



Third Quarter 2003

GROUP FINANCIAL RESULTS

14 November 2003

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Media Release

OCBC's Third Quarter 2003 Net Profit Increased 62% to S\$292 million

Net profit for first nine months rose 36% to S\$676 million

Singapore, 14 November 2003 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported that its third quarter 2003 net profit rose by 62% to S\$292 million, compared to S\$181 million in third quarter 2002. The improved performance was driven by a reduction in provisions from S\$75 million to S\$37 million, higher contribution from associates and an exceptional net gain of S\$72 million from the divestment of shares in Fraser and Neave, Limited (“F&N”) through a selective capital reduction by F&N.

Operating profit before provisions and goodwill amortisation in the third quarter of 2003 was S\$375 million, an increase of 10% over the same period last year, underpinned by the F&N gain. Net interest income fell 8% due to lower interest margins, while fee and commission income rose 1%. Operating expenses rose 5% from a year ago due mainly to higher staff costs.

Third Quarter 2003 versus Second Quarter 2003

Compared with the second quarter of 2003, net profit in the third quarter increased by 30% from S\$224 million, while operating profit before provisions and goodwill amortisation rose by 22% from S\$307 million. Net interest income edged up by 1% over the second quarter due to slightly higher loan volume and relatively stable interest margins, while fee and commission income increased by a robust 14%. Operating expenses were lower by 4%. Provisions were down 47% from the S\$70 million charged in second quarter 2003.

Nine Months' Results

For the first nine months of 2003, the Group's net profit was S\$676 million, up 36% from S\$498 million in the same period last year. The earnings growth was driven by a 54% fall in provisions from S\$371 million to S\$171 million. The large reduction in provisions was both a reflection of the exceptionally high provisions in 2002, as well as the progress made in strengthening the Group's credit processes and overall asset quality since the second half of 2002. Reflecting the improvement in asset quality, the Group's non-performing loans (NPL) ratio was 7.1% as at 30 September 2003, down from 10.0% in September 2002, while overall provisions coverage remained at a prudent level of 66.2%.

Operating profit before provisions and goodwill amortisation in the first nine months of 2003 fell 4% to S\$980 million, largely due to a 6% decline in net interest income as interest margins were lower on average compared to 2002. Fee and commission income fell 5% as the first six months' performance had been affected by the weak investment sentiments due to the Iraq war and SARS. Operating expenses in the first nine months rose marginally by 1%.

Revenue

Total income in third quarter 2003 was S\$589 million, up 8% over the same quarter last year.

Net interest income was S\$359 million, 8% lower than third quarter 2002, as the net interest margin fell from 2.07% to 1.88%. The lower interest margin was attributable to narrowing of interest spreads in the Singapore and Malaysia markets as well as lower returns on net available funds due to the low interest rate environment. However, compared to second quarter 2003, net interest margin was relatively stable with a marginal one basis point erosion, and net interest income was higher by 1%.

Fee and commission income increased by 1% to S\$100 million as compared to the third quarter of 2002. Higher stockbroking income compensated for weaker loan-related fees, service charges and unit trust distribution fees. However, compared to second quarter 2003, fees and commissions registered a strong growth of 14%, underpinned by higher stockbroking and wealth management income as investment sentiments recovered after the SARS period.

The Group recorded a net loss of S\$38 million in securities and derivatives dealing in the third quarter, largely due to the unexpected sharp rise in long term interest rates in July. Of this amount, S\$17 million loss arose from the disposal of Singapore Government Securities (SGS) as the Group adjusted the composition of its SGS portfolio in the light of changing interest rate trends. Another S\$15 million loss was from the disposal of corporate debt securities, the bulk of which was for securities underwritten in the primary market. The balance comprise mainly unrealised losses on interest rate swaps that were used in the management of the Group's asset and liability position.

Operating Expenses

The Group continues to manage its costs tightly. Operating expenses for third quarter 2003 amounted to S\$214 million, up 5% over third quarter 2002 due to higher staff costs. But compared to second quarter 2003, expenses were 4% lower, and stripping out the S\$10 million one-time write-off of fixed assets in the second quarter, overall expenses were largely flat quarter-on-quarter.

For the first nine months of 2003, total operating expenses of S\$638 million were marginally above that of the corresponding period last year. The cost-to-income ratio for the nine-month period was 39.4%, slightly above the 38.3% last year as a result of the lower revenue base.

Provisions and Asset Quality

Compared to third quarter 2002, total provisions in third quarter 2003 fell 51% to S\$37 million, due to lower specific provisions for loans and for investment securities. Specific provisions for loans fell from S\$54 million to S\$30 million. Efforts undertaken since the second half of 2002 to strengthen the Group's credit processes and overall asset quality, coupled with a gradually improving economic environment during the third quarter, have resulted in lower provisions for both new and existing NPLs. Specific provisions for diminution in value of investment securities and other assets also registered a decline from S\$22 million in third quarter 2002 to S\$5 million in third quarter 2003, as market valuation for investment securities improved.

Cumulative specific and general provisions were at a comfortable level of 66.2% of NPLs as at 30 September 2003, up from 62.4% in December 2002. Cumulative specific provisions covered 105% of unsecured NPLs, up from 100% in December 2002. The Group's general provisions ratio (over net loans) was at a comfortable 2.4%.

As at 30 September 2003, the Group's NPLs were S\$3.89 billion, a reduction of 11% or S\$466 million compared to 31 December 2002. The NPL ratio was 7.1% compared to 10.0% in September 2002 and 8.1% in December 2002.

Loan Growth

Customer loan balances increased by 3% from 31 December 2002 to S\$51.40 billion as at 30 September 2003, with most of the growth derived from consumer loans. Housing loans grew by 18% from December 2002 to S\$14.52 billion as at 30 September 2003, while loans to professionals and individuals increased by 10% over the same period to S\$8.38 billion.

Conclusion

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

"Our third quarter results show a steady recovery from the macroeconomic uncertainties in the first half of the year. We are pleased with the trends in our fee income, the costs front and asset quality, but we still need to work harder to increase overall revenues. We remain cautiously optimistic about the overall business outlook."

FINANCIAL REVIEW

Highlights

- ◆ Net profit attributable to shareholders rose 62% to S\$292 million in third quarter 2003 compared to third quarter 2002, largely due to lower provisions and an exceptional gain from divestment of F&N shares.
- ◆ Operating profit before provisions and goodwill increased 10% to S\$375 million in third quarter 2003 due to the exceptional F&N gain. Net interest income fell 8% due to margin erosion, while fee and commission income gained 1%. Against second quarter 2003, net interest income was up 1% and fee and commission income rose 14%.
- ◆ Loans to non-bank customers grew by 3% from December 2002 to S\$51.40 billion as at 30 September 2003, led by growth in housing loans and loans to professionals and private individuals.
- ◆ NPLs fell by 11% from December 2002 to S\$3.89 billion as at 30 September 2003. The ratio of NPLs to total non-bank loans improved to 7.1% from 8.1% in December 2002 and 10.0% in September 2002. Provision coverage of NPLs remained at a comfortable 66.2%
- ◆ Tier 1 and total capital adequacy ratios strengthened to 12.3% and 21.5% respectively (December 2002: 11.5% and 20.9% respectively).
- ◆ Annualised earnings per ordinary share (EPS) increased 61% to 90 cents in third quarter 2003. For the first nine months of 2003, annualised EPS rose 34% to 69 cents.
- ◆ Net asset value (NAV) per ordinary share was S\$6.96 as at 30 September 2003. Including the unrealised valuation surplus of S\$2.79 per ordinary share, NAV per ordinary share was S\$9.75.
- ◆ Annualised return on ordinary shareholders' funds (ROE) for third quarter 2003 was 12.2% compared to 7.9% in the third quarter of 2002. Annualised (ROE) in first nine months of 2003 increased to 9.5% from 7.4% in first nine months of 2002.

