



First Half 2003

GROUP FINANCIAL RESULTS

5 August 2003

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MEDIA RELEASE

OCBC Group's First Half 2003 Net Profit Increased 21% to S\$384 million

Improved performance driven by lower provisions and stable costs

Second quarter 2003 net profit rose 120% year-on-year to S\$224 million

Singapore, 5 Aug 2003 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") registered a net profit attributable to shareholders of S\$384 million in the first six months of 2003, a rise of 21% compared to the first half of 2002. The profit improvement was driven by a 55% fall in provisions from S\$295 million to S\$134 million, led by lower specific provisions for loans and investment securities. In addition, tight cost management kept operating expenses stable in a difficult economic environment.

Net profit in the second quarter of 2003 was S\$224 million, an increase of 120% over second quarter 2002, as the latter period accounted for the bulk of provisions made in first half 2002.

In the first half of 2003, operating profit before provisions and goodwill amortisation fell 11% to S\$605 million compared to the same period in 2002. Revenue in the first half was affected by the generally weak economic and investment environment, particularly during the first four months of the year as a result of the Iraq war and SARS. In addition, operating profit in last year's first half was boosted by gains of S\$46 million from the disposal of investment securities, as compared to a S\$3 million gain this year.

Comparing second quarter 2003 with first quarter 2003, the Group's overall performance has improved. Net profit of S\$224 million in second quarter 2003 was 41% higher than the first quarter's S\$159 million, driven by a 6% rise in total revenue and significantly higher contribution from associate Great Eastern Holdings. With the end of the war, the containment of SARS, and improved investment sentiment, operating profit before provisions and goodwill increased by 3% over the first quarter.

Higher Revenue in the Second Quarter

Total income fell by 7% year-on-year in the first half of 2003 to S\$1,029 million, with half of the decline attributed to lower gains from the disposal of investment securities. However, comparing the second quarter with first quarter 2003, total income showed an increase of 6%, driven mainly by higher non-interest income.

Net interest income in the first half fell by 5% to S\$707 million due mainly to a reduction in net interest margin from 2.01% to 1.90%. Interest margins were affected by lower customer spreads due to competition and by lower returns on net available funds. However, net interest income in second quarter 2003 grew by a marginal 1% over the first quarter, helped by higher average loan volume and relatively stable net interest margin.

Fee-based activities were affected by the poor investment sentiments in the first four months of 2003, resulting in an 8% year-on-year decline in fee and commission income to S\$170 million in the first half of 2003. Lower income from wealth management products and stockbroking more than offset higher loan-related fees and credit card fees. However, fee and commission income recovered in the second quarter to register an increase of 7% over the first quarter, led by higher brokerage and wealth management income.

Expenses Tightly Managed

The Group continued to manage its expenses tightly, particularly given the sluggish economic environment. Total operating expenses in the first half declined by 1% to S\$424 million as compared to the same period in 2002, due to lower staff costs and other operating expenses, and a S\$5 million reversal of specific restructuring costs. The overall cost decline would have been larger if not for a one time write-off of S\$10 million relating to certain fixed assets in the second quarter. This write-off also contributed to an 11% increase in operating expenses from the first quarter to the second quarter, and a corresponding rise in the cost-to-income ratio from 40.3% to 42.1%. The average cost-to-income ratio of 41.2% in the first half was higher than a year ago due to the year-on-year decline in total income.

Lower Provisions and Improving Asset Quality

Total provisions for the first half amounted to S\$134 million, a decrease of 55% from S\$295 million in first half 2002. Provisions in the second quarter of 2003 were S\$70 million, slightly above the S\$64 million in the first quarter which had included a S\$31 million release of general provisions.

The bulk of the provisions in the first half were specific provisions for loans which amounted to S\$117 million, compared to S\$255 million in first half 2002. While business conditions remained weak during the first half, provisions for new non-performing loans (NPLs) and for the shortfall in collateral value of existing NPLs were not as high as in first half 2002.

Specific provisions for diminution in value of investment securities, properties and other assets also registered a year-on-year decline from S\$68 million to S\$47 million, as the Group had made significant provisions for private equity and venture funds in the first half of 2002.

In addition, the Group released S\$30 million from its general provision reserves in the first half of 2003 (S\$27 million released in first half 2002). As at 30 June 2003, general provision reserves remained at a prudent level of 2.4% of total non-bank loans (net of specific provisions).

Overall provision coverage remained at a comfortable level of 63% of NPLs as at 30 June 2003, while cumulative specific provisions were 103% of unsecured NPLs.

Compared to 31 December 2002, total NPLs fell by 6% to S\$4.12 billion as at 30 June 2003. The NPL ratio improved to 7.5% in June 2003, from 8.1% in December 2002 and 9.6% in June 2002. The reduction in NPLs in the first half came mainly from Singapore NPLs where the recoveries, repayments and write-offs of fully provided loss loans more than offset new classified loans.

Moderate Loan Growth

Customer loan balances increased by 3% from 31 December 2002 to S\$51.25 billion as at 30 June 2003, with most of the growth occurring in the second quarter. The increase came largely from consumer loans. Housing loans grew by 10% from December 2002 to S\$13.56 billion in June 2003, while loans to professionals and private individuals increased by 5% over the same period to S\$7.98 billion.

Interim Dividend

An interim gross dividend of 11 cents per share has been declared, compared to the 5 cents interim dividend and 15 cents final dividend for financial year 2002. The interim dividend, representing a payout of 29%, is in line with OCBC's dividend policy adopted earlier this year as part of its New Horizons strategy. Under the policy, OCBC targets to pay out at least 25% of profit after tax from its core business, barring unforeseen circumstances. It also targets to pay more uniform dividends every half-year, increasing in line with its core earnings.

Conclusion

Commenting on the first half results and the outlook, CEO David Conner said:

“We are generally pleased with our second quarter results, particularly as we are seeing some post-war and post-SARS improvement in revenues and loan growth. We continue to focus on executing our New Horizons initiatives, while striving to help our customers through the current difficult economic environment. Barring unforeseen events, we are hopeful that the improving trend in the second quarter would be sustained in the second half of the year.”

