



2003

GROUP FINANCIAL RESULTS

11 February 2004

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Media Release

OCBC's Full Year 2003 Net Profit Grew 43% to S\$954 million Net Profit for Fourth Quarter rose 65% to S\$279 million

Singapore, 11 February 2004 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported a net profit of S\$954 million for the financial year ended 31 December 2003, an increase of 43% compared to 2002, representing a record high for the Group. The earnings growth was driven by a substantial reduction in provisions, gains from the divestment of non-core assets and higher contributions from associates.

The Group's operating profit before provisions and goodwill amortisation fell by 2% to S\$1,338 million, mainly due to a 5% decline in net interest income as a result of increased competition driving down interest margins. Non-interest income increased by 6%, boosted by gains from the divestment of non-core assets which contributed S\$128 million. The divestments comprised shares in Fraser and Neave Limited (“F&N”) and WBL Corporation Limited, and a residential development site at Mount Emily Road. Fee and commission income was largely unchanged from 2002, but showed a strong rebound in the second half compared to the first half which was affected by weak investment sentiments and economic uncertainties. Operating expenses for the year rose marginally by 1%.

Provisions fell by 55% from S\$501 million in 2002 to S\$225 million in 2003, reflecting the significant progress made in strengthening the Group's credit processes and asset quality since the second half of 2002. The Group's non-performing loans (“NPLs”) ratio improved from 8.1% at the end of 2002 to 6.9% at the end of 2003, while cumulative provision coverage increased from 62.4% to 67.0% of total NPLs.

Pretax contribution from associates increased by 46% to S\$235 million, due to higher profits from insurance associate Great Eastern Holdings Limited, and a S\$14 million gain from the sale of an associate's stake in Raffles Hotel.

The total after-tax gain from the divestment of non-core assets, including the gain reflected under the associates line, was S\$126 million in 2003. Excluding this amount, the Group's net profit in 2003 would be S\$828 million, an increase of 24% over 2002.

The Board of OCBC Bank has recommended a final dividend of 12 cents per share for ordinary shareholders, bringing the total dividend for 2003 to 23 cents, an increase of 15% compared to the total dividend of 20 cents for 2002.

Fourth Quarter 2003 Results

Compared to the fourth quarter of 2002, net profit in the fourth quarter of 2003 rose by 65% to S\$279 million. Operating profit before provisions and goodwill amortisation increased by 2% year-on-year to S\$358 million, driven by a 13% growth in fee and commission income as well as the divestment gain from the property at Mount Emily Road. Net interest income declined by 2%, while operating expenses were unchanged from a year ago. Provisions in the fourth quarter amounted to S\$54 million, 58% lower than in the same period in 2002. Associates' contribution rose by 100% to S\$94 million resulting from higher earnings from Great Eastern Holdings as well as a S\$14 million gain from Raffles Investments' sale of Raffles Hotel.

Full Year Results

Net Interest Income

Net interest income in 2003 fell by 5% to S\$1,435 million, as increased competition led to lower interest margins, offsetting the impact of a higher loan volume. Net interest margin fell by 12 basis points, from 2.02% in 2002 to 1.90% in 2003.

Customer loans grew by 5% from the end of 2002 to S\$52.59 billion as at the end of 2003, driven by growth in consumer loans. Housing loans expanded by 25% to S\$15.38 billion, while loans to professionals and individuals increased by 7% to S\$8.13 billion. Consumer loans now account for 45% of the Group's loan portfolio, compared to 40% at the end of 2002.

Non-Interest Income

Total non-interest income grew by 6% to S\$758 million in 2003. Dividends and other income were higher due to gains from the divestment of non-core assets. The gains comprised S\$78 million from the disposal of shares in F&N, S\$46 million from the sale of the property at Mount Emily Road, and S\$4 million from the disposal of shares in WBL Corporation Limited.

Fee and commission income registered a strong 19% rebound in the second half of 2003 compared to the first half, as investment sentiments and stock market turnover recovered. This helped to make up for the lower distribution fees from unit trusts and bancassurance products in the first half of 2003. For the full year, fee and commission income was S\$373 million, similar to the level in 2002. Growth was registered in brokerage income, loan-related fees, credit card and fund management income.

Strong retail sales in treasury and structured products helped boost the Group's total sales of wealth management products in Singapore and Malaysia to a record S\$5.2 billion in 2003, compared to S\$3.9 billion in 2002. Sales of treasury and structured products in Singapore doubled from S\$1.5 billion to S\$3.0 billion. Unit trust sales in the two major markets totalled S\$1.2 billion, while bancassurance sales contributed S\$1.0 billion.

The Group recorded a net loss of S\$19 million in securities and derivatives dealing in 2003, compared to a net gain of S\$61 million in 2002. In the second half of the year, an unexpected spike in long term interest rates resulted in losses from the disposal of Singapore Government Securities and corporate debt securities, the latter comprising mainly securities related to a primary market underwriting transaction. The S\$19 million net loss also included some unrealised losses on interest rate derivatives.

Operating Expenses

Costs were managed tightly during 2003 in view of the sluggish economic environment. Compared to 2002, operating expenses rose only marginally by 1%, to S\$855 million. Increases in staff costs and premises and equipment costs were offset by lower professional and business promotion costs. The Group's cost-to-income ratio for 2003 was 39.0%, slightly above the 38.2% in 2002.

Provisions and Asset Quality

Total provisions in 2003 fell 55% to S\$225 million. Specific provisions for loans fell by 47% from S\$365 million in 2002 to S\$194 million in 2003. Specific provisions for diminution in value of investment securities and other assets also declined sharply, from S\$163 million in 2002 to S\$57 million in 2003. The S\$57 million provisions comprised provisions of S\$49 million for the Group's properties, down from S\$84 million in 2002, and provisions of S\$8 million for investments and other assets, down from S\$79 million in 2002.

As at 31 December 2003, the Group's NPLs were S\$3.83 billion, a reduction of 12% or S\$521 million compared to 31 December 2002. The NPL ratio improved to 6.9% from 8.1% in December 2002.

Cumulative specific and general provisions amounted to S\$2.57 billion or 67.0% of total NPLs as at 31 December 2003, up from 62.4% in December 2002. Cumulative specific provisions covered 100% of unsecured NPLs, similar to the level in December 2002. The Group's general provisions ratio (over net loans) was at a comfortable 2.3%.

Conclusion

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

"2003 has been a difficult year for most companies and individuals in Singapore, and against this backdrop, OCBC has done well. Even excluding the non-core gains, our net profit increased by 24% over 2002. The large reduction in provisions is an important achievement as it reflects an improved credit process and stronger asset quality. We are also encouraged by the growth in net interest income and fee income in the second half, and by the market share gains we have made in consumer loans.

The global economic outlook has brightened considerably over the past few months, giving us some sense of optimism for 2004. However, we must also be prepared for any adverse changes in the external environment. OCBC is in a strong position to capitalise on the growth opportunities ahead, and we will continue to press on in executing our New Horizons strategic initiatives."

