	857	29	1,217	22	2,126	9	2,117	2.6
31 Dec 2002	528	29	1,312	23	1,892	9	1,883	2.2
31 Mar 2002	356	31	1,605	19	2,011	9	2,002	2.4
China								
31 Mar 2003	535	8	872	8	1,424	331	1,093	1.3
31 Dec 2002	476	16	1,002	9	1,503	345	1,158	1.4
31 Mar 2002	505	1	1,134	9	1,649	411	1,238	1.5
Total								
31 Mar 2003	3,909	3,256	9,733	693	17,591	2,018	15,573	18.8
31 Dec 2002	2,770	3,057	9,985	677	16,489	1,721	14,768	17.6
31 Mar 2002	2,885	3,052	9,885	808	16,631	1,942	14,689	17.3

The Group's net exposure to the five regional countries – Malaysia, Indonesia, Thailand, South Korea and the Philippines – increased by S\$636 million or 5.4% to S\$12.36 billion as at 31 March 2003, representing 14.9% of the Group's total assets. The increase was mainly from Malaysia, which accounted for 13.4% of Group's assets. The Group's exposure to Hong Kong and China increased by 5.6% to S\$3.21 billion accounting for 3.9% of Group assets.

Deposits

	31 Mar 2003	31 Mar 2002	+ / (-)	31 Dec 2002
	S\$m	S\$m	%	S\$m
Deposits of non-bank customers	55,334	55,849	(0.9)	53,948
Deposits and balances of banks	9,845	13,057	(24.6)	12,621
	65,179	68,907	(5.4)	66,569
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	85.2%	87.3%		87.6%

Total deposits decreased by S\$3.73 billion or 5.4% year-on-year to S\$65.18 billion as at 31 March 2003 mainly due to the decline in bank borrowings by 24.6%. Non-bank customer deposits, which accounted for 84.9% of total deposits declined by a marginal 0.9% mainly due to contraction in savings and current accounts.

The Group's loans-to-deposits ratio fell from 87.3% to 85.2% as loans declined more than deposits year-on-year.

	31 Mar 2003		31 Mar 2002		31 Dec 2002	
	S\$m	%	S\$m	%	S\$m	%
Total Deposits By Maturity						
Less than 7 days	26,646	41	28,046	41	25,715	38
1 week to 1 month	17,824	27	15,179	22	18,327	28
Over 1 to 3 months	9,217	14	10,398	15	11,779	18
Over 3 to 12 months	10,162	16	13,747	20	9,598	14
Over 1 to 3 years	902	1	788	1	714	1
Over 3 years	428	1	747	1	436	1
	65,179	100	68,907	100	66,569	100

	31 Mar 2003		31 Mar 2002		31 Dec 2002	
	S\$m	%	S\$m	%	S\$m	%
Non-Bank Deposits By Product						
Fixed deposits	36,918	67	36,919	66	36,176	67
Savings deposits	11,086	20	11,275	20	10,802	20
Current account	5,571	10	5,846	10	5,294	10
Others	1,760	3	1,810	3	1,676	3
	55,334	100	55,849	100	53,948	100

Capital Adequacy Ratios

	31 Mar 2003	31 Mar 2002	31 Dec 2002
	S\$m	S\$m	S\$m
Tier 1 Capital			
Paid-up ordinary and preference shares	1,291	1,289	1,290
Disclosed reserves/others	8,429	7,638	7,802
Less: Goodwill	2,167	2,292	2,199
	7,552	6,635	6,894
Tier 2 Capital			
Asset revaluation reserves ^{1/}	1,171	1,645	1,121
Cumulative general provisions	597	600	597
Hybrid (debt / equity) capital instruments	3,855	3,876	3,879
	5,624	6,121	5,597
Less: Capital deductions for private equity and venture capital investments	4	15	5
Total Capital	13,171	12,741	12,486
Risk weighted assets including market risk	60,452	62,727	59,884
Tier 1 ratio	12.5%	10.6%	11.5%
Total capital adequacy ratio	21.8%	20.3%	20.9%

^{1/} After discount of 55% based on Bank for International Settlements (BIS) guidelines

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

The Group's total capital adequacy ratio (CAR) as at 31 March 2003 remained strong at 21.8%. Tier 1 capital increased by S\$658 million in the first quarter of 2003, largely due to the issue of S\$500 million of non-cumulative non-convertible preference shares in January 2003. The Tier 1 capital ratio stood at 12.5% as at 31 March 2003.

Valuation Surplus

	31 Mar 2003			31 Mar 2002			31 Dec 2002		
	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	1,342	2,859	1,517	1,464	3,128	1,665	1,360	2,901	1,542
Equity securities	1,421	3,058	1,637	1,551	3,986	2,435	1,431	2,911	1,480
Debt securities ^{1/}	11,977	12,249	272	12,300	12,312	12	12,050	12,301	252
Total investments	14,740	18,166	3,426	15,314	19,426	4,112	14,840	18,114	3,273

^{1/} Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$3.43 billion as at 31 March 2003, representing a year-on-year decrease of 16.7%, and an increase of 4.7% compared to 31 December 2002. The decline of S\$686 million from March 2002 was due largely to lower market valuations for equity securities. Properties accounted for S\$1.52 billion or 44.3% of the surplus while equity securities accounted for S\$1.64 billion or 47.8%.