FINANCIAL REVIEW

Highlights

- ◆ Net profit attributable to shareholders rose 21% to S\$384 million in the first half of 2003 compared to first half 2002, largely due to lower provisions which fell from S\$295 million to S\$134 million. Operating profit before provisions and goodwill fell 11% due to weaker revenue.
- ◆ Second quarter 2003's net profit of S\$224 million was 41% higher than the first quarter 2003 due to 6% rise in total income and significantly higher contributions from associates.
- ◆ Loans to non-bank customers grew by 3% from December 2002 to S\$51.25 billion as at 30 June 2003, led by growth in housing loans and loans to professionals and private individuals.
- ◆ Non-performing loans (NPLs) fell by 6% from December 2002 to S\$4.12 billion as at 30 June 2003. The ratio of NPLs to total non-bank loans improved to 7.5% from 8.1% in December 2002 and 9.6% in June 2002. Provision coverage of NPLs remained at a comfortable 63.2%
- ◆ Annualised earnings per ordinary share (EPS) increased by 18% year-on-year to 59 cents in first half 2003. Second quarter 2003's annualised EPS rose 34% over the first quarter to 67 cents.
- ◆ Net asset value per ordinary share (NAV) was S\$7.02 as at 30 June 2003. Including the unrealised valuation surplus of S\$2.80 per share, NAV was S\$9.82.
- ◆ Annualised return on ordinary shareholders' funds (ROE) increased from 7.1% in first half 2002 to 8.1% in first half 2003. Annualised ROE for the second quarter of 2003 was 9.4% compared to 6.8% in the first quarter of 2003.

Financial Summary

	1st Half 2003	1st Half 2002	+ / (-)	2nd Qtr 2003	1st Qtr 2003	+ / (-)	2nd Qtr 2002
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Selected profit and loss data :							
Net interest income	707	745	(5)	356	352	1	375
Fees and commissions	170	184	(8)	88	82	7	89
Dividends	30	26	15	20	11	89	18
Rental income	29	43	(31)	14	16	(13)	24
Other income	92	110	(16)	53	39	36	67
Total income	1,029	1,108	(7)	530	499	6	574
Less : Operating expenses	424	429	(1)	223	201	11	223
Operating profit	605	679	(11)	307	298	3	351
Less : Goodwill amortisation	63	65	(2)	32	32	0	32
Less : Total provisions	134	295	(55)	70	64	10	205
Add : Share of associated companies' results	89	103	(14)	78	11	596	43
Profit before tax	497	422	18	283	214	32	157
Net profit attributable to shareholders	384	317	21	224	159	41	102
Cash basis net profit attributable to shareholders ^{1/}	447	382	17	256	191	34	134
Selected balance sheet data :							
Total assets	86,293	83,748	3	86,293	82,968	4	83,748
Loans to customers (net of provisions)	48,801	47,632	2	48,801	47,221	3	47,632
Deposits of non-bank customers	54,760	54,898	0	54,760	55,334	(1)	54,898
Ordinary shareholders' funds	9,060	8,964	1	9,060	9,408	(4)	8,964
Total (ordinary and preference) shareholders' funds	9,559	8,964	7	9,559	9,907	(4)	8,964
Key Indicators :							
Return on ordinary shareholders' funds ^{2/} (% p.a.)	8.1	7.1		9.4	6.8		4.5
Return on ordinary shareholders' funds ^{2/} (% p.a.) - Cash basis ^{1/}	9.5	8.6		10.8	8.2		6.0
Return on total shareholders' funds (% p.a.)	8.0	7.1		9.2	6.7		4.5
Return on total shareholders' funds (% p.a.) - Cash basis ^{1/}	9.3	8.6		10.5	8.1		6.0
Return on assets (% p.a.)	0.92	0.76		1.07	0.77		0.49
Return on assets (% p.a.) - Cash basis ^{1/}	1.07	0.92		1.22	0.93		0.65
Basic Earnings per ordinary share (annualised, S\$) ^{3/}	0.59	0.50	18	0.67	0.50	34	0.32
Cash Earnings per ordinary share (annualised, S\$) ^{1/}	0.68	0.60	15	0.77	0.60	28	0.42
Net asset value per ordinary share (S\$)							
- Before valuation surplus	7.02	6.95	1	7.02	7.29	(4)	6.95
- After valuation surplus	9.82	9.66	2	9.82	9.94	(1)	9.66

^{1/} Excluding goodwill amortisation charge

^{2/} Calculated after deducting preference shares dividends paid and estimated to be due as at 30 June 2003 from net profit attributable to shareholders

^{3/} Calculated after deducting declared and/or paid preference shares dividends from net profit attributable to shareholders

^{4/} Some of the figures may not add up to the relevant totals due to rounding

Net Interest Income

Net interest income for the first half of 2003 declined 5% year-on-year to S\$707 million, as a result of lower interest margins. Net interest margin was reduced by 11 basis points to 1.90%, as customer spreads were pressured by competition while returns on net available funds were also lower.

Compared to first quarter 2003, net interest income in the second quarter increased marginally by 1% due to a higher average loan volume, while the net interest margin was relatively stable.

Average Balance Sheet^{1/} (Half Yearly Trend)

	1st Half 2003			1st Half 2002		
	Avg Bal	Int	Avg Rate	Avg Bal	Int	Avg Rate
	S\$m	S\$m	%	S\$m	S\$m	%
Assets ^{4/}						
Loans and advances to non-bank customers	47,558	898	3.81	48,337	1,047	4.37
Placements with and loans to banks	15,321	140	1.84	14,224	157	2.23
Other interest earning assets ^{2/}	12,381	158	2.58	12,025	183	3.06
Total interest earning assets	75,259	1,196	3.20	74,585	1,386	3.75
Non-interest earning assets	8,739			8,628		
Total assets	83,998			83,213		
Liabilities						
Deposits of non-bank customers and floating rate negotiable certificates of deposits	55,884	363	1.31	57,506	475	1.67
Deposits and balances of banks	11,407	76	1.34	10,840	103	1.92
Other borrowings ^{3/}	4,161	50	2.43	4,046	63	3.14
Total interest bearing liabilities	71,452	489	1.38	72,392	641	1.79
Non-interest bearing liabilities ^{4/}	2,839			1,870		
Total liabilities	74,291			74,263		
Net interest income/margin ^{4/}		707	1.90		745	2.01

^{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

^{4/} Previous periods' figures have been restated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, prior periods' net interest margins have been re-stated.

