

## Media Release

### **OCBC Group Reports S\$795 million Net Profit In Second Quarter 2006**

***Excluding Divestment Gains, Net Profit Increased 3% to S\$314 million***

***Interim dividend of 11 cents per share, up 25%***

Singapore, 14 August 2006 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported a net profit attributable to shareholders (“net profit”) of S\$795 million in the second quarter 2006 (“2Q06”), an increase of 162% from S\$304 million in second quarter 2005 (“2Q05”). The 2Q06 net profit included gains of S\$482 million from the divestments of a property at Kim Seng Road and shareholdings in Robinson and Company, Limited, The Straits Trading Company Limited and Southern Bank Berhad.

Excluding the divestment gains, net profit rose 3% year-on-year to S\$314 million in 2Q06, with broad-based revenue growth of 9% partially offset by a 23% increase in expenses. Net interest income grew 7% to S\$435 million, driven by an improvement in net interest margin from 1.82% to 2.00%. Non-interest income (excluding divestment gains) increased by 13% to S\$329 million, led by higher fees and commissions from stock-broking, loan and trade-related activities, as well as higher dealing income from foreign exchange, securities and derivatives.

Operating expenses increased by 23% to S\$349 million, partly attributable to accelerated depreciation and write-offs of certain fixed assets and software applications amounting to S\$21 million. Excluding the accelerated depreciation and write-offs, expenses would have shown an increase of 16%, mainly due to higher staff costs, business promotion expenses and insurance-related expenses.

Continued recovery efforts on the Group’s non-performing loans (“NPLs”) portfolio resulted in a net write-back of S\$5 million in allowances for loans and other assets in 2Q06, compared with a net write-back of S\$2 million in 2Q05. The NPL ratio improved to 3.6% from 4.1% in March 2006.

Compared with 1Q06’s net profit of S\$318 million, net profit for 2Q06 (excluding divestment gains) was marginally lower by 1%, largely attributable to the lower contribution from Great Eastern Holdings (“GEH”) and the accelerated depreciation and write-off charges. GEH’s net profit contribution to the Group, excluding its S\$16 million share of the divestment gains, fell from S\$68 million in 1Q06 to S\$49 million in 2Q06, due to lower insurance income and higher expenses.

## First Half 2006 Results

The Group's income and expenses for the first half of 2006 ("1H06") included six months' consolidation of the results of 72.3%-owned Bank NISP, compared with three months' consolidation in 1H05. From January to March 2005, Bank NISP was accounted for as an associated company of the Group.

For 1H06, the Group achieved net profit of S\$1,113 million, up by 85% over the same period last year. Excluding divestment gains, net profit grew 5% to S\$632 million, with broad-based revenue growth of 10% partially offset by a 23% increase in expenses. Net interest income grew 8% to S\$830 million, driven by an increase in net interest margin from 1.80% to 1.94% and the full six months' contribution from Bank NISP. Higher fee and commission income and gains from dealing in foreign exchange, securities and derivatives lifted non-interest income by 12% to S\$677 million (excluding divestment gains).

Operating expenses increased 23% to S\$657 million, attributable to the full six months' consolidation of Bank NISP's expenses, accelerated depreciation and write-offs of certain fixed assets and software applications amounting to S\$28 million, and higher staff costs, business promotion expenses and insurance-related expenses. The cost-to-income ratio for 1H06 was 32.5% (or 43.6% excluding divestment gains).

Excluding Bank NISP's expenses and the accelerated depreciation charges and write-offs, operating expenses would show an increase of 11%, while the cost-to-income ratio would be 40.0% (divestment gains excluded), compared with 38.3% in 1H05.

Continued loan recovery efforts and higher property values resulted in a net write-back of S\$12 million in allowances for loans and other assets in 1H06, compared to a charge of S\$23 million in 1H05.

Excluding divestment gains, annualised earnings per share for 1H06 increased by 6% to 39.7 cents, while annualised return on ordinary shareholders' equity ("ROE") was 10.6%, unchanged from 1H05.

## Second Quarter Revenue

Total revenue grew by 83% year-on-year to S\$1,280 million in 2Q06. Excluding the pre-tax divestment gains of S\$516 million, revenue grew by 9% to S\$764 million.

Net interest income rose by 7% to S\$435 million, led by an 18 basis-point improvement in net interest margin, from 1.82% to 2.00%. Higher loan yields in Singapore and Malaysia, and higher yields from interbank placements, more than offset higher borrowing costs. Gross customer loans grew by 3% year-on-year to S\$58.1 billion as at 30 June 2006, with increases in loans to non-bank financial institutions, investment and holding companies, as well as to the manufacturing, transport and communications sectors.

Non-interest income, excluding divestment gains, increased by 13% to S\$329 million. Fees and commissions rose 12% to S\$141 million, led by higher brokerage, as well as loan and trade-related income. Foreign exchange dealing income doubled to S\$35 million, while securities and derivatives

dealing registered gains of S\$9 million compared to a loss of S\$7 million in 2Q05. Income from insurance, however, fell 11% to S\$78 million.

### **Second Quarter Operating Expenses**

Operating expenses increased by 23% to S\$349 million in 2Q06. The increase was partly attributable to accelerated depreciation for fixed assets and software applications scheduled for replacement, and write-offs of decommissioned assets and software applications, which amounted to S\$21 million in the quarter. Excluding this S\$21 million, operating expenses would have increased by 16% over 2Q05, due to higher staff costs (up by 12% from 2Q05), business promotion expenses and insurance-related expenses.

The Group's cost-to-income ratio (excluding divestment gains) was 45.6% in 2Q06, up from 40.5% in 2Q05. Excluding the accelerated depreciation charges and write-offs, the cost-to-income ratio in 2Q06 would be 42.9%.

### **Loan Allowances and Asset Quality**

In 2Q06, the Group registered a net write-back of S\$5 million in allowances for loans and other assets. This was mainly due to continued efforts in recovering non-performing loans and loan-related securities. No new portfolio allowances were made in 2Q06.

The Group's non-performing loans ("NPLs") fell by 11% from S\$2.35 billion as at 31 March 2006 to S\$2.10 billion as at 30 June 2006, while the NPL ratio improved from 4.1% to 3.6%. Total cumulative allowances of S\$1.97 billion were 94.0% of total NPLs, higher than the coverage of 87.6% at 31 March 2006.

### **Capital Ratios**

The Group's capital position remains strong, with a total capital adequacy ratio ("CAR") of 17.9% and Tier-1 ratio of 13.7% as at 30 June 2006.

In 2Q06, the Bank purchased a total of 21.1 million shares under its share buyback programmes, with the shares held as treasury shares. This amount included shares purchased under both the second S\$500 million share buyback programme (completed on 5 June 2006) and the third S\$500 million buyback programme. As of the date of this results announcement, S\$72 million had been utilised and approximately 11.4 million shares purchased under the third buyback programme.

### **Interim Dividends**

The Group has revised its dividend policy, increasing its minimum dividend payout to 45% of core earnings, from 35% previously. In line with this new policy, an interim tax-exempt dividend of 11 cents per share has been declared. This represents a 25% increase over the net dividend of 8.8 cents (11 cents gross) paid for 1H05, and 15% increase over the 9.6 cents net dividend (12 cents gross) paid for

2H05. The interim dividend payout will amount to an estimated S\$340 million, or approximately 54% of the Group's 1H06 core net profit of S\$632 million excluding the divestment gains.

The Bank has decided to defer the utilisation of Section 44 tax credits to the next dividend payment until the amount of remaining tax credits has been finalised. Based on current balances and taking into account the preferential share dividends to be franked, the remaining tax credits are not expected to be significant.

## Conclusion

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

"We are pleased with the growth in our core revenues in the first half of the year. While the domestic loan growth environment remains sluggish, our interest margins have improved, and fees and treasury-related revenues are up. Our increased dividend payout policy reflects our confidence in our underlying businesses and the sustainability of our earnings."

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## About OCBC Bank

Singapore's longest established local bank, OCBC Bank, currently has assets of S\$136 billion and a network of over 310 branches and representative offices in 15 countries and territories including Singapore, Malaysia, Indonesia, Vietnam, China, Hong Kong SAR, Brunei, Japan, Australia, UK and USA. This network includes more than 200 branches and offices in Indonesia operated by OCBC Bank's subsidiary, PT Bank NISP. OCBC Bank and its banking subsidiaries offer a wide range of specialist financial services, from consumer, corporate, investment, private and transaction banking to global treasury and stockbroking services to meet the needs of its customers across communities.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia, in terms of assets and market share, and its asset management subsidiary, Lion Capital Management, is one of the largest asset management companies in Southeast Asia.

In 2005, OCBC Bank was named *Global Finance* magazine's Best Trade Finance Bank and *FinanceAsia*'s Best Bond House. Additional information may be found at [www.ocbc.com](http://www.ocbc.com).

For more information, please contact:

Koh Ching Ching  
Head Group Corporate Communications  
Tel : (65) 6530 4890  
Fax : (65) 6535 7477

Kelvin Quek  
Head Investor Relations  
Tel: (65) 6530 4205  
Fax: (65) 6532 6001

## To Our Shareholders

The Board of Directors of Oversea-Chinese Banking Corporation Limited is pleased to announce the following:

### Financial Results for the Second Quarter Ended 30 June 2006

For the quarter ended 30 June 2006, Group net profit grew 162% to S\$795 million. Details of the financial results have not been audited but have been reviewed by our auditors in accordance with Singapore Standard on Review Engagements 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

### Ordinary Dividends

An interim tax-exempt dividend of 11 cents per share (2005: 11 cents less 20% Singapore income tax) has been declared for first half-year 2006, and will be paid on 13 September 2006. The dividend payout will amount to an estimated S\$340 million (2005: S\$275 million net of tax) or approximately 54% of the Group's core net profit for 1H06.

### Closure of Books

Notice is hereby given that the Transfer Books and the Register of Shareholders of the Bank will be closed from 31 August 2006 to 1 September 2006 (both dates inclusive) for the purpose of determining the entitlement of Shareholders to the interim dividend of 11 cents (tax-exempt) for every ordinary share held. Duly completed registrable transfers of shares received by the Bank's Share Registrar, M & C Services Private Limited of 138 Robinson Road #17-00 The Corporate Office Singapore 068906 up to 5.00 p.m. on 30 August 2006 will be registered to determine the entitlement of Shareholders to the interim dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Bank as at 5.00 p.m. on 30 August 2006 will be entitled to the interim dividend.

### Scrip Dividend Scheme

The Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme, which was approved by the Shareholders of the Bank at the Extraordinary General Meeting on 8 June 1996, will not be applicable to the interim dividend.

### Preference Dividends

On 20 June 2006, the Bank paid semi-annual dividends on its non-cumulative non-convertible Class E and Class G Preference Shares, at dividend rates of 4.5% (2005: 4.5%) and 4.2% (2005: 4.2%) per annum, net of tax. Total amount of dividends paid for the Class E and Class G Preference Shares were S\$11.2 million and S\$8.3 million respectively.