Financial Summary

| | 9 Mths 2003 S\$m | 9 Mths 2002 S\$m | + / (-) % | 3rd Qtr 2003 S\$m | 3rd Qtr 2002 S\$m | + / (-) % | 2nd Qtr 2003 S\$m |
|--|------------------------|------------------------|--------------|-------------------------|-------------------------|--------------|-------------------------|
| Selected profit and loss data : | | | | | | | |
| Net interest income | 1,066 | 1,133 | (6) | 359 | 388 | (8) | 356 |
| Fees and commissions | 270 | 283 | (5) | 100 | 99 | 1 | 88 |
| Dividends | 67 | 29 | 128 | 36 | 3 | 1,171 | 20 |
| Rental income | 45 | 59 | (24) | 16 | 17 | (4) | 14 |
| Other income | 171 | 148 | 15 | 78 | 39 | 102 | 53 |
| Total income | 1,618 | 1,653 | (2) | 589 | 545 | 8 | 530 |
| Less : Operating expenses | 638 | 633 | 1 | 214 | 204 | 5 | 223 |
| Operating profit | 980 | 1,020 | (4) | 375 | 341 | 10 | 307 |
| Less : Goodwill amortisation | 95 | 95 | (0) | 32 | 31 | 3 | 32 |
| Less : Total provisions | 171 | 371 | (54) | 37 | 75 | (51) | 70 |
| Add : Share of associated companies' results | 141 | 114 | 24 | 52 | 11 | 386 | 78 |
| Profit before tax | 855 | 668 | 28 | 358 | 246 | 45 | 283 |
| Net profit attributable to shareholders | 676 | 498 | 36 | 292 | 181 | 62 | 224 |
| Cash basis net profit attributable to shareholders ^{1/} | 771 | 593 | 30 | 324 | 211 | 53 | 256 |

Selected balance sheet data :

| | | | | | | | |
|---|--------|--------|-----|--------|--------|-----|--------|
| Total assets | 84,342 | 83,093 | 2 | 84,342 | 83,093 | 2 | 86,293 |
| Loans to non-bank customers (net of provisions) | 48,967 | 47,110 | 4 | 48,967 | 47,110 | 4 | 48,801 |
| Deposits of non-bank customers | 53,892 | 53,467 | 1 | 53,892 | 53,467 | 1 | 54,760 |
| Ordinary shareholders' funds | 8,913 | 9,101 | (2) | 8,913 | 9,101 | (2) | 9,060 |
| Total shareholders' funds | 9,806 | 9,101 | 8 | 9,806 | 9,101 | 8 | 9,559 |

Key Indicators :

Ratios (% p.a.)

| | | | | | | | |
|---|------|------|--|------|------|--|------|
| Return on ordinary shareholders' funds ^{2/} | 9.5 | 7.4 | | 12.2 | 7.9 | | 9.4 |
| Return on ordinary shareholders' funds ^{2/} – Cash basis ^{1/} | 10.9 | 8.8 | | 13.6 | 9.3 | | 10.8 |
| Return on total shareholders' funds | 9.3 | 7.4 | | 11.9 | 7.9 | | 9.2 |
| Return on total shareholders' funds – Cash basis ^{1/} | 10.6 | 8.8 | | 13.2 | 9.3 | | 10.5 |
| Return on assets | 1.07 | 0.79 | | 1.37 | 0.86 | | 1.07 |
| Return on assets – Cash basis ^{1/} | 1.22 | 0.95 | | 1.52 | 1.01 | | 1.22 |

Per ordinary share data (S\$)

| | | | | | | | |
|--|------|------|-----|------|------|-----|------|
| Basic earnings per ordinary share (annualised) ^{3/} | 0.69 | 0.52 | 34 | 0.90 | 0.56 | 61 | 0.67 |
| Cash earnings per ordinary share (annualised) ^{1/} | 0.79 | 0.62 | 28 | 0.99 | 0.65 | 53 | 0.77 |
| Net asset value per ordinary share | | | | | | | |
| – Before valuation surplus | 6.96 | 7.05 | (1) | 6.96 | 7.05 | (1) | 7.02 |
| – After valuation surplus | 9.75 | 9.57 | 2 | 9.75 | 9.57 | 2 | 9.82 |

^{1/} Excluding goodwill amortisation charge

^{2/} Calculated after deducting preference shares dividends paid and estimated to be due as at 30 September 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

^{5/} n.m. - Not meaningful

Net Interest Income

Net interest income in the third quarter of 2003 declined 8% to S\$359 million as compared to the same period last year, due to lower interest margins which more than offset the impact of a higher loan volume. Narrower customer spreads and lower contributions from net available funds resulted in net interest margin falling by 19 basis points to 1.88%. However, compared to second quarter 2003, net interest margin was relatively stable and net interest income grew by 1% due to the higher loan volume.

For the first nine months of 2003, net interest income declined 6% to S\$1,066 million, as compared to the same period in 2002.

Average Balance Sheet (Quarterly Trend)

| | 3rd Quarter 2003 | | | 3rd Quarter 2002 | | | 2nd Quarter 2003 | | |
|--|----------------------------------|---------------------|-----------------|----------------------------------|---------------------|-----------------|----------------------------------|---------------------|-----------------|
| | Average Balance ^{1/} | Average Interest | Average Rate | Average Balance ^{1/} | Average Interest | Average Rate | Average Balance ^{1/} | Average Interest | Average Rate |
| | S\$m | S\$m | % | S\$m | S\$m | % | S\$m | S\$m | % |
| Assets | | | | | | | | | |
| Loans and advances to non-bank customers | 48,616 | 441 | 3.60 | 47,489 | 520 | 4.35 | 48,201 | 446 | 3.71 |
| Placements with and loans to banks | 14,511 | 62 | 1.69 | 14,865 | 72 | 1.93 | 14,790 | 66 | 1.79 |
| Other interest earning assets ^{2/} | 12,770 | 81 | 2.52 | 11,873 | 86 | 2.86 | 12,638 | 78 | 2.49 |
| Total interest earning assets | 75,897 | 585 | 3.06 | 74,227 | 678 | 3.63 | 75,630 | 591 | 3.13 |
| Non-interest earning assets | 8,508 | - | - | 8,916 | - | - | 8,587 | - | - |
| Total assets ^{4/} | 84,405 | - | - | 83,142 | - | - | 84,216 | - | - |
| Liabilities | | | | | | | | | |
| Deposits of non-bank customers and floating rate negotiable certificates of deposits | 54,758 | 160 | 1.16 | 55,257 | 212 | 1.53 | 55,789 | 174 | 1.25 |
| Deposits and balances of banks | 13,039 | 40 | 1.22 | 12,434 | 51 | 1.64 | 11,615 | 37 | 1.28 |
| Other borrowings ^{3/} | 4,192 | 26 | 2.48 | 3,919 | 26 | 2.67 | 4,166 | 24 | 2.29 |
| Total interest bearing liabilities | 71,988 | 226 | 1.24 | 71,610 | 290 | 1.61 | 71,570 | 235 | 1.32 |
| Non-interest bearing liabilities ^{4/} | 2,675 | - | - | 2,539 | - | - | 3,000 | - | - |
| Total liabilities | 74,663 | - | - | 74,149 | - | - | 74,570 | - | - |
| Net interest income/margin^{4/} | | 359 | 1.88 | | 388 | 2.07 | | 356 | 1.89 |

^{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/} 2002 figures have been re-stated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, 2002's net interest margins have been re-stated.

Net Interest Income *(continued)*

Average Balance Sheet (Nine Months Trend)

| | 9 Mths 2003 | | | 9 Mths 2002 | | |
|---|----------------------------------|--------------|-----------------|----------------------------------|--------------|-----------------|
| | Average Balance ^{1/} | Interest | Average Rate | Average Balance ^{1/} | Interest | Average Rate |
| | S\$m | S\$m | % | S\$m | S\$m | % |
| Assets | | | | | | |
| Loans and advances to non-bank customers | 47,915 | 1,340 | 3.74 | 48,051 | 1,567 | 4.36 |
| Placements with and loans to banks | 15,048 | 201 | 1.79 | 14,440 | 229 | 2.12 |
| Other interest earning assets ^{2/} | 12,512 | 239 | 2.56 | 11,973 | 268 | 3.00 |
| Total interest earning assets | 75,474 | 1,781 | 3.15 | 74,464 | 2,064 | 3.71 |
| Non-interest earning assets | 8,661 | - | - | 8,725 | - | - |
| Total assets ^{4/} | 84,135 | - | - | 83,189 | - | - |
| Liabilities | | | | | | |
| Deposits of non-bank customers and Floating rate negotiable certificates of deposits | 55,505 | 522 | 1.26 | 56,748 | 687 | 1.62 |
| Deposits and balances and banks | 11,957 | 116 | 1.30 | 11,377 | 155 | 1.82 |
| Other borrowings ^{3/} | 4,171 | 76 | 2.44 | 4,003 | 89 | 2.98 |
| Total interest bearing liabilities | 71,633 | 714 | 1.33 | 72,129 | 931 | 1.73 |
| Non-interest bearing liabilities ^{4/} | 2,784 | - | - | 2,096 | - | - |
| Total liabilities | 74,417 | - | - | 74,224 | - | - |
| Net interest income/margin^{4/} | | 1,066 | 1.89 | | 1,133 | 2.03 |

^{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/} 2002 figures have been re-stated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, 2002's net interest margins have been re-stated.

