



First Half 2004

GROUP FINANCIAL
RESULTS

11 August 2004

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Media Release

OCBC Group Reports 46% Increase in First Half 2004 Net Profit to S\$559 million

***Second quarter net profit rose 35% to S\$303 million,
driven by higher revenue and lower provisions***

Interim dividend raised by 73% to 19 cents per share

Singapore, 11 Aug 2004 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported a net profit of S\$559 million for the first half of 2004, an increase of 46% compared to first half 2003. The robust performance was driven by strong growth in fee and commission income, higher net interest income, and lower provisions. In line with its new dividend payout policy, the Group is pleased to announce an interim gross dividend of 19 cents per share, a 73% increase over the 11 cents paid for first half 2003.

The Group’s operating profit before provisions and goodwill amortisation increased by 21% to S\$731 million in the first half. Total income grew by 14% to S\$1,172 million, outpacing operating expenses growth of 4% to S\$441 million. Fee and commission income jumped 37% to S\$232 million, led by wealth management income which more than doubled. Net interest income grew by 5% to S\$745 million on the back of higher loan volume and a slightly improved net interest margin of 1.91%. Provisions fell from S\$134 million to S\$43 million, attributable to the strengthening of the Group’s credit processes over the past two years, as well as the improving economic environment.

With the consolidation of Great Eastern Holdings Limited (“GEH”), the Group’s total assets increased by 35% from S\$87 billion in March 2004 to S\$118 billion in June 2004. Annualised return on ordinary shareholders’ funds (“ROE”) improved from 8.1% in first half 2003 to 11.6% in first half 2004, while cash ROE increased from 9.5% to 13.1% over the same period.

Second Quarter 2004 Results

Net profit in the second quarter increased by 35% year-on-year to S\$303 million, boosted by higher revenue and lower provisions. Operating profit before provisions rose 34% to S\$411 million on the back of growth in all the major revenue segments of net interest income, fee income and other income. Provisions in the second quarter were S\$22 million, down from S\$70 million a year ago.

Compared to first quarter 2004, the second quarter's net profit also showed an improvement of 19%. The rise in interest rates from March to June 2004 resulted in a derivatives gain, as compared to derivatives losses in the first quarter when rates moved lower. In addition, a 4% growth in net interest income over the first quarter also contributed to the stronger bottomline. The strong fee income performance of the first quarter was sustained in the second quarter, despite a fall in brokerage income arising from lower stock market turnover, as this decline was offset by growth in other fee income segments, particularly wealth management. Second quarter provisions were largely similar to the S\$20 million level recorded in the first quarter.

The second quarter results also included a maiden S\$1 million pretax contribution, net of goodwill amortisation, from PT Bank NISP Tbk ("Bank NISP"), reflected under the share of associated companies' profits. Bank NISP became a 22.5%-owned associated company of the Group at the end of April 2004. Goodwill amortisation relating to the acquisition of the 22.5% stake was insignificant, amounting to S\$0.7 million in the second quarter or an annualised S\$4.0 million.

The Group's annualised ROE improved from 10.7% in first quarter 2004 to 12.6% in the second quarter, while cash ROE improved from 12.1% to 14.1%.

Consolidation of Great Eastern Holdings

At the close of OCBC Bank's voluntary unconditional offer ("Offer") for GEH on 30 June 2004, the Bank has an effective shareholding of 81.1% in GEH, up from 48.9% before the Offer. For the second quarter of 2004, GEH's accounts were consolidated for the month of June based on an effective shareholding of 70.1% achieved at the end of May (i.e. with 29.9% minority interests). For April and May 2004, GEH's pretax contribution continued to be equity accounted at 48.9% under the associates line.

The net effect of GEH's one-month consolidation on the Group's second quarter net profit was not significant, as it was consolidated for only one month at a lower effective shareholding than the current 81.1%, and also because of the goodwill amortisation. Assuming GEH was equity accounted as a 48.9%-owned associated company for all of the three months, OCBC Group would have reported a net profit of S\$302 million for the second quarter, marginally lower than the reported S\$303 million. However, if GEH had been consolidated at 81.1% shareholding for the entire quarter, the Group's second quarter net profit would have been approximately S\$9 million higher at S\$312 million.

Goodwill arising from the acquisition of the additional stake in GEH, including the value of in-force business, amounted to S\$1,076 million. This was computed based on the difference between the acquisition cost of S\$1,808 million and the Bank's additional share in the estimated fair value of GEH's net tangible assets of S\$732 million. For the period from June to December 2004, this amount will be amortised based on 20 years, i.e. at S\$4.5 million per month. From January 2005, the Group will adopt the new Financial Reporting Standard (FRS) 103 on Business Combinations, whereby goodwill will be tested for impairment and no longer amortised. However, it is the Group's intention to treat the value of in-force business as intangible assets, which will continue to be amortised over a period of 20 years, while the balance will be treated as goodwill subject to the impairment test.

Revenue

Total income in the first half of 2004 grew by S\$143 million or 14% to S\$1,172 million compared to the same period in 2003.

Net interest income rose 5% to S\$745 million, boosted by higher loan volume and lower deposit costs. Net interest margin improved slightly to 1.91%, as lower cost of funds largely cushioned the impact of lower yielding assets.

Customer loans grew by 4% from December 2003, and by 7% year-on-year, to S\$54.68 billion in June 2004. Growth was led by housing loans, which grew by 7% from December 2003 to S\$16.48 billion in June 2004, accounting for 30% of the Group's total loans. Loans to the transport and communication, non-bank financial institutions and investment holding, and general commerce sectors also registered good growth of between 7% and 10% as compared to December 2003.

Total non-interest income jumped by 33% to S\$428 million, propelled by stronger fee and commission income, higher dividend income as well as income from GEH's insurance business for the month of June. Non-interest income accounted for 36.5% of total income, up from 31.3% in first half 2003.

Fee and commission income rose 37% to S\$232 million, with the largest increase coming from wealth management income (from sales of unit trusts, bancassurance products and structured deposits) which jumped 138% to S\$74 million. Wealth management income now accounts for 32% of total fee income, compared to 18% share in first half 2003. Income from stockbroking, investment banking, trade financing, fund management and credit cards also achieved strong growth.

Dividend income more than doubled to S\$65 million in the first half, largely due to a special dividend of S\$29 million from Robinson & Company, Limited. Included under non-interest income is a new item, "income from insurance", which comprise the profit from GEH's life assurance operations and the net earned premiums from its general insurance business. This item amounted to S\$26 million for the second quarter, representing GEH's contribution for the month of June.

Other income in the first half fell by 27% to S\$68 million, reflecting the marked-to-market derivatives loss incurred in the first quarter, which was partially offset by a derivatives gain in the second quarter. Income from foreign exchange dealing increased by 22% to S\$37 million.

Operating Expenses

Operating expenses increased by 4% to S\$441 million in the first half. Excluding the consolidation of GEH's S\$5 million expenses, the increase was 3% or S\$12 million. The increase was attributed to higher staff costs arising from a higher average headcount, as well as higher business promotion expenses. These were partially offset by lower premises and equipment expenses, as there was a one time write-off of S\$10 million relating to certain fixed assets in the second quarter of 2003.

With stronger growth in revenue compared to expenses, the Group's cost-to-income ratio improved from 41.2% in first half 2003 to 37.6% in first half 2004.

Following the consolidation of GEH, the Group's headcount increased to 10,095 in June 2004, including 2,471 headcount from GEH.

Provisions and Asset Quality

Total provisions fell from S\$134 million in first half 2003 to S\$43 million in first half 2004. The bulk of the reduction came from lower specific provisions for loans, which fell from S\$117 million to S\$25 million. This can be attributed to an improvement in the Group's overall credit processes and quality of its loan portfolio in the midst of better economic conditions in Singapore and Malaysia.

Improved market valuation of investment securities helped lower the specific provisions for diminution in value of investment securities, properties and other assets from S\$47 million to S\$17 million. A general provision of S\$1 million was made in first half 2004 compared to a write-back of S\$30 million in the same period last year.