By order of the Board

*Peter Yeoh*  
Secretary

*Singapore, 14 August 2006*

More details on the results are available on the Bank's website at [www.ocbc.com](http://www.ocbc.com)

**Oversea-Chinese Banking Corporation Limited**  
**Second Quarter 2006 Group Financial Report**



Incorporated in Singapore  
Company Registration Number: 193200032W

# CONTENTS

<b>Financial Summary</b>	2
<b>Financial Review</b>	
Net Interest Income	4
Non-Interest Income	6
Operating Expenses	7
Allowances for Loans and Other Assets	8
Loans and Advances	9
Non-Performing Loans	10
Cumulative Allowances for Loans	12
Deposits	13
Capital Adequacy Ratios	14
Valuation Surplus	15
Performance by Business Segment	16
Performance by Geographical Segment	20
<b>Financial Statements</b>	
Consolidated Income Statement	21
Balance Sheets	22
Statement of Changes in Equity - Group	
- For the quarter ended 30 June 2006	23
- For the half year ended 30 June 2006	24
Statement of Changes in Equity - Bank	
- For the quarter ended 30 June 2006	25
- For the half year ended 30 June 2006	26
Consolidated Cash Flow Statement	27
<b>Share Capital and Options on Shares in the Bank</b>	28
<b>Other Matters/ Subsequent Events</b>	29
<b>Attachment: Auditors' Review Report</b>	

## Financial Summary

S\$ million	1H06	1H05	+ / (-) %	2Q06	2Q05	+ / (-) %	1Q06	+ / (-) %
<b>Selected Income Statement Items</b>								
Net interest income	830	770	8	435	407	7	395	10
Non-interest income	1,193	604	98	845	291	190	348	143
Total income	2,023	1,374	47	1,280	698	83	743	72
Operating expenses	(657)	(535)	23	(349)	(283)	23	(308)	13
Operating profit before allowances and amortisation	1,366	839	63	931	415	124	435	114
Amortisation of intangible assets (Allowances)/ write-back	(21)	(20)	6	(11)	(10)	7	(10)	2
for loans and other assets	12	(23)	(153)	5	2	208	7	(23)
Share of results of associated and joint venture companies	5	11	(58)	1	3	(75)	4	(78)
Profit before tax	1,362	808	69	927	410	126	435	113
<b>Net profit attributable to shareholders</b>	<b>1,113</b>	<b>602</b>	<b>85</b>	<b>795</b>	<b>304</b>	<b>162</b>	<b>318</b>	<b>150</b>
<b>Cash basis net profit attributable to shareholders <sup>1/</sup></b>	<b>1,134</b>	<b>622</b>	<b>82</b>	<b>806</b>	<b>314</b>	<b>157</b>	<b>328</b>	<b>145</b>
<b>Selected Balance Sheet Items</b>								
Ordinary shareholders' equity	11,896	11,258	6	11,896	11,258	6	11,821	1
Total shareholders' equity (excluding minority interests)	12,792	12,154	5	12,792	12,154	5	12,717	1
Total assets	136,168	137,487	(1)	136,168	137,487	(1)	133,757	2
Assets excluding life fund net assets	102,956	105,428	(2)	102,956	105,428	(2)	99,982	3
Loans to and bills receivable from customers (net of allowances)	56,122	54,379	3	56,122	54,379	3	54,561	3
Deposits of non-bank customers	68,693	63,559	8	68,693	63,559	8	64,506	6
<b>Performance ratios (% p.a.)</b>								
Return on equity <sup>2/</sup>								
GAAP basis	18.9	10.6		26.8	10.7		10.8	
Cash basis	19.3	11.0		27.2	11.0		11.2	
Return on assets <sup>3/</sup>								
GAAP basis	2.23	1.22		3.11	1.18		1.30	
Cash basis	2.27	1.26		3.16	1.22		1.34	
<b>Revenue mix/ efficiency ratios (%)</b>								
Net Interest Margin	1.94	1.80		2.00	1.82		1.89	
Net interest income-to-Total income <sup>4/</sup>	55.1	56.0		56.9	58.2		53.2	
Non-interest income-to-Total income <sup>4/</sup>	44.9	44.0		43.1	41.8		46.8	
Cost-to-income <sup>4/</sup>	43.6	38.9		45.6	40.5		41.5	
Loans-to-deposits	81.7	85.6		81.7	85.6		84.6	
<b>Per ordinary share data <sup>5/</sup></b>								
Basic earnings (cents)	70.9	37.3		100.2	36.2		41.4	
Basic earnings (cash basis – cents)	72.3	38.5		101.6	37.5		42.8	
Diluted earnings (cents)	70.6	37.1		99.8	36.1		41.2	
Net asset value (S\$)								
Before valuation surplus	3.84	3.58		3.84	3.58		3.80	
After valuation surplus	5.22	4.84		5.22	4.84		4.97	
<b>Capital adequacy ratios (%)</b>								
Tier 1	13.7	10.7		13.7	10.7		13.1	
Total	17.9	14.7		17.9	14.7		17.0	

<sup>1/</sup> Excludes amortisation of intangible assets.

<sup>2/</sup> Calculated after deducting preference dividends (paid and estimated to be due as at the end of the financial period) from annualised earnings (including divestment gains). Preference equity and minority interests are excluded from equity. Excluding divestment gains, return on equity for 1H06 would be 10.6% on a GAAP basis.

<sup>3/</sup> Calculated after deducting preference dividends (paid and estimated to be due as at the end of the financial period) from annualised earnings (including divestment gains). Return on assets is calculated based on assets excluding life fund net assets attributable to policyholders.

<sup>4/</sup> For 1H06 and 2Q06, the income component of these ratios did not include the pre-tax divestment gains of S\$516 million.

<sup>5/</sup> The 1H05 and 2Q05 figures were adjusted for the Rights Issue and Sub-Division effected on 18 July 2005 and 5 August 2005 respectively. The weighted average number of ordinary shares was 3,109 million for 1H06 and 3,152 million (adjusted) for 1H05. Treasury shares amounting to 30.4 million as at 30 June 2006 are excluded from the computation of per share data. Earnings per share is calculated after deducting preference dividends (paid and estimated to be due as at the end of the financial period) from annualised earnings (including divestment gains). Excluding divestment gains, basic EPS would be 39.7 cents (annualised 1H06 earnings).

Note: Certain figures may not add up to the relevant totals due to rounding.



## Financial Summary *(continued)*

OCBC Group prepares its financial statements in accordance with the Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore. The accounting policies and methods of computation applied for the current financial period are consistent with those applied in the previous financial year. These financial statements have not been audited but have been reviewed by our auditors in accordance with Singapore Standard on Review Engagements 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A copy of the auditors' Review Report is attached.

Group net profit attributable to shareholders ("net profit") for 2Q06 was S\$795 million for the second quarter 2006 ("2Q06"), an increase of 162% from S\$304 million in second quarter 2005 ("2Q05"). The 2Q06 net profit included total gains of S\$482 million from the divestments of a property at Kim Seng Road and shareholdings in Robinson and Company, Limited, The Straits Trading Company Limited and Southern Bank Berhad.

Excluding the divestment gains, net profit rose 3% year-on-year to S\$314 million in 2Q06, with broad-based revenue growth of 9% partially offset by a 23% increase in expenses. Net interest income grew 7% to S\$435 million, driven by an improvement in net interest margin from 1.82% to 2.00%. Non-interest income (excluding divestment gains) increased by 13% to S\$329 million, led by higher fees and commissions from stock-broking, loan and trade-related activities, as well as higher dealing income from foreign exchange, securities and derivatives.

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Compared with 1Q06's net profit of S\$318 million, net profit for 2Q06 (excluding divestment gains) was marginally lower by 1%, largely attributable to the lower contribution from Great Eastern Holdings ("GEH") and the accelerated depreciation and write-off charges. GEH's net profit contribution to the Group, excluding its S\$16 million share of the divestment gains, fell from S\$68 million in 1Q06 to S\$49 million in 2Q06, due to lower insurance income and higher expenses.

## Net Interest Income

### Average Balance Sheet (Quarterly Trend)

S\$ million	2Q06			2Q05			1Q06		
	Average Balance	Interest	Average Rate <sup>1/</sup> %	Average Balance	Interest	Average Rate <sup>1/</sup> %	Average Balance	Interest	Average Rate <sup>1/</sup> %
<b>Assets</b>									
Loans and advances to non-bank customers	<b>54,817</b>	<b>758</b>	<b>5.54</b>	53,692	601	4.49	53,801	682	5.14
Placements with and loans to banks	<b>16,805</b>	<b>188</b>	<b>4.49</b>	17,698	124	2.81	15,171	146	3.90
Other interest earning assets <sup>2/</sup>	<b>15,816</b>	<b>154</b>	<b>3.92</b>	18,126	152	3.36	15,812	152	3.90
<b>Total interest earning assets</b>	<b>87,437</b>	<b>1,100</b>	<b>5.05</b>	89,515	877	3.93	84,785	980	4.69
<b>Liabilities</b>									
Deposits of non-bank customers	<b>66,240</b>	<b>478</b>	<b>2.89</b>	63,058	307	1.95	64,627	434	2.72
Deposits and balances of banks	<b>10,338</b>	<b>113</b>	<b>4.37</b>	15,855	104	2.64	9,612	92	3.86
Other borrowings <sup>3/</sup>	<b>5,925</b>	<b>75</b>	<b>5.04</b>	6,579	59	3.61	5,770	60	4.22
<b>Total interest bearing liabilities</b>	<b>82,502</b>	<b>665</b>	<b>3.23</b>	85,492	470	2.21	80,009	585	2.97
<b>Net interest income/margin <sup>4/</sup></b>		<b>435</b>	<b>2.00</b>		407	1.82		395	1.89

Notes:

<sup>1/</sup> Average rates are computed on an annualised basis.

<sup>2/</sup> Comprise corporate debt and government securities.

<sup>3/</sup> Comprise mainly debts issued, including upper tier 2 subordinated debt, floating rate notes and Euro commercial papers.

<sup>4/</sup> Net interest margin is net interest income as a % (annualised) of total average interest earning assets.

Net interest income increased by 7% to S\$435 million in 2Q06, attributable mainly to higher asset yields. Net interest margin was up by 18 basis-points from 1.82% in 2Q05 to 2.00% in 2Q06, as the increase in loan yields in Singapore and Malaysia, as well as higher yields from inter-bank placements, more than offset the rise in borrowing costs.

For 1H06, net interest income increased by 8% to S\$830 million, driven by an increase in net interest margin from 1.80% to 1.94% and the full six months' contribution from Bank NISP compared with three months in 1H05.

## Net Interest Income *(continued)*

### Average Balance Sheet (Half Yearly Trend)

S\$ million	1H06			1H05		
	Average Balance	Interest	Average Rate <sup>1/</sup> %	Average Balance	Interest	Average Rate <sup>1/</sup> %
<b>Assets</b>						
Loans and advances to non-bank customers	54,312	1,439	5.34	52,392	1,097	4.22
Placements with and loans to banks	15,993	334	4.21	15,919	218	2.77
Other interest earning assets <sup>2/</sup>	15,814	307	3.91	17,697	274	3.12
<b>Total interest earning assets</b>	<b>86,119</b>	<b>2,080</b>	<b>4.87</b>	<b>86,008</b>	<b>1,589</b>	<b>3.73</b>
<b>Liabilities</b>						
Deposits of non-bank customers	65,438	911	2.81	60,763	540	1.79
Deposits and balances of banks	9,977	204	4.13	14,418	174	2.43
Other borrowings <sup>3/</sup>	5,848	134	4.64	6,645	106	3.22
<b>Total interest bearing liabilities</b>	<b>81,263</b>	<b>1,250</b>	<b>3.10</b>	<b>81,826</b>	<b>819</b>	<b>2.02</b>
<b>Net interest income/margin<sup>4/</sup></b>		<b>830</b>	<b>1.94</b>		<b>770</b>	<b>1.80</b>

Notes:

<sup>1/</sup> Average rates are computed on an annualised basis.