Average Balance Sheet^{1/} (Quarterly Trend)

	2nd Quarter 2003			1st Quarter 2003			2nd Quarter 2002		
	Avg Bal	Int	Avg Rate	Avg Bal	Int	Avg Rate	Avg Bal	Int	Avg Rate
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m	S\$m	%
Assets ^{4/}									
Loans and advances to non-bank customers	48,201	446	3.71	46,907	452	3.91	47,922	514	4.30
Placements with and loans to banks	14,790	66	1.79	15,857	73	1.88	14,594	76	2.09
Other interest earning assets ^{2/}	12,638	78	2.49	12,120	80	2.67	12,049	90	2.99
Total interest earning assets	75,630	591	3.13	74,885	605	3.28	74,565	680	3.66
Non-interest earning assets	8,587			8,892			8,396		
Total assets	84,216			83,777			82,962		
Liabilities									
Deposits of non-bank customers and floating rate negotiable certificates of deposits	55,789	174	1.25	55,980	189	1.37	56,475	230	1.63
Deposits and balances of banks	11,615	37	1.28	11,198	39	1.40	11,676	48	1.64
Other borrowings ^{3/}	4,166	24	2.29	4,155	26	2.57	4,061	27	2.67
Total interest bearing liabilities	71,570	235	1.32	71,333	254	1.44	72,212	304	1.69
Non-interest bearing liabilities ^{4/}	3,000			2,676			1,753		
Total liabilities	74,570			74,010			73,965		
Net interest income/margin ^{4/}		356	1.89		352	1.90		375	2.02

^{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

^{4/} Previous periods' figures have been restated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, prior periods' net interest margins have been re-stated.

Non-Interest Income

	1st Half 2003	1st Half 2002	+ / (-)	2nd Qtr 2003	1st Qtr 2003	+ / (-)	2nd Qtr 2002
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Fee and commission income							
Brokerage	21	35	(40)	13	8	58	13
Investment banking	5	7	(27)	3	2	21	4
Trade-related	15	16	(8)	7	7	(4)	8
Loan-related	39	24	63	17	22	(21)	9
Service charges	25	24	5	13	12	5	9
Guarantees	10	9	11	5	5	(11)	4
Credit cards	14	13	8	7	7	(7)	7
Fund management	10	9	5	5	5	16	4
Unit trust distribution	16	26	(39)	9	7	38	15
Bancassurance	12	15	(21)	7	5	23	10
Others	4	6	(31)	3	2	54	5
Total	<u>170</u>	<u>184</u>	(8)	<u>88</u>	<u>82</u>	7	<u>89</u>
Dividends	30	26	15	20	11	89	18
Rental income	29	43	(31)	14	16	(13)	24
Other income							
Dealing in foreign exchange	31	17	77	17	14	25	9
Dealing in securities and derivatives	28	15	83	16	12	29	17
Disposal of investment securities	3	46	(93)	4	(1)	n.m.	27
Others	30	31	(1)	17	14	22	15
Total	<u>92</u>	<u>110</u>	(16)	<u>53</u>	<u>39</u>	36	<u>67</u>
Total non-interest income	<u>322</u>	<u>363</u>	(11)	<u>174</u>	<u>148</u>	18	<u>198</u>
Fees and Commissions/Total Income	16.5%	16.6%		16.5%	16.5%		15.6%
Non-Interest Income/Total Income	31.3%	32.7%		32.9%	29.6%		34.6%

Total non-interest income declined 11% year-on-year to S\$322 million in the first half of 2003, due to lower fee and commission income and lower gains from disposal of investment securities. Fee and commission income fell 8% to S\$170 million in the first half as poor investment sentiments hit brokerage, unit trust and bancassurance sales. Fees and commissions were however 7% higher in the second quarter compared to the first quarter, as the end of the Iraq war, SARS and a more active stock market boosted wealth management and brokerage activities.

Dealing income registered strong growth both on a year-on-year basis in the first half and in the second quarter compared to the first quarter. This was mainly due to higher gains from sale of government securities and higher profits on foreign exchange.

Operating Expenses

	1st Half 2003 S\$m	1st Half 2002 S\$m	+ / (-) %	2nd Qtr 2003 S\$m	1st Qtr 2003 S\$m	+ / (-) %	2nd Qtr 2002 S\$m
Staff costs	238	240	(1)	119	119	(0)	121
Premises and equipment							
Depreciation of fixed assets	46	35	34	29	17	68	18
Amortisation of computer software costs	10	5	93	5	5	2	3
Maintenance and hire of fixed assets	20	13	56	12	7	65	7
Rental expenses	9	13	(26)	4	5	(7)	7
Others	37	29	28	21	16	27	15
Total	<u>122</u>	<u>94</u>	30	<u>72</u>	<u>51</u>	41	<u>49</u>
Other operating expenses	69	84	(18)	33	36	(9)	46
	<u>429</u>	<u>418</u>	3	<u>223</u>	<u>206</u>	8	<u>216</u>
Restructuring and other integration costs	(5)	11	n.m.	(0)	(5)	n.m.	7
Total operating expenses	<u>424</u>	<u>429</u>	(1)	<u>223</u>	<u>201</u>	11	<u>223</u>
Group staff strength - period end	7,289	7,694	(5)	7,289	7,314	0	7,694
Group staff strength – average	7,327	8,017	(9)	7,320	7,334	0	7,820
Cost-to-income ratio	41.2%	38.7%		42.1%	40.3%		38.8%

Total operating expenses declined by 1% to S\$424 million compared to the first half of 2002. This was due to lower staff costs and other operating expenses, and a S\$5 million reversal of specific restructuring costs in the first quarter of 2003, partly offset by higher premises and equipment costs. The decline would have been larger if not for the one time write-off of about S\$10 million relating to certain fixed assets in the second quarter. This write-off also resulted in a rise in the cost-to-income ratio from 40.3% in the first quarter to 42.1% in the second quarter. On a year-on-year basis, the cost-to-income ratio rose in the first half due the impact of lower income.