Non-Interest Income

| | 9 Mths 2003 | 9 Mths 2002 | + / (-) % | 3rd Qtr 2003 | 3rd Qtr 2002 | + / (-) % | 2nd Qtr 2003 |
|---------------------------------------|----------------|----------------|--------------|-----------------|-----------------|--------------|-----------------|
| | S\$m | S\$m | | S\$m | S\$m | | S\$m |
| Fee and commission income | | | | | | | |
| Brokerage | 43 | 47 | (8) | 22 | 12 | 86 | 13 |
| Bancassurance | 20 | 23 | (11) | 8 | 8 | 8 | 7 |
| Unit trust distribution | 27 | 40 | (33) | 11 | 14 | (21) | 9 |
| Fund management | 14 | 13 | 8 | 5 | 4 | 17 | 5 |
| Credit cards | 20 | 19 | 8 | 7 | 6 | 6 | 7 |
| Loan-related | 57 | 44 | 29 | 18 | 21 | (11) | 17 |
| Trade-related | 23 | 24 | (6) | 8 | 8 | (2) | 7 |
| Guarantees | 14 | 14 | 2 | 4 | 5 | (16) | 5 |
| Investment banking | 8 | 11 | (29) | 3 | 4 | (33) | 3 |
| Service charges | 37 | 39 | (6) | 12 | 15 | (23) | 13 |
| Others | 7 | 9 | (22) | 3 | 3 | 0 | 3 |
| Total | <u>270</u> | <u>283</u> | (5) | <u>100</u> | <u>99</u> | 1 | <u>88</u> |
| Dividends | 67 | 29 | 128 | 36 | 3 | 1,171 | 20 |
| Rental income | 45 | 59 | (24) | 16 | 17 | (4) | 14 |
| Other income | | | | | | | |
| Dealing in foreign exchange | 45 | 32 | 39 | 14 | 15 | (5) | 17 |
| Dealing in securities and derivatives | (10) | 26 | n.m. | (38) | 11 | n.m. | 16 |
| Disposal of investment securities | 85 | 47 | 82 | 82 | 1 | n.m. | 4 |
| Others | 50 | 43 | 16 | 20 | 12 | 61 | 17 |
| Total | <u>171</u> | <u>148</u> | 15 | <u>78</u> | <u>39</u> | 102 | <u>53</u> |
| Total non-interest income | <u>552</u> | <u>520</u> | 6 | <u>230</u> | <u>157</u> | 46 | <u>174</u> |
| Fees and Commissions/Total Income | 16.7% | 17.1% | | 16.9% | 18.1% | | 16.5% |
| Non-Interest Income/Total Income | 34.1% | 31.4% | | 39.1% | 28.8% | | 32.9% |

Non-interest income rose by 46% to S\$230 million in third quarter 2003 compared to S\$157 million in third quarter 2002. The increase was due to a pretax gain of S\$78 million (net of tax: S\$72 million) arising from the divestment of the Group's F&N shares through a selective capital reduction by F&N. Of this amount, S\$28 million was reflected under dividend income while S\$50 million was included under disposal of investment securities.

Fee and commission income rose marginally by 1% to S\$100 million as compared to the third quarter of 2002. Higher stockbroking income compensated for weaker loan-related fees, service charges and unit trust distribution fees. However, compared to second quarter 2003, fees and commissions registered a strong growth of 14%, underpinned by the active stock market turnover and higher wealth management income as investment sentiments recovered after the SARS period.

Included in the third quarter's other income was a net loss of S\$38 million in securities and derivatives dealing, largely due to the unexpected sharp rise in long term interest rates in July. Of this amount, a loss of S\$17 million resulted from the disposal of Singapore Government Securities (SGS) as the Group adjusted the composition of its SGS portfolio in the light of changing interest rate trends. Disposal of corporate debt securities contributed losses of S\$15 million, the bulk of which was for securities underwritten in the primary market. The balance comprises mainly unrealised losses on interest rate swaps that were used to manage the Group's asset and liability position.

For the first nine months of 2003, non-interest income grew 6% to S\$552 million, boosted by the F&N gains.

Operating Expenses

| | 9 Mths 2003 | 9 Mths 2002 | + / (-) | 3rd Qtr 2003 | 3rd Qtr 2002 | + / (-) | 2nd Qtr 2003 |
|--|----------------|----------------|---------|-----------------|-----------------|---------|-----------------|
| | S\$m | S\$m | % | S\$m | S\$m | % | S\$m |
| Staff costs | 359 | 352 | 2 | 121 | 112 | 8 | 119 |
| Premises and equipment | | | | | | | |
| Depreciation of fixed assets | 65 | 53 | 22 | 18 | 18 | (1) | 29 |
| Amortisation of computer software costs | 15 | 8 | 89 | 5 | 3 | 80 | 5 |
| Maintenance and hire of fixed assets | 28 | 18 | 54 | 7 | 6 | 25 | 12 |
| Rental expenses | 14 | 18 | (24) | 4 | 6 | (20) | 4 |
| Others | 53 | 44 | 20 | 18 | 15 | 16 | 21 |
| Total | 174 | 142 | 23 | 52 | 48 | 10 | 72 |
| Other operating expenses | 110 | 126 | (13) | 41 | 42 | (2) | 33 |
| | 643 | 619 | 4 | 214 | 201 | 7 | 223 |
| Restructuring and other integration costs | (5) | 13 | n.m. | # | 3 | (97) | # |
| Total operating expenses | 638 | 633 | 1 | 214 | 204 | 5 | 223 |
| Group staff strength – period end | 7,394 | 7,531 | (2) | 7,394 | 7,531 | (2) | 7,289 |
| Group staff strength – average | 7,333 | 7,874 | (7) | 7,347 | 7,588 | (3) | 7,320 |
| Cost-to-income ratio | 39.4% | 38.3% | | 36.4% | 37.4% | | 42.1% |

- Amount under S\$500,000.

Total operating expenses of S\$214 million in third quarter 2003 were 5% higher than third quarter 2002 but 4% below that of second quarter 2003. Stripping out a S\$10 million one-time write-off of fixed assets in the second quarter, operating expenses were largely flat quarter-on-quarter.

For the first nine months of 2003, total expenses amounted to S\$638 million, marginally above that of the corresponding period last year. Staff costs rose by a moderate 2%, while premises and equipment costs rose by 23% due to higher computer charges and amortisation of software costs resulting from the commissioning of the new core banking system.

The cost-to-income ratio in the nine-month period was 39.4%, marginally higher than the 38.3% for the same period last year due to the lower revenue base.

Provision Charge

| | 9 Mths 2003 | 9 Mths 2002 | + / (-) | 3rd Qtr 2003 | 3rd Qtr 2002 | + / (-) | 2nd Qtr 2003 |
|--|----------------|----------------|-------------|-----------------|-----------------|-------------|-----------------|
| | S\$m | S\$m | % | S\$m | S\$m | % | S\$m |
| Specific provision for loan losses | | | | | | | |
| - Singapore | 157 | 205 | (24) | 37 | 41 | (9) | 65 |
| - Malaysia | 42 | 65 | (35) | 4 | 23 | (82) | 6 |
| - Other regional countries | (27) | 5 | n.m. | (9) | (6) | n.m. | (15) |
| - Others | (25) | 34 | n.m. | (2) | (4) | n.m. | (10) |
| Sub-Total | 147 | 309 | (53) | 30 | 54 | (45) | 47 |
| General provision for loan losses | | | | | | | |
| - Five regional countries ^{1/} | (31) | (23) | n.m. | # | # | n.m. | 0 |
| - Singapore & others | 3 | (5) | n.m. | 2 | (1) | n.m. | 1 |
| Sub-Total | (28) | (28) | n.m. | 2 | (1) | n.m. | 1 |
| Specific provision for diminution in value of investment securities and other assets | 52 | 90 | (42) | 5 | 22 | (75) | 22 |
| Total provision charge | 171 | 371 | (54) | 37 | 75 | (51) | 70 |

^{1/} Five regional countries comprise Malaysia, Indonesia, Thailand, South Korea and the Philippines
- Amount under S\$500,000.

Total provisions in the third quarter of 2003 were S\$37 million, a 51% fall from S\$75 million in third quarter 2002. The decline was due to lower specific provisions for loans and for investment securities.

Specific provisions for loans were S\$30 million, down from S\$54 million a year ago. Efforts undertaken since the second half of 2002 to strengthen the Group's credit processes and overall asset quality, coupled with a gradually improving economic environment during the third quarter, have resulted in lower provisions for both new and existing NPLs.

Specific provisions for diminution in value of investment securities and other assets also registered a decline from S\$22 million in third quarter 2002 to S\$5 million in third quarter 2003, as market valuation for investment securities has generally improved in third quarter 2003.

For the first nine months of 2003, total provisions were S\$171 million, 54% or S\$200 million lower than in the same period last year.