<sup>2/</sup> Comprise corporate debt and government securities.

<sup>3/</sup> Comprise mainly debts issued, including upper tier 2 subordinated debt, floating rate notes and Euro commercial papers.

<sup>4/</sup> Net interest margin is net interest income as a % (annualised) of total average interest earning assets.

## Non-Interest Income

S\$ million	1H06	1H05	+ / (-) %	2Q06	2Q05	+ / (-) %	1Q06	+ / (-) %
<b>Fees and commissions</b>								
Brokerage	39	20	90	19	10	98	19	-
Wealth management <sup>1/</sup>	69	71	(3)	32	32	2	36	(11)
Fund management	33	33	1	16	19	(16)	16	(1)
Credit card	22	19	12	11	10	10	11	3
Loan-related	36	30	23	21	17	26	16	41
Trade-related and remittances	45	35	31	22	19	21	22	(1)
Guarantees	12	12	5	6	6	(8)	7	(13)
Investment banking	9	9	1	6	3	108	2	153
Service charges	13	16	(21)	4	9	(52)	8	(48)
Others	5	4	11	3	2	55	3	17
Sub-total	282	248	14	141	126	12	140	1
<b>Dividends</b>	44	43	3	27	23	17	17	55
<b>Rental income</b>	39	35	9	19	18	9	19	1
<b>Income from insurance <sup>2/</sup></b>	173	185	(7)	78	88	(11)	96	(19)
<b>Other income</b>								
Dealing in foreign exchange	76	24	217	35	17	101	41	(15)
Dealing in securities and derivatives	12	5	119	9	(7)	228	3	208
Disposal of government and investment securities	274	31	n.m.	257	9	n.m.	17	n.m.
Disposal of properties	270	1	n.m.	268	1	n.m.	1	n.m.
Disposal of subsidiary companies	(6)	1	n.m.	(6)	1	n.m.	-	-
Others	30	31	(1)	17	16	7	14	23
Sub-total	656	93	n.m.	580	37	n.m.	76	n.m.
<b>Total non-interest income</b>	<b>1,193</b>	<b>604</b>	<b>98</b>	<b>845</b>	<b>291</b>	<b>190</b>	<b>348</b>	<b>143</b>
Fees and commissions/ Total income <sup>3/</sup>	18.7%	18.0%	4	18.5%	18.1%	2	18.9%	(2)
Non-interest income/ Total income <sup>3/</sup>	44.9%	44.0%	2	43.1%	41.8%	3	46.8%	(8)

Notes:

<sup>1/</sup> Examples are sale of unit trusts, bancassurance products and structured deposits and notes.

<sup>2/</sup> Comprises profit from life assurance and net earned premium from general insurance. Profits transferred from Singapore insurance funds were presented net of tax since Dec 05. Comparative figures for 1H05 and 2Q05 have been restated accordingly.

<sup>3/</sup> For 1H06 and 2Q06, the income components for these ratios did not include the pre-tax divestment gains of S\$516 million.

n.m. – not meaningful

Total non-interest income increased by 190% to S\$845 million in 2Q06. This included pre-tax gains of S\$516 million from divestments of the Kim Seng Road property (S\$268 million) and shareholdings in Robinson and Company Limited (S\$113 million), The Straits Trading Company Limited (S\$79 million) and Southern Bank Berhad (S\$56 million). Excluding these divestment gains, non-interest income grew by 13% to S\$329 million, mainly due to higher stock-broking, loan and trade-related commissions, as well as higher gains from dealing in foreign exchange, securities and derivatives.

Compared to 1H05, total non-interest income (excluding divestment gains) grew by 12% year-on-year to S\$677 million in 1H06, led by higher fee and commission income and higher gains from dealing in foreign exchange, securities and derivatives.

## Operating Expenses

S\$ million	1H06	1H05	+ / (-) %	2Q06	2Q05	+ / (-) %	1Q06	+ / (-) %
<b>Staff costs</b>								
Salaries and other costs	319	271	18	165	144	15	155	7
Share-based expenses	4	8	(47)	2	4	(57)	3	(36)
Employer's contribution to defined contribution plans	26	25	3	12	13	(2)	13	(6)
	<u>349</u>	<u>303</u>	15	<u>179</u>	<u>160</u>	12	<u>170</u>	5
<b>Premises and equipment</b>								
Amortisation and depreciation	58	40	44	35	21	65	24	45
Maintenance and hire of property, plant & equipment	29	25	18	15	13	12	15	(2)
Rental expenses	12	11	5	6	6	(2)	6	(5)
Others	38	29	30	21	16	36	16	31
	<u>138</u>	<u>106</u>	30	<u>76</u>	<u>56</u>	37	<u>61</u>	25
<b>Other operating expenses</b>	170	125	35	93	67	39	77	22
<b>Total operating expenses</b>	<u>657</u>	<u>535</u>	23	<u>349</u>	<u>283</u>	23	<u>308</u>	13
Group staff strength – period end	15,154	14,247	6	15,154	14,247	6	14,934	1
Group staff strength – average	14,946	12,412	20	15,068	14,132	7	14,825	2
Cost-to-income ratio <sup>1/</sup>	43.6%	38.9%	12	45.6%	40.5%	13	41.5%	10

Note:

<sup>1/</sup> For 1H06 and 2Q06, the income component for this ratio did not include the pre-tax divestment gains of S\$516 million.

The Group's operating expenses increased by 23% to S\$349 million in 2Q06. This was partly attributable to accelerated depreciation for fixed assets and software applications scheduled for replacement, and write-offs of decommissioned assets and software applications which amounted to S\$21 million in the quarter. Excluding these accelerated depreciation charges and write-offs, operating expenses would have shown an increase of 16% over 2Q05, attributed to a 12% increase in staff costs arising from a higher headcount, as well as higher business promotion and insurance-related expenses. Group headcount was 15,154 as at 30 June 2006, an increase of 6% over 30 June 2005.

The cost-to-income ratio (excluding divestment gains) was 45.6% in 2Q06, up from 40.5% in 2Q05. Excluding the accelerated depreciation charges and write-offs, the cost-to-income ratio in 2Q06 would be 42.9%.

For 1H06, total operating expenses increased by 23% to S\$657 million. This was attributable to six months' consolidation of Bank NISP in 1H06 compared with three months in 1H05, accelerated depreciation and write-offs of fixed assets and software application systems in 1H06 (amounting to S\$28 million), as well as higher staff costs, business promotion and insurance-related expenses. The cost-to-income ratio (excluding divestment gains) was 43.6% in 1H06, up from 38.9% in 1H05. Excluding Bank NISP's expenses and the accelerated depreciation charges and write-offs, the cost-to income ratio in 1H06 would be 40.0%.

## Allowances for Loans and Other Assets

S\$ million	<u>1H06</u>	<u>1H05</u>	<u>+/(-)</u> <u>%</u>	<u>2Q06</u>	<u>2Q05</u>	<u>+/(-)</u> <u>%</u>	<u>1Q06</u>	<u>+/(-)</u> <u>%</u>
<b>Specific allowances/ (write-back) for loans</b>								
Singapore	#	14	(103)	<b>(7)</b>	(8)	(13)	6	(208)
Malaysia	<b>12</b>	(9)	(240)	<b>12</b>	(6)	(308)	#	-
Others	<b>(6)</b>	9	(167)	<b>(11)</b>	10	(207)	5	(316)
	<u>6</u>	<u>14</u>	<u>(61)</u>	<u>(5)</u>	<u>(3)</u>	<u>70</u>	<u>11</u>	<u>(148)</u>
<b>Portfolio allowances/ (write-back) for loans</b>								
Singapore	-	-	-	-	-	-	-	-
Malaysia	-	-	-	-	-	-	-	-
Others	-	-	-	-	#	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>#</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(Write-back)/ impairment charges for securities and other assets</b>								
	<b>(18)</b>	8	(319)	#	1	(93)	(18)	101
<b>Total allowances/ (write-back) for loans and impairment of other assets</b>								
	<u><b>(12)</b></u>	<u>23</u>	<u>(153)</u>	<u><b>(5)</b></u>	<u>(2)</u>	<u>208</u>	<u>(7)</u>	<u>(23)</u>

Notes:

# Amounts less than S\$0.5 million.

Continued recovery efforts on the Group's NPL portfolio resulted in a net write-back of S\$5 million in allowances for loans and other assets in 2Q06, compared with net write-back of S\$2 million in 2Q05. Specific loan allowances made in Malaysia were offset by write-backs in Singapore and Indonesia. No new portfolio allowances were made in 2Q06.

For 1H06, net write-back of allowances for loans and other assets amounted to S\$12 million, compared to a charge of S\$23 million in 1H05.

## Loans and Advances

S\$ million	<u>30 Jun 06</u>	<u>31 Mar 06</u>	<u>31 Dec 05</u>	<u>30 Jun 05</u>
Loans to customers	<b>57,463</b>	55,947	56,402	55,879
Bills receivable	<b>607</b>	647	791	643
Gross loans to customers	<b>58,070</b>	56,594	57,193	56,522
Allowances:				
Specific allowances	<b>(986)</b>	(1,067)	(1,097)	(1,178)
Portfolio allowances	<b>(962)</b>	(966)	(962)	(965)
	<b>56,122</b>	54,561	55,134	54,379

Gross loans to customers increased by 3% year-on-year to S\$58.1 billion as at 30 June 2006, contributed mainly by growth in Singapore and Malaysia loans. By industry, the increase in loans was mainly from loans to non-bank financial institutions, investment and holding companies, as well as to the manufacturing, transport and communications sectors. Compared with 31 December 2005, gross loans increased by 2%.

S\$ million	<u>30 Jun 06</u>	<u>31 Mar 06</u>	<u>31 Dec 05</u>	<u>30 Jun 05</u>
<b>By Maturity</b>				
Less than 7 days	<b>6,314</b>	7,016	6,973	7,047
1 week to 1 month	<b>3,773</b>	3,184	3,798	3,585
Over 1 to 3 months	<b>3,799</b>	4,360	3,941	4,101
Over 3 to 12 months	<b>6,993</b>	6,418	6,824	5,760
Over 1 to 3 years	<b>6,303</b>	6,021	8,787	9,239
Over 3 years	<b>30,888</b>	29,595	26,871	26,790
	<b>58,070</b>	56,594	57,193	56,522
<b>By Industry</b>				
Agriculture, mining & quarrying	<b>778</b>	767	791	805
Manufacturing	<b>4,873</b>	4,492	4,455	4,388
Building and construction	<b>7,418</b>	7,163	7,278	7,124
Housing loans	<b>18,054</b>	18,076	18,087	18,126
General commerce	<b>5,284</b>	5,084	5,315	5,189
Transport, storage and communications	<b>2,095</b>	2,211	1,853	1,612
Financial institutions, investment and holding companies	<b>8,715</b>	7,346	7,621	7,365
Professionals and individuals	<b>7,727</b>	7,983	8,316	8,438
Others	<b>3,126</b>	3,472	3,477	3,474
	<b>58,070</b>	56,594	57,193	56,522
<b>By Currency</b>				
Singapore Dollar	<b>35,265</b>	34,562	34,844	34,559
United States Dollar	<b>8,417</b>	8,141	8,152	8,131
Malaysian Ringgit	<b>8,201</b>	8,099	7,978	7,408
Indonesia Rupiah	<b>1,950</b>	1,908	1,856	1,759
Others	<b>4,238</b>	3,884	4,363	4,665
	<b>58,070</b>	56,594	57,193	56,522