The Group's asset quality continued to show a steady improvement. Total non-performing loans ("NPLs") were S\$3.51 billion in June 2004, a decline of 8% from December 2003 and 15% from June 2003, largely due to a reduction in Singapore NPLs. The Group's NPL ratio improved to 6.1% in June 2004, from 6.9% in December 2003 and 7.5% in June 2003.

The Group continues to maintain strong provision coverage for its NPLs. Total cumulative specific and general provisions amounted to S\$2.47 billion in June 2004, representing 70.4% of NPLs, up from 67.0% in December 2003. Cumulative specific provisions covered 99.0% of unsecured NPLs, while cumulative general provisions were 2.2% of non-bank loans (net of specific provisions).

Interim Dividend

An interim gross dividend of 19 cents per share has been declared, up from the 11 cents interim dividend last year. The dividend will be paid on 13 September 2004. Based on the enlarged share capital base of OCBC following the GEH Offer, the interim dividend payout amounts to S\$203 million (net), representing 36% of the Group's core net profit in the first half. This is in line with OCBC's recently revised dividend policy, which targets a minimum payout of 35% of core earnings, up from 25% previously.

Capital Ratios

The Group's capital position remains strong. Under the revised capital adequacy framework issued by the Monetary Authority of Singapore, OCBC Group's total capital adequacy ratio at 30 June 2004 was 17.7%, and Tier-1 ratio was 12.6%.

Conclusion

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

“We are pleased with the steady improvement in our core businesses since the first quarter of 2003. Our loan volume has grown at above the industry average, and we have managed to hold our interest margin for the past six quarters despite intense competitive pressures. Our fee income base continues to grow strongly, driven by what we believe to be our key competitive edge in wealth management. We look forward to a closer partnership with Great Eastern Holdings which will further differentiate OCBC from its competitors.”

About OCBC Bank

OCBC Bank is a Singapore-based financial services group with assets of S\$118 billion and operations in 14 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Japan, Australia, UK and USA, and has more than 110 branches and representative offices around the world. It offers a range of specialist financial services including consumer, corporate, investment, private and transaction banking, global treasury, asset management and stockbroking services to its customers. OCBC Bank's subsidiary, Great Eastern Holdings Limited, is the largest insurance company in both Singapore and Malaysia in terms of assets and market share. Additional information may be found at www.ocbc.com.

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FINANCIAL REVIEW

Highlights

- ◆ Net profit attributable to shareholders rose by 46% to S\$559 million in the first half of 2004, largely attributable to stronger operating profit and lower provisions.
- ◆ Revenue grew 14% to S\$1,172 million, driven by strong growth in fees and commissions, dividends as well as improved net interest income. Expenses increased at a slower pace of 4% to S\$441 million resulting in lower cost-to-income ratio of 37.6% (first half 2003: 41.2%).
- ◆ Net profit of S\$303 million in second quarter 2004 was up 35% over second quarter 2003, due to a 34% rise in operating profit and 68% decline in provisions.
- ◆ Gross loans to non-bank customers grew by 4% from December 2003 to S\$54.68 billion in June 2004, underpinned by growth in housing loans as well as loans to the general commerce, non-bank financial institutions and transport and communication sectors.
- ◆ NPLs declined by 8% from December 2003 to S\$3.51 billion in June 2004. The NPL ratio improved to 6.1% from 6.9% in December 2003 and 7.5% in June 2003. Provision coverage of NPLs increased from 67% in December 2003 to 70.4% in June 2004.
- ◆ Annualised earnings per ordinary share (EPS) increased by 45% year-on-year to 85 cents in first half 2004. Annualised return on ordinary shareholders' funds improved from 8.1% in first half of 2003 to 11.6% in first half 2004.
- ◆ Net asset value per ordinary share (NAV) was S\$7.69 as at 30 June 2004. Including the unrealised valuation surplus of S\$2.75 per share, NAV was S\$10.44.

Financial Summary

	1st Half	1st Half	+ / (-)	2nd Qtr	2nd Qtr	+ / (-)	1st Qtr
	2004	2003		2004	2003		2004
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Selected profit and loss data :							
Net interest income	745	707	5	380	356	7	365
Fees and commissions	232	170	37	117	88	34	115
Dividends	65	30	114	21	20	4	44
Rental income	36	29	24	18	14	34	18
Income from insurance ^{1/}	26	–	n.m.	26	–	n.m.	–
Other income	68	92	(27)	84	53	58	(17)
Total income	1,172	1,029	14	647	530	22	526
Less : Operating expenses	441	424	4	236	223	6	206
Operating profit	731	605	21	411	307	34	320
Less : Goodwill amortisation	68	63	7	36	32	14	32
Less : Total provisions	43	134	(68)	22	70	(68)	20
Add : Share of associated companies' results	109	89	23	48	78	(39)	62
Profit before tax	730	497	47	401	283	41	329
Net profit attributable to shareholders	559	384	46	303	224	35	256
Cash basis net profit attributable to shareholders ^{2/}	627	447	40	340	256	33	287

Selected balance sheet data :

Total assets	117,988	86,293	37	117,988	86,293	37	87,115
Assets excluding life fund net assets ^{3/}	90,237	86,293	5	90,237	86,293	5	87,115
Loans to customers (net of provisions)	52,323	48,801	7	52,323	48,801	7	50,601
Deposits of non-bank customers	57,215	54,760	4	57,215	54,760	4	54,279
Ordinary shareholders' funds	10,252	9,059	13	10,252	9,059	13	9,405
Total (ordinary and preference) shareholders' funds	11,148	9,559	17	11,148	9,559	17	10,301

Key Indicators :

Return on ordinary shareholders' funds (% p.a.) ^{4/}	11.6	8.1		12.6	9.5		10.7
Return on ordinary shareholders' funds (% p.a.) – Cash basis ^{4/}	13.1	9.5		14.1	10.8		12.1
Return on total shareholders' funds (% p.a.)	11.0	8.0		11.9	9.2		10.1
Return on total shareholders' funds (% p.a.) – Cash basis	12.3	9.3		13.3	10.5		11.4
Return on assets (% p.a.) ^{3/}	1.28	0.92		1.37	1.06		1.18
Return on assets (% p.a.) – Cash basis ^{3/}	1.43	1.07		1.53	1.21		1.33
Basic earnings per ordinary share (annualised, S\$) ^{5/}	0.85	0.59	45	0.89	0.67	33	0.80
Cash earnings per ordinary share (annualised, S\$) ^{5/}	0.95	0.68	39	1.01	0.77	31	0.90
Net asset value per ordinary share (S\$)							
– Before valuation surplus	7.69	7.02	10	7.69	7.02	10	7.34
– After valuation surplus	10.44	9.82	6	10.44	9.82	6	10.48

^{1/} Comprise profit from life assurance and net earned premiums from general insurance

^{2/} Excluding goodwill amortisation charge

^{3/} Return on assets is calculated based on assets excluding life fund net assets attributable to policyholders

^{4/} Calculated after deducting preference share dividends paid and estimated to be due as at 30 June 2004 from net profit attributable to shareholders

^{5/} Calculated after deducting declared and/or paid preference shares dividends from net profit attributable to shareholders

^{6/} Some of the figures may not add up to the relevant totals due to rounding

^{7/} n.m. – Not meaningful

Consolidation of Great Eastern Holdings (GEH)

	OCBC Group 2nd Qtr 2004 S\$m	OCBC Adjusted ^{1/} 2nd Qtr 2004 S\$m	OCBC Group 2nd Qtr 2003 S\$m	Adjusted 2Q2004 vs 2Q2003 %
Selected profit and loss data				
Net interest income	380	378	356	6
Fees and commissions	117	115	88	31
Dividends	21	17	20	(15)
Rental income	18	18	13	38
Income from insurance	26	–	–	–
Other income	84	81	53	53
Total income	<u>647</u>	<u>609</u>	<u>530</u>	<u>15</u>
Less: Operating expenses	<u>236</u>	<u>231</u>	<u>223</u>	<u>4</u>
Operating profit	411	378	307	23
Less: Goodwill amortisation	36	32	32	–
Less: Total provisions	22	22	70	(69)
Add: Share of associated companies' results	48	64	78	(18)
Profit before tax	<u>401</u>	<u>388</u>	<u>283</u>	<u>37</u>
Net profit attributable to shareholders	<u>303</u>	<u>302</u>	<u>224</u>	<u>35</u>

^{1/} "OCBC Adjusted" refers to OCBC Group's results assuming GEH had remained as a 48.9%-owned associated company

Arising from OCBC Bank's Offer for GEH, GEH became a subsidiary of the Bank on 28 May 2004. The Bank's effective shareholding in GEH was 70.1% on 31 May 2004, rising to 81.1% by the close of the Offer on 30 June 2004. Prior to the Offer, GEH was a 48.9%-owned associated company.

