# Media Release

## OCBC Group's Second Quarter 2008 Net Profit Falls 20% to S$425 million

***Net Profit for the First Half Down 11% to S$1,047 million***

***Interim Dividend of 14 cents per share***

Singapore, 7 August 2008 - Oversea-Chinese Banking Corporation Limited ("OCBC Bank") today reported a net profit attributable to shareholders ("net profit") of S$425 million for the second quarter ended 30 June 2008 ("2Q08"), 20% lower compared to S$532 million for 2Q07. Core net profit, which excludes gains from the divestment of non-core assets and tax refunds, fell 26% to S$381 million, from S$518 million in 2Q07. The year-on-year earnings decline was largely due to reduced contributions from subsidiary Great Eastern Holdings ("GEH"), lower trading income and higher operating expenses and allowances.

GEH's second quarter results continued to be affected by difficult debt and equity market conditions. Its contribution to the Group's core net profit, after amortisation of intangible assets and minority interests, fell from S$116 million in 2Q07 to S$3 million in 2Q08.

Apart from insurance and trading income, the Group's other key revenue drivers were resilient. Net interest income grew 22% on higher loan volumes and continued improvement in the net interest margin, which increased by 11 bps from a year ago and 7 bps from the previous quarter, to 2.24%. Fee and commission income held up reasonably well despite difficult market conditions, falling by 7% due mainly to lower stockbroking income which was in line with reduced stock market turnover.

The Group set aside additional allowances of S$67 million for its CDO (collateralised debt obligations) portfolio in 2Q08, writing down the remaining value of its ABS (asset-backed securities) CDOs to zero, and setting aside some allowances for its corporate CDOs. Net allowances for the quarter were S$55 million, compared to net write-backs of S$16 million in 2Q07 and S$8 million in 1Q08.

Compared to 1Q08's core net profit of S$460 million, the second quarter profit was 17% lower. Strong quarter-on-quarter growth in net interest income was offset by lower foreign exchange income and lower gains on investment securities, while operating expenses and allowances were higher.

Core earnings in 2Q08 exclude realised gains of S$18 million from the divestment of shares in Robinson and Co Limited, and tax refunds of S$26 million. The 2Q08 numbers included the consolidated results of PacificMas Berhad ("PacMas"), which became a 67%-owned subsidiary in April 2008. PacMas' main businesses are general insurance and fund management. Its profit contribution in 2Q08 was not material.

## Great Eastern Holdings

GEH reported a net profit of S$16 million for 2Q08 and S$61 million for 1H08, down 89% and 78% respectively year-on-year. After taking into account the amortisation of intangible assets and minority interests, GEH's contribution to OCBC Group's core net profit[1] was S$3 million in 2Q08 and S$4 million in 1H08, substantially lower than the S$116 million in 2Q07 and S$233 million in 1H07.

GEH's reported earnings continued to be affected by the volatility in the debt and equity markets, which continued into the second quarter. Its Singapore non-participating fund registered a post-tax loss of S$30 million compared with a profit of S$48 million a year ago, due to mark-to-market losses on its debt and equity investment portfolios. In particular, the rise in long-term interest rates during the second quarter reduced the market value of the fixed income portfolio.

The underlying insurance business of GEH remains strong in terms of new business sales, embedded value and market share. Gross premium income, new business premiums, and new business embedded value recorded year-on-year increases of 33%, 68% and 14% respectively during the second quarter. GEH maintained its leading life assurance market share in Singapore (29% in 1H08) and Malaysia (17% in 1Q08), in terms of weighted new business premiums. GEH together with OCBC Bank are also the market leaders in Singapore bancassurance, with 47% market share in 1H08.

## Second Quarter Revenues

The Group's net interest income rose 22% year-on-year and 6% from the previous quarter to S$678 million, driven by growth in interest earning assets and improved interest margins. Customer loans grew by 20% from a year ago, and 4% from March 2008, contributed mainly by growth in corporate and SME loans in Singapore, Malaysia and other overseas markets, as well as housing loans in Singapore. Net interest margin improved to 2.24%, from 2.13% in 2Q07 and 2.17% in 1Q08, largely due to higher loan spreads and lower average cost of funds in Singapore and Indonesia.

Non-interest income, excluding divestment gains, was generally impacted by the effects of weaker financial markets, falling 27% year-on-year to S$360 million. Fee and commission income fell 7% to S$202 million due to lower income from stockbroking, unit trust sales, fund management and investment banking, which offset growth in other areas. Profit from life assurance fell by 73% from S$123 million to S$33 million. Higher foreign exchange income was more than offset by lower realised gains on investment securities and a small loss in derivatives and securities dealing, resulting in a 51% fall in other income to S$50 million.