Loans and Advances

| | 30 Sep 2003 | 31 Dec 2002 | + / (-) | 30 Sep 2002 |
|--------------------------|--------------------|--------------------|----------------|--------------------|
| | S\$m | S\$m | % | S\$m |
| Loans to customers | 51,083 | 49,587 | 3 | 50,075 |
| Bills receivable | 317 | 297 | 7 | 279 |
| Gross loans to customers | 51,400 | 49,884 | 3 | 50,354 |
| Less Provisions: | | | | |
| Specific provisions | 1,250 | 1,306 | (4) | 2,028 |
| General provisions | 1,183 | 1,211 | (2) | 1,216 |
| Net loans to customers | 48,967 | 47,367 | 3 | 47,110 |

Loans to customers grew by 3% from 31 December 2002 to S\$51.40 billion as at the end of September 2003. Most of the loan growth came from consumer loans. Housing loans expanded by 18% from 31 December 2002 to S\$14.52 billion as at 30 September 2003, while loans to professionals and private individuals increased by 10% over the same period to S\$8.38 billion.

| | 30 Sep 2003 | | 31 Dec 2002 | | 30 Sep 2002 | |
|---|--------------------|------------|--------------------|-----|--------------------|-----|
| | S\$m | % | S\$m | % | S\$m | % |
| By Maturity | | | | | | |
| Less than 7 days | 8,494 | 17 | 9,292 | 19 | 9,893 | 20 |
| 1 week to 1 month | 3,355 | 7 | 3,630 | 7 | 3,790 | 8 |
| Over 1 to 3 months | 3,402 | 7 | 3,077 | 6 | 3,387 | 7 |
| Over 3 to 12 months | 4,453 | 9 | 5,026 | 10 | 3,832 | 8 |
| Over 1 to 3 years | 9,211 | 18 | 8,206 | 16 | 5,417 | 11 |
| Over 3 years | 22,485 | 42 | 20,652 | 42 | 24,035 | 46 |
| | 51,400 | 100 | 49,884 | 100 | 50,354 | 100 |
| By Industry | | | | | | |
| Agriculture, mining & quarrying | 498 | 1 | 437 | 1 | 464 | 1 |
| Transport, storage and communication | 1,500 | 3 | 1,753 | 4 | 1,768 | 4 |
| Building and construction | 7,519 | 15 | 7,453 | 15 | 7,860 | 16 |
| Manufacturing | 3,356 | 7 | 3,455 | 7 | 3,531 | 7 |
| Financial institutions, investment and holding companies | 8,605 | 17 | 9,047 | 18 | 9,393 | 19 |
| General commerce | 3,046 | 6 | 3,208 | 6 | 3,254 | 6 |
| Professionals and individuals | 8,380 | 16 | 7,613 | 15 | 7,520 | 15 |
| Housing loans | 14,520 | 28 | 12,313 | 25 | 11,915 | 24 |
| Others | 3,976 | 7 | 4,605 | 9 | 4,649 | 8 |
| | 51,400 | 100 | 49,884 | 100 | 50,354 | 100 |

Non-Performing Loans

By grading, security coverage and countries

| | Total NPLs ^{1/} | Sub-Standard NPLs | Doubtful NPLs | Loss NPLs | Secured NPLs as % of total NPLs | Non-bank NPLs as % of non-bank loans ^{2/} |
|--------------------------------------|--------------------------|-------------------|---------------|------------|---------------------------------|--|
| Malaysia | S\$m | S\$m | S\$m | S\$m | % | % |
| 30 Sep 2003 | 1,105 | 729 | 147 | 229 | 70.2 | 11.9 |
| 30 Jun 2003 | 1,219 | 819 | 167 | 233 | 70.6 | 13.6 |
| 31 Dec 2002 | 1,199 | 831 | 183 | 186 | 70.7 | 14.2 |
| 30 Sep 2002 | 1,115 | 814 | 164 | 138 | 74.2 | 15.1 |
| Other Four Regional Countries | | | | | | |
| 30 Sep 2003 | 148 | 18 | 105 | 24 | 22.5 | 31.7 |
| 30 Jun 2003 | 176 | 22 | 128 | 27 | 27.4 | 33.6 |
| 31 Dec 2002 | 208 | 23 | 156 | 28 | 28.4 | 34.1 |
| 30 Sep 2002 | 222 | 22 | 171 | 29 | 26.6 | 39.2 |
| Total Regional Countries | | | | | | |
| 30 Sep 2003 | 1,253 | 748 | 252 | 253 | 64.5 | 13.0 |
| 30 Jun 2003 | 1,396 | 841 | 295 | 260 | 65.2 | 14.9 |
| 31 Dec 2002 | 1,407 | 854 | 339 | 214 | 64.5 | 15.8 |
| 30 Sep 2002 | 1,337 | 836 | 334 | 167 | 66.3 | 16.8 |
| Singapore | | | | | | |
| 30 Sep 2003 | 2,388 | 1,706 | 507 | 176 | 68.2 | 6.3 |
| 30 Jun 2003 | 2,480 | 1,754 | 576 | 149 | 69.9 | 6.6 |
| 31 Dec 2002 | 2,646 | 1,952 | 502 | 192 | 69.9 | 7.3 |
| 30 Sep 2002 | 3,498 | 2,206 | 505 | 787 | 60.2 | 9.4 |
| Others | | | | | | |
| 30 Sep 2003 | 249 | 165 | 84 | # | 53.5 | 3.9 |
| 30 Jun 2003 | 240 | 131 | 109 | 1 | 40.7 | 3.3 |
| 31 Dec 2002 | 304 | 148 | 96 | 61 | 32.9 | 3.5 |
| 30 Sep 2002 | 313 | 147 | 106 | 60 | 24.6 | 4.2 |
| Group Total | | | | | | |
| 30 Sep 2003 | 3,890 | 2,619 | 842 | 429 | 66.1 | 7.1 |
| 30 Jun 2003 | 4,115 | 2,726 | 980 | 410 | 66.6 | 7.5 |
| 31 Dec 2002 | 4,356 | 2,953 | 936 | 467 | 65.6 | 8.1 |
| 30 Sep 2002 | 5,148 | 3,189 | 946 | 1,013 | 59.6 | 10.0 |

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

^{2/} Excluding debt securities

- Amount under S\$500,000.

The Group continued to make good progress in lowering its NPLs, both in absolute terms and as a proportion of its total loans. Compared to 31 December 2002, total NPLs fell by 11% or S\$466 million to S\$3.89 billion as at 30 September 2003.

Non-Performing Loans *(continued)*

Singapore NPLs amounted to S\$2.39 billion as at 30 September 2003 and accounted for 61.4% of the Group's total NPLs, while Malaysia NPLs of S\$1.11 billion made up 28.4%. Of the total NPLs, 67.3% were in the substandard category while 66.1% were secured by collateral.

The ratio of NPLs to non-bank loans improved to 7.1% as at 30 September 2003, compared to 10.0% in September 2002 and 8.1% in December 2002. The Singapore NPL ratio improved from 7.3% in December 2002 to 6.3% as at 30 September 2003, while the Malaysia NPL ratio improved from 14.2% to 11.9% over the same period.

| | 30 Sep 2003 | | 31 Dec 2002 | | 30 Sep 2002 | |
|---|-------------|------|-------------|------|-------------|------|
| | S\$m | % | S\$m | % | S\$m | % |
| By industry ^{1/} | | | | | | |
| Agriculture, mining & quarrying | 32 | 6.4 | 39 | 8.9 | 41 | 8.8 |
| Transport, storage and communication | 131 | 8.7 | 72 | 4.1 | 139 | 7.9 |
| Building and construction | 709 | 9.4 | 756 | 10.1 | 911 | 11.6 |
| Manufacturing | 511 | 15.2 | 680 | 19.7 | 700 | 19.8 |
| Financial institutions, investment and holding companies | 668 | 7.8 | 768 | 8.5 | 1,168 | 12.4 |
| General commerce | 487 | 16.0 | 539 | 16.8 | 651 | 20.0 |
| Professionals and individuals | 515 | 6.1 | 582 | 7.6 | 637 | 8.5 |
| Housing loans | 200 | 1.4 | 227 | 1.8 | 279 | 2.3 |
| Others | 411 | 10.3 | 379 | 8.2 | 482 | 10.4 |
| Sub-total | 3,664 | 7.1 | 4,042 | 8.1 | 5,008 | 10.0 |
| Debt securities | 226 | | 314 | | 140 | |
| Total | 3,890 | 7.6 | 4,356 | 8.7 | 5,148 | 10.2 |

^{1/} The percentages refer to the amount of NPLs over gross customer loans in each industry.