For the month of June 2004, the financial results of GEH were consolidated as a subsidiary based on the effective shareholding of 70.1% achieved at end-May 2004, while prior to June 2004, the Group equity accounted its 48.9% share of GEH's profits as an associate. The net impact of the consolidation (after goodwill amortisation and 29.9% minority interests), as compared to equity accounting GEH's results assuming it had remained as an associate, was not significant, amounting to an incremental S\$1 million. However, if GEH had been consolidated at 81.1% shareholding for the entire second quarter, the Group's second quarter net profit would have been approximately S\$9 million higher at S\$312 million. On the Group's balance sheet, the consolidation also boosted total assets by 35% from S\$87 billion in March 2004 to S\$118 billion in June 2004. As OCBC Group has not adopted Financial Reporting Standard ("FRS") 39 on the Recognition and Measurement of Financial Instruments (which comes into effect on 1 January 2005), GEH's results are consolidated on a "non-FRS 39" basis, resulting in some differences as compared to GEH's published results which are on FRS 39 basis.

Goodwill arising from the additional acquisition, including the value of in-force business, amounted to S\$1,076 million, representing the difference between the cost of acquisition of S\$1,808 million and the Bank's additional share in the estimated fair value of the net tangible assets of S\$732 million in GEH. The Group amortised the goodwill based on economic life of 20 years from 1 June 2004 and will continue to amortise goodwill on this basis for the second half of 2004. Commencing 1 January 2005, the Group will adopt the new FRS 103 on Business Combinations whereby goodwill will be tested for impairment and will no longer be amortised. However, it is the Group's intention to treat the value of in-force business as intangible assets, which will continue to be amortised over a period of 20 years, while the balance will be treated as goodwill subject to the impairment test.

Net Interest Income

Net interest income for the first half of 2004 grew to S\$745 million, up 5% compared to the same period last year. The improvement was boosted by a 6.5% growth in average loan balances and lower deposit costs. Net interest margin improved slightly to 1.91%, as lower cost of funds largely cushioned the impact of lower yielding assets.

Compared to second quarter 2003, net interest income in second quarter 2004 rose by 7% due to a higher average loan volume, while net interest margin improved by 3 basis points to 1.92%.

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

	1st Half 2004			1st Half 2003		
	Average Balance ^{1/} S\$m	Interest S\$m	Average Rate %	Average Balance ^{1/} S\$m	Interest S\$m	Average Rate %
Assets						
Loans and advances to non-bank customers	50,651	925	3.67	47,558	898	3.81
Placements with and loans to banks	14,098	142	2.03	15,321	140	1.84
Other interest earning assets ^{2/}	13,648	150	2.21	12,381	158	2.58
Total interest earning assets	78,398	1,217	3.12	75,259	1,196	3.20
Non-interest earning assets	11,436			8,739		
Total assets	89,833			83,998		
Liabilities						
Deposits of non-bank customers and negotiable certificate of deposits	56,544	329	1.17	55,884	363	1.31
Deposits and balances of banks	13,581	94	1.39	11,407	76	1.34
Other borrowings ^{3/}	4,227	49	2.35	4,161	50	2.43
Total interest bearing liabilities	74,352	472	1.28	71,452	489	1.38
Non-interest bearing liabilities	5,106			2,839		
Total liabilities	79,459			74,291		
Net interest income/margin		745	1.91		707	1.90

^{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, and bills payable

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

	2nd Quarter 2004			2nd Quarter 2003			1st Quarter 2004		
	Average Balance ^{1/}	Interest	Average Rate	Average Balance ^{1/}	Interest	Average Rate	Average Balance ^{1/}	Interest	Average Rate
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m	S\$m	%
Assets									
Loans and advances to non-bank customers	51,297	469	3.68	48,201	446	3.71	50,005	455	3.66
Placements with and loans to banks	14,486	71	1.98	14,790	66	1.79	13,710	71	2.08
Other interest earning assets ^{2/}	13,720	78	2.29	12,638	78	2.49	13,577	72	2.13
Total interest earning assets	79,503	619	3.13	75,630	591	3.13	77,292	598	3.11
Non-interest earning assets	13,778			8,587			9,093		
Total assets	93,281			84,216			86,386		
Liabilities									
Deposits of non-bank customers and negotiable certificate of deposits	57,186	167	1.18	55,789	174	1.25	55,902	162	1.16
Deposits and balances of banks	13,953	47	1.35	11,615	37	1.28	13,209	47	1.42
Other borrowings ^{3/}	4,304	24	2.27	4,166	24	2.29	4,150	25	2.44
Total interest bearing liabilities	75,443	238	1.27	71,570	235	1.32	73,262	234	1.28
Non-interest bearing liabilities	7,291			3,000			2,922		
Total liabilities	82,734			74,570			76,184		
Net interest income/margin		380	1.92		356	1.89		365	1.90

^{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\$3.86 billion Upper Tier 2 subordinated debt, and bills payable

Non-Interest Income

	1st Half 2004	1st Half 2003	+ / (-)	2nd Qtr 2004	2nd Qtr 2003	+ / (-)	1st Qtr 2004
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Fee and commission income							
Brokerage	32	21	48	12	13	(8)	20
Wealth management ^{1/}	74	31	138	40	17	136	33
Fund management	13	10	38	8	5	45	6
Credit card	16	14	16	8	7	27	7
Loans-related	35	39	(11)	19	17	13	15
Trade-related	17	15	20	10	7	35	8
Guarantees	9	10	(5)	5	5	10	4
Investment banking	9	5	93	3	3	(3)	7
Service charges	24	23	2	11	13	(12)	12
Others	3	3	7	1	1	(16)	2
Total	232	170	37	117	88	34	115
Dividends	65	30	114	21	20	4	44
Rental income	36	29	24	18	14	34	18
Income from insurance ^{2/}	26	–	n.m.	26	–	n.m.	–
Other income							
Dealing in foreign exchange	37	31	22	18	17	6	19
Dealing in securities and derivatives	(13)	28	n.m.	49	16	208	(62)
Disposal of investment securities	6	3	97	1	4	(83)	5
Disposal of properties	1	–	n.m.	1	–	n.m.	–
Others	36	30	18	15	17	(7)	21
Total	68	92	(27)	84	53	58	(17)
Total non-interest income	428	322	33	267	174	53	161
Fees and Commissions/Total Income	19.8%	16.5%		18.1%	16.5%		21.9%
Non-Interest Income/Total Income	36.5%	31.3%		41.2%	32.9%		30.6%

^{1/} From sales of unit trusts, bancassurance products and structured deposits and notes

^{2/} Comprise profit from life assurance and net earned premiums from general insurance

Total non-interest income increased 33% year-on-year to S\$428 million in the first half of 2004, reflecting the strong growth in wealth management income (from the sale of unit trusts, bancassurance and structured deposits) as well as higher stockbroking, investment banking, fund management, trade-related and credit card income. Non-interest income contribution from GEH as a subsidiary for the month of June amounted to S\$35 million, of which S\$26 million was income from insurance and the remaining S\$9 million mainly dividend and fund management income. Dividend income surged by S\$35 million in the first half of this year primarily due to a special dividend of S\$29 million (S\$23 million net of tax) from Robinson & Company, Limited.

Income from dealing in foreign exchange also registered healthy increase of 22% year-on-year to S\$37 million, driven by higher turnover in commercial foreign exchange activities.