Provision Charge

	1st Half 2003	1st Half 2002	+ / (-)	2nd Qtr 2003	1st Qtr 2003	+ / (-)	2nd Qtr 2002
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Specific provision for loan losses							
- Singapore	120	165	(27)	65	55	17	97
- Malaysia	38	42	(9)	6	32	(81)	30
- Other regional countries	(18)	11	n.m.	(15)	(3)	n.m.	6
- Others	(23)	37	n.m.	(10)	(14)	n.m.	31
Sub-Total	<u>117</u>	<u>255</u>	(54)	<u>47</u>	<u>70</u>	(34)	<u>163</u>
General provision for loan losses							
- Five regional countries ^{1/}	(31)	(24)	n.m.	0	(31)	n.m.	(28)
- Singapore & others	1	(3)	n.m.	1	0	-	(5)
Sub-Total	<u>(30)</u>	<u>(27)</u>	n.m.	<u>1</u>	<u>(31)</u>	n.m.	<u>(32)</u>
Specific provision for diminution in value of investment securities and other assets	47	68	(31)	22	24	(8)	74
Total provision charge	<u>134</u>	<u>295</u>	(55)	<u>70</u>	<u>64</u>	10	<u>205</u>

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

Total provisions for the first half of 2003 amounted to S\$134 million, a decrease of 55% from S\$295 million in first half 2002.

The bulk of the provisions in the first half were specific provisions for loans which amounted to S\$117 million, compared to S\$255 million in first half 2002. While business conditions remained weak during the first half, provisions for new NPLs and for the shortfall in collateral value of existing NPLs were not as high as in first half 2002.

Specific provisions for diminution in value of investment securities, properties and other assets also registered a year-on-year decline from S\$68 million to S\$47 million, as the Group had made significant provisions for private equity and venture funds in the first half of 2002.

In addition, the Group released S\$30 million from its general provision reserves in the first half of 2003 (S\$27 million released in first half 2002). As at 30 June 2003, general provision reserves remained at a prudent level of 2.4% of total non-bank loans (net of specific provisions).

On a quarterly basis, second quarter 2003 provisions of S\$70 million were above the first quarter's S\$64 million, due to the release of general provisions in the first quarter.

Loans and Advances

	30 Jun 2003	31 Dec 2002	+ / (-)	30 Jun 2002
	S\$m	S\$m	%	S\$m
Loans to customers	50,969	49,587	3	50,544
Bills receivable	276	297	(7)	317
Gross loans to customers	51,245	49,884	3	50,861
Less Provisions:			-	
Specific provisions	1,260	1,306	(4)	2,013
General provisions	1,184	1,211	(2)	1,215
Net loans to customers	48,801	47,367	3	47,632

Loans to customers increased by 3% from 31 December 2002 to S\$51.25 billion at the end of June 2003. Most of the loan growth took place in the second quarter, led mainly by consumer loans. Housing loans grew by 10% from December 2002 to S\$13.56 billion as at 30 June 2003, while loans to professionals and private individuals increased by 5% over the same period to S\$7.98 billion.

	30 Jun 2003		31 Dec 2002		30 Jun 2002	
	S\$m	%	S\$m	%	S\$m	%
By Maturity						
Less than 7 days	8,488	17	9,292	19	10,018	20
1 week to 1 month	3,893	8	3,630	7	3,796	7
Over 1 to 3 months	2,789	5	3,077	6	3,409	7
Over 3 to 12 months	4,636	9	5,026	10	4,704	9
Over 1 to 3 years	9,587	19	8,206	16	5,540	11
Over 3 years	21,852	42	20,652	42	23,394	46
	51,245	100	49,884	100	50,861	100
By Industry						
Agriculture, mining & quarrying	522	1	437	1	415	1
Transport, storage and communication	1,588	3	1,753	4	1,868	4
Building and construction	7,825	15	7,453	15	8,610	17
Manufacturing	3,373	7	3,455	7	3,601	7
Financial institutions, investment and holding companies	8,845	17	9,047	18	9,047	18
General commerce	3,081	6	3,208	6	3,261	6
Professionals and individuals	7,976	16	7,613	15	7,567	15
Housing loans	13,561	26	12,313	25	11,785	23
Others	4,475	9	4,605	9	4,706	9
	51,245	100	49,884	100	50,861	100

Note: The 2002 comparatives for gross loans and provisions made to professionals and individuals have been restated.

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						
30 Jun 2003	1,219	819	167	233	70.6	13.6
31 Mar 2003	1,250	833	198	219	69.9	14.7
31 Dec 2002	1,199	831	183	186	70.7	14.2
30 Jun 2002	1,137	851	181	105	75.8	15.7
Other Four Regional Countries						
30 Jun 2003	176	22	128	27	27.4	33.6
31 Mar 2003	202	21	152	29	28.2	34.4
31 Dec 2002	208	23	156	28	28.4	34.1
30 Jun 2002	228	25	175	29	28.2	36.2
Total Regional Countries						
30 Jun 2003	1,396	841	295	260	65.2	14.9
31 Mar 2003	1,453	854	351	248	64.1	16.2
31 Dec 2002	1,407	854	339	214	64.5	15.8
30 Jun 2002	1,366	875	356	134	67.8	17.4
Singapore						
30 Jun 2003	2,480	1,754	576	149	69.9	6.6
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
30 Jun 2002	3,306	2,020	497	789	58.1	8.9
Others						
30 Jun 2003	240	131	109	1	40.7	3.3
31 Mar 2003	278	143	98	38	39.2	3.4
31 Dec 2002	304	148	96	61	32.9	3.5
30 Jun 2002	307	127	118	62	24.3	4.1
Group Total						
30 Jun 2003	4,115	2,726	980	410	66.6	7.5
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
30 Jun 2002	4,979	3,023	971	985	58.7	9.6

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

^{2/} Excluding debt securities

The Group's NPLs fell by S\$241 million or 6% from 31 December 2002 to S\$4.12 billion as at 30 June 2003. The decrease came mainly from Singapore NPLs, where the recoveries, repayments and write-offs more than offset new NPLs classified during the first half.

Singapore NPLs amounted to S\$2.48 billion as at 30 June 2003 and accounted for 60.3% of the Group's total NPLs, while Malaysia NPLs of S\$1.22 billion made up 29.6%. Of the total NPLs, 66.2% were in the substandard category while 66.6% were secured by collateral.

The ratio of NPLs to non-bank loans improved from 8.1% at the end of 2002 to 7.5% as at 30 June 2003. The Singapore NPL ratio improved from 7.3% to 6.6%, while the Malaysia NPL ratio improved from 14.2% to 13.6% over the same period.