## Non-Performing Loans

By grading, security coverage and countries

NPLs (S\$ million)	Total <sup>1/</sup>	Substandard	Doubtful	Loss	Secured NPLs as % of total NPLs	Non-bank NPLs as % of non-bank loans <sup>2/</sup>
					%	%
<b>Singapore</b>						
<b>30 Jun 06</b>	<b>1,123</b>	<b>435</b>	<b>386</b>	<b>302</b>	<b>61.1</b>	<b>2.9</b>
31 Mar 06	1,387	732	336	319	67.1	3.6
31 Dec 05	1,416	759	352	304	66.1	3.7
30 Jun 05	1,485	860	355	270	64.8	3.9
<b>Malaysia</b>						
<b>30 Jun 06</b>	<b>683</b>	<b>476</b>	<b>142</b>	<b>65</b>	<b>66.1</b>	<b>6.7</b>
31 Mar 06	701	498	138	65	67.2	7.0
31 Dec 05	708	487	136	84	64.8	6.8
30 Jun 05	821	575	179	67	70.3	7.5
<b>Others</b>						
<b>30 Jun 06</b>	<b>290</b>	<b>107</b>	<b>116</b>	<b>67</b>	<b>52.7</b>	<b>3.0</b>
31 Mar 06	258	57	136	65	43.7	2.9
31 Dec 05	269	68	140	61	38.8	2.9
30 Jun 05	286	71	176	40	36.7	3.1
<b>Group Total</b>						
<b>30 Jun 06</b>	<b>2,096</b>	<b>1,018</b>	<b>644</b>	<b>434</b>	<b>61.6</b>	<b>3.6</b>
31 Mar 06	2,346	1,287	610	449	64.6	4.1
31 Dec 05	2,392	1,315	629	449	62.7	4.1
30 Jun 05	2,592	1,506	709	376	63.4	4.3

Notes:

<sup>1/</sup> Comprises non-bank loans, debt securities and contingent facilities

<sup>2/</sup> Exclude debt securities

The Group's asset quality remained strong in 2Q06. As at 30 June 2006, total NPLs were S\$2.10 billion, down 11% compared to 31 March 2006 and 12% lower compared to 31 December 2005. Singapore NPLs amounted to S\$1.12 billion and accounted for 54% of the Group's total NPLs, while Malaysia NPLs of S\$0.68 billion accounted for 33% of total NPLs. Of the total NPLs, 49% were in the substandard category while 62% were secured by collateral.

The Group's NPL ratio was 3.6%, an improvement over the 4.1% in both March 2006 and December 2005.



## Non-Performing Loans (continued)

	30 Jun 06		31 Mar 06		31 Dec 05		30 Jun 05	
	S\$ million	% of gross loans	S\$ million	% of gross loans	S\$ million	% of gross loans	S\$ million	% of gross loans
<b>NPLs by industry</b>								
Agriculture, mining & quarrying	15	1.9	31	4.0	28	3.6	31	3.8
Manufacturing	369	7.6	390	8.7	390	8.8	428	9.8
Building and construction	309	4.2	485	6.8	491	6.7	497	7.0
Housing loans	422	2.3	425	2.3	399	2.2	330	1.8
General commerce	338	6.4	372	7.3	377	7.1	414	8.0
Transport, storage and communication	61	2.9	15	0.7	19	1.0	20	1.2
Financial institutions, investment and holding companies	178	2.0	196	2.7	198	2.6	254	3.4
Professionals and individuals	281	3.6	296	3.7	322	3.9	371	4.4
Others	98	3.1	110	3.2	109	3.1	103	3.0
Sub-total	2,071	3.6	2,320	4.1	2,334	4.1	2,448	4.3
Debt securities	25		26		58		144	
	<b>2,096</b>		<b>2,346</b>		<b>2,392</b>		<b>2,592</b>	

	30 Jun 06		31 Mar 06		31 Dec 05		30 Jun 05	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
<b>NPLs by period overdue</b>								
Over 180 days	1,270	61	1,459	62	1,463	61	1,512	58
Over 90 to 180 days	222	11	257	11	215	8	187	7
30 to 90 days	165	8	192	8	188	8	223	9
Less than 30 days	63	3	68	3	105	4	98	4
Not overdue	376	18	370	16	420	18	571	22
	<b>2,096</b>	<b>100</b>	<b>2,346</b>	<b>100</b>	<b>2,392</b>	<b>100</b>	<b>2,592</b>	<b>100</b>

## Cumulative Allowances for Loans

S\$ million	Total cumulative allowances <sup>1/</sup>	Specific allowances	Portfolio allowances	Specific allowances as % of total NPLs	Cumulative allowances as % of total NPLs
				%	%
<b>Singapore</b>					
<b>30 Jun 06</b>	<b>1,174</b>	<b>499</b>	<b>675</b>	<b>44.4</b>	<b>104.5</b>
31 Mar 06	1,231	545	686	39.3	88.8
31 Dec 05	1,251	578	673	40.8	88.3
30 Jun 05	1,283	629	654	42.3	86.4
<b>Malaysia</b>					
<b>30 Jun 06</b>	<b>463</b>	<b>323</b>	<b>140</b>	<b>47.3</b>	<b>67.9</b>
31 Mar 06	464	323	141	46.1	66.2
31 Dec 05	493	350	142	49.5	69.6
30 Jun 05	542	400	142	48.7	66.0
<b>Others</b>					
<b>30 Jun 06</b>	<b>333</b>	<b>186</b>	<b>147</b>	<b>64.2</b>	<b>114.8</b>
31 Mar 06	360	221	139	85.8	139.6
31 Dec 05	370	223	147	82.9	137.5
30 Jun 05	427	258	169	90.0	149.0
<b>Group Total</b>					
<b>30 Jun 06</b>	<b>1,970</b>	<b>1,008</b>	<b>962</b>	<b>48.1</b>	<b>94.0</b>
31 Mar 06	2,056	1,090	966	46.4	87.6
31 Dec 05	2,113	1,151	962	48.1	88.3
30 Jun 05	2,251	1,286	965	49.6	86.9

Note:

<sup>1/</sup> Include allowances for classified debt securities

As at 30 June 2006, the Group's total cumulative allowances for loans amounted to S\$1.97 billion, comprising S\$1.01 billion in cumulative specific allowances and S\$0.96 billion in cumulative portfolio allowances. Cumulative allowances were 94.0% of total NPLs at 30 June 2006, higher than the coverage of 87.6% at 31 March 2006 and 88.3% at 31 December 2005.

## Deposits

S\$ million	30 Jun 06	31 Mar 06	31 Dec 05	30 Jun 05
Deposits of non-bank customers	<b>68,693</b>	64,506	64,088	63,559
Deposits and balances of banks	<b>9,020</b>	10,448	10,307	17,778
	<b>77,713</b>	<b>74,954</b>	<b>74,395</b>	<b>81,337</b>
<b>Loans-to-deposits ratio</b> (net non-bank loans/non-bank deposits)	<b>81.7%</b>	84.6%	86.0%	85.6%

As at 30 June 2006, total deposits were S\$77.7 billion, a decrease of 4% compared with the balance of S\$81.3 billion at 30 June 2005. Deposits and balances of banks fell by S\$8.76 billion, and this was partly offset by an increase of S\$5.13 billion (or 8%) in non-bank customer deposits, mainly fixed deposits and current account deposits. Non-bank customer deposits accounted for 88% of total deposits as at 30 June 2006. Compared with 31 December 2005, total deposits increased by 4% and customer deposits by 7%.

The Group's loans-to-deposits ratio was 81.7% as at 30 June 2006, down from 86.0% in December 2005 and 85.6% in June 2005.

S\$ million	30 Jun 06	31 Mar 06	31 Dec 05	30 Jun 05
<b>Total Deposits By Maturity</b>				
Less than 7 days	<b>36,682</b>	34,245	34,446	36,498
1 week to 1 month	<b>17,350</b>	17,827	19,064	22,767
Over 1 to 3 months	<b>10,775</b>	9,871	8,606	11,056
Over 3 to 12 months	<b>9,095</b>	9,341	8,904	8,140
Over 1 to 3 years	<b>705</b>	512	677	611
Over 3 years	<b>3,105</b>	3,158	2,698	2,266
	<b>77,713</b>	<b>74,954</b>	<b>74,395</b>	<b>81,337</b>
<b>Non-Bank Deposits By Product</b>				
Fixed deposits	<b>45,381</b>	41,079	40,549	40,448
Savings deposits	<b>10,774</b>	11,014	11,043	11,353
Current account	<b>9,536</b>	9,018	9,070	8,234
Others	<b>3,003</b>	3,395	3,426	3,525
	<b>68,693</b>	<b>64,506</b>	<b>64,088</b>	<b>63,559</b>

## Capital Adequacy Ratios <sup>1/</sup>

S\$ million	30 Jun 06	31 Mar 06	31 Dec 05	30 Jun 05
<b>Tier 1 Capital</b>				
Paid-up ordinary and preference shares <sup>2/</sup>	5,629	5,739	1,561	1,312
Disclosed reserves/others	7,648	6,939	11,124	9,853
Goodwill/Others	(3,395)	(3,411)	(3,383)	(3,312)
	<b>9,881</b>	<b>9,268</b>	<b>9,302</b>	<b>7,853</b>
<b>Tier 2 Capital</b>				
Cumulative portfolio allowances	713	716	714	716
Subordinated term notes	3,886	3,885	3,872	3,855
Revaluation surplus on equity securities	170	194	157	129
	<b>4,770</b>	<b>4,796</b>	<b>4,743</b>	<b>4,700</b>
Capital investments in insurance subsidiary	(1,675)	(1,632)	(1,466)	(1,358)
Others	(83)	(413)	(359)	(396)
	<b>12,893</b>	<b>12,019</b>	<b>12,219</b>	<b>10,799</b>
<b>Total Capital</b>	<b>12,893</b>	<b>12,019</b>	<b>12,219</b>	<b>10,799</b>
<b>Risk weighted assets including market risk</b>	<b>72,136</b>	<b>70,545</b>	<b>70,708</b>	<b>73,547</b>
<b>Tier 1 ratio</b>	<b>13.7%</b>	<b>13.1%</b>	<b>13.2%</b>	<b>10.7%</b>
<b>Total capital adequacy ratio</b>	<b>17.9%</b>	<b>17.0%</b>	<b>17.3%</b>	<b>14.7%</b>

Notes:

<sup>1/</sup> Capital adequacy ratio is calculated in accordance with the MAS Notice 637 to Banks

<sup>2/</sup> In accordance with the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, "share capital" now includes share premium and capital redemption reserves (previously included in capital reserves)

As at 30 June 2006, the Group's total capital adequacy ratio ("CAR") was 17.9% and its Tier-1 ratio was 13.7%.

In 2Q06, the Bank purchased a total of 21,057,722 shares under its share buyback programmes, with the shares held as treasury shares. This amount included shares purchased under both the second S\$500 million share buyback programme (completed on 5 June 2006) and the third S\$500 million buyback programme. As of the date of this results announcement, S\$72 million has been utilised and approximately 11.4 million shares had been purchased under the third buyback programme.