Dealing in securities and derivatives recorded a loss of S\$13 million in the first half of 2004. This was mainly due to unrealised revaluation losses on interest rate swaps arising from the sustained fall in interest rates during the first quarter. The first quarter losses were however substantially offset by the S\$49 million gains recorded in the second quarter of 2004 when interest rates moved higher.

Operating Expenses

	1st Half 2004	1st Half 2003	+ / (-)	2nd Qtr 2004	2nd Qtr 2003	+ / (-)	1st Qtr 2004
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Staff costs	251	238	5	131	119	10	120
Premises and equipment							
Depreciation of fixed assets	30	46	(35)	15	29	(47)	15
Amortisation of computer software costs	13	10	37	7	5	54	6
Maintenance and hire of fixed assets	15	21	(30)	8	13	(42)	7
Rental expenses	9	9	(6)	4	4	(1)	4
Others	35	36	(2)	19	20	(6)	16
Total	<u>102</u>	<u>122</u>	(16)	<u>54</u>	<u>72</u>	(25)	<u>48</u>
Other operating expenses	88	64	38	51	33	56	37
Total operating expenses	<u>441</u>	<u>424</u>	4	<u>236</u>	<u>223</u>	6	<u>206</u>
Group staff strength – period end	10,095	7,289	38	10,095	7,289	38	7,525
Group staff strength – average	7,946	7,327	8	8,397	7,320	15	7,495
Cost-to-income ratio	37.6%	41.2%		36.4%	42.1%		39.1%

Total operating expenses increased by 4% or S\$17 million to S\$441 million in first half of 2004. Excluding the consolidation of GEH which contributed S\$5 million to the increase (of which S\$2 million was staff costs), total expenses rose by 3% or S\$12 million. The increase was mainly attributable to higher staff costs and business promotion expenses, partially offset by lower premises and equipment expenses. The higher staff costs reflected the increase in average headcount primarily to meet growing business needs, while lower premises and equipment expenses was the result of a S\$10 million one time fixed assets write-off in the second quarter of 2003.

Expenses in the second quarter of 2004 were relatively higher compared to second quarter 2003 and the first quarter of 2004, increasing by 3% and 12% respectively excluding the effect of GEH. The steeper increase compared to first quarter 2004 was a result of higher staff costs arising from annual increments and recruitment of employees primarily to support the higher business volumes. Promotions and marketing costs as well as technology-related expenses also gained momentum with the increased business initiatives undertaken.

With stronger growth in revenue compared to expenses, the cost-to-income ratio improved from 41.2% in the first half 2003 to 37.6% this half year.

Following the consolidation of GEH, the Group's headcount increased to 10,095 in June 2004, including 2,471 headcount from GEH.

Provision Charge

	1st Half 2004	1st Half 2003	+ / (-)	2nd Qtr 2004	2nd Qtr 2003	+ / (-)	1st Qtr 2004
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Specific provision for loan losses							
– Singapore	40	120	(67)	17	65	(73)	22
– Malaysia	3	38	(93)	7	6	11	(4)
– Other regional countries	(7)	(18)	n.m.	(1)	(15)	n.m.	(6)
– Others	(11)	(23)	n.m.	(8)	(10)	n.m.	(3)
Sub-Total	25	117	(79)	16	47	(66)	9
General provision for loan losses							
– Five regional countries ^{1/}	–	(31)	n.m.	–	–	n.m.	–
– Singapore & others	1	1	4	(1)	1	n.m.	2
	1	(30)	n.m.	(1)	1	n.m.	2
Specific provision for diminution in value of investment securities and other assets	17	47	(64)	7	22	(68)	10
Total provision charge	43	134	(68)	22	70	(68)	20

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

Total provisions for the first half of 2004 amounted to S\$43 million, a decline from S\$134 million in first half 2003.

The bulk of the reduction in provisions came from lower specific provisions for loans, which fell from S\$117 million to S\$25 million. This reflects the improvement in the Group's overall credit processes and quality of the loan portfolio on the back of stronger economic conditions in Singapore and Malaysia.

Specific provisions for diminution in value of investment securities, properties and other assets also registered a decline from S\$47 million to S\$17 million mainly due to improved market valuation of investment securities.

A general provision for loan losses of S\$1 million was made in the first half of 2004 compared to a write-back of S\$30 million in the same period last year.

Loans and Advances

	<u>30 Jun 2004</u>	<u>31 Dec 2003</u>	<u>+ / (-)</u>	<u>30 Jun 2003</u>
	S\$m	S\$m	%	S\$m
Loans to customers	54,227	52,159	4	50,970
Bills receivable	447	429	4	276
Gross loans to customers	<u>54,675</u>	<u>52,589</u>	4	<u>51,245</u>
Less Provisions:				
Specific provisions	1,166	1,251	(7)	1,260
General provisions	1,186	1,183	0	1,184
	<u>52,323</u>	<u>50,155</u>	4	<u>48,801</u>

Gross loans to customers rose by 4% over December 2003, and by 7% year-on-year, to S\$54.68 billion as at the end of June 2004. The growth was underpinned by growth in housing loans, which increased by 7% from December 2003 to S\$16.48 billion in June 2004. Loans to the transport and communication, non-bank financial institutions and investment holding, and general commerce sectors increased by 8%, 7% and 10% respectively over the same period.

	<u>30 Jun 2004</u>		<u>31 Dec 2003</u>		<u>30 Jun 2003</u>	
	S\$m	%	S\$m	%	S\$m	%
<u>By Maturity</u>						
Less than 7 days	7,938	14	8,266	16	8,488	17
1 week to 1 month	3,460	6	3,037	6	3,893	8
Over 1 to 3 months	3,725	7	3,128	6	2,789	5
Over 3 to 12 months	5,264	10	5,245	10	4,636	9
Over 1 to 3 years	9,898	18	9,686	18	9,587	19
Over 3 years	24,390	45	23,227	44	21,852	42
	<u>54,675</u>	<u>100</u>	<u>52,589</u>	<u>100</u>	<u>51,245</u>	<u>100</u>
<u>By Industry</u>						
Agriculture, mining & quarrying	594	1	519	1	522	1
Transport, storage and communication	1,649	3	1,525	3	1,588	3
Building and construction	7,031	13	7,302	14	7,825	15
Manufacturing	3,239	6	3,265	6	3,373	7
Financial institutions, investment and holding companies	9,575	18	8,924	17	8,845	17
General commerce ^{1/}	4,275	8	3,871	7	4,061	8
Professionals and individuals	8,203	15	8,129	15	7,976	16
Housing loans	16,477	30	15,382	29	13,561	26
Others ^{1/}	3,632	6	3,672	8	3,495	7
	<u>54,675</u>	<u>100</u>	<u>52,589</u>	<u>100</u>	<u>51,245</u>	<u>100</u>

^{1/} Gross customer loans to hotels and restaurants for prior periods were reclassified from "Others" to "General Commerce" to be in line with the revised Notice MAS 610 to Banks

Non-Performing Loans

By grading, security coverage and countries

	Total NPLs ^{1/}	Substandard NPLs	Doubtful NPLs	Loss NPLs	Secured NPLs as % of total NPLs	Non-bank NPLs as % of non-bank loans ^{2/}
	S\$m	S\$m	S\$m	S\$m	%	%
Malaysia						
30 Jun 2004	1,028	703	251	74	67.5	10.6
31 Mar 2004	1,040	689	252	99	67.6	11.2
31 Dec 2003	1,068	699	126	243	69.3	11.3
30 Jun 2003	1,219	819	167	233	70.6	13.6
Other Four Regional Countries						
30 Jun 2004	128	14	93	20	21.3	24.7
31 Mar 2004	127	14	93	20	22.2	29.8
31 Dec 2003	140	17	100	24	22.8	30.8
30 Jun 2003	176	22	128	27	27.4	33.6
Total Regional Countries						
30 Jun 2004	1,156	717	344	95	62.4	11.4
31 Mar 2004	1,167	703	345	119	62.7	12.1
31 Dec 2003	1,208	716	225	267	63.9	12.4
30 Jun 2003	1,396	841	295	260	65.2	14.9
Singapore						
30 Jun 2004	2,150	1,484	459	207	63.3	5.4
31 Mar 2004	2,266	1,589	482	194	63.3	5.8
31 Dec 2003	2,389	1,725	498	166	65.0	6.2
30 Jun 2003	2,480	1,754	576	149	69.9	6.6
Others						
30 Jun 2004	206	127	78	1	62.5	3.3
31 Mar 2004	212	138	73	–	59.8	3.7
31 Dec 2003	237	155	82	–	53.0	3.6
30 Jun 2003	240	131	109	1	40.7	3.3
Group Total						
30 Jun 2004	3,512	2,328	881	303	63.0	6.1
31 Mar 2004	3,644	2,431	901	313	62.9	6.6
31 Dec 2003	3,834	2,596	805	433	63.9	6.9
30 Jun 2003	4,115	2,726	980	410	66.6	7.5

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

^{2/} Excluding debt securities

As at 30 June 2004, total non-performing loans amounted to S\$3.51 billion, a reduction of S\$322 million or 8% from 31 December 2003. The decrease came mainly from Singapore NPLs, where the recoveries, repayments and write-offs more than offset new NPLs classified during the first half.

