



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 | 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 | | | | | | | |
| 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 | 92 | 110 | (16) | 53 | 39 | 36 | 67 |
| Total non-interest income | 322 | 363 | (11) | 174 | 148 | 18 | 198 |
| 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%.

Performance by Geographical Segment

| | 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 | % |
| Income before operating expenses | | | | | | | | | | |
| Singapore | 791 | 76 | 852 | 77 | 407 | 77 | 384 | 77 | 449 | 79 |
| Malaysia | 161 | 16 | 166 | 15 | 80 | 15 | 81 | 16 | 82 | 14 |
| Other ASEAN | 9 | 1 | 8 | 1 | 5 | 1 | 5 | 1 | 5 | 1 |
| Asia Pacific | 50 | 5 | 66 | 6 | 29 | 5 | 21 | 4 | 31 | 5 |
| Rest of the world | 18 | 2 | 15 | 1 | 9 | 2 | 9 | 2 | 8 | 1 |
| | 1,029 | 100 | 1,108 | 100 | 530 | 100 | 499 | 100 | 574 | 100 |
| Profit before tax | | | | | | | | | | |
| Singapore | 393 | 79 | 273 | 65 | 221 | 78 | 172 | 80 | 80 | 51 |
| Malaysia | 56 | 11 | 85 | 20 | 35 | 13 | 21 | 10 | 40 | 25 |
| Other ASEAN | 4 | 1 | 6 | 2 | 3 | 1 | 1 | 0 | 9 | 6 |
| Asia Pacific | 32 | 6 | 48 | 11 | 18 | 6 | 14 | 7 | 23 | 15 |
| Rest of the world | 12 | 3 | 10 | 2 | 6 | 2 | 6 | 3 | 5 | 3 |
| | 497 | 100 | 422 | 100 | 283 | 100 | 214 | 100 | 157 | 100 |
| | | | | | | | | | | |
| Total assets | | | | | | | | | | |
| | 30 Jun 2003 | | 31 Dec 2002 | | 30 Jun 2002 | | | | | |
| | S\$m | % | S\$m | % | S\$m | % | | | | |
| Singapore | 67,383 | 78 | 66,553 | 79 | 65,902 | 79 | | | | |
| Malaysia | 10,855 | 13 | 10,016 | 12 | 9,990 | 12 | | | | |
| Other ASEAN | 366 | 0 | 353 | 0 | 408 | 0 | | | | |
| Asia Pacific | 4,748 | 6 | 4,511 | 5 | 4,844 | 6 | | | | |
| Rest of the world | 2,942 | 3 | 2,619 | 4 | 2,603 | 3 | | | | |
| | 86,293 | 100 | 84,051 | 100 | 83,748 | 100 | | | | |

The geographical analysis is based on the location where the assets or transactions are booked. 90% of the Group's profit before tax in the first half of 2003 was derived from Singapore and Malaysia operations. Other contributions were mainly from Greater China operations.

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> |