Compared to 1Q08, core non-interest income was lower by 5%, due mainly to the decline in foreign exchange dealing income from S$90 million to S$26 million.

1 GEH's contribution excludes S$28 million net gain from the sale of Straits Trading shares in 1Q08 and S$1 million net gain from the sale of Robinson shares in 2Q08.

## Second Quarter Operating Expenses

Operating expenses increased by 14% year-on-year to S$473 million. Approximately half of the expense increase can be attributed to the Group's overseas investments particularly in China, business volume-related and incentive compensation costs, and the first-time consolidation of PacMas' expenses.

Staff costs rose by 17% to S$270 million, mainly due to higher base salaries and increased headcount in tandem with the Group's regional expansion. Group headcount rose 13%, driven largely by higher headcount in overseas markets, including Malaysia, Indonesia and China. Property and equipment expenses fell 7% to S$81 million, while other operating expenses increased by 24% to S$121 million, attributed mainly to higher general insurance claims (mainly PacMas), business promotion expenses and business volume-related expenses.

Compared with 1Q08, expenses were up by 11%, mainly as a result of higher staff costs and consolidation of PacMas' expenses.

The cost-to-income ratio for 2Q08 was 45.5%, compared with 39.6% in 2Q07 and 42.0% in 1Q08.

## Allowances and Asset Quality

The Group provided S$55 million in net allowances for loans and other assets in 2Q08, compared with net write-backs of S$16 million in 2Q07, and S$8 million in 1Q08.

Allowances of S$67 million were taken against the Bank's total CDO investment portfolio of S$589 million. Of this amount, S$39 million was provided for the ABS CDO portfolio of S$246 million, following deterioration in the underlying assets and estimated losses based on the third party valuation model used. The ABS CDOs are now 100% provided for, compared to 85% in 1Q08.

Allowances of S$28 million were set aside for the corporate CDO portfolio of S$343 million, in anticipation of potential losses in parts of the portfolio, although as at June 2008 only S$5 million of the CDOs has been classified as non-performing. In addition to these allowances, cumulative mark-to-market losses of S$20 million on related credit default swaps have been taken to the Income Statement to-date (inclusive of a S$13 million gain in 2Q08), and a negative fair value adjustment of S$34 million was taken to the Balance Sheet fair value reserves.

The CDO allowances in 2Q08 were partly offset by net recoveries of S$18 million in specific loan allowances. While the Group continues to set aside additional allowances for new and existing non-performing loans ("NPLs"), these were more than offset by NPL recoveries and settlements.

The Group's asset quality and coverage ratios remained strong. NPLs fell 7% from March 2008 to S$1.23 billion in June 2008, while the NPL ratio improved from 1.6% to 1.4% and is now at a 10-year low. Total cumulative specific and portfolio allowances were S$1.50 billion, providing coverage of 122% of total NPLs, higher than the 115% coverage in March 2008 and 104% in June 2007. The allowance coverage ratio is at a 10-year high.

**First Half 2008 Results**

For the first six months of 2008 ("1H08"), core net profit was S$841 million, 18% lower than 1H07's profit of S$1,028 million. Strong growth in net interest income was offset by declines in profit from life assurance, as well as lower gains from investment securities, and losses in derivatives and securities dealing in 1H08.

Net interest income grew 24% to S$1,317 million, driven by 17% growth in interest earning assets and a 12 basis-point improvement in net interest margin from 2.09% to 2.21%. Core non-interest income fell 26% to S$736 million due to lower life assurance profits, derivatives and securities dealing income and gains on investment securities. Fee and commission income rose by 5% to S$415 million, as declines in brokerage and fund management income partially offset the strong growth in other fee income categories.

Operating expenses increased 17% to S$899 million, attributable mainly to higher staff costs, business promotion expenses and general insurance claims (mainly PacMas). Approximately 40% of the expense increase can be attributed to overseas investments particularly in China, business volume-related and incentive compensation costs, and consolidation of PacMas. Due largely to the decline in life assurance profits, the Group's overall cost-to-income ratio rose to 43.8% in 1H08, from 37.2% for 1H07.

Net allowances for loans and other assets amounted to S$48 million in 1H08, with the CDO-related allowances partly offset by net recoveries in specific loan allowances. In 1H07 there was a net allowance write-back of S$15 million due to NPL recoveries.

Return on equity, based on core earnings, was 11.3% in 1H08, down from 15.6% in 1H07. Annualised core earnings per share for the half year were 53.5 cents, a decline of 19% from 1H07.