## Valuation Surplus

S\$ million	30 Jun 06	31 Mar 06	31 Dec 05	30 Jun 05
Properties <sup>1/</sup>	1,432	1,653	1,522	1,413
Equity securities <sup>2/</sup>	2,838	1,980	2,332	2,528
Total	4,270	3,633	3,854	3,940

Notes:

<sup>1/</sup> Includes properties classified as assets held for sale

<sup>2/</sup> Includes investment in quoted subsidiaries GEH and Bank NISP

The Group's unrealised valuation surplus amounted to S\$4.27 billion as at 30 June 2006, an increase of 11% compared to 31 December 2005. The valuation surplus of S\$2.84 billion for equity securities as at 30 June 2006 was primarily from the Group's holding of GEH shares.

## Performance by Business Segment

OCBC Group's businesses are presented under the following main segments representing the key customer and product groups: Consumer Banking, Business Banking, Treasury and Insurance.

### Net Profit by Business Segment

S\$ million	<u>1H06</u>	<u>1H05</u>	<u>+ / (-)</u> %	<u>2Q06</u>	<u>2Q05</u>	<u>+ / (-)</u> %	<u>1Q06</u>	<u>+ / (-)</u> %
Consumer Banking	<b>163</b>	170	(4)	<b>72</b>	78	(8)	91	(21)
Business Banking	<b>299</b>	253	18	<b>154</b>	135	14	145	6
Treasury	<b>76</b>	75	1	<b>38</b>	40	(5)	38	-
Insurance <sup>1/</sup>	<b>167</b>	167	-	<b>82</b>	85	(4)	85	(4)
Others <sup>2/</sup>	<b>450</b>	(25)	n.m.	<b>466</b>	(11)	n.m.	(16)	n.m.
Net profit before equity accounting	<b>1,155</b>	640	81	<b>812</b>	327	149	343	137
Share of results of associated and joint venture companies	<b>5</b>	11	(58)	<b>1</b>	3	(75)	4	(78)
Minority interests	<b>(47)</b>	(49)	(5)	<b>(18)</b>	(26)	(32)	(29)	(39)
<b>Group</b>	<b>1,113</b>	<b>602</b>	85	<b>795</b>	<b>304</b>	162	<b>318</b>	150

Notes:

<sup>1/</sup> 2Q06 and 1H06 included S\$16 million net gains from divestment of non-core assets attributable to GEH.

<sup>2/</sup> 2Q06 and 1H06 included S\$466 million net gains from divestment of non-core assets.

n.m. – not meaningful

### Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards and wealth management products (unit trusts, bancassurance products and structured deposits).

Net profit of the segment fell by 8% to S\$72 million in 2Q06, and by 4% to S\$163 million in 1H06. The decline was mainly due to higher expenses arising from the accelerated depreciation and write-offs of fixed assets, as well as business promotion expenses.

### Business Banking

Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management, trustee and custodian services.

Business Banking's net profit increased by 14% in 2Q06 to S\$154 million and by 18% to S\$299 million in 1H06, due to stronger fee income and net interest income, as well as recoveries in loans allowances.

## Performance by Business Segment *(continued)*

### Treasury

Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also offers structured treasury products and financial solutions to meet customers' investment and hedging needs.

Treasury's profit fell 5% to S\$38 million in 2Q06. For 1H06, the segment recorded a marginal increase of 1% in net profit to S\$76 million due to higher income from dealing in foreign exchange, although net interest income continued to be affected by the flat yield curve.

### Insurance

Insurance business, including its fund management activities, is carried out by subsidiary Great Eastern Holdings ("GEH") which provides both life and general insurance products to its customers in Singapore and Malaysia.

Profit contribution before minority interests from GEH fell 4% to S\$82 million in 2Q06. For 1H06, profit contribution was flat year-on-year at S\$167 million.

### Others

The "Others" segment includes Bank NISP, corporate finance, capital markets, property holding, stock brokerage and investment holding, support units, other investments, items not attributed to business segments, and one-time divestment gains.

## Performance by Business Segment *(continued)*

S\$ million	Consumer Business					Group
	Banking	Banking	Treasury	Insurance	Others	
<b>Six Months ended 30 June 2006</b>						
Segment income	<u>473</u>	<u>529</u>	<u>131</u>	<u>290</u>	<u>653</u>	<u>2,076</u>
Elimination						<u>(53)</u>
<b>Total income</b>						<u><b>2,023</b></u>
Profit/ (loss) before tax and allowances	<u>245</u>	<u>355</u>	<u>89</u>	<u>233</u>	<u>444</u>	<u>1,366</u>
Amortisation of intangible assets	-	-	-	(21)	-	(21)
(Allowances)/writeback for loans and impairment of other assets	(41)	21	-	-	32	12
Income tax (charge)/credit	(41)	(77)	(13)	(45)	(26)	(202)
Net profit before equity accounting	<u>163</u>	<u>299</u>	<u>76</u>	<u>167</u>	<u>450</u>	<u>1,155</u>
Share of results of associated and joint venture companies						5
Minority interests						<u>(47)</u>
<b>Net profit attributable to equity holders of the Bank</b>						<u><b>1,113</b></u>
<b>Other information</b>						
Capital expenditure	3	1	-	1	61	66
Amortisation and depreciation of software, property, plant and equipment	<u>10</u>	<u>2</u>	<u>-</u>	<u>1</u>	<u>45</u>	<u>58</u>
<b>At 30 June 2006</b>						
Segment assets	<u>25,259</u>	<u>37,145</u>	<u>26,912</u>	<u>37,373</u>	<u>13,007</u>	<u>139,696</u>
Unallocated assets						63
Elimination						<u>(3,591)</u>
<b>Total assets</b>						<u><b>136,168</b></u>
Segment liabilities	<u>30,712</u>	<u>32,706</u>	<u>18,180</u>	<u>33,449</u>	<u>10,159</u>	<u>125,206</u>
Unallocated liabilities						627
Elimination						<u>(3,591)</u>
<b>Total liabilities</b>						<u><b>122,242</b></u>
<b>Other information</b>						
Gross non-bank loans	<u>23,855</u>	<u>31,123</u>	<u>-</u>	<u>397</u>	<u>2,695</u>	<u>58,070</u>
NPLs (includes debt securities)	<u>586</u>	<u>1,428</u>	<u>-</u>	<u>-</u>	<u>82</u>	<u>2,096</u>



## Performance by Business Segment *(continued)*

S\$ million	<b>Consumer Business</b>					<b>Group</b>
	<b>Banking</b>	<b>Banking</b>	<b>Treasury</b>	<b>Insurance</b>	<b>Others</b>	
<b>Six Months ended 30 June 2005</b>						
Segment income	435	487	131	258	110	1,421
Elimination						(47)
<b>Total income</b>						<b>1,374</b>
Profit/ (loss) before tax and allowances	246	328	91	217	(43)	839
Amortisation of intangible assets	–	–	–	(20)	–	(20)
(Allowances)/writeback for loans and impairment of other assets	(33)	(7)	–	–	17	(23)
Income tax (charge)/credit	(43)	(68)	(16)	(30)	1	(157)
Net profit before equity accounting	170	253	75	167	(25)	640
Share of results of associated companies						11
Minority interests						(49)
<b>Net profit attributable to equity holders of the Bank</b>						<b>602</b>
<b>Other information</b>						
Capital expenditure	2	1	–	–	67	70
Amortisation and depreciation of software, property, plant and equipment	3	3	–	1	33	40
<b>At 31 December 2005</b>						
Segment assets	26,392	35,548	23,132	37,357	12,888	135,317
Unallocated assets						71
Elimination						(3,634)
<b>Total assets</b>						<b>131,754</b>
Segment liabilities	30,418	27,926	18,783	33,468	10,679	121,274
Unallocated liabilities						627
Elimination						(3,634)
<b>Total liabilities</b>						<b>118,267</b>
<b>Other information</b>						
Gross non-bank loans	25,065	29,028	–	378	2,722	57,193
NPLs (includes debt securities)	613	1,727	–	–	52	2,392

## Performance by Geographical Segment

	1H06		1H05		2Q06		2Q05		1Q06	
	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%	S\$ million	%
<b>Total income</b>										
Singapore	1,514	75	948	69	1,015	79	481	69	499	67
Malaysia	350	17	314	23	182	14	141	20	167	22
Other ASEAN	98	5	48	4	47	4	43	6	51	7
Asia Pacific	46	2	45	3	27	2	22	3	19	3
Rest of the world	16	1	19	1	9	1	11	2	8	1
	<b>2,023</b>	<b>100</b>	<b>1,374</b>	<b>100</b>	<b>1,280</b>	<b>100</b>	<b>698</b>	<b>100</b>	<b>743</b>	<b>100</b>
<b>Profit before tax</b>										
Singapore	1,070	79	518	64	786	84	267	66	285	65
Malaysia	231	17	236	29	114	12	116	28	118	27
Other ASEAN	23	2	27	3	12	1	20	5	10	3
Asia Pacific	28	2	14	2	10	1	–	–	18	4
Rest of the world	10	1	13	2	5	1	7	1	4	1
	<b>1,362</b>	<b>100</b>	<b>808</b>	<b>100</b>	<b>927</b>	<b>100</b>	<b>410</b>	<b>100</b>	<b>435</b>	<b>100</b>

	30 Jun 2006		31 Dec 2005		30 Jun 2005	
	S\$ million	%	S\$ million	%	S\$ million	%
<b>Total assets</b>						
Singapore	95,989	71	95,009	72	99,876	73
Malaysia	26,483	19	25,618	20	25,142	18
Other ASEAN	4,617	3	4,369	3	4,158	4
Asia Pacific	6,537	5	4,669	4	5,974	4
Rest of the world	2,542	2	2,089	2	2,337	2
	<b>136,168</b>	<b>100</b>	<b>131,754</b>	<b>100</b>	<b>137,487</b>	<b>100</b>

The geographical segment analysis is based on the location where the assets or transactions are booked. For 1H06, Singapore accounted for 75% of total income and 79% of profit before tax, while Malaysia accounted for 17% of both total income and profit before tax. The increase in revenue and pre-tax profit for Singapore as compared to 1H05 was mainly due to the divestment gains of S\$516 million in 2Q06.