| | 30 Sep 2003 | | 31 Dec 2002 | | 30 Sep 2002 | |
|--------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | Balance S\$m | As % of Total NPLs | Balance S\$m | As % of Total NPLs | Balance S\$m | As % of Total NPLs |
| By period overdue | | | | | | |
| Over 180 days | 2,246 | 58 | 2,339 | 54 | 3,072 | 60 |
| Over 90 to 180 days | 247 | 6 | 567 | 13 | 248 | 5 |
| Over 30 to 90 days | 341 | 9 | 267 | 6 | 401 | 8 |
| Less than 30 days | 110 | 3 | 208 | 5 | 328 | 6 |
| No overdue | 946 | 24 | 975 | 22 | 1,099 | 21 |
| | 3,890 | 100 | 4,356 | 100 | 5,148 | 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 Sep 2003 | 769 | 404 | 366 | 36.5 | 69.6 | 233.2 |
| 30 Jun 2003 | 786 | 417 | 368 | 34.2 | 64.4 | 219.3 |
| 31 Dec 2002 | 743 | 377 | 366 | 31.5 | 62.0 | 211.9 |
| 30 Sep 2002 | 695 | 326 | 368 | 29.2 | 62.3 | 241.2 |
| Other Four Regional Countries | | | | | | |
| 30 Sep 2003 | 342 | 129 | 213 | 87.4 | 231.6 | 298.9 |
| 30 Jun 2003 | 358 | 145 | 213 | 82.6 | 203.3 | 280.0 |
| 31 Dec 2002 | 415 | 171 | 244 | 82.6 | 200.1 | 279.4 |
| 30 Sep 2002 | 430 | 186 | 244 | 83.7 | 193.6 | 263.6 |
| Total Regional Countries | | | | | | |
| 30 Sep 2003 | 1,111 | 532 | 579 | 42.5 | 88.7 | 250.1 |
| 30 Jun 2003 | 1,144 | 563 | 581 | 40.3 | 82.0 | 235.3 |
| 31 Dec 2002 | 1,159 | 549 | 610 | 39.0 | 82.4 | 232.0 |
| 30 Sep 2002 | 1,124 | 512 | 612 | 38.3 | 84.1 | 249.3 |
| Singapore | | | | | | |
| 30 Sep 2003 | 1,282 | 772 | 509 | 32.3 | 53.7 | 168.6 |
| 30 Jun 2003 | 1,259 | 752 | 507 | 30.3 | 50.8 | 168.8 |
| 31 Dec 2002 | 1,305 | 800 | 506 | 30.2 | 49.3 | 164.1 |
| 30 Sep 2002 | 1,983 | 1,469 | 514 | 42.0 | 56.7 | 142.4 |
| Others | | | | | | |
| 30 Sep 2003 | 181 | 86 | 95 | 34.5 | 72.6 | 156.0 |
| 30 Jun 2003 | 199 | 104 | 95 | 43.5 | 83.1 | 140.1 |
| 31 Dec 2002 | 253 | 158 | 95 | 52.0 | 83.2 | 124.0 |
| 30 Sep 2002 | 298 | 209 | 89 | 66.7 | 95.0 | 125.9 |
| Group Total | | | | | | |
| 30 Sep 2003 | 2,574 | 1,391 | 1,183 | 35.8 | 66.2 | 194.9 |
| 30 Jun 2003 | 2,603 | 1,419 | 1,184 | 34.5 | 63.2 | 189.4 |
| 31 Dec 2002 | 2,717 | 1,506 | 1,211 | 34.6 | 62.4 | 181.2 |
| 30 Sep 2002 | 3,405 | 2,190 | 1,215 | 42.5 | 66.1 | 163.8 |

^{1/} Include provisions for debt securities

Total cumulative specific and general provisions amounted to S\$2.57 billion as at 30 September 2003, representing 66.2% of total NPLs, an improvement from the coverage of 62.4% at 31 December 2002. Cumulative specific provisions covered 105.3% of unsecured NPLs, up from 100.5% at 31 December 2002. Cumulative general provisions were 2.4% (December 2002: 2.5%) 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 investment 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 Sep 2003 | 2,739 | 3,115 | 7,861 | 581 | 14,296 | 2,346 | 11,950 | 14.2 | |
| 30 Jun 2003 | 2,473 | 3,096 | 7,615 | 615 | 13,799 | 1,926 | 11,873 | 13.8 | |
| 31 Dec 2002 | 1,259 | 2,823 | 7,078 | 590 | 11,750 | 1,229 | 10,522 | 12.5 | |
| 30 Sep 2002 | 1,332 | 2,822 | 7,114 | 626 | 11,895 | 1,293 | 10,602 | 12.8 | |
| Indonesia | | | | | | | | | |
| 30 Sep 2003 | 98 | 144 | 303 | 68 | 613 | 78 | 535 | 0.6 | |
| 30 Jun 2003 | 101 | 124 | 326 | 69 | 620 | 79 | 541 | 0.6 | |
| 31 Dec 2002 | 181 | 105 | 356 | 50 | 692 | 49 | 643 | 0.8 | |
| 30 Sep 2002 | 186 | 132 | 372 | 44 | 734 | 59 | 675 | 0.8 | |
| Thailand | | | | | | | | | |
| 30 Sep 2003 | 67 | 36 | 90 | # | 193 | 46 | 147 | 0.2 | |
| 30 Jun 2003 | 76 | 35 | 98 | # | 209 | 60 | 149 | 0.2 | |
| 31 Dec 2002 | 74 | 33 | 108 | # | 215 | 58 | 157 | 0.2 | |
| 30 Sep 2002 | 99 | 32 | 119 | # | 250 | 54 | 196 | 0.2 | |
| Korea | | | | | | | | | |
| 30 Sep 2003 | 383 | 35 | 73 | # | 491 | 28 | 463 | 0.5 | |
| 30 Jun 2003 | 331 | 44 | 68 | # | 443 | 28 | 416 | 0.5 | |
| 31 Dec 2002 | 228 | 35 | 102 | # | 364 | 27 | 337 | 0.4 | |
| 30 Sep 2002 | 242 | 36 | 99 | # | 377 | 27 | 350 | 0.4 | |
| Philippines | | | | | | | | | |
| 30 Sep 2003 | 26 | 17 | 39 | 1 | 83 | 1 | 82 | 0.1 | |
| 30 Jun 2003 | 45 | 17 | 22 | 1 | 85 | 1 | 84 | 0.1 | |
| 31 Dec 2002 | 25 | 17 | 28 | 5 | 74 | 5 | 69 | 0.1 | |
| 30 Sep 2002 | 46 | 1 | 41 | 5 | 93 | 5 | 88 | 0.1 | |
| Total Five Regional Countries | | | | | | | | | |
| 30 Sep 2003 | 3,313 | 3,347 | 8,366 | 650 | 15,676 | 2,499 | 13,177 | 15.6 | |
| 30 Jun 2003 | 3,025 | 3,317 | 8,130 | 685 | 15,157 | 2,094 | 13,063 | 15.1 | |
| 31 Dec 2002 | 1,767 | 3,012 | 7,671 | 645 | 13,095 | 1,367 | 11,727 | 14.0 | |
| 30 Sep 2002 | 1,905 | 3,023 | 7,746 | 675 | 13,349 | 1,438 | 11,911 | 14.3 | |
| Hong Kong | | | | | | | | | |
| 30 Sep 2003 | 921 | 29 | 1,191 | 21 | 2,162 | 9 | 2,153 | 2.6 | |
| 30 Jun 2003 | 349 | 29 | 1,365 | 21 | 1,765 | 9 | 1,756 | 2.0 | |
| 31 Dec 2002 | 528 | 29 | 1,312 | 23 | 1,892 | 9 | 1,883 | 2.2 | |
| 30 Sep 2002 | 296 | 30 | 1,422 | 22 | 1,770 | 9 | 1,761 | 2.1 | |
| China | | | | | | | | | |
| 30 Sep 2003 | 605 | 9 | 721 | 4 | 1,339 | 367 | 972 | 1.2 | |
| 30 Jun 2003 | 638 | 8 | 779 | 9 | 1,434 | 393 | 1,041 | 1.2 | |
| 31 Dec 2002 | 476 | 16 | 1,002 | 9 | 1,503 | 345 | 1,158 | 1.4 | |
| 30 Sep 2002 | 449 | 1 | 938 | 9 | 1,396 | 352 | 1,044 | 1.3 | |
| Total | | | | | | | | | |
| 30 Sep 2003 | 4,839 | 3,385 | 10,278 | 675 | 19,178 | 2,875 | 16,303 | 19.3 | |
| 30 Jun 2003 | 4,013 | 3,354 | 10,274 | 715 | 18,356 | 2,496 | 15,860 | 18.4 | |
| 31 Dec 2002 | 2,770 | 3,057 | 9,985 | 677 | 16,489 | 1,721 | 14,768 | 17.6 | |
| 30 Sep 2002 | 2,650 | 3,053 | 10,106 | 706 | 16,515 | 1,799 | 14,716 | 17.7 | |

- Amount under S\$500,000.

Compared to 31 December 2002, the Group's net exposure to the five regional countries increased by S\$1.45 billion or 12% to S\$13.18 billion as at 30 September 2003, representing 15.6% of the Group's total assets. The increase was mainly from Malaysia, which accounted for 14.2% of Group assets. The Group's exposure to Hong Kong and China increased by 3% to S\$3.13 billion and accounted for 3.7% of Group assets.