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FINANCIAL REVIEW

Highlights

- ◆ Net profit attributable to shareholders rose 43% to S\$954 million in 2003, due to lower provisions, gains from divestment of non-core assets and higher contributions from associates.
- ◆ Operating profit before provisions and goodwill decreased by 2% to S\$1,338 million, largely due to a 5% decline in net interest income as a result of increased competition driving down interest margins. Fee and commission income and operating expenses were stable compared to 2002.
- ◆ Compared to the fourth quarter of 2002 ("4Q02"), net profit in the fourth quarter of 2003 ("4Q03") rose by 65% to S\$279 million, while operating profit before provisions and goodwill increased by 2% to S\$358 million.
- ◆ Loans to non-bank customers grew by 5% year-on-year to S\$52.59 billion as at 31 December 2003, led by growth in housing loans and loans to professionals and private individuals.
- ◆ NPLs declined 12% year-on-year to S\$3.83 billion as at 31 December 2003. The ratio of NPLs to total non-bank loans improved from 8.1% to 6.9%. Provision coverage of NPLs increased from 62.4% to 67.0%.
- ◆ Group Tier 1 and total capital adequacy ratios strengthened to 12.6% and 21.8% respectively (December 2002: 11.5% and 20.9% respectively).
- ◆ Earnings per ordinary share increased by 39% from 52 cents in 2002 to 72 cents in 2003. Return on ordinary shareholders' funds improved from 7.4% to 10.0%.
- ◆ Net asset value ("NAV") per ordinary share was S\$7.16 as at 31 December 2003, and including the unrealised valuation surplus of S\$2.79 per share, NAV per share was S\$9.95.

Financial Summary

	Full Year 2003 S\$m	Full Year 2002 S\$m	+ / (-) %	4th Qtr 2003 S\$m	4th Qtr 2002 S\$m	+ / (-) %	3rd Qtr 2003 S\$m
Selected profit and loss data :							
Net interest income	1,435	1,509	(5)	369	376	(2)	359
Fees and commissions	373	374	(0)	103	91	13	100
Dividends	75	34	122	8	4	83	36
Rental income	64	77	(17)	18	17	6	16
Other income	247	228	8	76	79	(4)	78
Total income	2,193	2,222	(1)	575	569	1	589
Less : Operating expenses	855	849	1	216	217	(0)	214
Operating profit	1,338	1,372	(2)	358	352	2	375
Less : Goodwill amortisation	127	127	(0)	32	32	(0)	32
Less : Total provisions	225	501	(55)	54	130	(58)	37
Add : Share of associated companies' results	235	161	46	94	47	100	52
Profit before tax	1,222	906	35	366	237	54	358
Net profit attributable to shareholders	954	667	43	279	169	65	292
Cash basis net profit attributable to shareholders ^{1/}	1,081	794	36	310	201	55	324
Selected balance sheet data :							
Total assets	84,497	84,051	1	84,497	84,051	1	84,342
Loans to non-bank customers (net of provisions)	50,155	47,367	6	50,155	47,367	6	48,967
Deposits of non-bank customers	53,460	53,948	(1)	53,460	53,948	(1)	53,892
Ordinary shareholders' funds	9,166	9,224	(1)	9,166	9,224	(1)	8,913
Total shareholders' funds	10,059	9,224	9	10,059	9,224	9	9,806
Key Indicators :							
Ratios (% p.a.)							
Return on ordinary shareholders' funds ^{2/}	10.0	7.4		11.8	7.3		12.2
Return on ordinary shareholders' funds ^{2/} – Cash basis ^{1/}	11.4	8.8		13.2	8.7		13.6
Return on total shareholders' funds	9.8	7.4		11.2	7.3		11.9
Return on total shareholders' funds – Cash basis ^{1/}	11.1	8.8		12.4	8.7		13.2
Return on assets	1.13	0.80		1.30	0.80		1.37
Return on assets -- Cash basis ^{1/}	1.28	0.95		1.45	0.95		1.52
Per ordinary share data (S\$)							
Basic earnings per ordinary share (annualised) ^{3/}	0.72	0.52	39	0.81	0.52	55	0.90
Cash earnings per ordinary share (annualised) ^{1/}	0.82	0.62	33	0.90	0.62	47	0.99
Net asset value per ordinary share							
– Before valuation surplus	7.16	7.15	0	7.16	7.15	0	6.96
– After valuation surplus	9.95	9.69	3	9.95	9.69	3	9.75

^{1/} Excluding goodwill amortisation charge

^{2/} Calculated after deducting preference shares dividends paid and estimated to be due as at 31 December 2003 from net profit attributable to shareholders

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

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

Net Interest Income

Net interest income in 2003 fell by 5% to S\$1,435 million, as increased competition led to lower interest margins, offsetting the impact of a higher loan volume. Net interest margin fell by 12 basis points from 2.02% in 2002 to 1.90% in 2003.

Compared to 4Q02, net interest income in 4Q03 fell by 2%, while net interest margin was lower by 5 basis points. However, compared to 3Q03, net interest income in 4Q03 showed an increase of 3%, as a result of better customer spreads, higher returns on net available funds and higher loan volume.

Average Balance Sheet (Full Year Trend)

	Full Year 2003			Full Year 2002		
	Average Balance ^{1/}	Interest	Average Rate	Average Balance ^{1/}	Interest	Average Rate
	S\$m	S\$m	%	S\$m	S\$m	%
Assets						
Loans and advances to non-bank customers	48,309	1,791	3.71	47,739	2,055	4.30
Placements with and loans to banks	14,526	267	1.84	14,941	312	2.09
Other interest earning assets ^{2/}	12,610	322	2.55	11,913	363	3.04
Total interest earning assets	75,445	2,381	3.16	74,593	2,729	3.66
Non-interest earning assets	8,873	-	-	8,722	-	-
Total assets ^{4/}	84,317	-	-	83,315	-	-
Liabilities						
Deposits of non-bank customers and Floating rate negotiable certificates of deposits	55,452	681	1.23	56,378	895	1.59
Deposits and balances and banks	12,135	158	1.30	11,695	210	1.79
Other borrowings ^{3/}	4,175	106	2.54	4,042	115	2.85
Total interest bearing liabilities	71,763	946	1.32	72,116	1,220	1.69
Non-interest bearing liabilities ^{4/}	2,780	-	-	2,189	-	-
Total liabilities	74,543	-	-	74,305	-	-
Net interest income/margin^{4/}		1,435	1.90		1,509	2.02

^{1/} Average balances are based on monthly averages

^{2/} Comprise debt securities, government securities and treasury bills

^{3/} Comprise debt securities issued, including the S\$3.88 billion Upper Tier 2 subordinated debt issued in July 2001, and bills payable

^{4/} 2002 figures have been re-stated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, 2002's net interest margins have been re-stated.