## Consolidated Income Statement

S\$ million	1H06	1H05	+ / (-) %	2Q06	2Q05	+ / (-) %	1Q06	+ / (-) %
Interest income	<b>2,080</b>	1,589	31	<b>1,100</b>	877	26	980	12
Interest expense	<b>(1,250)</b>	(819)	53	<b>(665)</b>	(470)	41	(585)	14
<b>Net interest income</b>	<b>830</b>	770	8	<b>435</b>	407	7	395	10
Fees and commissions	<b>282</b>	248	14	<b>141</b>	126	12	140	1
Dividends	<b>44</b>	43	3	<b>27</b>	23	17	17	55
Rental income	<b>39</b>	35	9	<b>19</b>	18	9	19	1
Income from insurance <sup>1/</sup>	<b>173</b>	185	(7)	<b>78</b>	88	(11)	96	(19)
Other income	<b>656</b>	93	n.m.	<b>580</b>	37	n.m.	76	n.m.
<b>Non-interest income</b>	<b>1,193</b>	604	98	<b>845</b>	291	190	348	143
<b>Total income</b>	<b>2,023</b>	1,374	47	<b>1,280</b>	698	83	743	72
Staff costs	<b>(349)</b>	(303)	15	<b>(179)</b>	(160)	12	(170)	5
Other operating expenses	<b>(307)</b>	(231)	33	<b>(170)</b>	(123)	38	(138)	23
<b>Total operating expenses</b>	<b>(657)</b>	(535)	23	<b>(349)</b>	(283)	23	(308)	13
<b>Operating profit before allowances and amortisation of intangible assets</b>	<b>1,366</b>	839	63	<b>931</b>	415	124	435	114
Amortisation of intangible assets	<b>(21)</b>	(20)	6	<b>(11)</b>	(10)	7	(10)	2
Write-back/ (allowances) for loans and impairment of other assets	<b>12</b>	(23)	(153)	<b>5</b>	2	208	7	(23)
<b>Operating profit after allowances and amortisation of intangible assets</b>	<b>1,357</b>	797	70	<b>926</b>	407	128	432	115
Share of results of associated and joint venture companies	<b>5</b>	11	(58)	<b>1</b>	3	(75)	4	(78)
<b>Profit before tax</b>	<b>1,362</b>	808	69	<b>927</b>	410	126	435	113
Income tax	<b>(202)</b>	(157)	29	<b>(114)</b>	(80)	42	(88)	29
<b>Net profit after tax</b>	<b>1,160</b>	651	78	<b>813</b>	330	146	347	134
<b>Attributable to:</b>								
Equity holders of the Bank	<b>1,113</b>	602	85	<b>795</b>	304	162	318	150
Minority interests	<b>47</b>	49	(5)	<b>18</b>	26	(32)	29	(39)
	<b>1,160</b>	651	78	<b>813</b>	330	146	347	134
<b>Earnings per share (annualised - cents) <sup>2/3/</sup></b>								
Per basic share	<b>70.9</b>	37.3		<b>100.2</b>	36.2		41.4	
Per diluted share	<b>70.6</b>	37.1		<b>99.8</b>	36.1		41.2	
<b>Earnings per share (for the period - cents) <sup>3/</sup></b>								
Per basic share	<b>35.2</b>	18.5		<b>25.0</b>	9.0		10.2	
Per diluted share	<b>35.0</b>	18.4		<b>24.9</b>	9.0		10.2	

### Notes:

<sup>1/</sup> Comprises profit from life assurance and net earned premium from general insurance. Profits transferred from Singapore insurance funds were presented net of tax since Dec 05. Comparative figures for 1H05 and 2Q05 have been restated accordingly.

<sup>2/</sup> Calculated after deducting preference dividends (paid and estimated to be due as at the end of the financial period) from annualised earnings (including divestment gains).

<sup>3/</sup> The 1H05 and 2Q05 figures were adjusted for the Rights Issue and Sub-Division effected on 18 July 2005 and 5 August 2005 respectively. The weighted average number of ordinary shares was 3,109 million for 1H06 and 3,152 million (adjusted) for 1H05. Treasury shares amounting to 30.4 million as at 30 June 2006 are excluded from the computation of per share data.

n.m. – not meaningful

## Balance Sheets

S\$ million

	GROUP				BANK			
	30 Jun 2006	31 Mar 2006	31 Dec 2005	30 Jun 2005	30 Jun 2006	31 Mar 2006	31 Dec 2005	30 Jun 2005
<b>EQUITY</b>								
<b>Attributable to the Bank's equity holders</b>								
Share capital <sup>1/</sup>	5,629	5,739	1,561	1,575	5,629	5,739	1,561	1,575
Capital reserves <sup>1/</sup>	97	90	4,292	4,213	77	75	4,245	4,103
Statutory reserves	2,002	1,975	1,959	1,944	1,673	1,647	1,631	1,607
Fair value reserves	449	702	618	632	254	432	396	400
Revenue reserves	4,615	4,211	3,908	3,791	2,453	2,272	2,033	2,180
	<b>12,792</b>	<b>12,717</b>	<b>12,338</b>	<b>12,154</b>	<b>10,088</b>	<b>10,165</b>	<b>9,867</b>	<b>9,865</b>
<b>Minority interests</b>	<b>1,135</b>	<b>1,163</b>	<b>1,149</b>	<b>965</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	<b>13,927</b>	<b>13,880</b>	<b>13,487</b>	<b>13,119</b>	<b>10,088</b>	<b>10,165</b>	<b>9,867</b>	<b>9,865</b>
<b>LIABILITIES</b>								
Deposits of non-bank customers	68,693	64,506	64,088	63,559	54,603	50,498	50,885	50,714
Deposits and balances of banks	9,020	10,448	10,307	17,778	8,761	10,216	10,126	17,118
Due to subsidiaries	–	–	–	–	1,099	1,172	1,095	1,043
Due to associated companies	20	14	21	21	4	4	4	4
Trading portfolio liabilities <sup>2/</sup>	366	367	456	485	366	367	456	485
Derivative payables	2,519	2,608	1,921	1,817	2,424	2,545	1,889	1,785
Other liabilities	2,351	2,310	2,042	2,133	1,110	903	935	962
Current tax	454	416	412	390	290	303	300	319
Deferred tax	173	231	215	195	114	163	146	125
Debts issued <sup>3/</sup>	5,433	5,202	5,519	5,930	5,748	5,460	5,781	6,061
	<b>89,029</b>	<b>86,102</b>	<b>84,981</b>	<b>92,308</b>	<b>74,519</b>	<b>71,631</b>	<b>71,617</b>	<b>78,615</b>
Life assurance fund	33,213	33,775	33,286	32,059	–	–	–	–
<b>Total liabilities</b>	<b>122,242</b>	<b>119,877</b>	<b>118,267</b>	<b>124,368</b>	<b>74,519</b>	<b>71,631</b>	<b>71,617</b>	<b>78,615</b>
<b>Total equity and liabilities</b>	<b>136,168</b>	<b>133,757</b>	<b>131,754</b>	<b>137,487</b>	<b>84,606</b>	<b>81,796</b>	<b>81,484</b>	<b>88,480</b>
<b>ASSETS</b>								
Cash and placements with central banks	5,106	4,862	4,182	7,656	3,185	3,448	2,752	5,524
Singapore government treasury bills and securities <sup>2/</sup>	6,944	6,632	6,948	6,842	6,395	6,083	6,389	6,373
Other government treasury bills and securities	1,822	2,034	1,990	1,635	222	252	194	146
Placements with and loans to banks	13,865	12,110	11,538	13,028	12,926	11,243	11,037	12,671
Loans to and bills receivable from Customers	56,122	54,561	55,134	54,379	44,418	43,015	43,751	43,607
Debt and equity securities	6,777	7,357	7,403	9,555	4,500	5,101	5,338	7,323
Assets pledged	2,108	2,288	1,917	3,201	976	1,124	651	1,736
Assets held for sale	–	60	–	–	–	–	–	–
Derivative receivables	2,735	2,934	2,378	2,164	2,637	2,869	2,348	2,153
Other assets	2,478	2,113	1,948	2,060	1,144	786	929	921
Deferred tax	63	57	71	41	–	–	–	–
Associated and joint venture companies	215	219	186	183	97	97	97	98
Subsidiaries	–	–	–	–	5,535	5,193	5,402	5,336
Property, plant and equipment	1,361	1,380	1,429	1,406	705	718	729	725
Goodwill and intangible assets	3,361	3,375	3,344	3,279	1,867	1,867	1,867	1,867
	<b>102,956</b>	<b>99,982</b>	<b>98,468</b>	<b>105,428</b>	<b>84,606</b>	<b>81,796</b>	<b>81,484</b>	<b>88,480</b>
Life fund net assets attributable to Policyholders	33,213	33,775	33,286	32,059	–	–	–	–
<b>Total assets</b>	<b>136,168</b>	<b>133,757</b>	<b>131,754</b>	<b>137,487</b>	<b>84,606</b>	<b>81,796</b>	<b>81,484</b>	<b>88,480</b>
<b>Net Asset Value Per Ordinary Share (before valuation surplus – in S\$)</b>								
	<b>3.84</b>	<b>3.80</b>	<b>3.67</b>	<b>3.58</b>	<b>2.97</b>	<b>2.98</b>	<b>2.88</b>	<b>2.86</b>
<b>OFF-BALANCE SHEET ITEMS</b>								
Contingent liabilities	6,840	6,692	6,647	5,709	5,370	5,339	5,493	4,446
Commitments	36,528	34,252	33,133	32,984	30,030	27,803	27,050	26,952
Derivative financial instruments	259,081	274,477	263,296	279,368	245,990	262,898	251,796	271,734

<sup>1/</sup> In accordance with the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, "share capital" now includes share premium and capital redemption reserves (previously included in capital reserves).

<sup>2/</sup> 2005 comparatives have been re-classified for the Bank's short sell liabilities in Singapore government treasury bills and securities, representing the full amount of the trading portfolio liabilities.

<sup>3/</sup> Comprises S\$1,464 million (31 Mar 2006: S\$345 million; 31 Dec 2005: S\$486 million; 30 Jun 2005: S\$665 million) repayable in one year or less and S\$3,969 million (31 Mar 2006: S\$ 4,857 million; 31 Dec 2005: S\$5,033 million; 30 Jun 2005: S\$5,265 million) repayable after one year. Of the amount repayable in one year or less, S\$Nil (31 Mar 2006: S\$53 million; 31 Dec 2005: S\$53 million; 30 Jun 2005: S\$55 million) are collateralised notes issued by Pioneer Funding Limited, a special purpose entity ("SPE") of the Group. These notes were secured by a first fixed charge over the designated assets of the SPE.

## Statement of Changes in Equity – Group

For the quarter ended 30 June 2006

S\$ million	Attributable to equity holders of the Bank						Minority interests	Total equity
	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total		
<b>Balance at 1 April 2006</b>	<b>5,739</b>	<b>90</b>	<b>1,975</b>	<b>702</b>	<b>4,211</b>	<b>12,717</b>	<b>1,163</b>	<b>13,880</b>
Movements in fair value reserves:								
Losses taken to equity	-	-	-	(60)	-	(60)	(2)	(62)
Transferred to income statements	-	-	-	(251)	-	(251)	(6)	(257)
Tax on net movements	-	-	-	58	-	58	2	59
Currency translation differences	-	-	-	-	(45)	(45)	(8)	(53)
Net losses recognised in equity	-	-	-	(253)	(45)	(298)	(14)	(312)
Net profit after tax	-	-	-	-	795	795	18	813
<b>Total recognised gains/ (losses) for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(253)</b>	<b>750</b>	<b>497</b>	<b>4</b>	<b>501</b>
Transfers	-	1	27	-	(28)	-	-	-
Change in minority interests	-	-	-	-	-	-	(7)	(7)
Dividends paid to minority interests	-	-	-	-	-	-	(25)	(25)
Shares purchased by DSP Trust	-	(1)	-	-	-	(1)	-	(1)
Share-based staff costs capitalised	-	2	-	-	-	2	-	2
Share buyback – held in treasury	(138)	-	-	-	-	(138)	-	(138)
Shares issued to non-executive directors	#	-	-	-	-	#	-	#
Shares issued under Share Option Schemes and Share Purchase Plan	27	-	-	-	-	27	-	27
<b>Balance at 30 June 2006</b>	<b>5,629</b>	<b>97</b>	<b>2,002</b>	<b>449</b>	<b>4,615</b>	<b>12,792</b>	<b>1,135</b>	<b>13,927</b>
Included:								
Share of reserves of associated and joint venture companies	-	1	-	-	43	44		
<b>Balance at 1 April 2005</b>	<b>1,317</b>	<b>3,151</b>	<b>1,950</b>	<b>572</b>	<b>4,882</b>	<b>11,872</b>	<b>937</b>	<b>12,809</b>
Movements in fair value reserves:								
Gains taken to equity	-	-	-	77	-	77	5	83
Transferred to income statements	-	-	-	(8)	-	(8)	(1)	(9)
Deferred tax on net movements	-	-	-	(9)	-	(9)	(1)	(10)
Currency translation differences	-	-	-	-	10	10	(7)	3
Net gains/(losses) recognised in equity	-	-	-	60	10	70	(3)	67
Net profit after tax	-	-	-	-	304	304	26	330
<b>Total recognised gains for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>314</b>	<b>374</b>	<b>23</b>	<b>397</b>
Transfers	-	(19)	(6)	-	26	-	-	-
Acquisition of PT Bank NISP Tbk	-	-	-	-	-	-	64	64
Change in minority interests	-	-	-	-	-	-	(3)	(3)
Cash distribution to minority interests	-	-	-	-	-	-	(38)	(38)
Dividends paid to minority interests	-	-	-	-	2	2	(19)	(17)
Bonus ordinary dividends	-	-	-	-	(1,311)	(1,311)	-	(1,311)
Ordinary and preference dividends paid	-	-	-	-	(20)	(20)	-	(20)
Share-based staff costs capitalised	-	4	-	-	-	4	-	4
Share buyback – cancelled	(7)	7	-	-	(103)	(103)	-	(103)
Shares issued under Share Option Schemes	2	22	-	-	-	24	-	24
Shares to be issued pursuant to Rights Issue	262	1,049	-	-	-	1,311	-	1,311
<b>Balance at 30 June 2005</b>	<b>1,575</b>	<b>4,213</b>	<b>1,944</b>	<b>632</b>	<b>3,791</b>	<b>12,154</b>	<b>965</b>	<b>13,119</b>
Included:								
Share of reserves of associated companies	-	1	-	-	40	42		