Deposits

| | <u>30 Sep 2003</u> | <u>31 Dec 2002</u> | <u>+ / (-)</u> | <u>30 Sep 2002</u> |
|---|----------------------|--------------------|----------------|--------------------|
| | S\$m | S\$m | % | S\$m |
| Deposits of non-bank customers | 53,892 | 53,948 | 0.1 | 53,467 |
| Deposits and balances of banks | 12,634 | 12,621 | 0.1 | 13,217 |
| | <u>66,526</u> | <u>66,569</u> | 0.1 | <u>66,684</u> |
| Loans-to-deposits ratio (net non-bank loans/non-bank deposits) | 90.9% | 87.8% | | 88.1% |

Total deposits were S\$66.53 billion as at 30 September 2003, largely unchanged from the end of 2002. Non-bank customer deposits, which accounted for 81% of total deposits, remained relatively stable as the decline in fixed deposits was compensated by an increase in savings and current account deposits.

The Group's loans-to-deposits ratio increased from 87.8% at the end of 2002 to 90.9% as at 30 September 2003, due to the loan growth of 3% over this period.

| | <u>30 Sep 2003</u> | | <u>31 Dec 2002</u> | | <u>30 Sep 2002</u> | |
|--|----------------------|-------------------|--------------------|------------|--------------------|------------|
| | S\$m | % | S\$m | % | S\$m | % |
| <u>Total Deposits By Maturity</u> | | | | | | |
| Less than 7 days | 28,454 | 42 | 25,715 | 38 | 24,344 | 36 |
| 1 week to 1 month | 16,354 | 25 | 18,327 | 28 | 17,403 | 26 |
| Over 1 to 3 months | 9,651 | 15 | 11,779 | 18 | 11,196 | 17 |
| Over 3 to 12 months | 10,957 | 16 | 9,598 | 14 | 12,460 | 19 |
| Over 1 to 3 years | 737 | 1 | 714 | 1 | 669 | 1 |
| Over 3 years | 373 | 1 | 436 | 1 | 612 | 1 |
| | <u>66,526</u> | <u>100</u> | <u>66,569</u> | <u>100</u> | <u>66,684</u> | <u>100</u> |

Non-Bank Deposits By Product

| | | | | | | |
|------------------|----------------------|-------------------|---------------|------------|---------------|------------|
| Fixed deposits | 34,359 | 64 | 36,176 | 67 | 35,850 | 67 |
| Savings deposits | 11,225 | 21 | 10,802 | 20 | 10,841 | 20 |
| Current account | 6,146 | 11 | 5,294 | 10 | 5,223 | 10 |
| Others | 2,162 | 4 | 1,676 | 3 | 1,553 | 3 |
| | <u>53,892</u> | <u>100</u> | <u>53,948</u> | <u>100</u> | <u>53,467</u> | <u>100</u> |

Capital Adequacy Ratios

| | <u>30 Sep 2003</u> | <u>31 Dec 2002</u> | <u>30 Sep 2002</u> |
|--|--------------------|--------------------|--------------------|
| | S\$m | S\$m | S\$m |
| Tier 1 Capital | | | |
| Paid-up ordinary and preference shares | 1,284 | 1,290 | 1,290 |
| Disclosed reserves/others | 8,478 | 7,802 | 7,713 |
| Less: Goodwill | 2,104 | 2,199 | 2,230 |
| | 7,658 | 6,894 | 6,773 |
| Tier 2 Capital | | | |
| Asset revaluation reserves ^{1/} | 1,308 | 1,121 | 1,165 |
| Cumulative general provisions | 604 | 597 | 599 |
| Hybrid (debt/equity) capital instruments | 3,857 | 3,879 | 3,878 |
| | 5,769 | 5,597 | 5,642 |
| Less: Capital deductions for private equity and venture capital investments | 3 | 5 | 7 |
| Total Capital | 13,424 | 12,486 | 12,408 |
| Risk weighted assets including market risk | 62,301 | 59,884 | 59,724 |
| Tier 1 ratio | 12.3% | 11.5% | 11.3% |
| Total capital adequacy ratio | 21.5% | 20.9% | 20.8% |

^{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 rose marginally from 20.9% as at 31 December 2002 to 21.5% as at 30 September 2003. Tier 1 capital increased by S\$764 million from December 2002, due mainly to the issue of S\$895 million of non-cumulative non-convertible preference shares in the first and third quarters of 2003. On 17 September 2003, the Group completed a selective capital reduction exercise under which 12,138,915 ordinary shares held by Fraser and Neave, Limited were cancelled for cash consideration of S\$8.63 per ordinary share, or S\$105 million in total. This exercise reduced the Group's issued and paid-up ordinary share capital by 0.94%. The Group's Tier 1 capital ratio as at 30 September 2003 was 12.3%.

Valuation Surplus

| | 30 Sep 2003 | | | 31 Dec 2002 | | | 30 Sep 2002 | | |
|-------------------------------|----------------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|--------------|
| | Net book value | Market value | Surplus | Net book value | Market value | Surplus | Net book value | Market value | Surplus |
| | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m |
| Properties | 1,298 | 2,756 | 1,458 | 1,360 | 2,901 | 1,542 | 1,416 | 2,963 | 1,547 |
| Equity securities | 1,412 | 3,349 | 1,937 | 1,431 | 2,911 | 1,480 | 1,454 | 2,947 | 1,492 |
| Debt securities ^{1/} | 12,627 | 12,796 | 169 | 12,050 | 12,301 | 252 | 11,601 | 11,802 | 202 |
| Total investments | 15,338 | 18,901 | 3,563 | 14,840 | 18,114 | 3,273 | 14,472 | 17,712 | 3,241 |

^{1/} Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$3.56 billion as at 30 September 2003, an increase of 9% compared to 31 December 2002 largely due to the appreciation in the share price of associate Great Eastern Holdings. Equity securities accounted for S\$1.94 billion or 54% of the surplus while properties accounted for S\$1.46 billion or 41%.

Performance by Geographical Segment

| | 9 Mths 2003 | | 9 Mths 2002 | | 3rd Qtr 2003 | | 3rd Qtr 2002 | | 2nd Qtr 2003 | |
|---|--------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | S\$m | % | S\$m | % | S\$m | % | S\$m | % | S\$m | % |
| Income before operating expenses | | | | | | | | | | |
| Singapore | 1,260 | 77 | 1,260 | 76 | 469 | 79 | 408 | 75 | 407 | 77 |
| Malaysia | 243 | 15 | 250 | 15 | 82 | 14 | 84 | 15 | 80 | 15 |
| Other ASEAN | 13 | 1 | 14 | 1 | 4 | 1 | 6 | 1 | 5 | 1 |
| Asia Pacific | 74 | 5 | 104 | 6 | 24 | 4 | 38 | 7 | 29 | 5 |
| Rest of the world | 28 | 2 | 25 | 2 | 10 | 2 | 9 | 2 | 9 | 2 |
| | 1,618 | 100 | 1,653 | 100 | 589 | 100 | 545 | 100 | 530 | 100 |
| Profit before tax | | | | | | | | | | |
| Singapore | 675 | 79 | 439 | 66 | 282 | 78 | 165 | 67 | 221 | 78 |
| Malaysia | 105 | 12 | 126 | 19 | 49 | 14 | 41 | 17 | 35 | 13 |
| Other ASEAN | 10 | 1 | 10 | 1 | 6 | 2 | 4 | 1 | 3 | 1 |
| Asia Pacific | 46 | 5 | 77 | 12 | 14 | 4 | 29 | 12 | 18 | 6 |
| Rest of the world | 19 | 2 | 16 | 2 | 7 | 2 | 7 | 3 | 6 | 2 |
| | 855 | 100 | 668 | 100 | 358 | 100 | 246 | 100 | 283 | 100 |

| | 30 Sep 2003 | | 31 Dec 2002 | | 30 Sep 2002 | |
|---------------------|---------------|------------|---------------|------------|---------------|------------|
| | S\$m | % | S\$m | % | S\$m | % |
| Total assets | | | | | | |
| Singapore | 65,306 | 77 | 66,553 | 79 | 64,836 | 78 |
| Malaysia | 11,235 | 13 | 10,016 | 12 | 10,158 | 12 |
| Other ASEAN | 369 | 0 | 353 | 0 | 405 | 0 |
| Asia Pacific | 4,280 | 5 | 4,511 | 5 | 4,938 | 6 |
| Rest of the world | 3,152 | 4 | 2,619 | 4 | 2,755 | 4 |
| | 84,342 | 100 | 84,051 | 100 | 83,093 | 100 |

The analysis by geographical segment is based on the location where the assets or transactions are booked. 91% of the Group's profit before tax in the first nine months of 2003 was derived from Singapore and Malaysia operations. Other contributions were mainly from Greater China operations.