Net Interest Income (continued)

Average Balance Sheet (Quarterly Trend)

	4th Quarter 2003			4th Quarter 2002			3rd Quarter 2003		
	Average Balance ^{1/}	Average Interest	Average Rate	Average Balance ^{1/}	Average Interest	Average Rate	Average Balance ^{1/}	Average Interest	Average Rate
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m	S\$m	%
Assets									
Loans and advances to non-bank customers	49,477	452	3.62	46,813	488	4.13	48,616	441	3.60
Placements with and loans to banks	12,977	66	2.00	16,428	83	2.00	14,511	62	1.69
Other interest earning assets ^{2/}	12,903	83	2.55	11,732	94	3.19	12,770	81	2.52
Total interest earning assets	75,357	600	3.16	74,973	665	3.52	75,897	585	3.06
Non-interest earning assets	9,502	-	-	8,715	-	-	8,508	-	-
Total assets ^{4/}	84,859	-	-	83,687	-	-	84,405	-	-
Liabilities									
Deposits of non-bank customers and floating rate negotiable certificates of deposits	55,295	159	1.14	55,369	208	1.49	54,758	160	1.16
Deposits and balances of banks	12,665	42	1.33	12,638	55	1.72	13,039	40	1.22
Other borrowings ^{3/}	4,188	30	2.82	4,070	26	2.52	4,192	26	2.48
Total interest bearing liabilities	72,147	231	1.27	72,077	288	1.59	71,988	226	1.24
Non-interest bearing liabilities ^{4/}	2,770	-	-	2,467	-	-	2,675	-	-
Total liabilities	74,917	-	-	74,544	-	-	74,663	-	-
Net interest income/margin^{4/}		369	1.94		376	1.99		359	1.88

^{1/} Average balances are based on monthly averages

^{2/} Comprise debt securities, government securities and treasury bills

^{3/} Comprise debt securities issued, including the S\$3.88 billion Upper Tier 2 subordinated debt issued in July 2001, and bills payable

^{4/} 2002 figures have been re-stated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, 2002's net interest margins have been re-stated.

Non-Interest Income

	Full Year 2003	Full Year 2002	+ / (-)	4th Qtr 2003	4th Qtr 2002	+ / (-)	3rd Qtr 2003
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Fee and commission income							
Brokerage	62	57	8	19	10	87	22
Bancassurance	33	35	(7)	12	12	2	8
Unit trust distribution	35	44	(21)	8	5	79	11
Fund management	19	17	12	5	4	22	5
Credit cards	30	27	11	9	8	18	7
Loan-related	73	68	8	17	24	(30)	18
Trade-related	30	32	(4)	8	8	0	8
Guarantees	18	18	(4)	4	4	(19)	4
Investment banking	12	14	(14)	4	3	39	3
Service charges	53	50	6	16	11	50	12
Others	8	12	(34)	1	2	(74)	3
Total	<u>373</u>	<u>374</u>	(0)	<u>103</u>	<u>91</u>	13	<u>100</u>
Dividends	75	34	122	8	4	83	36
Rental income	64	77	(17)	18	17	6	16
Other income							
Dealing in foreign exchange	61	48	27	16	16	1	14
Dealing in securities and derivatives	(19)	61	n.m.	(10)	35	n.m.	(38)
Disposal of investment securities	92	47	97	7	#	n.m.	82
Disposal of associated companies	0	10	(100)	0	10	(100)	0
Disposal of properties	47	#	n.m.	46	#	n.m.	#
Others	66	62	6	17	18	(10)	20
Total	<u>247</u>	<u>228</u>	8	<u>76</u>	<u>79</u>	(4)	<u>78</u>
Total non-interest income	<u>758</u>	<u>712</u>	6	<u>206</u>	<u>192</u>	7	<u>230</u>
Fees and Commissions/Total Income	17.0%	16.8%		18.0%	16.1%		16.9%
Non-Interest Income/Total Income	34.6%	32.1%		35.8%	33.8%		39.1%

- Amount under S\$500,000.

Total non-interest income grew by 6% to S\$758 million in 2003, boosted by the gains from divestments of non-core assets which contributed a total of S\$128 million, reflected under dividend income and other income. The gains comprised S\$78 million from disposal of F&N shares, S\$46 million from the sale of a residential development site at Mount Emily Road, and S\$4 million from disposal of WBL Corporation shares.

Fee and commission income amounted to S\$373 million in 2003, largely unchanged from 2002. Growth in brokerage income, loan-related fees, credit card and fund management income offset the lower income from unit trusts and bancassurance which was mainly due to the weak investment sentiments in the first half of the year.

The Group recorded a net loss of S\$19 million in securities and derivatives dealing in 2003, compared to a net gain of S\$61 million in 2002. In the second half of the year, an unexpected spike in long term interest rates resulted in losses from the disposal of Singapore Government Securities and corporate debt securities, the latter comprising mainly securities related to a primary market underwriting deal. The S\$19 million net loss also included some unrealised losses on interest rate derivatives.

Compared to 4Q02, non-interest income in 4Q03 grew by 7% to S\$206 million. The gain from the sale of the Mount Emily property and the higher fee and commission income more than offset the loss in securities and derivatives dealing.

Operating Expenses

	Full Year 2003	Full Year 2002	+ / (-)	4th Qtr 2003	4th Qtr 2002	+ / (-)	3rd Qtr 2003
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Staff costs	478	465	3	119	113	5	121
Premises and equipment							
Depreciation of fixed assets	81	73	12	17	20	(15)	18
Amortisation of computer software costs	20	11	86	6	3	81	5
Maintenance and hire of fixed assets	36	24	49	8	6	34	7
Rental expenses	18	22	(17)	4	4	17	4
Others	69	62	10	15	18	(15)	18
Total	225	192	17	50	51	(1)	52
Other operating expenses	157	178	(12)	47	52	(10)	41
	860	835	3	216	216	(0)	214
Restructuring and other integration costs	(5)	14	n.m.	#	1	(89)	#
Total operating expenses	855	849	1	216	217	(0)	214
Group staff strength – period end	7,424	7,477	(1)	7,424	7,477	(1)	7,394
Group staff strength – average	7,350	7,777	(5)	7,398	7,485	(1)	7,347
Cost-to-income ratio	39.0%	38.2%		37.6%	38.1%		36.4%

- Amount under S\$500,000.

Costs were managed tightly during 2003 in view of the sluggish economic environment. Compared to 2002, operating expenses rose only marginally by 1%, to S\$855 million.

Increases in staff costs and premises and equipment costs were offset by lower professional and business promotion costs. Premises and equipment costs rose by 17% as a result of a S\$10 million write-off of fixed assets in the second quarter, coupled with higher computer charges and amortisation of software costs following the commissioning of the new core banking system in 2002.

The Group's cost-to-income ratio for 2003 was 39.0%, slightly above the 38.2% in 2002.