# Amounts less than S\$0.5 million

## Statement of Changes in Equity – Group

For the half year ended 30 June 2006

S\$ million	Attributable to equity holders of the Bank						Minority interests	Total equity
	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total		
<b>Balance at 1 January 2006</b>	<b>1,561</b>	<b>4,292</b>	<b>1,959</b>	<b>618</b>	<b>3,908</b>	<b>12,338</b>	<b>1,149</b>	<b>13,487</b>
Movements in fair value reserves:								
Gains taken to equity	-	-	-	60	-	60	9	69
Transferred to income statements	-	-	-	(263)	-	(263)	(10)	(273)
Tax on net movements	-	-	-	34	-	34	(#)	34
Currency translation differences	-	-	-	-	(26)	(26)	(2)	(29)
Net losses recognised in equity	-	-	-	(169)	(26)	(196)	(3)	(199)
Net profit after tax	-	-	-	-	1,113	1,113	47	1,160
<b>Total recognised gains/ (losses) for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(169)</b>	<b>1,087</b>	<b>918</b>	<b>44</b>	<b>962</b>
Transfers	-	(24)	43	-	(19)	-	-	-
Change in minority interests	41	-	-	-	-	41	(22)	19
Dividends paid to minority interests	-	-	-	-	-	-	(36)	(36)
Effect of Companies (Amendment) Act 2005	4,185	(4,185)	-	-	-	-	-	-
Ordinary and preference dividends paid	-	-	-	-	(318)	(318)	-	(318)
Shares purchased by DSP Trust	-	(8)	-	-	-	(8)	-	(8)
Shares vested under DSP Scheme	-	5	-	-	-	5	-	5
Share-based staff costs capitalised	-	5	-	-	-	5	-	5
Share buyback – cancelled	(3)	3	-	-	(43)	(43)	-	(43)
Share buyback – held in treasury	(201)	-	-	-	-	(201)	-	(201)
Shares issued to non-executive directors	#	-	-	-	-	#	-	#
Shares issued under Share Option Schemes and Share Purchase Plan	45	10	-	-	-	55	-	55
<b>Balance at 30 June 2006</b>	<b>5,629</b>	<b>97</b>	<b>2,002</b>	<b>449</b>	<b>4,615</b>	<b>12,792</b>	<b>1,135</b>	<b>13,927</b>
Included:								
Share of reserves of joint venture and associated companies	-	1	-	-	43	44		
<b>Balance at 1 January 2005</b>	<b>1,321</b>	<b>3,141</b>	<b>1,934</b>	<b>649</b>	<b>4,847</b>	<b>11,892</b>	<b>514</b>	<b>12,406</b>
Movements in fair value reserves:								
Gains taken to equity	-	-	-	16	-	16	6	22
Transferred to income statements	-	-	-	(29)	-	(29)	(2)	(31)
Tax on net movements	-	-	-	(4)	-	(4)	(1)	(5)
Currency translation differences	-	-	-	-	21	21	(6)	15
Net gains/(losses) recognised in equity	-	-	-	(17)	21	5	(3)	2
Net profit after tax	-	-	-	-	602	602	49	651
<b>Total recognised gains/ (losses) for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>623</b>	<b>607</b>	<b>46</b>	<b>653</b>
Transfers	-	(19)	9	-	9	-	-	-
Acquisition of PT Bank NISP Tbk	-	-	-	-	-	-	64	64
Issue of preference shares by a subsidiary	-	-	-	-	-	-	400	400
Change in minority interests	-	-	-	-	-	-	(3)	(3)
Cash distribution to minority interests	-	-	-	-	-	-	(38)	(38)
Dividends paid to minority interests	-	-	-	-	-	-	(19)	(19)
Bonus ordinary dividends	-	-	-	-	(1,311)	(1,311)	-	(1,311)
Ordinary and preference dividends paid	-	-	-	-	(219)	(219)	-	(219)
Shares purchased by DSP Trust	-	(8)	-	-	-	(8)	-	(8)
Share-based staff costs capitalised	-	8	-	-	-	8	-	8
Share buyback – cancelled	(12)	12	-	-	(159)	(159)	-	(159)
Shares issued to non-executive directors	#	#	-	-	-	#	-	#
Shares issued under Share Option Schemes	3	30	-	-	-	33	-	33
Shares to be issued pursuant to Rights Issue	262	1,049	-	-	-	1,311	-	1,311
<b>Balance at 30 June 2005</b>	<b>1,575</b>	<b>4,213</b>	<b>1,944</b>	<b>632</b>	<b>3,791</b>	<b>12,154</b>	<b>965</b>	<b>13,119</b>
Included:								
Share of reserves of associated companies	-	1	-	-	40	42		

# Amounts less than S\$0.5 million

## Statement of Changes in Equity – Bank

For the quarter ended 30 June 2006

S\$ million	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total
<b>Balance at 1 April 2006</b>	<b>5,739</b>	<b>75</b>	<b>1,647</b>	<b>432</b>	<b>2,272</b>	<b>10,165</b>
Movements in fair value reserves :						
Gains taken to equity	–	–	–	1	–	1
Transferred to income statements	–	–	–	(221)	–	(221)
Tax on net movements	–	–	–	43	–	43
Currency translation differences	–	–	–	–	(5)	(5)
Net losses recognised in equity	–	–	–	(177)	(5)	(182)
Net profit after tax	–	–	–	–	531	531
<b>Total recognised gains/ (losses) for the financial period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(177)</b>	<b>526</b>	<b>349</b>
Transfers	–	–	27	–	(27)	–
Ordinary and preference dividends paid	–	–	–	–	(318)	(318)
Share-based staff costs capitalised	–	2	–	–	–	2
Share buyback – held in treasury	(138)	–	–	–	–	(138)
Shares issued to non-executive directors	#	–	–	–	–	#
Shares issued under Share Option Schemes and Share Purchase Plan	27	–	–	–	–	27
<b>Balance at 30 June 2006</b>	<b>5,629</b>	<b>77</b>	<b>1,673</b>	<b>254</b>	<b>2,453</b>	<b>10,088</b>
<b>Balance at 1 April 2005</b>	<b>1,317</b>	<b>3,022</b>	<b>1,600</b>	<b>373</b>	<b>3,395</b>	<b>9,705</b>
Movements in fair value reserves :						
Gains taken to equity	–	–	–	31	–	31
Transferred to income statements	–	–	–	(4)	–	(4)
Tax on net movements	–	–	–	1	–	1
Currency translation differences	–	–	–	–	6	6
Net gains recognised in equity	–	–	–	28	6	33
Net profit after tax	–	–	–	–	220	220
<b>Total recognised gains for the financial period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>28</b>	<b>226</b>	<b>254</b>
Transfers	–	–	8	–	(8)	–
Acquisition of additional interests in Great Eastern Holdings Limited	–	–	–	–	–	–
Bonus ordinary dividends	–	–	–	–	(1,311)	(1,311)
Ordinary and preference dividends paid	–	–	–	–	(20)	(20)
Share-based staff costs capitalised	–	4	–	–	–	4
Share buyback – cancelled	(7)	7	–	–	(103)	(103)
Shares issued to non-executive directors	–	–	–	–	–	–
Shares issued under Share Option Schemes	2	22	–	–	–	24
Shares to be issued pursuant to Rights Issue	262	1,049	–	–	–	1,311
<b>Balance at 30 June 2005</b>	<b>1,575</b>	<b>4,103</b>	<b>1,607</b>	<b>400</b>	<b>2,180</b>	<b>9,865</b>

# Amounts less than S\$0.5 million

## Statement of Changes in Equity – Bank

For the half year ended 30 June 2006

S\$ million	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total
<b>Balance at 1 January 2006</b>	<b>1,561</b>	<b>4,245</b>	<b>1,631</b>	<b>396</b>	<b>2,033</b>	<b>9,867</b>
Movements in fair value reserves :						
Gains taken to equity	–	–	–	49	–	49
Transferred to income statements	–	–	–	(215)	–	(215)
Tax on net movements	–	–	–	24	–	24
Currency translation differences	–	–	–	–	(18)	(18)
Net losses recognised in equity	–	–	–	(142)	(18)	(160)
Net profit after tax	–	–	–	–	841	841
<b>Total recognised gains/ (losses) for the financial period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(142)</b>	<b>823</b>	<b>681</b>
Transfers	–	–	42	–	(42)	–
Acquisition of additional interests						
in Great Eastern Holdings Limited	41	–	–	–	–	41
Effect of Companies (Amendment) Act 2005	4,185	(4,185)	–	–	–	–
Ordinary and preference dividends paid	–	–	–	–	(318)	(318)
Share-based staff costs capitalised	–	5	–	–	–	5
Share buyback – cancelled	(3)	3	–	–	(43)	(43)
Share buyback – held in treasury	(201)	–	–	–	–	(201)
Shares issued to non-executive directors	#	–	–	–	–	#
Shares issued under Share Option Schemes and Share Purchase Plan	45	10	–	–	–	55
<b>Balance at 30 June 2006</b>	<b>5,629</b>	<b>77</b>	<b>1,673</b>	<b>254</b>	<b>2,453</b>	<b>10,088</b>
<b>Balance at 1 January 2005</b>	<b>1,321</b>	<b>3,005</b>	<b>1,583</b>	<b>436</b>	<b>3,416</b>	<b>9,762</b>
Movements in fair value reserves :						
Losses taken to equity	–	–	–	(32)	–	(32)
Transferred to income statements	–	–	–	(6)	–	(6)
Tax on net movements	–	–	–	2	–	2
Currency translation differences	–	–	–	–	8	8
Net gains/ (losses) recognised in equity	–	–	–	(36)	8	(28)
Net profit after tax	–	–	–	–	468	468
<b>Total recognised gains/ (losses) for the financial period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(36)</b>	<b>476</b>	<b>440</b>
Transfers	–	–	23	–	(23)	–
Bonus ordinary dividends	–	–	–	–	(1,311)	(1,311)
Ordinary and preference dividends paid	–	–	–	–	(219)	(219)
Share-based staff costs capitalised	–	8	–	–	–	8
Share buyback – cancelled	(12)	12	–	–	(159)	(159)
Shares issued to non-executive directors	#	#	–	–	–	#
Shares issued under Share Option Schemes	3	30	–	–	–	33
Shares to be issued pursuant to Rights Issue	262	1,049	–	–	–	1,311
<b>Balance at 30 June 2005</b>	<b>1,575</b>	<b>4,102</b>	<b>1,607</b>	<b>400</b>	<b>2,180</b>	<b>9,865</b>