Singapore NPLs amounted to S\$2.15 billion and accounted for 61% of the Group's total NPLs, while Malaysia NPLs of S\$1.03 billion made up 29%. Of the total NPLs, 66.3% were in the substandard category while 63.0% were secured by collateral.

The ratio of NPLs to non-bank loans was 6.1% as at 30 June 2004, down from 6.9% at the end of 2003. The Singapore NPL ratio improved from 6.2% to 5.4%, while the Malaysia NPL ratio improved from 11.3% to 10.6% over the same period.

	30 Jun 2004		31 Dec 2003		30 Jun 2003	
	Amount S\$m	As % of Gross Customer Loans	Amount S\$m	As % of Gross Customer Loans	Amount S\$m	As % of Gross Customer Loans
By industry						
Agriculture, mining & quarrying	47	7.9	33	6.2	38	7.3
Transport, storage and communication	116	7.0	131	8.6	150	9.4
Building and construction	694	9.9	753	10.3	707	9.0
Manufacturing	462	14.3	497	15.2	572	17.0
Financial institutions, investment and holding companies	493	5.1	524	5.9	678	7.7
General commerce ^{1/}	540	12.6	620	16.0	643	15.8
Professionals and individuals	574	7.0	600	7.4	535	6.7
Housing loans	220	1.3	223	1.4	229	1.7
Others ^{1/}	202	5.6	246	6.7	304	8.7
Sub-total	3,348	6.1	3,626	6.9	3,856	7.5
Debt securities	164		208		259	
Total	3,512	6.4	3,834	7.3	4,115	8.0

^{1/} Gross customer loans to hotels and restaurants for prior periods were reclassified from "Others" to "General Commerce" to be in line with the revised Notice MAS 610 to Banks

	30 Jun 2004		31 Dec 2003		30 Jun 2003	
	S\$m	%	S\$m	%	S\$m	%
By period overdue						
Over 180 days	2,113	61	2,223	58	2,446	60
Over 90 to 180 days	223	6	302	8	291	7
Over 30 to 90 days	150	4	242	6	303	7
Less than 30 days	110	3	136	4	130	3
No overdue	916	26	931	24	945	23
	3,512	100	3,834	100	4,115	100

Cumulative Provisions

	Total cumulative provisions ^{1/}	Specific provisions	General provisions	Specific provisions as % of total NPLs	Cumulative provisions as % of total NPLs	Cumulative provisions as % of unsecured NPLs
	S\$m	S\$m	S\$m	%	%	%
Malaysia						
30 Jun 2004	730	365	366	35.5	71.0	218.6
31 Mar 2004	754	392	362	37.6	72.4	223.9
31 Dec 2003	766	402	363	37.6	71.7	233.3
30 Jun 2003	786	417	368	34.2	64.4	219.3
Other Four Regional Countries						
30 Jun 2004	330	118	213	91.9	258.2	328.1
31 Mar 2004	329	116	213	91.6	259.5	333.7
31 Dec 2003	340	127	213	90.9	242.8	314.7
30 Jun 2003	358	145	213	82.6	203.3	280.0
Total Regional Countries						
30 Jun 2004	1,061	482	578	41.7	91.8	244.0
31 Mar 2004	1,083	508	575	43.5	92.8	248.8
31 Dec 2003	1,106	529	576	43.8	91.5	253.4
30 Jun 2003	1,144	563	581	40.3	82.0	235.3
Singapore						
30 Jun 2004	1,243	731	512	34.0	57.8	157.8
31 Mar 2004	1,276	763	513	33.7	56.3	153.3
31 Dec 2003	1,282	771	511	32.3	53.7	153.5
30 Jun 2003	1,259	752	507	30.3	50.8	168.8
Others						
30 Jun 2004	169	74	95	35.7	82.0	218.7
31 Mar 2004	175	80	95	38.0	82.7	205.5
31 Dec 2003	179	84	95	35.5	75.7	161.1
30 Jun 2003	199	104	95	43.5	83.1	140.1
Group Total						
30 Jun 2004	2,473	1,287	1,186	36.6	70.4	190.3
31 Mar 2004	2,534	1,351	1,183	37.1	69.5	187.3
31 Dec 2003	2,568	1,385	1,183	36.1	67.0	185.6
30 Jun 2003	2,603	1,419	1,184	34.5	63.2	189.4

^{1/} Include provisions for classified debt securities

The Group's provision coverage remains high. Total cumulative specific and general provisions amounted to S\$2.47 billion as at 30 June 2004, representing 70.4% of NPLs (December 2003: 67.0%) while cumulative specific provisions covered 99.0% of unsecured NPLs (December 2003: 100.1%). Cumulative general provisions were 2.2% (December 2003: 2.3%) 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 & investments in subsidiaries/branches	Net Exposure	
	Bank	Central Bank & Government	Non-Bank				Total	% of Group assets
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	%
Malaysia								
30 Jun 2004	3,755	3,955	8,654	662	17,027	2,808	14,218	15.8
31 Mar 2004	2,853	4,115	8,092	579	15,640	2,371	13,269	15.2
31 Dec 2003	2,954	3,210	8,164	579	14,907	2,494	12,413	14.7
30 Jun 2003	2,473	3,096	7,615	615	13,799	1,926	11,873	13.8
Indonesia								
30 Jun 2004	59	133	329	187	708	76	632	0.7
31 Mar 2004	98	137	274	68	577	70	506	0.6
31 Dec 2003	91	121	285	68	566	68	498	0.6
30 Jun 2003	101	124	326	69	620	79	541	0.6
Thailand								
30 Jun 2004	111	42	77	10	239	53	186	0.2
31 Mar 2004	50	38	76	–	164	47	118	0.1
31 Dec 2003	70	46	87	–	203	55	148	0.2
30 Jun 2003	76	35	98	–	209	60	149	0.2
Korea								
30 Jun 2004	499	49	253	27	829	32	797	0.9
31 Mar 2004	500	34	132	–	665	27	638	0.7
31 Dec 2003	387	34	111	–	532	26	505	0.6
30 Jun 2003	331	44	68	–	443	28	416	0.5
Philippines								
30 Jun 2004	27	33	43	5	109	1	108	0.1
31 Mar 2004	17	16	34	1	68	1	67	0.1
31 Dec 2003	35	16	38	1	90	1	89	0.1
30 Jun 2003	45	17	22	1	85	1	84	0.1
Total Regional Countries								
30 Jun 2004	4,452	4,212	9,357	892	18,912	2,970	15,942	17.7
31 Mar 2004	3,519	4,339	8,608	649	17,114	2,516	14,599	16.8
31 Dec 2003	3,536	3,428	8,686	648	16,298	2,646	13,652	16.2
30 Jun 2003	3,025	3,317	8,130	685	15,157	2,094	13,063	15.1
Hong Kong								
30 Jun 2004	312	11	1,408	79	1,810	9	1,801	2.0
31 Mar 2004	262	17	1,241	19	1,539	9	1,530	1.8
31 Dec 2003	421	28	1,274	19	1,742	9	1,733	2.1
30 Jun 2003	349	29	1,365	21	1,765	9	1,756	2.0
China								
30 Jun 2004	816	13	1,246	4	2,080	525	1,555	1.7
31 Mar 2004	624	11	960	3	1,598	435	1,163	1.3
31 Dec 2003	592	7	891	3	1,493	370	1,123	1.3
30 Jun 2003	638	8	779	9	1,434	393	1,041	1.2
Total								
30 Jun 2004	5,580	4,236	12,011	975	22,802	3,504	19,298	21.4
31 Mar 2004	4,404	4,367	10,809	671	20,251	2,960	17,291	19.8
31 Dec 2003	4,549	3,463	10,851	670	19,533	3,024	16,508	19.5
30 Jun 2003	4,013	3,354	10,274	715	18,356	2,496	15,860	18.4