Performance by Geographical Segment

	1st Quarter 2003		1st Quarter 2002		4th Quarter 2002	
	S\$m	%	S\$m	%	S\$m	%
Income before operating expenses						
Singapore	384	77	402	75	450	79
Malaysia	81	16	85	16	81	14
Other ASEAN	5	1	4	1	7	1
Asia Pacific	21	4	35	7	22	4
Rest of the world	9	2	7	1	9	2
	499	100	534	100	569	100
Profit before tax						
Singapore	172	77	193	73	254	107
Malaysia	21	12	45	17	(23)	(10)
Other ASEAN	1	0	(3)	(1)	(8)	(3)
Asia Pacific	14	8	25	9	9	4
Rest of the world	6	3	5	2	6	2
	214	100	265	100	237	100
	31 Mar 2003		31 Mar 2002		31 Dec 2002	
	S\$m	%	S\$m	%	S\$m	%
Total assets						
Singapore	64,250	77	66,653	78	66,553	79
Malaysia	10,871	13	10,633	12	10,016	12
Other ASEAN	369	0	403	0	353	0
Asia Pacific	4,322	5	4,848	6	4,511	5
Rest of the world	3,155	4	2,594	3	2,619	3
	82,968	100	85,131	100	84,051	100

The analysis is based on the geographic location where the assets or transactions are booked. 89% 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)

For the quarter ended 31 March 2003

Appendix I

	1st Quarter 2003 S\$'000	1st Quarter 2002 S\$'000	+ / - %	4th Quarter 2002 S\$'000
Interest income	613,598	707,949	(13.3)	672,187
Less: Interest expense	262,031	338,152	(22.5)	295,769
Net interest income	351,567	369,797	(4.9)	376,418
Fees and commissions	82,299	94,367	(12.8)	91,388
Dividends	10,532	8,251	27.6	4,424
Rental income	15,618	18,811	(17.0)	17,108
Other income	39,162	42,425	(7.7)	79,426
Income before operating expenses	499,178	533,651	(6.5)	568,764
Less: Staff costs	119,103	119,169	(0.1)	112,792
Other operating expenses	81,948	86,661	(5.4)	103,817
	201,051	205,830	(2.3)	216,609
Operating profit before provisions and goodwill amortisation	298,127	327,821	(9.1)	352,155
Less: Goodwill amortisation	31,644	32,301	(2.0)	31,751
Less: Provisions for possible loan losses and diminution in value of other assets	63,767	90,557	(29.6)	130,013
Operating profit after provisions and goodwill amortisation	202,716	204,963	(1.1)	190,391
Share of profits less losses of associated companies	11,212	60,138	(81.4)	46,721
Profit before tax	213,928	265,101	(19.3)	237,112
Less: Tax	47,427	32,970	43.8	61,544
Share of tax of associated companies	6,767	17,255	(60.8)	5,860
	54,194	50,225	7.9	67,404
Profit after tax	159,734	214,876	(25.7)	169,708
Less: Minority interests	320	(465)	n.m.	839
Profit attributable to stockholders of the Bank	159,414	215,341	(26.0)	168,869

Group Balance Sheet (Unaudited)

As at 31 March 2003

Appendix II

	31 Mar 2003	31 Mar 2002	31 Dec 2002
	S\$'000	S\$'000	S\$'000
SHAREHOLDERS' EQUITY			
Share Capital			
Authorised	2,000,845	2,000,000	2,000,000
Issued and fully paid	1,290,466	1,289,096	1,290,299
Reserves			
Capital reserves	2,006,264	1,666,133	1,505,515
Statutory reserves	1,946,605	1,889,466	1,936,244
Revenue reserves	4,664,060	4,196,375	4,492,164
Total shareholders' equity	9,907,395	9,041,070	9,224,222
MINORITY INTERESTS	19,189	26,447	18,928
LIABILITIES			
Deposits of non-bank customers	55,333,771	55,849,259	53,947,536
Deposits and balances of banks	9,845,406	13,057,332	12,621,149
Deposits of associated companies	1,168,966	1,207,079	1,454,366
Bills payable	142,127	137,142	177,164
Current tax	339,286	321,992	321,765
Deferred tax	128,770	148,976	133,498
Other liabilities	2,099,728	1,465,698	2,140,546
Debt securities	3,982,921	3,876,173	4,012,214
Total liabilities and shareholders' equity	82,967,559	85,131,168	84,051,388
ASSETS			
Cash and placements with central banks	2,138,863	2,603,058	2,858,403
Singapore Government treasury bills and securities	5,580,768	6,307,731	5,966,732
Other government treasury bills and securities	1,147,800	904,625	984,145
Dealing securities	266,491	303,774	173,076
Placements with and loans to banks	14,737,162	14,652,875	14,458,968
Loans to customers (including bills receivable)	47,132,565	48,740,777	47,269,015
Investment securities	5,356,132	5,264,913	5,310,085
Deferred Tax	70,546	65,804	70,416
Other assets	1,772,875	1,245,759	2,142,778
	78,203,202	80,089,316	79,233,618
Associated companies	1,046,968	1,079,185	1,047,441
Property, plant and equipment	1,550,288	1,670,445	1,571,646
Goodwill	2,167,101	2,292,222	2,198,683
Total assets	82,967,559	85,131,168	84,051,388
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	5,762,638	6,750,038	5,848,394
Commitments	30,322,485	25,658,355	28,288,944
Financial derivatives	175,274,756	149,674,557	183,574,497
	211,359,879	182,082,950	217,711,835