	30 Jun 2003		31 Dec 2002		30 Jun 2002	
	Amount S\$m	%	Amount S\$m	%	Amount S\$m	%
By industry ^{1/}						
Agriculture, mining & quarrying	38	7.3	39	8.9	42	10.2
Transport, storage and communication	150	9.5	72	4.1	127	6.8
Building and construction	724	9.3	756	10.1	756	8.8
Manufacturing	572	17.0	680	19.7	614	17.1
Financial institutions, investment and holding companies	678	7.7	768	8.5	1,191	13.2
General commerce	540	17.5	539	16.8	660	20.2
Professionals and individuals	535	6.7	582	7.6	682	9.0
Housing loans	229	1.7	227	1.8	301	2.6
Others	389	8.7	379	8.2	500	10.6
Sub-total	3,856	7.5	4,042	8.1	4,875	9.6
Debt securities	259		314		105	
Total	4,115	8.0	4,356	8.7	4,979	9.8

1/ The percentages refer to the amount of NPL as a percentage of gross customer loans.

	30 Jun 2003		31 Dec 2002		30 Jun 2002	
	Amount S\$m	As % of Total NPLs	Amount S\$m	As % of Total NPLs	Amount S\$m	As % of Total NPLs
By period overdue						
Over 180 days	2,446	59	2,339	54	3,162	64
Over 90 to 180 days	291	7	567	13	434	9
Over 30 to 90 days	303	7	267	6	311	6
Less than 30 days	130	3	208	5	268	5
No overdue	945	23	975	22	804	16
	4,115	100	4,356	100	4,979	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						
30 Jun 2003	786	417	368	34.2	64.4	219.3
31 Mar 2003	792	423	369	33.8	63.3	210.5
31 Dec 2002	743	377	366	31.5	62.0	211.9
30 Jun 2002	669	303	367	26.6	58.8	242.8
Other Four Regional Countries						
30 Jun 2003	358	145	213	82.6	203.3	280.0
31 Mar 2003	383	170	213	83.9	189.1	263.2
31 Dec 2002	415	171	244	82.6	200.1	279.4
30 Jun 2002	434	190	244	83.0	189.8	264.4
Total Regional Countries						
30 Jun 2003	1,144	563	581	40.3	82.0	235.3
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
30 Jun 2002	1,103	492	611	36.0	80.7	250.9
Singapore						
30 Jun 2003	1,259	752	507	30.3	50.8	168.8
31 Mar 2003	1,278	771	507	30.1	49.9	170.5
31 Dec 2002	1,305	800	506	30.2	49.3	164.1
30 Jun 2002	1,955	1,442	513	43.6	59.1	141.3
Others						
30 Jun 2003	199	104	95	43.5	83.1	140.1
31 Mar 2003	243	149	94	53.6	87.4	143.8
31 Dec 2002	253	158	95	52.0	83.2	124.0
30 Jun 2002	315	224	91	72.9	102.6	135.6
Group Total						
30 Jun 2003	2,603	1,419	1,184	34.5	63.2	189.4
31 Mar 2003	2,695	1,513	1,183	35.3	62.8	187.2
31 Dec 2002	2,717	1,506	1,211	34.6	62.4	181.2
30 Jun 2002	3,373	2,158	1,215	43.3	67.7	164.1

^{1/} Include provisions for debt securities

Total cumulative specific and general provisions decreased by S\$114 million from 31 December 2002 to S\$2.60 billion as at 30 June 2003. This represents 63.2% of NPLs while cumulative specific provisions covered 103.2% of unsecured NPLs. Cumulative general provisions were 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	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								
30 Jun 2003	2,473	3,096	7,615	615	13,799	1,926	11,873	13.8
31 Mar 2003	2,009	3,002	7,231	615	12,857	1,554	11,303	13.6
31 Dec 2002	1,259	2,823	7,078	590	11,750	1,229	10,522	12.5
30 Jun 2002	1,260	2,698	6,941	624	11,523	1,230	10,293	12.3
Indonesia								
30 Jun 2003	101	124	326	69	620	79	541	0.6
31 Mar 2003	196	123	352	46	717	59	658	0.8
31 Dec 2002	181	105	356	50	692	49	643	0.8
30 Jun 2002	194	132	374	40	740	53	687	0.8
Thailand								
30 Jun 2003	76	35	98	0	209	60	149	0.2
31 Mar 2003	41	34	111	0	186	38	148	0.2
31 Dec 2002	74	33	108	0	215	58	157	0.2
30 Jun 2002	124	34	128	0	286	78	208	0.2
Korea								
30 Jun 2003	331	44	68	0	443	28	416	0.5
31 Mar 2003	229	42	105	0	376	26	350	0.4
31 Dec 2002	228	35	102	0	364	27	337	0.4
30 Jun 2002	212	35	152	0	399	27	372	0.4
Philippines								
30 Jun 2003	45	17	22	1	85	1	84	0.1
31 Mar 2003	41	17	0	1	59	1	58	0.1
31 Dec 2002	25	17	28	5	74	5	69	0.1
30 Jun 2002	33	1	44	5	83	0	83	0.1
Total Regional Countries								
30 Jun 2003	3,025	3,317	8,130	685	15,157	2,094	13,063	15.1
31 Mar 2003	2,516	3,218	7,798	663	14,195	1,678	12,517	15.1
31 Dec 2002	1,767	3,012	7,671	645	13,095	1,367	11,727	14.0
30 Jun 2002	1,823	2,900	7,639	669	13,031	1,388	11,643	13.9
Hong Kong								
30 Jun 2003	349	29	1,365	21	1,765	9	1,756	2.0
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
30 Jun 2002	214	29	1,430	34	1,707	9	1,698	2.0
China								
30 Jun 2003	638	8	779	9	1,434	393	1,041	1.2
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
30 Jun 2002	497	2	1,003	11	1,513	390	1,123	1.3
Total								
30 Jun 2003	4,013	3,354	10,274	715	18,356	2,496	15,860	18.4
31 Mar 2003	3,909	3,256	9,887	693	17,745	2,018	15,727	19.0
31 Dec 2002	2,770	3,057	9,985	677	16,489	1,721	14,768	17.6
30 Jun 2002	2,534	2,931	10,072	714	16,251	1,787	14,464	17.3

Compared to December 2002, the Group's net exposure to the five regional countries – Malaysia, Indonesia, Thailand, South Korea and the Philippines – increased by S\$1.34 billion or 11% to S\$13.06 billion as at 30 June 2003, representing 15.1% of the Group's total assets. The increase was mainly from Malaysia, which accounted for 13.8% of Group assets. The Group's exposure to Hong Kong and China decreased by 8% to S\$2.80 billion and accounted for 3.2% of Group assets.