Provision Charge

	Full Year 2003	Full Year 2002	+ / (-)	4th Qtr 2003	4th Qtr 2002	+ / (-)	3rd Qtr 2003
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Specific provision for loan losses							
– Singapore	191	221	(14)	34	16	117	37
– Malaysia	55	111	(50)	12	46	(73)	4
– Other regional countries	(27)	6	n.m.	#	1	n.m.	(9)
– Others	(25)	27	n.m.	1	(8)	n.m.	(2)
Sub-Total	194	365	(47)	47	55	(15)	30
General provision for loan losses							
– Five regional countries ^{1/}	(31)	(23)	n.m.	#	1	(92)	#
– Singapore & others	5	(5)	n.m.	2	#	4,134	2
Sub-Total	(26)	(27)	n.m.	2	1	167	2
Specific provision for diminution in value of investment securities and other assets	57	163	(65)	5	74	(92)	5
Total provision charge	225	501	(55)	54	130	(58)	37

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

Total provisions in 2003 amounted to S\$225 million, a decrease of 55% from S\$501 million in 2002.

Specific provisions for loans fell by 47% from S\$365 million in 2002 to S\$194 million in 2003. Provisions for both new and existing NPLs were lower, reflecting the substantial progress made in strengthening the Group's credit processes and overall asset quality, coupled with a gradually improving economic environment during the latter half of 2003.

Specific provisions for diminution in value of investment securities and other assets also registered a sharp decline, from S\$163 million in 2002 to S\$57 million in 2003. Provisions for the Group's properties fell from S\$84 million to S\$49 million, while provisions for investments and other assets fell from S\$79 million to S\$8 million.

There was a net write-back of general provisions amounting to S\$26 million in 2003, compared to S\$27 million net write-back in 2002.

In 4Q03, total provisions were S\$54 million, a decline of 58% year-on-year. The decline came largely from lower provisions for properties and investments.

Loans and Advances

	31 Dec 2003	31 Dec 2002	+ / (-)	30 Sep 2003
	S\$m	S\$m	%	S\$m
Loans to customers	52,159	49,587	5	51,083
Bills receivable	429	297	44	317
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Gross loans to customers	52,589	49,884	5	51,400
Less Provisions:				
Specific provisions	1,251	1,306	(4)	1,250
General provisions	1,183	1,211	(2)	1,183
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Net loans to customers	50,155	47,367	6	48,967

Loans to customers grew by 5% year-on-year to S\$52.59 billion as at 31 December 2003, driven by growth in consumer loans. Housing loans expanded by 25% to S\$15.38 billion, boosted by the new HDB (Housing Development Board) home loan market as well as growth in the Malaysia portfolio. Loans to professionals and individuals increased by 7% to S\$8.13 billion, driven mainly by car loans and other individual loans.

	31 Dec 2003		31 Dec 2002		30 Sep 2003	
	S\$m	%	S\$m	%	S\$m	%
<u>By Maturity</u>						
Less than 7 days	8,267	16	9,292	19	8,494	17
1 week to 1 month	3,037	6	3,630	7	3,355	7
Over 1 to 3 months	3,128	6	3,077	6	3,402	7
Over 3 to 12 months	5,244	10	5,026	10	4,453	9
Over 1 to 3 years	9,686	18	8,206	16	9,211	18
Over 3 years	23,227	44	20,652	42	22,485	42
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	52,589	100	49,884	100	51,400	100
<u>By Industry</u>						
Agriculture, mining & quarrying	519	1	437	1	498	1
Transport, storage and communication	1,525	3	1,753	4	1,500	3
Building and construction	7,302	14	7,453	15	7,519	15
Manufacturing	3,265	6	3,455	7	3,356	7
Financial institutions, investment and holding companies	8,924	17	9,047	18	8,605	17
General commerce	3,065	6	3,208	6	3,046	6
Professionals and individuals	8,129	15	7,613	15	8,380	16
Housing loans	15,382	29	12,313	25	14,520	28
Others	4,478	9	4,605	9	3,976	7
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	52,589	100	49,884	100	51,400	100

Non-Performing Loans

By grading, security coverage and countries

	Total NPLs ^{1/}	Sub-Standard NPLs	Doubtful NPLs	Loss NPLs	Secured NPLs as % of total NPLs	Non-bank NPLs as % of non-bank loans ^{2/}
Malaysia	S\$m	S\$m	S\$m	S\$m	%	%
31 Dec 2003	1,068	699	126	243	69.3	11.3
30 Sep 2003	1,105	729	147	229	70.2	11.9
31 Dec 2002	1,199	831	183	186	70.7	14.2
Other Four Regional Countries						
31 Dec 2003	140	17	100	24	22.8	30.8
30 Sep 2003	148	18	105	24	22.5	31.7
31 Dec 2002	208	23	156	28	28.4	34.1
Total Regional Countries						
31 Dec 2003	1,208	716	225	267	63.9	12.4
30 Sep 2003	1,253	748	252	253	64.5	13.0
31 Dec 2002	1,407	854	339	214	64.5	15.8
Singapore						
31 Dec 2003	2,389	1,725	498	166	65.0	6.2
30 Sep 2003	2,388	1,706	507	176	68.2	6.3
31 Dec 2002	2,646	1,952	502	192	69.9	7.3
Others						
31 Dec 2003	237	155	82	#	53.0	3.6
30 Sep 2003	249	165	84	#	53.5	3.9
31 Dec 2002	304	148	96	61	32.9	3.5
Group Total						
31 Dec 2003	3,834	2,596	805	433	63.9	6.9
30 Sep 2003	3,890	2,619	842	429	66.1	7.1
31 Dec 2002	4,356	2,953	936	467	65.6	8.1

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

^{2/} Excluding debt securities

- Amount under S\$500,000.

Continued progress was made in reducing the Group's NPLs, both in absolute terms and as a proportion of total loans.

Compared to 31 December 2002, total NPLs declined by 12% or S\$521 million to S\$3.83 billion as at 31 December 2003. Singapore NPLs of S\$2.39 billion accounted for 62.3% of the Group's total NPLs, while Malaysia NPLs of S\$1.07 billion made up 27.9%. Of the total NPLs, 67.7% were in the substandard category while 63.9% were secured by collateral.

Non-Performing Loans (continued)

The ratio of NPLs to non-bank loans improved from 8.1% as at 31 December 2002 to 6.9% as at 31 December 2003. The Singapore NPL ratio fell from 7.3% to 6.2%, while the Malaysia NPL ratio improved from 14.2% to 11.3%.