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

For the quarter ended 31 March 2003

Appendix III

	Share capital S\$'000	Capital reserves S\$'000	Statutory reserves S\$'000	Revenue reserves S\$'000	Total S\$'000
Balance at 1 January 2003	1,290,299	1,505,515	1,936,244	4,492,164	9,224,222
Profit attributable to stockholders of the Bank	-	-	-	159,414	159,414
Foreign currency translation gains not recognised in the income statements	-	-	-	23,926	23,926
Total recognised gains for the financial period	-	-	-	183,340	183,340
Transfers	-	1,083	10,361	(11,444)	-
Class E preference shares issued	50	499,950	-	-	500,000
Expenses relating to issue of preference shares	-	(998)	-	-	(998)
Shares issued under Executives' Share Option Scheme	117	714	-	-	831
Balance at 31 March 2003	1,290,466	2,006,264	1,946,605	4,664,060	9,907,395
Include:					
Share of reserves of associated companies	-	19,240	-	877,374	896,614
Balance at 1 January 2002	1,286,606	1,911,490	1,889,924	3,744,204	8,832,224
Profit attributable to stockholders	-	-	-	215,341	215,341
Foreign currency translation losses not recognised in the income statements	-	-	-	(12,107)	(12,107)
Total recognised gains for the financial period	-	-	-	203,234	203,234
Transfers	-	(261,388)	(458)	261,846	-
Shares issued under Executives' Share Option Scheme	2,490	16,031	-	-	18,521
Adjustment in reserves of associated companies	-	-	-	(12,908)	(12,908)
Balance at 31 March 2002	1,289,096	1,666,133	1,889,466	4,196,376	9,041,071
Include:					
Share of reserves of associated companies	-	19,076	22,026	832,634	873,736

Consolidated Cash Flow Statement (Unaudited)

For the quarter ended 31 March 2003

Appendix IV

	31 Mar 2003	31 Mar 2002
	S\$'000	S\$'000
Cash flows from operating activities		
Operating profit before provisions and goodwill amortisation	298,127	327,821
Adjustments for :		
Amortisation of computer software costs	4,777	2,294
Depreciation of property, plant and equipment	17,288	16,267
Losses / (Gains) on disposal of property, plant and equipment	703	(283)
Losses / (Gains) on disposal of investment securities	616	(18,523)
Operating profit before changes in operating assets and liabilities	321,511	327,576
Increase/(decrease) in operating liabilities :		
Deposits of non-bank customers	1,100,835	1,140,528
Deposits and balances of banks	(2,775,743)	(993,666)
Bills payable and other liabilities	(74,370)	(621,943)
(Increase)/decrease in operating assets :		
Dealing securities	(93,415)	49,716
Placements with and loans to banks	(278,194)	(225,607)
Loans to customers and bills receivable	108,334	824,522
Other assets	374,107	568,079
Cash provided by operating activities	(1,316,935)	1,069,205
Income tax paid	(33,004)	(42,200)
Net cash provided by operating activities	(1,349,939)	1,027,005
Cash flows from investing activities		
Acquisition of additional interest in subsidiary companies	(288)	-
Dividends from associated companies	51	431
Decrease/(increase) in associated companies	4,221	(106)
Purchase of investment securities	(440,884)	(964,810)
Purchase of property, plant and equipment	(18,189)	(11,166)
Net cash (outflow)/inflow from disposal of subsidiary companies	-	(1,980)
Proceeds from disposal of investment securities	371,123	432,229
Proceeds from disposal of property, plant and equipment	685	3,400
Net cash used in investing activities	(83,281)	(542,002)
Cash flows from financing activities		
Debt securities	(32,398)	-
Proceeds from issue of shares	499,833	18,521
Change in minority interests in subsidiaries	10	(537)
Net cash (used in)/provided by financing activities	467,445	17,984
Net foreign currency translation adjustments	23,926	(12,107)
Net change in cash and cash equivalents	(941,849)	490,880
Cash and cash equivalents as at 1 January	9,809,280	9,324,534
Cash and cash equivalents as at 31 March	8,867,431	9,815,414