Deposits

	30 Jun 2003	31 Dec 2002	+ / (-)	30 Jun 2002
	S\$m	S\$m	%	S\$m
Deposits of non-bank customers	54,760	53,948	2	54,898
Deposits and balances of banks	13,436	12,621	6	11,559
	68,196	66,569	2	66,457
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	89.1%	87.8%		86.8%

Total deposits increased by 2% during the first six months of 2003 to S\$68.20 billion. Non-bank customer deposits, which accounted for 80.3% of total deposits, increased by 2% mainly due to increased savings and current account deposits, offset partly by lower fixed deposit balances.

The Group's loans-to-deposits ratio increased from 87.8% at the end of 2002 to 89.1% as at 30 June 2003, as loan growth exceeded deposit growth.

	30 Jun 2003		31 Dec 2002		30 Jun 2002	
	S\$m	%	S\$m	%	S\$m	%
Total Deposits By Maturity						
Less than 7 days	29,941	43	25,715	38	26,193	39
1 week to 1 month	16,085	24	18,327	28	17,399	26
Over 1 to 3 months	9,258	14	11,779	18	9,754	15
Over 3 to 12 months	11,647	17	9,598	14	11,832	18
Over 1 to 3 years	922	1	714	1	684	1
Over 3 years	342	1	436	1	596	1
	68,196	100	66,569	100	66,457	100

Non-Bank Deposits By Product

Fixed deposits	35,947	66	36,176	67	37,156	68
Savings deposits	11,251	21	10,802	20	11,160	20
Current account	5,726	10	5,294	10	5,196	9
Others	1,836	3	1,676	3	1,386	3
	54,760	100	53,948	100	54,898	100

Capital Adequacy Ratios

	30 Jun 2003	31 Dec 2002	30 Jun 2002
	S\$m	S\$m	S\$m
Tier 1 Capital			
Paid-up ordinary and preference shares	1,291	1,290	1,290
Disclosed reserves/others	8,184	7,802	7,635
Less: Goodwill	2,135	2,199	2,260
	7,340	6,894	6,666
Tier 2 Capital			
Asset revaluation reserves ^{1/}	1,284	1,121	1,326
Cumulative general provisions	602	597	599
Hybrid (debt / equity) capital instruments	3,856	3,879	3,877
	5,742	5,597	5,801
Less: Capital deductions for private equity and venture capital investments	3	5	10
Total Capital	13,079	12,486	12,457
Risk weighted assets including market risk	61,945	59,884	60,352
Tier 1 ratio	11.8%	11.5%	11.0%
Total capital adequacy ratio	21.1%	20.9%	20.6%

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

Note: Capital adequacy ratio is calculated in accordance with the Basel Committee on Banking Supervision guidelines

The Group's total capital adequacy ratio (CAR) as at 30 June 2003 remained strong at 21.1%. Tier 1 capital increased by S\$447 million during the first half 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 11.8% as at 30 June 2003. [Note that the total and Tier 1 capital ratios as at 30 June 2003 already include the effect of the S\$434.15 million cash payment in July 2003 relating to the special dividend of S\$0.4975 per share.]

Valuation Surplus

	30 Jun 2003			31 Dec 2002			30 Jun 2002		
	NBV	Market value	Surplus	NBV	Market value	Surplus	NBV	Market value	Surplus
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m
Properties	1,325	2,821	1,496	1,360	2,901	1,542	1,421	2,996	1,575
Equity securities	1,450	3,294	1,844	1,431	2,911	1,480	1,501	3,258	1,757
Debt securities ^{2/}	13,021	13,299	278	12,050	12,301	252	12,118	12,281	163
Total investments	15,796	19,414	3,618	14,840	18,114	3,273	15,040	18,534	3,494

^{1/} "NBV" denotes the net book value of each class of asset

^{2/} Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$3.62 billion as at 30 June 2003, an increase of 11% compared to 31 December 2002 due to higher valuations of equity securities. Properties accounted for S\$1.50 billion or 41% of the surplus while equity securities accounted for S\$1.84 billion or 51%.

Group Income Statement (Unaudited)

Appendix 1

	1st Half 2003	1st Half 2002	+ / - %	2nd Half 2002	2nd Qtr 2003	1st Qtr 2003	+ / - %	2nd Qtr 2002
	S\$'000	S\$'000	%	S\$'000	S\$'000	S\$'000	%	S\$'000
Interest income	1,196,007	1,386,274	(13.7)	1,343,102	590,848	605,159	(2.4)	679,671
Less: Interest expense	488,673	641,281	(23.8)	578,608	235,081	253,592	(7.3)	304,475
Net interest income	707,334	744,993	(5.1)	764,494	355,767	351,567	1.2	375,196
Fees and commissions	169,952	183,845	(7.6)	190,177	87,653	82,299	6.5	89,478
Dividends	30,412	26,404	15.2	7,280	19,880	10,532	88.8	18,153
Rental income	29,182	42,597	(31.5)	34,008	13,564	15,618	(13.2)	23,786
Other income	92,488	109,721	(15.7)	118,112	53,326	39,162	36.2	67,296
Income before operating expenses	1,029,368	1,107,560	(7.1)	1,114,071	530,190	499,178	6.2	573,909
Less: Staff costs	238,070	240,047	(0.8)	224,718	118,967	119,103	(0.1)	120,878
Other operating expenses	186,214	188,739	(1.3)	195,754	104,266	81,948	27.2	102,078
	424,284	428,786	(1.0)	420,472	223,233	201,051	11.0	222,956
Operating profit before provisions and goodwill amortisation	605,084	678,774	(10.9)	693,599	306,957	298,127	3.0	350,953
Less: Goodwill amortisation	63,298	64,600	(2.0)	62,395	31,654	31,644	0.0	32,299
Less: Provisions for possible loan losses and diminution in value of other assets	133,671	295,441	(54.8)	205,167	69,904	63,767	9.6	204,884
Operating profit after provisions and goodwill amortisation	408,115	318,733	28.0	426,037	205,399	202,716	1.3	113,770
Share of profits less losses of associated companies	89,204	103,404	(13.7)	57,418	77,992	11,212	595.6	43,266
Profit before tax	497,319	422,137	17.8	483,455	283,391	213,928	32.5	157,036
Less: Tax	89,272	74,459	19.9	125,267	41,845	47,427	(11.8)	41,489
Share of tax of associated companies	23,579	29,059	(18.9)	7,969	16,812	6,767	148.4	11,804
	112,851	103,518	9.0	133,236	58,657	54,194	8.2	53,293
Profit after tax	384,468	318,619	20.7	350,219	224,734	159,734	40.7	103,743
Less: Minority interests	756	1,352	(44.1)	778	436	320	36.3	1,817
Profit attributable to shareholders of the Bank	383,712	317,267	20.9	349,441	224,298	159,414	40.7	101,926