	31 Dec 2003		31 Dec 2002		30 Sep 2003	
	S\$m	%	S\$m	%	S\$m	%
By industry ^{1/}						
Agriculture, mining & quarrying	33	6.4	39	8.9	32	6.4
Transport, storage and communication	131	8.6	72	4.1	131	8.7
Building and construction	763	10.4	756	10.1	709	9.4
Manufacturing	497	15.2	680	19.7	511	15.2
Financial institutions, investment and holding companies	524	5.9	768	8.5	668	7.8
General commerce	463	15.1	539	16.8	487	16.0
Professionals and individuals	600	7.4	582	7.6	515	6.1
Housing loans	223	1.4	227	1.8	200	1.4
Others	393	8.8	379	8.2	411	10.3
Sub-total	3,627	6.9	4,042	8.1	3,664	7.1
Debt securities	207		314		226	
Total	3,834	7.3	4,356	8.7	3,890	7.6

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

	31 Dec 2003		31 Dec 2002		30 Sep 2003	
	Balance S\$m	As % of Total NPLs	Balance S\$m	As % of Total NPLs	Balance S\$m	As % of Total NPLs
By period overdue						
Over 180 days	2,224	58	2,339	54	2,246	58
Over 90 to 180 days	302	8	567	13	247	6
Over 30 to 90 days	242	6	267	6	341	9
Less than 30 days	136	4	208	5	110	3
No overdue	930	24	975	22	946	24
	3,834	100	4,356	100	3,890	100

Cumulative Provisions

	Total cumulative provisions ^{1/}	Specific provisions	General provisions	Specific provisions as % of total NPLs	Total cumulative provisions as % of total NPLs	Total cumulative provisions as % of unsecured NPLs
	S\$m	S\$m	S\$m	%	%	%
Malaysia						
31 Dec 2003	766	402	363	37.6	71.7	233.3
30 Sep 2003	769	404	366	36.5	69.6	233.2
31 Dec 2002	743	377	366	31.5	62.0	211.9
Other Four Regional Countries						
31 Dec 2003	340	127	213	90.9	242.8	314.7
30 Sep 2003	342	129	213	87.4	231.6	298.9
31 Dec 2002	415	171	244	82.6	200.1	279.4
Total Regional Countries						
31 Dec 2003	1,106	529	576	43.8	91.5	253.4
30 Sep 2003	1,111	532	579	42.5	88.7	250.1
31 Dec 2002	1,159	549	610	39.0	82.4	232.0
Singapore						
31 Dec 2003	1,282	771	511	32.3	53.7	153.5
30 Sep 2003	1,282	772	509	32.3	53.7	168.6
31 Dec 2002	1,305	800	506	30.2	49.3	164.1
Others						
31 Dec 2003	179	84	95	35.5	75.7	161.1
30 Sep 2003	181	86	95	34.5	72.6	156.0
31 Dec 2002	253	158	95	52.0	83.2	124.0
Group Total						
31 Dec 2003	2,568	1,385	1,183	36.1	67.0	185.6
30 Sep 2003	2,574	1,391	1,183	35.8	66.2	194.9
31 Dec 2002	2,717	1,506	1,211	34.6	62.4	181.2

^{1/} Include provisions for debt securities

Total cumulative specific and general provisions amounted to S\$2.57 billion as at 31 December 2003. These represent 67.0% of total NPLs, an improvement from the coverage of 62.4% as at 31 December 2002. Cumulative specific provisions covered 100.1% of unsecured NPLs, similar to the level at 31 December 2002. In addition, cumulative general provisions were 2.3% (December 2002: 2.5%) of total non-bank loans (net of specific provisions).

Exposure to the Five Regional Countries, Hong Kong and China

	Loans and debt securities			Investments	Gross Exposure	Less: Loans to and investment in subsidiaries /branches	Net Exposure	
	Bank	Central Bank and Government	Non-Bank				Total	% of Group assets
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	%
Malaysia								
31 Dec 2003	2,954	3,210	8,164	579	14,907	2,494	12,413	14.7
30 Sep 2003	2,739	3,115	7,861	581	14,296	2,346	11,950	14.2
31 Dec 2002	1,259	2,823	7,078	590	11,750	1,229	10,522	12.5
Indonesia								
31 Dec 2003	91	121	285	68	566	68	498	0.6
30 Sep 2003	98	144	303	68	613	78	535	0.6
31 Dec 2002	181	105	356	50	692	49	643	0.8
Thailand								
31 Dec 2003	70	46	87	#	203	55	148	0.2
30 Sep 2003	67	36	90	#	193	46	147	0.2
31 Dec 2002	74	33	108	#	215	58	157	0.2
Korea								
31 Dec 2003	387	34	111	0	532	26	505	0.6
30 Sep 2003	383	35	73	0	491	28	463	0.5
31 Dec 2002	228	35	102	0	364	27	337	0.4
Philippines								
31 Dec 2003	35	16	38	1	90	1	89	0.1
30 Sep 2003	26	17	39	1	83	1	82	0.1
31 Dec 2002	25	17	28	5	74	5	69	0.1
Total Five Regional Countries								
31 Dec 2003	3,536	3,428	8,686	648	16,298	2,646	13,652	16.2
30 Sep 2003	3,313	3,347	8,366	650	15,676	2,499	13,177	15.6
31 Dec 2002	1,767	3,012	7,671	645	13,095	1,367	11,727	14.0
Hong Kong								
31 Dec 2003	421	28	1,274	19	1,742	9	1,733	2.1
30 Sep 2003	921	29	1,191	21	2,162	9	2,153	2.6
31 Dec 2002	528	29	1,312	23	1,892	9	1,883	2.2
China								
31 Dec 2003	592	7	891	3	1,493	370	1,123	1.3
30 Sep 2003	605	9	721	4	1,339	367	972	1.2
31 Dec 2002	476	16	1,002	9	1,503	345	1,158	1.4
Total								
31 Dec 2003	4,549	3,463	10,851	670	19,533	3,024	16,508	19.5
30 Sep 2003	4,839	3,385	10,278	675	19,178	2,875	16,303	19.3
31 Dec 2002	2,770	3,057	9,985	677	16,489	1,721	14,768	17.6

- Amount under S\$500,000.

The Group's net exposure to the five regional countries – Malaysia, Indonesia, Thailand, the Philippines and South Korea – was S\$13.65 billion as at 31 December 2003, an increase of 16% compared to the end of 2002. This exposure amounted to 16.2% of the Group's total assets. The increase was largely from Malaysia, which accounted for 14.7% of Group assets.

Deposits

	<u>31 Dec 2003</u>	<u>31 Dec 2002</u>	<u>+ / (-)</u>	<u>30 Sep 2003</u>
	S\$m	S\$m	%	S\$m
Deposits of non-bank customers	53,460	53,948	(1)	53,892
Deposits and balances of banks	12,480	12,621	(1)	12,634
	<u>65,940</u>	<u>66,569</u>	(1)	<u>66,526</u>
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	93.8%	87.8%		90.9%

Total deposits and non-bank customer deposits both declined by a marginal 1%, to S\$65.94 billion and S\$53.46 billion respectively as at 31 December 2003. The decline in non-bank deposits was attributed to lower fixed deposits, which was largely offset by higher savings and current account deposits.

The Group's loans-to-deposits ratio rose from 87.8% at the end of 2002 to 93.8% as at 31 December 2003, largely reflecting the 5% loan growth in 2003.