Note: The exposure table above excludes GEH's life fund assets

As at 30 June 2004, Group net exposure (excluding the exposure under GEH's life fund) to the five regional countries – Malaysia, Indonesia, Thailand, South Korea and Philippines – stood at S\$15.94 billion (December 2003: S\$13.65 billion), representing 17.7% of the Group's assets excluding the life fund. The increase came mainly from Malaysia, which accounted for 15.8% of Group assets. Net exposure to Hong Kong and China increased by 18% to S\$3.36 billion and accounted for 3.7% of Group assets, mainly due to increased exposure in China.

Deposits

	<u>30 Jun 2004</u> S\$m	<u>31 Dec 2003</u> S\$m	+ / (-) %	<u>30 Jun 2003</u> S\$m
Deposits of non-bank customers	57,215	53,460	7	54,760
Deposits and balances of banks	<u>13,219</u>	<u>12,480</u>	6	<u>13,436</u>
	<u>70,433</u>	<u>65,940</u>	7	<u>68,196</u>
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	91.5%	93.8%		89.1%

Compared to 31 December 2003, total deposits increased by 7% during the first six months of 2004 to S\$70.4 billion. Non-bank customer deposits, which accounted for 81.2% of total deposits, rose by 7% mainly due to higher fixed deposits and current account balances.

The Group's loans-to-deposits ratio was 91.5% as at 30 June 2004, marginally lower than 93.8% as at end of 2003.

	<u>30 Jun 2004</u>		<u>31 Dec 2003</u>		<u>30 Jun 2003</u>	
	S\$m	%	S\$m	%	S\$m	%
<u>Total Deposits By Maturity</u>						
Less than 7 days	31,389	45	28,489	43	29,942	43
1 week to 1 month	17,798	25	17,898	27	16,085	24
Over 1 to 3 months	9,933	14	9,420	14	9,258	14
Over 3 to 12 months	9,140	13	9,091	14	11,647	17
Over 1 to 3 years	676	1	617	1	922	1
Over 3 years	<u>1,497</u>	<u>2</u>	<u>425</u>	<u>1</u>	<u>342</u>	<u>1</u>
	<u>70,433</u>	<u>100</u>	<u>65,940</u>	<u>100</u>	<u>68,196</u>	<u>100</u>
<u>Non-Bank Deposits By Product</u>						
Fixed deposits	36,390	63	34,273	64	35,947	66
Savings deposits	11,247	20	11,131	21	11,251	21
Current account	6,832	12	6,108	11	5,726	10
Others	<u>2,746</u>	<u>5</u>	<u>1,948</u>	<u>4</u>	<u>1,836</u>	<u>3</u>
	<u>57,215</u>	<u>100</u>	<u>53,460</u>	<u>100</u>	<u>54,760</u>	<u>100</u>

Capital Adequacy Ratios

	30 Jun 2004	31 Mar 2004	31 Dec 2003	30 Jun 2003
	S\$m	S\$m	S\$m	S\$m
Tier 1 Capital				
Paid-up ordinary and preference shares	1,336	1,285	1,284	1,291
Disclosed reserves/others	10,252	8,902	8,791	8,285
Less: Goodwill/Others	3,093	2,056	2,089	2,154
	<u>8,495</u>	<u>8,131</u>	<u>7,986</u>	<u>7,422</u>
Tier 2 Capital				
Cumulative general provisions	844	792	777	767
Hybrid (debt/equity) capital instruments	3,859	3,858	3,857	3,856
	<u>4,703</u>	<u>4,650</u>	<u>4,634</u>	<u>4,623</u>
Less: Capital investments in insurance subsidiary	929	–	–	–
Less: Others	324	1,183	1,165	1,070
Total Capital	<u>11,945</u>	<u>11,598</u>	<u>11,455</u>	<u>10,975</u>
Risk weighted assets including market risk	67,483	63,372	62,178	61,343
Tier 1 ratio	12.6%	12.8%	12.8%	12.1%
Total capital adequacy ratio	17.7%	18.3%	18.4%	17.9%

Note:

Capital adequacy ratio is calculated in accordance with the MAS Notice 637 to Banks and the ratios for prior periods have been restated accordingly

The total capital adequacy ratio (CAR) of the Group, calculated in accordance with the revised capital framework as set out in the MAS Notice 637, remained strong at 17.7% as at 30 June 2004, while the Group's Tier 1 capital ratio was 12.6%.

Under the revised MAS capital framework, for the purpose of determining total CAR at the Group level, the assets and liabilities of insurance subsidiaries (defined as entities engaged in insurance business) are de-consolidated from the assets and liabilities of the banking group. Goodwill relating to the acquisition of the additional stake in GEH is deducted from Group Tier 1 capital, while the capital investments in insurance entities are deducted from total capital.

A total of 130.8 million new OCBC ordinary shares were issued during the second quarter of 2004 for the settlement of valid acceptances by GEH shareholders and GEH optionholders for the Offer. Another 5.4 million new OCBC shares were issued on 9 July 2004 for the final settlement of valid acceptances, bringing the total number of new OCBC shares issued pursuant to the Offer to 136.2 million. This addition to share capital was partly offset by the cancellation of 80.2 million OCBC shares held by GEH, for a cash distribution of S\$991 million, under the Selective Capital Reduction exercise which was completed on 28 May 2004. The Group's issued ordinary share capital as at the end of July 2004 was 1,338.2 million, compared to 1,332.6 million as at 30 June 2004 and 1,280.9 million as at 31 March 2004.

Valuation Surplus

	30 Jun 2004			31 Dec 2003			30 Jun 2003		
	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	1,244	2,614	1,370	1,274	2,664	1,390	1,325	2,821	1,496
Equity securities ^{1/}	1,173	3,371	2,198	1,466	3,499	2,033	1,450	3,294	1,844
Debt securities ^{2/}	14,346	14,444	98	13,438	13,587	149	13,021	13,299	278
Total	16,763	20,429	3,666	16,178	19,750	3,572	15,796	19,414	3,618

^{1/} Includes investment in quoted subsidiary GEH

^{2/} Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$3.67 billion as at 30 June 2004, of which properties accounted for S\$1.37 billion or 37% of the surplus while equity securities accounted for S\$2.20 billion or 60%. Compared to 31 December 2003, this was an increase of S\$94 million mainly due to appreciation in the value of equity securities.

Performance by Geographical Segment

	1st Half 2004		1st Half 2003		2nd Qtr 2004		2nd Qtr 2003		1st Qtr 2004	
	S\$m	%	S\$m	%	S\$m	%	S\$m	%	S\$m	%
Income before operating expenses										
Singapore	913	78	791	77	510	79	407	77	403	77
Malaysia	192	16	161	15	105	16	80	15	87	16
Other ASEAN	8	1	9	1	4	1	5	1	4	1
Asia Pacific	42	4	50	5	20	3	29	5	23	4
Rest of the world	17	1	18	2	8	1	9	2	9	2
	1,172	100	1,029	100	647	100	530	100	526	100
Profit before tax										
Singapore	548	75	393	79	309	77	221	78	239	72
Malaysia	135	18	56	11	67	17	35	12	68	21
Other ASEAN	9	1	4	1	5	1	3	1	4	1
Asia Pacific	26	4	32	6	14	4	18	6	12	4
Rest of the world	12	2	12	2	6	1	6	2	6	2
	730	100	497	100	401	100	283	100	329	100
Total assets										
					30 Jun 2004		31 Dec 2003		30 Jun 2003	
					S\$m	%	S\$m	%	S\$m	%
Singapore					88,021	75	65,267	77	67,382	79
Malaysia					22,142	19	11,579	14	10,855	12
Other ASEAN					539	0	347	0	366	0
Asia Pacific					5,033	4	4,729	6	4,748	6
Rest of the world					2,254	2	2,575	3	2,942	3
					117,988	100	84,497	100	86,293	100

The geographical analysis is based on the location where the assets or transactions are booked. 93% of the Group's profit before tax in the first half of 2004 was derived from Singapore and Malaysia operations. Other contributions were mainly from Greater China operations.