Group Balance Sheet (Unaudited)

Appendix II

	30 Jun 2003	31 Mar 2003	31 Dec 2002	30 Jun 2002
	S\$'000	S\$'000	S\$'000	S\$'000
SHAREHOLDERS' EQUITY				
Share Capital				
Authorised	2,010,845	2,000,845	2,000,000	2,000,000
Issued and fully paid	1,291,402	1,290,466	1,290,299	1,290,060
Reserves				
Capital reserves	2,222,344	2,006,264	1,505,515	1,675,946
Statutory reserves	1,963,914	1,946,605	1,936,244	1,889,466
Revenue reserves	4,081,313	4,664,060	4,492,164	4,108,274
Total shareholders' equity	9,558,973	9,907,395	9,224,222	8,963,746
MINORITY INTERESTS	19,625	19,189	18,928	28,001
LIABILITIES				
Deposits of non-bank customers	54,760,025	55,333,771	53,947,536	54,898,111
Deposits and balances of banks	13,435,621	9,845,406	12,621,149	11,559,378
Deposits of associated companies	1,104,889	1,168,966	1,454,366	992,736
Bills payable	269,873	142,127	177,164	159,297
Current tax	291,428	339,286	321,765	276,719
Deferred tax	102,336	128,770	133,498	139,170
Other liabilities	2,741,259	2,099,728	2,140,546	2,632,918
Debt securities	4,009,344	3,982,921	4,012,214	4,097,972
Total liabilities and shareholders' equity	86,293,373	82,967,559	84,051,388	83,748,048
ASSETS				
Cash and placements with central banks	2,689,744	2,138,863	2,858,403	2,834,434
Singapore Government treasury bills and securities	6,088,419	5,580,768	5,966,732	6,399,115
Other government treasury bills and securities	1,175,785	1,147,800	984,145	835,681
Dealing securities	440,019	266,491	173,076	207,749
Placements with and loans to banks	14,690,805	14,737,162	14,458,968	13,315,891
Loans to customers (including bills receivable)	48,801,295	47,221,137	47,367,213	47,632,191
Investment securities	5,690,035	5,356,132	5,310,085	5,101,861
Deferred Tax	75,009	70,546	70,416	65,804
Other assets	1,924,766	1,684,303	2,044,580	2,384,073
	81,575,877	78,203,202	79,233,618	78,776,799
Associated companies	1,077,105	1,046,968	1,047,441	1,085,632
Property, plant and equipment	1,504,943	1,550,288	1,571,646	1,625,694
Goodwill	2,135,448	2,167,101	2,198,683	2,259,923
Total assets	86,293,373	82,967,559	84,051,388	83,748,048
OFF-BALANCE SHEET ITEMS				
Contingent liabilities	5,661,392	5,762,638	5,848,394	6,391,458
Commitments	30,315,298	30,322,485	28,288,944	29,297,661
Financial derivatives	157,900,872	175,274,756	183,574,497	150,856,267
	193,877,562	211,359,879	217,711,835	186,545,386

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

For the half year ended 30 June

Appendix III

	Share capital	Capital reserves	Statutory reserves	Revenue reserves	Total
	S\$'000	S\$'000	S\$'000	S\$'000	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 shareholders	-	-	-	383,712	383,712
Foreign currency translation gains not recognised in the income statements	-	-	-	38,592	38,592
Total recognised gains for the financial period	-	-	-	422,304	422,304
Transfers	-	3,170	27,670	(30,840)	-
Class E preference dividends paid	-	-	-	(8,815)	(8,815)
Class E preference shares issued	50	499,950	-	-	500,000
Expenses relating to issue of preference shares	-	(1,163)	-	-	(1,163)
Final dividends paid to ordinary stockholders	-	-	-	(151,081)	(151,081)
Special dividends to ordinary stockholders	-	-	-	(434,155)	(434,155)
Class G Preference Shares to be issued in lieu of special cash dividends	-	208,264	-	(208,264)	-
Shares issued under Executives' Share Option Scheme	1,053	6,608	-	-	7,661
Balance at 30 June 2003	1,291,402	2,222,344	1,963,914	4,081,313	9,558,973
Include:					
Share of reserves of associated companies	-	20,691	-	908,823	929,514
Balance at 1 January 2002	1,286,606	1,911,490	1,889,924	3,744,204	8,832,224
Profit attributable to shareholders	-	-	-	317,267	317,267
Foreign currency translation losses not recognised in the income statements	-	-	-	(67,669)	(67,669)
Total recognised gains for the financial period	-	-	-	249,598	249,598
Transfers	-	(257,725)	(458)	258,183	-
Final dividends paid to ordinary stockholders	-	-	-	(130,803)	(130,803)
Shares issued under Executives' Share Option Scheme	3,454	22,181	-	-	25,635
Adjustment in reserves of associated companies	-	-	-	(12,908)	(12,908)
Balance at 30 June 2002	1,290,060	1,675,946	1,889,466	4,108,274	8,963,746
Include:					
Share of reserves of associated companies	-	19,076	22,026	837,287	878,389