	<u>31 Dec 2003</u>		<u>31 Dec 2002</u>		<u>30 Sep 2003</u>	
	S\$m	%	S\$m	%	S\$m	%
<u>Total Deposits By Maturity</u>						
Less than 7 days	28,489	43	25,715	38	28,454	42
1 week to 1 month	17,898	27	18,327	28	16,354	25
Over 1 to 3 months	9,420	14	11,779	18	9,651	15
Over 3 to 12 months	9,091	14	9,598	14	10,957	16
Over 1 to 3 years	617	1	714	1	737	1
Over 3 years	425	1	436	1	373	1
	<u>65,940</u>	<u>100</u>	<u>66,569</u>	<u>100</u>	<u>66,526</u>	<u>100</u>

Non-Bank Deposits By Product

Fixed deposits	34,273	64	36,176	67	34,359	64
Savings deposits	11,131	21	10,802	20	11,225	21
Current account	6,108	11	5,294	10	6,146	11
Others	1,948	4	1,676	3	2,162	4
	<u>53,460</u>	<u>100</u>	<u>53,948</u>	<u>100</u>	<u>53,892</u>	<u>100</u>

Capital Adequacy Ratios

	31 Dec 2003	31 Dec 2002	30 Sep 2003
	S\$m	S\$m	S\$m
Tier 1 Capital			
Paid-up ordinary and preference shares	1,284	1,290	1,284
Disclosed reserves/others	8,681	7,802	8,478
Less: Goodwill	2,072	2,199	2,104
	7,893	6,894	7,658
Tier 2 Capital			
Asset revaluation reserves ^{1/}	1,302	1,121	1,308
Cumulative general provisions	607	597	604
Hybrid (debt/equity) capital instruments	3,857	3,879	3,857
	5,766	5,597	5,769
Less: Capital deductions for private equity and venture capital investments	2	5	3
Total Capital	13,657	12,486	13,424
Risk weighted assets including market risk	62,723	59,884	62,301
Tier 1 ratio	12.6%	11.5%	12.3%
Total capital adequacy ratio	21.8%	20.9%	21.5%

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

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

The Group's total capital adequacy ratio remained strong at 21.8% as at 31 December 2003 compared to 20.9% as at 31 December 2002. The Tier 1 capital ratio increased from 11.5% to 12.6% over the same period.

Various capital management initiatives were undertaken during the year to enhance the Group's overall capital structure and to enhance the return for shareholders:

- During the year, the Bank issued two tranches of non-cumulative, non-convertible Tier 1 preference shares, raising a total of S\$895 million. This amount comprised S\$500 million of OCBC Class E 4.5% preference shares, and S\$395 million of OCBC Class G 4.2% preference shares.
- In July 2003, a special cash dividend of 49.75 cents (net) per ordinary share was paid to ordinary shareholders, with an option to elect to receive the Class G preference shares in lieu of the cash dividend. A total cash payment of S\$434 million was paid to shareholders who have elected for the cash dividend.
- On 17 September 2003, a selective capital reduction exercise was completed, under which 12,138,915 ordinary shares held by F&N were cancelled in exchange for cash of S\$8.63 per share, or S\$105 million in total. This exercise reduced the Bank's issued and paid-up ordinary share capital by 0.94%.

Valuation Surplus

	31 Dec 2003			31 Dec 2002			30 Sep 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	1,274	2,664	1,390	1,360	2,901	1,542	1,298	2,756	1,458
Equity securities	1,466	3,499	2,033	1,431	2,911	1,480	1,412	3,349	1,937
Debt securities ^{1/}	13,438	13,587	149	12,050	12,301	252	12,627	12,796	169
Total investments	16,178	19,750	3,571	14,840	18,114	3,273	15,338	18,901	3,563

^{1/} Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$3.57 billion as at 31 December 2003, an increase of 9% compared to 31 December 2002. The increase was attributable mainly to the appreciation in the share price of associate Great Eastern Holdings. Equity securities accounted for S\$2.03 billion or 57% of the surplus while properties accounted for S\$1.39 billion or 39%.

Performance by Business Segment

For the purpose of financial reporting, OCBC Group's businesses are presented under four main segments representing the key customer and product groups: Consumer Banking, Business Banking, Global Treasury and Others.

Net Profit by Business Segment

	Full Year 2003	Full Year 2002	+ / (-)
	S\$m	S\$m	%
Consumer Banking	245	331	(26)
Business Banking	482	283	70
Global Treasury	138	198	(30)
Others*	38	(140)	n.m.
	903	672	34
Goodwill Amortisation	(127)	(127)	-
Share of Associates' Profits	180	124	45
Minority Interests	(2)	(2)	-
Group	954	667	43

* Includes gains from divestment of non-core assets in 2003 (S\$112 million net of tax), and provisions for diminution in value of investments and properties (2003: S\$60 million, 2002: S\$155 million).

Consumer Banking

Consumer Banking provides a full range of products and services to individuals, including deposit accounts, consumer loans such as housing loans and other personal loans, stock brokerage, unit trusts, bancassurance products and credit cards.

The segment's net profit decreased by 26% from 2002 to S\$245 million in 2003 due to lower interest margins as well as higher provisions.

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-sized enterprises. The products and services offered include short term and long-term credit facilities, deposit and payment services, cash management, capital markets, corporate finance, trustee and custodian services.

Business Banking's net profit increased 70% to S\$482 million in 2003, due largely to lower provisions, reflecting the improvement in asset quality.

Performance by Business Segment *(continued)*

Global Treasury

Global Treasury engages and assists customers in foreign exchange activities, financial futures trading and money market operations, as well as customer-driven derivatives business. It has responsibility over the Group's treasury businesses in Singapore, Malaysia, Hong Kong, London and Sydney.

In 2003, Treasury's operations were adversely affected by the fall in government bond prices, resulting in a 30% fall in net profit to S\$138 million.

Others

The "Others" segment include asset management, property and investment holding, other investments and unallocated items including corporate overheads, divestment gains and provisions for diminution in value of investments, properties and other assets.

Performance by Business Segment *(continued)*

2003

S\$ million	Consumer Banking	Business Banking	Global Treasury	Others	Group
Segment income before operating expenses	832	903	238	220	2,193
Profit before tax and goodwill amortisation	310	599	183	22	1,114
Tax	(65)	(117)	(45)	16	(211)
Net profit before goodwill amortisation	245	482	138	38	903
Goodwill amortisation					(127)
Profit after tax					776
Share of associates' profits (net of tax)					180
Minority interests					(2)
Profit attributable to shareholders					954
Segment assets	25,781	35,236	17,888	2,426	81,331
Associated companies' assets					1,042
Unallocated assets					2,124
Total assets					84,497
Segment liabilities	30,346	28,552	13,292	1,825	74,015
Unallocated liabilities					404
Total liabilities					74,419
Other information					
Loans	24,400	28,033	-	156	52,589
NPLs and debt securities:					
- Substandard	543	2,053	-	-	2,596
- Doubtful	168	637	-	-	805
- Loss	171	262	-	-	433
	882	2,952	-	-	3,834
Cumulative Specific Provisions for NPLs	(274)	(1,078)	-	-	(1,352)
	608	1,874	-	-	2,482
Capital expenditure	12	3	-	32	47
Depreciation of property, plant and equipment	12	9	1	59	81
Amortisation of software	5	1	-	14	20