Group Income Statement (Unaudited)

Appendix I

| | 9 Mths 2003 | 9 Mths 2002 | + / - % | 3rd Qtr 2003 | 3rd Qtr 2002 | + / - % | 2nd Qtr 2003 |
|--|------------------|------------------|--------------|-----------------|-----------------|--------------|-----------------|
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % | S\$'000 |
| Interest income | 1,780,687 | 2,064,570 | (13.8) | 584,680 | 678,296 | (13.8) | 590,848 |
| Less: Interest expense | 714,494 | 931,501 | (23.3) | 225,821 | 290,220 | (22.2) | 235,081 |
| Net interest income | 1,066,193 | 1,133,069 | (5.9) | 358,859 | 388,076 | (7.5) | 355,767 |
| Fees and commissions | 269,592 | 282,635 | (4.6) | 99,640 | 98,790 | 0.9 | 87,653 |
| Dividends | 66,698 | 29,260 | 127.9 | 36,286 | 2,856 | 1,170.5 | 19,880 |
| Rental income | 45,348 | 59,497 | (23.8) | 16,166 | 16,900 | (4.3) | 13,564 |
| Other income | 170,624 | 148,407 | 15.0 | 78,136 | 38,686 | 102.0 | 53,326 |
| Income before operating expenses | 1,618,455 | 1,652,868 | (2.1) | 589,087 | 545,308 | 8.0 | 530,190 |
| Less: Staff costs | 358,724 | 351,973 | 1.9 | 120,654 | 111,926 | 7.8 | 118,967 |
| Other operating expenses | 279,697 | 280,676 | (0.3) | 93,483 | 91,937 | 1.7 | 104,266 |
| | 638,421 | 632,649 | 0.9 | 214,137 | 203,863 | 5.0 | 223,233 |
| Operating profit before provisions and goodwill amortisation | 980,034 | 1,020,219 | (3.9) | 374,950 | 341,445 | 9.8 | 306,957 |
| Less: Amortisation of goodwill | 94,980 | 95,244 | (0.3) | 31,682 | 30,644 | 3.4 | 31,654 |
| Provisions for possible loan losses and diminution in value of other assets | 170,885 | 370,595 | (53.9) | 37,214 | 75,154 | (50.5) | 69,904 |
| Operating profit after provisions and amortisation of goodwill | 714,169 | 554,380 | 28.8 | 306,054 | 235,647 | 29.9 | 205,399 |
| Share of profits less losses of associated companies | 141,214 | 114,101 | 23.8 | 52,010 | 10,697 | 386.2 | 77,992 |
| Profit before tax | 855,383 | 668,481 | 28.0 | 358,064 | 246,344 | 45.4 | 283,391 |
| Less: Tax | 142,685 | 138,182 | 3.3 | 53,413 | 63,723 | (16.2) | 41,845 |
| Share of tax of associated companies | 35,911 | 31,168 | 15.2 | 12,332 | 2,109 | 484.7 | 16,812 |
| | 178,596 | 169,350 | 5.5 | 65,745 | 65,832 | (0.1) | 58,657 |
| Profit after tax | 676,787 | 499,131 | 35.6 | 292,319 | 180,512 | 61.9 | 224,734 |
| Less/(add): Minority interests | 1,219 | 1,291 | (5.6) | 463 | (61) | n.m. | 436 |
| Profit attributable to shareholders | 675,568 | 497,840 | 35.7 | 291,856 | 180,573 | 61.6 | 224,298 |

Group Balance Sheet (Unaudited)

Appendix II

| | 30 Sep 2003 | 31 Dec 2002 | 30 Sep 2002 |
|--|--------------------|--------------------|--------------------|
| | S\$'000 | S\$'000 | S\$'000 |
| SHAREHOLDERS' EQUITY | | | |
| Share Capital | | | |
| Authorised | 2,010,841 | 2,000,000 | 2,000,000 |
| Issued and fully paid | 1,283,503 | 1,290,299 | 1,290,210 |
| Reserves | | | |
| Capital reserves | 2,342,284 | 1,505,515 | 1,676,757 |
| Statutory reserves | 1,984,350 | 1,936,244 | 1,889,466 |
| Revenue reserves | 4,195,961 | 4,492,164 | 4,244,463 |
| Total shareholders' equity | 9,806,098 | 9,224,222 | 9,100,896 |
| MINORITY INTERESTS | 20,044 | 18,928 | 24,680 |
| LIABILITIES | | | |
| Deposits of non-bank customers | 53,892,462 | 53,947,536 | 53,466,875 |
| Deposits and balances of banks | 12,633,799 | 12,621,149 | 13,217,320 |
| Deposits of associated companies | 1,168,398 | 1,454,366 | 880,894 |
| Bills payable | 184,785 | 177,164 | 154,607 |
| Current tax | 284,426 | 321,765 | 295,156 |
| Deferred tax | 97,050 | 133,498 | 139,767 |
| Other liabilities | 2,245,819 | 2,140,546 | 1,934,125 |
| Debt securities | 4,009,408 | 4,012,214 | 3,878,355 |
| Total liabilities and shareholders' equity | 84,342,289 | 84,051,388 | 83,092,675 |
| ASSETS | | | |
| Cash and placements with central banks | 2,371,877 | 2,858,403 | 2,541,545 |
| Singapore government treasury bills and securities | 5,866,808 | 5,966,732 | 5,935,785 |
| Other government treasury bills and securities | 1,131,420 | 984,145 | 829,651 |
| Dealing securities | 262,335 | 173,076 | 146,689 |
| Placements with and loans to banks | 13,381,203 | 14,458,968 | 14,818,963 |
| Loans to customers (include bills receivable) | 48,966,632 | 47,367,213 | 47,110,161 |
| Investment securities | 5,675,060 | 5,310,085 | 5,079,760 |
| Deferred tax | 74,204 | 70,416 | 65,804 |
| Other assets | 1,935,744 | 2,044,580 | 1,636,772 |
| | 79,665,283 | 79,233,618 | 78,165,130 |
| Associated companies | 1,103,653 | 1,047,441 | 1,074,594 |
| Property, plant and equipment | 1,469,635 | 1,571,646 | 1,622,659 |
| Goodwill | 2,103,718 | 2,198,683 | 2,230,292 |
| Total assets | 84,342,289 | 84,051,388 | 83,092,675 |
| OFF-BALANCE SHEET ITEMS | | | |
| Contingent liabilities | 5,727,063 | 5,848,394 | 6,175,330 |
| Commitments | 28,313,662 | 28,288,944 | 28,277,395 |
| Financial derivatives | 180,109,041 | 183,574,497 | 175,310,931 |
| | 214,149,766 | 217,711,835 | 209,763,656 |

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

For the nine months ended 30 September

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 | - | - | - | 675,568 | 675,568 |
| Foreign currency translation gains not recognised in the income statements | - | - | - | 20,845 | 20,845 |
| Total recognised gains for the financial period | - | - | - | 696,413 | 696,413 |
| Transfers | - | 31,384 | 48,106 | (79,490) | - |
| Class E preference shares issued for cash | 50 | 499,950 | - | - | 500,000 |
| Class E preference dividends paid | - | - | - | (8,815) | (8,815) |
| Class G preference shares issued in lieu of special cash dividend | 2,093 | 206,171 | - | (208,264) | - |
| Class G preference shares issued for cash | 1,865 | 184,877 | - | - | 186,742 |
| Expenses relating to the issue of preference shares | - | (1,599) | - | - | (1,599) |
| Final dividends paid to ordinary stockholders | - | - | - | (151,081) | (151,081) |
| Interim dividends paid to ordinary stockholders | - | - | - | (110,811) | (110,811) |
| Special dividends paid in cash to ordinary stockholders | - | - | - | (434,155) | (434,155) |
| Selective capital reduction | (12,139) | (92,620) | - | - | (104,759) |
| Shares issued under Executives' Share Option Schemes | 1,335 | 8,606 | - | - | 9,941 |
| Balance at 30 September 2003 | 1,283,503 | 2,342,284 | 1,984,350 | 4,195,961 | 9,806,098 |
| Include:- | | | | | |
| Share of reserves of associated companies | - | 20,691 | - | 936,493 | 957,184 |
| Balance at 1 January 2002 | 1,286,606 | 1,911,490 | 1,889,924 | 3,744,204 | 8,832,224 |
| Profit attributable to shareholders | - | - | - | 497,840 | 497,840 |
| Foreign currency translation losses not recognised in the income statements | - | - | - | (61,885) | (61,885) |
| Total recognised gains for the financial period | - | - | - | 435,955 | 435,955 |
| Transfers | - | (257,874) | (458) | 258,332 | - |
| Adjustment in reserves of an associated company | - | - | - | (12,908) | (12,908) |
| Final dividends paid to ordinary stockholders | - | - | - | (130,803) | (130,803) |
| Interim dividends paid to ordinary stockholders | - | - | - | (50,317) | (50,317) |
| Shares issued under Executives' Share Option Schemes | 3,604 | 23,141 | - | - | 26,745 |
| Balance at 30 September 2002 | 1,290,210 | 1,676,757 | 1,889,466 | 4,244,463 | 9,100,896 |
| Include:- | | | | | |
| Share of reserves of associated companies | - | 19,076 | 22,026 | 835,177 | 876,279 |