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

For the quarter ended 30 June

Appendix IV

	Share capital	Capital reserves	Statutory reserves	Revenue reserves	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 April 2003	1,290,466	2,006,264	1,946,605	4,664,060	9,907,395
Profit attributable to shareholders	-	-	-	224,298	224,298
Foreign currency translation gains not recognised in the income statements	-	-	-	14,666	14,666
Total recognised gains for the financial period	-	-	-	238,964	238,964
Transfers	-	2,087	17,309	(19,396)	-
Adjustment in reserves of associated company	-	-	-	-	-
Class E preference dividends paid	-	-	-	(8,815)	(8,815)
Class E preference shares issued	-	-	-	-	-
Expenses relating to the issue of preference shares	-	(165)	-	-	(165)
Final dividends paid to ordinary stockholders	-	-	-	(151,081)	(151,081)
Special dividends to ordinary stockholders	-	-	-	(434,155)	(434,155)
Class G Preference Shares to be issued in lieu of special cash dividends	-	208,264	-	(208,264)	-
Shares issued under Executives' Share Option Scheme	936	5,894	-	-	6,830
Balance at 30 June 2003	1,291,402	2,222,344	1,963,914	4,081,313	9,558,973
Include:					
Share of reserves of associated companies	-	20,691	-	908,823	929,514
Balance at 1 April 2002	1,289,096	1,666,133	1,889,466	4,196,376	9,041,071
Profit attributable to shareholders	-	-	-	101,926	101,926
Foreign currency translation losses not recognised in the income statements	-	-	-	(55,562)	(55,562)
Total recognised gains for the financial period	-	-	-	46,364	46,364
Transfers	-	3,663	-	(3,663)	-
Final dividends paid to ordinary stockholders	-	-	-	(130,803)	(130,803)
Shares issued under Executives' Share Option Scheme	964	6,150	-	-	7,114
Balance at 30 June 2002	1,290,060	1,675,946	1,889,466	4,108,274	8,963,746
Include:					
Share of reserves of associated companies	-	19,076	22,026	837,287	878,389

Consolidated Cash Flow Statement (Unaudited)

For the half year ended 30 June

Appendix V

	30 June 2003	30 June 2002
	S\$'000	S\$'000
Cash flows from operating activities		
Operating profit before provisions and goodwill amortisation	605,084	678,774
Adjustments for :		
Amortisation of computer software costs	9,640	4,986
Depreciation of property, plant and equipment	46,403	34,751
Gains on disposal of interests in associated companies	-	81
Losses / (Gains) on disposal of property, plant and equipment	748	131
Losses / (Gains) on disposal of investment securities	(3,062)	(45,855)
Gains on disposal of a subsidiary company	-	(305)
Operating profit before changes in operating assets and liabilities	658,813	672,563
Increase/(decrease) in operating liabilities :		
Deposits of non-bank customers	463,012	196,015
Deposits and balances of banks	814,472	(2,491,620)
Bills payable and other liabilities	261,773	566,972
(Increase)/decrease in operating assets :		
Dealing securities	(266,943)	145,741
Placements with and loans to banks	(231,837)	1,111,377
Loans to customers and bills receivable	(1,509,392)	1,925,701
Other assets	110,457	(693,831)
Cash provided by operating activities	300,355	1,432,918
Income tax paid	(154,023)	(136,554)
Net cash provided by operating activities	146,332	1,296,364
Cash flows from investing activities		
Acquisition of additional interest in subsidiary companies	(288)	-
Dividends from associated companies	29,190	24,424
Decrease/(increase) in associated companies	6,167	1,451
Purchase of investment securities	(1,115,279)	(1,398,356)
Purchase of property, plant and equipment	(25,406)	(23,902)
Net cash (outflow)/inflow from disposal of subsidiary companies	-	(1,980)
Proceeds from disposal of interests in associated companies	-	60
Proceeds from disposal of investment securities	717,621	1,015,694
Proceeds from disposal of property, plant and equipment	7,683	4,578
Net cash used in investing activities	(380,312)	(378,031)
Cash flows from financing activities		
Debt securities	(6,584)	-
Proceeds from issue of shares	506,498	25,635
Dividends paid	(159,896)	(130,803)
Change in minority interests in subsidiaries	38	(800)
Net cash (used in)/provided by financing activities	340,056	(105,968)
Net foreign currency translation adjustments	38,592	(67,669)
Net change in cash and cash equivalents	144,668	744,696
Cash and cash equivalents as at 1 January	9,809,280	9,324,534
Cash and cash equivalents as at 30 June	9,953,948	10,069,230

Consolidated Cash Flow Statement (Unaudited)

For the quarter ended 30 June

Appendix VI

	30 June 2003	30 June 2002
	\$'000	\$'000
Cash flows from operating activities		
Operating profit before provisions and amortisation of goodwill	306,957	350,953
Adjustments for:		
Amortisation of computer software costs	4,863	2,692
Depreciation of property, plant and equipment	29,115	18,484
Gains on disposal of investment securities	(3,678)	(27,330)
Losses on disposal of interests in associated companies	-	79
Losses on disposal of property, plant and equipment	45	109
Operating profit before changes in operating assets and liabilities	<u>337,302</u>	<u>344,987</u>
Increase/(decrease) in operating liabilities:		
Deposits of non-bank customers	(637,823)	(944,513)
Deposits and balances of banks	3,590,215	(1,497,954)
Bills payable and other liabilities	336,143	1,188,915
(Increase)/decrease in operating assets:		
Dealing securities	(173,528)	96,025
Placements with and loans to banks	46,357	1,336,984
Loans to customers and bills receivable	(1,623,670)	1,082,456
Other assets	(257,706)	(1,243,187)
Cash (used in)/provided by operating activities	<u>1,617,290</u>	<u>363,713</u>
Income tax paid	(121,019)	(94,354)
Net cash (used in)/provided by operating activities	<u>1,496,271</u>	<u>269,359</u>
Cash flows from investing activities		
Dividends from associated companies	29,139	23,993
Net (increase)/decrease in associated companies	1,946	1,557
Purchase of investment securities	(674,395)	(433,546)
Purchase of property, plant & equipment	(7,217)	(12,736)
Proceeds from disposal of interests in an associated company	-	60
Proceeds from disposal of investment securities	346,498	583,465
Proceeds from disposal of property, plant and equipment	6,998	1,178
Net cash (used in)/provided by investing activities	<u>(297,031)</u>	<u>163,971</u>
Cash flows from financing activities		
Debt securities	25,814	-
Proceeds from issue of shares	6,665	7,114
Dividends paid	(159,896)	(130,803)
Change in minority interests in subsidiaries	28	(263)
Net cash (used in)/provided by financing activities	<u>(127,389)</u>	<u>(123,952)</u>
Net foreign currency translation adjustments	14,666	(55,562)
Net change in cash and cash equivalents	1,086,517	253,816
Cash and cash equivalents as at 1 April	8,867,431	9,815,414
Cash and cash equivalents as at 30 June	<u>9,953,948</u>	<u>10,069,230</u>