# Amounts less than S\$0.5 million



## Consolidated Cash Flow Statement

For the financial period ended 30 June 2006

S\$ million	1H06	1H05	2Q06	2Q05
<b>Cash flows from operating activities</b>				
Profit before tax	1,362	808	927	410
<u>Adjustments for non-cash items</u>				
Amortisation and depreciation of software, property, plant and equipment	58	40	35	21
Amortisation of intangible assets	21	20	11	10
(Write-back)/ allowances for loans and impairment of other assets	(12)	23	(5)	(2)
Change in fair value of hedging transactions and trading securities	15	(1)	2	(14)
Net gains on disposal of government, debt and equity securities	(274)	(31)	(257)	(10)
Net gains on disposal of property, plant and equipment	(270)	(1)	(269)	(1)
Share-based staff costs	5	8	2	4
Share of results of associated and joint venture companies	(5)	(11)	(1)	(3)
Write-off of plant and equipment	14	–	14	–
Operating profit before changes in operating assets and liabilities	914	854	458	416
<u>Changes in operating assets and liabilities</u>				
Deposits of non-bank customers	4,604	3,681	4,193	1,302
Deposits and balances of banks	(1,287)	5,303	(1,428)	4,113
Derivative payables and other liabilities	769	345	(68)	307
Government securities and treasury bills	(463)	(1,664)	(55)	(535)
Trading securities	(176)	74	(74)	(54)
Placements with and loans to banks	(2,050)	(3,475)	(1,552)	(637)
Loans to and bills receivable from customers	(993)	(675)	(1,554)	(1,099)
Derivative receivables and other assets	(581)	(378)	197	(256)
Cash provided by operating activities	738	4,064	118	3,557
Income tax paid	(160)	(212)	(79)	(134)
<b>Net cash provided by operating activities</b>	<b>577</b>	<b>3,852</b>	<b>40</b>	<b>3,423</b>
<b>Cash flows from investing activities</b>				
Acquisition of additional interests in a subsidiary	(18)	(5)	(18)	(5)
Dividends from associated companies	3	4	3	4
Increase in associated and joint venture companies	(27)	(6)	2	(6)
Net cash inflow from acquisition of additional interests in a subsidiary	–	96	–	96
Purchases of debt and equity securities	(987)	(1,301)	(602)	(496)
Purchases of property, plant and equipment	(66)	(70)	(35)	(36)
Proceeds from disposal of debt and equity securities	1,790	1,729	982	675
Proceeds from disposal of property, plant and equipment	40	3	30	3
<b>Net cash provided by investing activities</b>	<b>735</b>	<b>450</b>	<b>362</b>	<b>235</b>
<b>Cash flows from financing activities</b>				
Cash distributions and dividends paid to minority interests	(36)	(57)	(25)	(55)
Increase/ (decrease) in debts issued	185	(295)	327	(538)
Dividends paid to equity holders of the Bank	(318)	(219)	(318)	(219)
Proceeds from issue of preference shares by a subsidiary	–	400	–	–
Proceeds from issue of ordinary shares under Share Option Schemes and Share Purchase Plan	55	33	27	24
Share buyback	(244)	(159)	(138)	(103)
<b>Net cash used in financing activities</b>	<b>(358)</b>	<b>(296)</b>	<b>(126)</b>	<b>(890)</b>
<b>Net currency translation adjustments</b>	<b>(30)</b>	<b>34</b>	<b>(31)</b>	<b>23</b>
<b>Net change in cash and cash equivalents</b>	<b>924</b>	<b>4,039</b>	<b>244</b>	<b>2,791</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>4,182</b>	<b>3,617</b>	<b>4,862</b>	<b>4,864</b>
<b>Cash and cash equivalents at end of the financial period</b>	<b>5,106</b>	<b>7,656</b>	<b>5,106</b>	<b>7,656</b>

# Amounts less than S\$0.5 million

## Share Capital and Options on Shares in the Bank

The following table shows the movement in the issued ordinary shares of the Bank for:

Number of Shares	Half year ended 30 June		Quarter ended 30 June	
	2006	2005 <sup>2/</sup>	2006	2005 <sup>2/</sup>
Balance as at beginning of period	3,114,337,745	1,316,542,601	3,109,707,764	1,312,807,291
Exercise of options by officers pursuant to Share Option Schemes	9,798,425	3,315,240	4,682,859	2,414,974
Exercise of subscription rights under the OCBC Employee Share Purchase Plan	1,725,034	–	1,171,321	–
Shares issued to non-executive directors	48,000	14,000	48,000	–
Acquisition of additional interests in GEH	6,019,968	–	–	–
Share buyback - held as Treasury Shares <sup>1/</sup>	(30,369,203)	–	(21,057,722)	–
Share buyback - cancelled	(7,007,747)	(11,504,280)	–	(6,854,704)
Balance as at end of period	<b>3,094,552,222</b>	<b>1,308,367,561</b>	<b>3,094,552,222</b>	<b>1,308,367,561</b>

Notes:

<sup>1/</sup> The Companies Act was amended to allow companies to hold Treasury Shares after 30 January 2006.

<sup>2/</sup> Number of shares is before the Bank's Rights Issue and Sub-division of shares in July 2005 and August 2005 respectively.

<sup>3/</sup> The number of shares includes Chairman's participation of 5,940 shares in the OCBC Employee Share Purchase Plan.

Pursuant to the stock purchase mandates approved at the extraordinary general meetings held on 30 March 2005 (for purchases made for the period from 1 April 2006 to 19 April 2006) and on 20 April 2006 (for purchases made after 20 April 2006), the Bank purchased a total of 21,057,722 ordinary shares in the second quarter ended 30 June 2006. The ordinary shares were purchased by way of market acquisitions at prices ranging from S\$6.25 to S\$6.85 per share and the total consideration paid was S\$137,941,387 (including transaction costs).

From 1 April 2006 to 30 June 2006 (both dates inclusive), the Bank issued 4,682,859 ordinary shares upon the exercise of options by officers of the Group pursuant to the OCBC Share Option Schemes 1994 and 2001. As at 30 June 2006, there were 61,453,250 ordinary shares (30 June 2005: 30,581,910<sup>2/</sup>) that may be issued on the exercise of options.

From 1 April 2006 to 30 June 2006 (both dates inclusive), the Bank issued 1,171,321 ordinary shares upon the exercise of subscription rights by employees of the Group under the OCBC Employee Share Purchase Plan. As at 30 June 2006 (being the last day of the First Offering Period), the number of unissued ordinary shares outstanding under the OCBC Employee Share Purchase Plan was 2,259,842 (30 June 2005: 2,156,625<sup>2/</sup>), including 14,257 (30 June 2005: 11,880<sup>2/ 3/</sup>) ordinary shares arising from the participation by the Chief Executive Officer of the Bank.

No new preference shares were allotted and issued by the Bank in the second quarter ended 30 June 2006.

## Other Matters/ Subsequent Events

1. On 10 January 2006, the Bank announced that it had entered into an agreement to subscribe for a 12.2% stake in China's Ningbo Commercial Bank Co., Ltd ("NCB") at RMB570 million or approximately S\$120 million. Formal approvals for the transaction from both the Monetary Authority of Singapore and the China Banking Regulatory Commission had been received by May 2006, and the transaction was completed in June 2006.

The Bank is now the second largest shareholder of NCB, after the Ningbo Financial Bureau, and has representation on NCB's board.

2. At the Bank's Extraordinary General Meeting held on 20 April 2006, shareholders had approved, inter alia, the re-conversion exercise involving the conversion of the issued Stock Units in the capital of the Bank to Ordinary Shares underlying the Stock Units (the "Share Conversion") on the basis of one Ordinary Share for every One Stock Unit. On 15 May 2006, the Bank announced that the Transfer Books and Register of Members would be closed from 5.00 p.m. on 8 June 2006 (the "Books Closure Date") up to and including 9 June 2006 for the purpose of the Share Conversion.

Upon completion of the Share Conversion, the Ordinary Shares are trading in board lots of 1,000 Ordinary Shares.

3. On 31 May 2006, the Bank announced that it is setting aside another S\$500 million for on-market purchases of its ordinary shares, pursuant to the share purchase mandate approved by shareholders at the extraordinary general meeting held on 20 April 2006.

This is the Bank's third S\$500 million share buyback programme, and it intends to hold the shares re-purchased as treasury shares. The Bank also plans to use treasury shares for various purposes, including to fulfil its obligations under the employee share incentive schemes, so as to take advantage of the recently announced benefit which allows the cost of treasury shares to be tax deductible if they are used to satisfy share-based incentive schemes for employees.

As of the date of this announcement, 2,258,382 treasury shares have been utilised for the exercise of subscription rights under the OCBC Employee Share Purchase Plan.

## **Other Matters/ Subsequent Events** *(continued)*

4. On 19 July 2006, the Bank (“Offeror”) despatched an offer document setting out the terms and conditions of the voluntary unconditional cash offer (the “Offer”) for all issued ordinary shares (“Shares”) in the capital of Great Eastern Holdings Limited not already owned or agreed to be acquired by the Offeror or its subsidiaries at S\$16.00 per Share. The Offer was announced on 29 June 2006 and the closing date for the Offer is 3.30 p.m. on 16 August 2006.



KPMG  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

Telephone +65 6213 3388  
Fax +65 6225 0984  
Internet [www.kpmg.com.sg](http://www.kpmg.com.sg)

The Board of Directors  
Oversea-Chinese Banking Corporation Limited  
65 Chulia Street  
#29-00 OCBC Centre  
Singapore 049513

14 August 2006

Dear Sirs

**Oversea-Chinese Banking Corporation Limited (“Bank”) and its Subsidiaries (“Group”)  
Review of the Interim Financial Information for the half year ended 30 June 2006**

***Introduction***

We have reviewed the accompanying Interim Financial Information of the Bank and of the Group for the half year ended 30 June 2006. The financial statements for the year ended 31 December 2005 were audited by another auditor whose report dated 28 February 2006 expressed an unqualified opinion on those statements.

Singapore Exchange Listing Manual Appendix 7.2 requires the preparation of Interim Financial Information to be in compliance with the relevant provisions thereof. The accompanying Interim Financial Information consists of the following:

- Consolidated income statement for the half year ended 30 June 2006;
- Bank and consolidated balance sheets as at 30 June 2006;
- Bank and consolidated statements of changes in equity for the half year ended 30 June 2006;
- Consolidated statement of cash flows for the half year ended 30 June 2006; and
- Explanatory notes to the above financial information.

Management is responsible for the preparation and presentation of this Interim Financial Information in accordance with Singapore Exchange Listing Manual Appendix 7.2. Our responsibility is to express a conclusion on this Interim Financial Information based on our review.



***Scope of Review***

We conducted our review in accordance with Singapore Standard on Review Engagements 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with Singapore Exchange Listing Manual Appendix 7.2.

Yours faithfully

**KPMG**  
**Certified Public Accountants**  
Singapore