With the consolidation of GEH, assets in Malaysia increased from 14% of total assets in December 2003 to 19% in June 2004.

Appendix I

Consolidated Income Statement (Unaudited)

	1st Half 2004	1st Half 2003	+ / (-)	2nd Qtr 2004	2nd Qtr 2003	+ / (-)	1st Qtr 2004
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000
Interest income	1,216,915	1,196,007	1.7	618,635	590,848	4.7	598,280
Less: Interest expense	472,212	488,673	(3.4)	238,538	235,081	1.5	233,674
Net interest income	744,703	707,334	5.3	380,097	355,767	6.8	364,606
Fees and commissions	232,488	169,952	36.8	117,347	87,653	33.9	115,141
Dividends	65,187	30,412	114.3	20,725	19,880	4.3	44,462
Rental income	36,124	29,182	23.8	18,165	13,564	33.9	17,959
Income from insurance	26,408	–	n.m.	26,408	–	n.m.	–
Other income	67,586	92,488	(26.9)	84,202	53,326	57.9	(16,616)
Non-interest income	427,793	322,034	32.8	266,847	174,423	53.0	160,946
Income before operating expenses	1,172,496	1,029,368	13.9	646,944	530,190	22.0	525,552
Less: Staff costs	250,989	238,070	5.4	131,028	118,967	10.1	119,961
Other operating expenses	190,352	186,214	2.2	104,693	104,266	0.4	85,659
	441,341	424,284	4.0	235,721	223,233	5.6	205,620
Operating profit before provisions and goodwill amortisation	731,155	605,084	20.8	411,223	306,957	34.0	319,932
Less: Goodwill amortisation	67,838	63,298	7.2	36,175	31,654	14.3	31,663
Provision for possible loan losses and diminution in value of other assets	42,551	133,671	(68.2)	22,181	69,904	(68.3)	20,370
Operating profit after provisions and goodwill amortisation	620,766	408,115	52.1	352,867	205,399	71.8	267,899
Share of profits less losses of associated companies	109,440	89,204	22.7	47,902	77,992	(38.6)	61,538
Profit before tax	730,206	497,319	46.8	400,769	283,391	41.4	329,437
Less: Tax	134,510	89,272	50.7	75,584	41,845	80.6	58,926
Share of tax of associated companies	27,912	23,579	18.4	13,683	16,812	(18.6)	14,229
	162,422	112,851	43.9	89,267	58,657	52.2	73,155
Profit after tax	567,784	384,468	47.7	311,502	224,734	38.6	256,282
Less: Minority interests	8,582	756	n.m.	8,082	436	n.m.	500
Profit attributable to shareholders	559,202	383,712	45.7	303,420	224,298	35.3	255,782

Appendix II

Consolidated Balance Sheet (Unaudited)

	30 Jun 2004 S\$'000	31 Mar 2004 S\$'000	31 Dec 2003 S\$'000	30 Jun 2003 S\$'000
SHAREHOLDERS' EQUITY				
Share Capital				
Authorised	3,014,205	2,010,835	2,010,838	2,010,845
Issued and fully paid	1,336,567	1,284,926	1,284,084	1,291,402
Reserves				
Capital reserves	3,000,937	2,335,742	2,329,076	2,222,344
Statutory reserves	1,908,285	1,869,783	1,854,303	1,963,914
Revenue reserves	4,901,860	4,810,371	4,591,450	4,081,313
Total shareholders' equity	11,147,649	10,300,822	10,058,913	9,558,973
MINORITY INTERESTS	441,892	20,347	19,879	19,625
LIABILITIES				
Deposits of non-bank customers	57,214,568	54,278,997	53,459,680	54,760,025
Deposits and balances of banks	13,218,770	13,921,214	12,480,794	13,435,621
Deposits of associated companies	175,154	1,557,512	1,457,708	1,104,889
Bills payable	202,503	238,702	185,233	269,873
Current tax	497,247	363,640	327,667	291,428
Deferred tax	71,280	65,738	76,043	102,336
Other liabilities	2,471,605	2,426,704	2,421,286	2,741,259
Debt securities	4,796,415	3,941,288	4,010,223	4,009,344
	90,237,083	87,114,964	84,497,426	86,293,373
Life assurance fund	27,751,198	–	–	–
Total liabilities and shareholders' equity	117,988,281	87,114,964	84,497,426	86,293,373
ASSETS				
Cash and placements with central banks	7,869,936	6,571,753	4,035,863	2,689,744
Singapore government treasury bills and securities	5,636,812	5,609,303	6,151,111	6,088,419
Other government treasury bills and securities	1,498,280	1,492,398	1,054,618	1,175,785
Dealing securities	375,908	322,274	235,541	440,019
Placements with and loans to banks	7,593,669	9,359,509	9,649,818	14,690,805
Loans to customers (including bills receivable)	52,322,842	50,601,105	50,155,117	48,801,295
Investment securities	7,651,263	6,246,497	6,294,827	5,690,035
Deferred tax	49,481	52,240	53,670	75,009
Other assets	2,371,926	2,217,641	2,182,934	1,924,766
Associated companies	388,855	1,199,182	1,177,137	1,077,105
Property, plant and equipment	1,397,725	1,402,671	1,434,736	1,504,943
Goodwill and intangible assets	3,080,386	2,040,391	2,072,054	2,135,448
	90,237,083	87,114,964	84,497,426	86,293,373
Life fund net assets attributable to policyholders	27,751,198	–	–	–
Total assets	117,988,281	87,114,964	84,497,426	86,293,373
OFF-BALANCE SHEET ITEMS				
Contingent liabilities	6,434,429	6,079,710	5,829,577	5,661,392
Commitments	30,188,720	28,365,997	27,261,292	30,315,298
Financial derivatives	218,365,148	199,881,316	191,246,606	157,900,872
	254,988,297	234,327,023	224,337,475	193,877,562

Appendix III

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

For the half year ended 30 June

	Share Capital	Capital Reserves	Statutory Reserves	Revenue Reserves	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2004	1,284,084	2,329,076	1,854,303	4,591,450	10,058,913
Profit attributable to shareholders	–	–	–	559,202	559,202
Foreign currency translation gains/(losses) not recognised in the income statements	–	–	–	(3,278)	(3,278)
Total recognised gains for the financial period	–	–	–	555,924	555,924
Transfers	–	1,025	24,279	(25,304)	–
Reserves arising from acquisition of additional interests in GEH	–	–	29,703	48,433	78,136
Class E preference dividends paid	–	–	–	(11,281)	(11,281)
Class G preference dividends paid	–	–	–	(8,335)	(8,335)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Shares issued pursuant to voluntary unconditional offer	130,847	1,441,041	–	–	1,571,888
Shares issued under Share Option Schemes	1,828	15,091	–	–	16,919
Balance at 30 June 2004	1,336,567	3,000,937	1,908,285	4,901,860	11,147,649
Comprise:					
Share of reserves of associated companies	–	20,628	–	86,743	107,371
Balance at 1 January 2003	1,290,299	1,505,515	1,936,244	4,492,164	9,224,222
Profit attributable to shareholders	–	–	–	383,712	383,712
Foreign currency translation gains/(losses) not recognised in the income statements	–	–	–	38,592	38,592
Total recognised gains for the financial period	–	–	–	422,304	422,304
Transfers	–	3,170	27,670	(30,840)	–
Class E preference shares issued for cash	50	499,950	–	–	500,000
Class E preference dividends paid	–	–	–	(8,815)	(8,815)
Class G preference shares to be issued in lieu of special cash dividends	–	208,264	–	(208,264)	–
Expense relating to the issue of preference shares	–	(1,163)	–	–	(1,163)
Final dividends paid to ordinary stockholders	–	–	–	(151,081)	(151,081)
Special dividends payable to ordinary stockholders	–	–	–	(434,155)	(434,155)
Shares issued under Share Option Schemes	1,053	6,608	–	–	7,661
Balance at 30 June 2003	1,291,402	2,222,344	1,963,244	4,081,313	9,558,973
Comprise:					
Share of reserves of associated companies	–	20,691	–	908,823	929,514