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

For the quarter ended 30 September

Appendix IV

| | Share capital | Capital reserves | Statutory reserves | Revenue reserves | Total |
|--|------------------|------------------|--------------------|------------------|------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 July 2003 | 1,291,402 | 2,222,344 | 1,963,914 | 4,081,313 | 9,558,973 |
| Profit attributable to shareholders | - | - | - | 291,856 | 291,856 |
| Foreign currency translation losses not recognised in the income statements | - | - | - | (17,747) | (17,747) |
| Total recognised gains for the financial period | - | - | - | 274,109 | 274,109 |
| Transfers | - | 28,214 | 20,436 | (48,650) | - |
| Class G preference shares issued in lieu of special cash dividend | 2,093 | (2,093) | - | - | - |
| Class G preference shares issued for cash | 1,865 | 184,877 | - | - | 186,742 |
| Expenses relating to the issue of preference shares | - | (436) | - | - | (436) |
| Interim dividends paid to ordinary stockholders | - | - | - | (110,811) | (110,811) |
| Selective capital reduction | (12,139) | (92,620) | - | - | (104,759) |
| Shares issued under Executives' Share Option Schemes | 282 | 1,998 | - | - | 2,280 |
| Balance at 30 September 2003 | 1,283,503 | 2,342,284 | 1,984,350 | 4,195,961 | 9,806,098 |
| Include:- | | | | | |
| Share of reserves of associated companies | - | 20,691 | - | 936,493 | 957,184 |
| Balance at 1 July 2002 | 1,290,060 | 1,675,946 | 1,889,466 | 4,108,274 | 8,963,746 |
| Profit attributable to shareholders | - | - | - | 180,573 | 180,573 |
| Foreign currency translation gains not recognised in the income statements | - | - | - | 5,784 | 5,784 |
| Total recognised gains for the financial period | - | - | - | 186,357 | 186,357 |
| Transfers | - | (149) | - | 149 | - |
| Interim dividends paid to ordinary stockholders | - | - | - | (50,317) | (50,317) |
| Shares issued under Executives' Share Option Schemes | 150 | 960 | - | - | 1,110 |
| Balance at 30 September 2002 | 1,290,210 | 1,676,757 | 1,889,466 | 4,244,463 | 9,100,896 |
| Include:- | | | | | |
| Share of reserves of associated companies | - | 19,076 | 22,026 | 835,177 | 876,279 |

Consolidated Cash Flow Statement (Unaudited)

For the nine months ended 30 September

Appendix V

| | 30 Sep 2003 | 30 Sep 2002 |
|---|------------------|------------------|
| | S\$'000 | S\$'000 |
| Cash flows from operating activities | | |
| Operating profit before provisions and amortisation of goodwill | 980,034 | 1,020,219 |
| Adjustments for non-cash items: | | |
| Amortisation of computer software costs | 14,657 | 7,773 |
| Depreciation of property, plant and equipment | 64,661 | 53,109 |
| Gains on disposal of a subsidiary company | - | (305) |
| Gains on disposal of investment securities | (85,495) | (46,743) |
| Losses on disposal of interests in associated companies | - | 118 |
| (Gains)/losses on disposal of property, plant and equipment | (166) | 980 |
| Operating profit before changes in operating assets and liabilities | 973,691 | 1,035,150 |
| Increase/(decrease) in operating liabilities: | | |
| Deposits of non-bank customers | (341,042) | (1,568,041) |
| Deposits and balances of banks | 12,650 | (833,678) |
| Bills payable and other liabilities | 115,786 | (134,431) |
| (Increase)/decrease in operating assets: | | |
| Dealing securities | (89,259) | 213,760 |
| Placements with and loans to banks | 1,077,765 | (391,695) |
| Loans to customers and bills receivable | (1,706,391) | 2,430,791 |
| Other assets | 109,891 | 39,623 |
| Cash provided by operating activities | 153,091 | 791,479 |
| Income tax paid | (220,490) | (181,856) |
| Net cash (used in)/provided by operating activities | (67,399) | 609,623 |
| Cash flows from investing activities | | |
| Acquisition of additional interest in subsidiary companies | (288) | (4,046) |
| Capital reduction from an associated company | 1,000 | 9,000 |
| Dividends from associated companies | 43,940 | 35,743 |
| Decrease in associated companies | 3,456 | 772 |
| Purchase of investment securities | (1,416,970) | (1,592,052) |
| Purchase of long-term Singapore government securities | (543,662) | - |
| Purchase of property, plant and equipment | (35,085) | (48,355) |
| Net cash outflow from disposal of a subsidiary company | - | (1,980) |
| Proceeds from disposal of interests in associated companies | - | 60 |
| Proceeds from disposal of investment securities | 1,118,286 | 1,184,268 |
| Proceeds from disposal of property, plant and equipment | 12,874 | 6,700 |
| Net cash used in investing activities | (816,449) | (409,890) |
| Cash flows from financing activities | | |
| Decrease in debt securities | (5,250) | - |
| Dividends paid | (704,862) | (181,120) |
| Net proceeds from issue of preference shares | 685,143 | - |
| Proceeds from issue of ordinary shares | 9,941 | 26,745 |
| Selective capital reduction | (104,759) | - |
| Change in minority interests and dividends paid to minority interests | (47) | (1,026) |
| Net cash used in financing activities | (119,834) | (155,401) |
| Net foreign currency translation adjustments | 20,845 | (61,885) |
| Net change in cash and cash equivalents | (982,837) | (17,553) |
| Cash and cash equivalents as at 1 January | 9,809,280 | 9,324,534 |
| Cash and cash equivalents as at 30 September | 8,826,443 | 9,306,981 |

Consolidated Cash Flow Statement (Unaudited)

For the quarter ended 30 September

Appendix VI

| | 30 Sep 2003 | 30 Sep 2002 |
|---|--------------------|--------------------|
| | S\$'000 | S\$'000 |
| Cash flows from operating activities | | |
| Operating profit before provisions and amortisation of goodwill | 374,950 | 341,445 |
| Adjustments for non-cash items: | | |
| Amortisation of computer software costs | 5,016 | 2,787 |
| Depreciation of property, plant and equipment | 18,258 | 18,358 |
| Gains on disposal of investment securities | (82,433) | (888) |
| Losses on disposal of interests in associated companies | - | 37 |
| (Gains)/losses on disposal of property, plant and equipment | (914) | 849 |
| Operating profit before changes in operating assets and liabilities | 314,878 | 362,587 |
| Increase/(decrease) in operating liabilities: | | |
| Deposits of non-bank customers | (804,054) | (1,764,056) |
| Deposits and balances of banks | (801,822) | 1,657,942 |
| Bills payable and other liabilities | (146,072) | (701,403) |
| (Increase)/decrease in operating assets: | | |
| Dealing securities | 177,684 | 68,019 |
| Placements with and loans to banks | 1,309,602 | (1,503,072) |
| Loans to customers and bills receivable | (196,999) | 505,090 |
| Other assets | (566) | 733,454 |
| Cash used in operating activities | (147,349) | (641,439) |
| Income tax paid | (66,467) | (45,302) |
| Net cash used in operating activities | (213,816) | (686,741) |
| Cash flows from investing activities | | |
| Acquisition of additional interest in subsidiary companies | - | (4,046) |
| Capital reduction from an associated company | 1,000 | 9,000 |
| Dividends from associated companies | 14,750 | 11,319 |
| Increase in associated companies | (2,711) | (679) |
| Purchase of investment securities | (301,691) | (193,696) |
| Purchase of long-term Singapore government securities | (543,662) | - |
| Purchase of property, plant and equipment | (9,679) | (24,453) |
| Proceeds from disposal of investment securities | 400,665 | 168,574 |
| Proceeds from disposal of property, plant and equipment | 5,191 | 2,122 |
| Net cash used in investing activities | (436,137) | (31,859) |
| Cash flows from financing activities | | |
| Increase in debt securities | 1,334 | - |
| Dividends paid | (544,966) | (50,317) |
| Net proceeds from issue of preference shares | 186,306 | - |
| Proceeds from issue of ordinary shares | 2,280 | 1,110 |
| Selective capital reduction | (104,759) | - |
| Change in minority interests and dividends paid to minority interests | - | (226) |
| Net cash used in financing activities | (459,805) | (49,433) |
| Net foreign currency translation adjustments | (17,747) | 5,784 |
| Net change in cash and cash equivalents | (1,127,505) | (762,249) |
| Cash and cash equivalents as at 1 July | 9,953,948 | 10,069,230 |
| Cash and cash equivalents as at 30 September | 8,826,443 | 9,306,981 |