Performance by Business Segment *(continued)*

2002

S\$ million	Consumer Banking	Business Banking	Global Treasury	Others	Group
Segment income before operating expenses	872	950	273	127	2,222
Profit before tax and goodwill amortisation	430	380	235	(173)	872
Tax	(99)	(97)	(37)	33	(200)
Net profit before goodwill amortisation	331	283	198	(140)	672
Goodwill amortisation					(127)
Profit after tax					545
Share of associates' profits (net of tax)					124
Minority interests					(2)
Profit attributable to shareholders					667
Segment assets	22,756	35,969	19,311	2,850	80,886
Associated companies' assets					896
Unallocated assets					2,269
Total assets					84,051
Segment liabilities	30,892	27,258	11,240	4,963	74,353
Unallocated liabilities					455
Total liabilities					74,808
Other information					
Loans	21,342	28,413	1	128	49,884
NPLs and debt securities:					
- Substandard	623	2,330	-	-	2,953
- Doubtful	153	783	-	-	936
- Loss	100	367	-	-	467
	876	3,480	-	-	4,356
Cumulative Specific Provisions for NPLs	(260)	(1,187)	-	-	(1,447)
	616	2,293	-	-	2,909
Capital expenditure	15	3	2	67	87
Depreciation of property, plant and equipment	14	4	1	54	73
Amortisation of software	4	1	-	6	11

Performance by Geographical Segment

	Full Year 2003		Full Year 2002		4th Qtr 2003		4th Qtr 2002		3rd Qtr 2003	
	S\$m	%	S\$m	%	S\$m	%	S\$m	%	S\$m	%
Income before operating expenses										
Singapore	1,706	78	1,710	77	446	78	450	79	469	79
Malaysia	332	15	332	15	90	15	81	14	82	14
Other ASEAN	18	1	21	1	4	1	7	1	4	1
Asia Pacific	100	5	126	6	26	5	22	4	24	4
Rest of the world	37	1	33	1	9	1	9	2	10	2
	2,193	100	2,222	100	575	100	569	100	589	100
Profit before tax										
Singapore	983	80	692	76	308	84	254	107	282	78
Malaysia	150	13	103	11	45	12	(23)	(10)	49	14
Other ASEAN	12	1	2	0	2	1	(8)	(3)	6	2
Asia Pacific	51	4	86	10	4	1	9	4	14	4
Rest of the world	26	2	22	3	7	2	5	2	7	2
	1,222	100	906	100	366	100	237	100	358	100

	31 Dec 2003		31 Dec 2002		30 Sep 2003	
	S\$m	%	S\$m	%	S\$m	%
Total assets						
Singapore	65,267	77	66,553	79	65,306	77
Malaysia	11,579	14	10,016	12	11,235	13
Other ASEAN	347	0	353	0	369	0
Asia Pacific	4,729	6	4,511	5	4,280	5
Rest of the world	2,575	3	2,619	4	3,152	4
	84,497	100	84,051	100	84,342	100

The analysis by geographical segment is based on the location where the assets or transactions are booked. The Group's Singapore and Malaysia operations accounted for 80% and 13% respectively of Group pretax profit in 2003, with the remaining contribution coming mainly from the Greater China operations.

Appendix I

Audited Group Income Statement

	Full Year 2003	Full Year 2002	+ / -	4th Qtr 2003*	4th Qtr 2002*	+ / -	3rd Qtr 2003*
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	S\$'000
Interest income	2,380,646	2,729,376	(12.8)	599,959	664,806	(9.8)	584,680
Less: Interest expense	945,650	1,219,889	(22.5)	231,156	288,388	(19.8)	225,821
Net interest income	1,434,996	1,509,487	(4.9)	368,803	376,418	(2.0)	358,859
Fees and commissions	372,827	374,022	(0.3)	103,235	91,387	13.0	99,640
Dividends	74,778	33,684	122.0	8,080	4,424	82.6	36,286
Rental income	63,539	76,605	(17.1)	18,191	17,108	6.3	16,166
Other income	246,885	227,833	8.4	76,261	79,426	(4.0)	78,136
Income before operating expenses	2,193,025	2,221,631	(1.3)	574,570	568,763	1.0	589,087
Less: Staff costs	477,850	464,765	2.8	119,126	112,792	5.6	120,654
Other operating expenses	376,778	384,493	(2.0)	97,081	103,817	(6.5)	93,483
	854,628	849,258	0.6	216,207	216,609	(0.2)	214,137
Operating profit before provisions and goodwill amortisation	1,338,397	1,372,373	(2.5)	358,363	352,154	1.8	374,950
Less: Amortisation of goodwill	126,644	126,995	(0.3)	31,664	31,751	(0.3)	31,682
Provisions for possible loan losses and diminution in value of other assets	224,959	500,608	(55.1)	54,074	130,013	(58.4)	37,214
Operating profit after provisions and amortisation of goodwill	986,794	744,770	32.5	272,625	190,390	43.2	306,054
Share of profits less losses of associated companies	234,865	160,822	46.0	93,651	46,721	100.4	52,010
Profit before tax	1,221,659	905,592	34.9	366,276	237,111	54.5	358,064
Less: Tax	210,763	199,726	5.5	68,078	61,544	10.6	53,413
Share of tax of associated companies	55,137	37,028	48.9	19,226	5,860	228.1	12,332
	265,900	236,754	12.3	87,304	67,404	29.5	65,745
Profit after tax	955,759	668,838	42.9	278,972	169,707	64.4	292,319
Less: Minority interests	1,635	2,130	(23.2)	416	839	(50.4)	463
Profit attributable to shareholders	954,124	666,708	43.1	278,556	168,868	65.0	291,856