Appendix IV

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

For the quarter ended 30 June

	Share Capital	Capital Reserves	Statutory Reserves	Revenue Reserves	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 April 2004	1,284,926	2,335,742	1,869,783	4,810,371	10,300,822
Profit attributable to shareholders	–	–	–	303,420	303,420
Foreign currency translation gains/(losses) not recognised in the income statements	–	–	–	18,079	18,079
Total recognised gains for the financial period	–	–	–	321,499	321,499
Transfers	–	1,001	8,799	(9,800)	–
Reserves arising from acquisition of additional interests in GEH	–	–	29,703	48,433	78,136
Class E preference dividends paid	–	–	–	(11,281)	(11,281)
Class G preference dividends paid	–	–	–	(8,335)	(8,335)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Shares issued pursuant to voluntary unconditional offer	130,847	1,441,041	–	–	1,571,888
Shares issued under Share Option Schemes	986	8,449	–	–	9,435
Balance at 30 June 2004	1,336,567	3,000,937	1,908,285	4,901,860	11,147,649
Comprise:					
Share of reserves of associated companies	–	20,628	–	86,743	107,371
Balance at 1 April 2003	1,290,466	2,006,264	1,946,605	4,664,060	9,907,395
Profit attributable to shareholders	–	–	–	224,298	224,298
Foreign currency translation gains/(losses) not recognised in the income statements	–	–	–	14,666	14,666
Total recognised gains for the financial period	–	–	–	238,964	238,964
Transfers	–	2,087	17,309	(19,396)	–
Class E preference dividends paid	–	–	–	(8,815)	(8,815)
Class G preference shares to be issued in lieu of special cash dividends	–	208,264	–	(208,264)	–
Expense relating to the issue of preference shares	–	(165)	–	–	(165)
Final dividends paid to ordinary stockholders	–	–	–	(151,081)	(151,081)
Special dividends payable to ordinary stockholders	–	–	–	(434,155)	(434,155)
Shares issued under Share Option Schemes	936	5,894	–	–	6,830
Balance at 30 June 2003	1,291,402	2,222,344	1,963,914	4,081,313	9,558,973
Comprise:					
Share of reserves of associated companies	–	20,691	–	908,823	929,514

Appendix V

Consolidated Cash Flow Statement (Unaudited)

For the half year ended 30 June

	Six months ended	
	Jun 2004	Jun 2003
	S\$'000	S\$'000
Cash flows from operating activities		
Operating profit before provisions and goodwill amortisation	731,155	605,084
<u>Adjustments for non-cash items</u>		
Amortisation of computer software costs	13,237	9,640
Depreciation of property, plant and equipment	30,213	46,403
(Gains)/losses on disposal of investment securities	(6,042)	(3,062)
(Gains)/losses on disposal of property, plant and equipment	(1,793)	748
Operating profit before changes in operating assets and liabilities	<u>766,770</u>	<u>658,813</u>
<u>Increase/(decrease) in operating liabilities</u>		
Deposits of non-bank customers	2,472,334	463,012
Deposits and balances of banks	737,976	814,472
Bills payable and other liabilities	(181,693)	261,858
<u>(Increase)/decrease in operating assets</u>		
Dealing securities	(123,398)	(266,943)
Placements with and loans to banks	2,563,748	(231,837)
Loans to customers and bills receivable	(1,639,924)	(1,509,392)
Other assets	168,570	110,457
Cash provided by/(used in) operating activities	4,764,383	300,440
Income tax paid	(154,608)	(154,023)
Net cash provided by/(used in) operating activities	<u>4,609,775</u>	<u>146,417</u>
Cash flows from investing activities		
Acquisition of an associated company	(118,334)	–
Dividends from associated companies	58,658	29,190
Decrease/(increase) in associated companies	85	6,167
Net cash inflow/(outflow) from acquisition of additional interests in subsidiary companies	9,897	(288)
Purchase of investment securities	(1,444,705)	(1,115,279)
Purchase of property, plant and equipment	(28,649)	(25,406)
Proceeds from disposal of investment securities	1,001,004	717,621
Proceeds from disposal of property, plant and equipment	10,937	7,683
Net cash provided by/(used in) investing activities	<u>(511,107)</u>	<u>(380,312)</u>
Cash flows from financing activities		
Increase/(decrease) in debt securities	784,562	(6,584)
Dividends paid	(142,643)	(159,896)
Net proceeds from issue of preference shares	–	498,837
Proceeds from issue of ordinary shares	16,919	7,661
Selective capital reduction	(991,488)	–
Change in minority interests and dividends paid to minority interests	–	(47)
Net cash provided by/(used in) financing activities	<u>(332,650)</u>	<u>339,971</u>
Net foreign currency translation adjustments	<u>(3,278)</u>	<u>38,592</u>
Net change in cash and cash equivalents	3,762,740	144,668
Cash and cash equivalents as at 1 January	10,697,579	9,809,280
Cash and cash equivalents as at 30 June	14,460,319	9,953,948

Appendix VI

Consolidated Cash Flow Statement (Unaudited)

For the quarter ended 30 June

	Three months ended	
	Jun 2004	Jun 2003
	S\$'000	S\$'000
Cash flows from operating activities		
Operating profit before provisions and goodwill amortisation	411,223	306,957
<u>Adjustments for non-cash items</u>		
Amortisation of computer software costs	7,474	4,863
Depreciation of property, plant and equipment	15,386	29,115
(Gains)/losses on disposal of investment securities	(642)	(3,678)
(Gains)/losses on disposal of property, plant and equipment	(1,637)	45
Operating profit before changes in operating assets and liabilities	431,804	337,302
<u>Increase/(decrease) in operating liabilities</u>		
Deposits of non-bank customers	1,553,213	(637,823)
Deposits and balances of banks	(702,444)	3,590,215
Bills payable and other liabilities	(241,650)	336,228
<u>(Increase)/decrease in operating assets</u>		
Dealing securities	(36,665)	(173,528)
Placements with and loans to banks	2,273,439	46,357
Loans to customers and bills receivable	(1,183,299)	(1,623,670)
Other assets	209,577	(257,706)
Cash provided by/(used in) operating activities	2,303,975	1,617,375
Income tax paid	(122,436)	(121,019)
Net cash provided by/(used in) operating activities	2,181,539	1,496,356
Cash flows from investing activities		
Acquisition of an associated company	(118,334)	–
Dividends from associated companies	36,139	29,139
Decrease/(increase) in associated companies	(4,211)	1,946
Net cash inflow/(outflow) from acquisition of additional interests in subsidiary companies	9,897	–
Purchase of investment securities	(836,042)	(674,395)
Purchase of property, plant and equipment	(21,891)	(7,217)
Proceeds from disposal of investment securities	335,372	346,498
Proceeds from disposal of property, plant and equipment	1,062	6,998
Net cash provided by/(used in) investing activities	(598,008)	(297,031)
Cash flows from financing activities		
Increase/(decrease) in debt securities	854,312	25,814
Dividends paid	(142,643)	(159,896)
Net proceeds from issue of preference shares	–	(165)
Proceeds from issue of ordinary shares	9,435	6,830
Selective capital reduction	(991,488)	–
Change in minority interests and dividends paid to minority interests	–	(57)
Net cash provided by/(used in) financing activities	(270,384)	(127,474)
Net foreign currency translation adjustments	18,079	14,666
Net change in cash and cash equivalents	1,331,226	1,086,517
Cash and cash equivalents as at 1 April	13,129,093	8,867,431
Cash and cash equivalents as at 30 June	14,460,319	9,953,948