* - Unaudited

Appendix II

Audited Group Balance Sheet

	31 Dec 2003 S\$'000	31 Dec 2002 S\$'000	30 Sep 2003* S\$'000
SHAREHOLDERS' EQUITY			
Share Capital			
Authorised	2,010,838	2,000,000	2,010,841
Issued and fully paid	1,284,084	1,290,299	1,283,503
Reserves			
Capital reserves	2,329,076	1,505,515	2,342,284
Statutory reserves	1,854,303	1,936,244	1,984,350
Revenue reserves	4,591,450	4,492,164	4,195,961
Total shareholders' equity	10,058,913	9,224,222	9,806,098
MINORITY INTERESTS	19,879	18,928	20,044
LIABILITIES			
Deposits of non-bank customers	53,459,680	53,947,536	53,892,462
Deposits and balances of banks	12,480,794	12,621,149	12,633,799
Deposits of associated companies	1,457,708	1,454,366	1,168,398
Bills payable	185,233	177,164	184,785
Current tax	327,667	321,765	284,426
Deferred tax	76,043	133,498	97,050
Other liabilities	2,421,286	2,140,546	2,245,819
Debt securities	4,010,223	4,012,214	4,009,408
Total liabilities and shareholders' equity	84,497,426	84,051,388	84,342,289
ASSETS			
Cash and placements with central banks	4,035,863	2,858,403	2,371,877
Singapore government treasury bills and securities	6,151,111	5,966,732	5,866,808
Other government treasury bills and securities	1,054,618	984,145	1,131,420
Dealing securities	235,541	173,076	262,335
Placements with and loans to banks	9,649,818	14,458,968	13,381,203
Loans to customers (include bills receivable)	50,155,117	47,367,213	48,966,632
Investment securities	6,294,827	5,310,085	5,675,060
Deferred tax	53,670	70,416	74,204
Other assets	2,182,934	2,044,580	1,935,744
	79,813,499	79,233,618	79,665,283
Associated companies	1,177,137	1,047,441	1,103,653
Property, plant and equipment	1,434,736	1,571,646	1,469,635
Goodwill	2,072,054	2,198,683	2,103,718
Total assets	84,497,426	84,051,388	84,342,289
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	5,829,577	5,848,394	5,727,063
Commitments	27,261,292	28,288,944	28,313,662
Financial derivatives	191,246,606	184,769,732	180,109,041
	224,337,475	218,907,070	214,149,766

* - Unaudited

Appendix III

Audited Statement of Changes in Shareholders' Equity – Group

For the financial year ended 31 December

	Share capital	Capital reserves	Statutory reserves	Revenue reserves	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2003	1,290,299	1,505,515	1,936,244	4,492,164	9,224,222
Profit attributable to shareholders	-	-	-	954,124	954,124
Foreign currency translation gains not recognised in the income statements	-	-	-	8,555	8,555
Total recognised gains for the financial period	-	-	-	962,679	962,679
Transfers	-	13,685	(81,941)	68,256	-
Class E preference shares issued for cash	50	499,950	-	-	500,000
Class E preference dividends paid	-	-	-	(20,096)	(20,096)
Class G preference shares issued for cash	1,865	184,877	-	-	186,742
Class G preference shares issued in lieu of special cash dividend	2,093	206,171	-	(208,264)	-
Class G preference dividends paid	-	-	-	(7,242)	(7,242)
Expenses relating to the issue of preference shares	-	(1,648)	-	-	(1,648)
Final dividends paid to ordinary stockholders	-	-	-	(151,081)	(151,081)
Interim dividends paid to ordinary stockholders	-	-	-	(110,811)	(110,811)
Special dividends paid in cash to ordinary stockholders	-	-	-	(434,155)	(434,155)
Selective capital reduction	(12,139)	(92,620)	-	-	(104,759)
Shares issued under Share Option Schemes	1,916	13,146	-	-	15,062
Balance at 31 December 2003	1,284,084	2,329,076	1,854,303	4,591,450	10,058,913
Include:-					
Share of reserves of associated companies	-	20,691	-	1,021,463	1,042,154
Balance at 1 January 2002	1,286,606	1,911,490	1,889,924	3,744,204	8,832,224
Profit attributable to shareholders	-	-	-	666,708	666,708
Foreign currency translation losses not recognised in the income statements	-	-	-	(96,834)	(96,834)
Total recognised gains for the financial period	-	-	-	569,874	569,874
Transfers	-	(429,693)	46,320	383,373	-
Adjustment in reserves of an associated company	-	-	-	(24,167)	(24,167)
Final dividends paid to ordinary stockholders	-	-	-	(130,803)	(130,803)
Interim dividends paid to ordinary stockholders	-	-	-	(50,317)	(50,317)
Shares issued under Share Option Schemes	3,693	23,718	-	-	27,411
Balance at 31 December 2002	1,290,299	1,505,515	1,936,244	4,492,164	9,224,222
Include:-					
Share of reserves of associated companies	-	19,232	-	877,250	896,482

Appendix IV

Audited Consolidated Cash Flow Statement

For the financial year ended 31 December

	<u>31 Dec 2003</u>	<u>31 Dec 2002</u>
	S\$'000	S\$'000
Cash flows from operating activities		
Operating profit before provisions and amortisation of goodwill	1,338,397	1,372,373
Adjustments for non-cash items:		
Amortisation of computer software costs	20,248	10,863
Depreciation of property, plant and equipment	81,421	72,890
Gains on disposal of investment securities	(92,406)	(46,709)
Gains on disposal of a subsidiary company	-	(305)
Gains on disposal of interests in associated companies	-	(9,677)
(Gains)/losses on disposal of property, plant and equipment	(45,883)	991
Operating profit before changes in operating assets and liabilities	1,301,777	1,400,426
Increase/(decrease) in operating liabilities:		
Deposits of non-bank customers	(484,514)	(513,908)
Deposits and balances of banks	(140,355)	(1,429,849)
Bills payable and other liabilities	292,678	94,723
(Increase)/decrease in operating assets:		
Dealing securities	(62,269)	180,451
Placements with and loans to banks	4,809,150	(31,700)
Loans to customers and bills receivable	(2,944,192)	2,091,613
Other assets	(140,762)	(249,455)
Cash provided by operating activities	2,631,513	1,542,301
Income tax paid	(246,041)	(226,991)
Net cash provided by operating activities	<u>2,385,472</u>	<u>1,315,310</u>
Cash flows from investing activities		
Acquisition of additional interest in subsidiary companies	(288)	(10,148)
Capital return from an associated company	1,000	9,000
Dividends from associated companies	51,170	35,837
Decrease in associated companies	5,727	5,173
Purchase of investment securities	(2,435,285)	(2,064,132)
Purchase of long-term Singapore government securities	(544,013)	-
Purchase of property, plant and equipment	(46,536)	(67,053)
Net cash outflow from disposal of a subsidiary company	-	(1,980)
Proceeds from disposal of interests in associated companies	-	2,806
Proceeds from disposal of investment securities	1,526,826	1,370,992
Proceeds from disposal of property, plant and equipment	69,444	8,143
Net cash used in investing activities	<u>(1,371,955)</u>	<u>(711,362)</u>
Cash flows from financing activities		
(Decrease)/increase in debt securities	(5,250)	133,000
Dividends paid	(723,385)	(181,120)
Net proceeds from issue of preference shares	685,094	-
Proceeds from issue of ordinary shares	15,062	27,411
Selective capital reduction	(104,759)	-
Change in minority interests and dividends paid to minority interests	(535)	(1,659)
Net cash used in financing activities	<u>(133,773)</u>	<u>(22,368)</u>
Net foreign currency translation adjustments	8,555	(96,834)
Net change in cash and cash equivalents	888,299	484,746
Cash and cash equivalents as at 1 January	<u>9,809,280</u>	<u>9,324,534</u>
Cash and cash equivalents as at 31 December	<u>10,697,579</u>	<u>9,809,280</u>