The 1H08 core profit numbers exclude divestment gains of S$174 million (S$90 million in 1H07) and tax refunds of S$32 million (S$62 million in 1H07). Including these items, the Group's reported net profit in 1H08 was S$1,047 million, 11% lower than S$1,179 million in 1H07.

## Capital Position

Based on the revised MAS Notice 637 effective January 2008, the Group's total capital adequacy ratio ("CAR") under the Basel II framework was 13.6% and the Tier 1 CAR was 12.3% as at 30 June 2008, compared with the ratios of 13.5% and 12.8% at 31 March 2008 respectively. The decline in the Tier 1 CAR from March 2008 was due to growth in risk weighted assets ("RWA"). Total CAR increased slightly, as the Group's Tier 2 capital was boosted by RM1.6 billion (S$666 million) of Lower Tier 2 subordinated bonds issued by the Bank in Malaysia.

The capital ratios as at 30 June 2008 do not include the S$1 billion Tier 1 capital raised in the recent offering of OCBC Class B Preference Shares, which was launched in June 2008 but closed at the end of July 2008. Based on the Group's risk weighted assets as at 30 June 2008, the S$1 billion additional capital would increase the Group's Tier 1 and Total CAR by approximately one percentage point on a proforma basis. The impact on total capital, however, would be partly offset by the annual amortisation of the Bank's Upper Tier 2 subordinated bonds issued in 2001, which would reduce Tier 2 and total capital by approximately S$780 million during the third quarter.

## Interim Dividend

An interim tax-exempt dividend of 14 cents per share has been declared, similar to the 14 cents paid for 1H07 and 2H07. The dividend payout will amount to S$433 million, or approximately 51% of the Group's core net profit of S$841 million for 1H08. This is in line with the Group's dividend policy of paying out at least 45% of its core net profit.

## CEO's Comments

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

"Our first half performance was affected by the volatile markets impacting Great Eastern's results and the Bank's trading income. Still, the overall fundamentals of our banking and insurance businesses remain strong. While we are on alert due to possible further weakening of the global economy, we will continue to strengthen our presence in our primary markets."

### About OCBC Bank

Singapore's longest established local bank, OCBC Bank currently has assets of S$181 billion and a network of more than 460 branches and representative offices in 15 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Brunei, Japan, Australia, UK and USA. This network includes more than 350 branches and offices in Indonesia operated by OCBC Bank's subsidiary, PT Bank NISP. OCBC Bank and its banking subsidiaries offer a wide range of specialist financial services, from consumer, corporate, investment, private and transaction banking to treasury and stock-broking services to meet the needs of its customers across communities.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia, in terms of assets and market share, and its asset management subsidiary, Lion Global Investors is one of the largest asset management companies in Southeast Asia. Additional information may be found at www.ocbc.com.

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**To Our Shareholders**

The Board of Directors of Oversea-Chinese Banking Corporation Limited ("OCBC") wishes to announce the following:

**Financial Results for the Second Quarter Ended 30 June 2008**

For the second quarter ended 30 June 2008, Group reported net profit was S$425 million. Details of the financial results in the accompanying Group Financial Report have not been audited but have been reviewed by our auditors in accordance with Singapore Standard on Review Engagements 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

**Ordinary Dividend**

An interim tax-exempt dividend of 14 cents per share (2007: 14 cents tax-exempt) has been declared for the first half-year 2008, and will be paid on 12 September 2008. The interim dividend payout will amount to an estimated S$433 million (2007: S$432 million) or approximately 51% of the Group's core net profit of S$841 million for 1H08.

**Closure of Books**

Notice is hereby given that the Transfer Books and the Register of Shareholders of the Bank will be closed from 28 August 2008 to 29 August 2008 (both dates inclusive) for the purpose of determining the entitlement of Shareholders to the interim tax-exempt dividend of 14 cents for every ordinary share held. Duly completed registrable transfers of ordinary shares received by the Bank's Share Registrar, M & C Services Private Limited of 138 Robinson Road #17-00 The Corporate Office Singapore 068906 up to 5.00 p.m. on 27 August 2008 will be registered to determine the entitlement of Shareholders to the interim dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Bank as at 5.00 p.m. on 27 August 2008 will be entitled to the interim dividend.

**Scrip Dividend Scheme**

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

**Preference Dividends**

On 20 June 2008, the Bank paid semi-annual tax-exempt dividends on its non-cumulative non-convertible Class E Preference Shares at 4.5% per annum (2007: 4.5% tax-exempt), and on its non-cumulative non-convertible Class G Preference Shares at 4.2% per annum (2007: 4.2% net of Malaysia income tax). Total amount of dividends paid for the Class E and Class G Preference Shares were S$11.3 million and S$8.3 million respectively.

Peter Yeoh
Secretary

Singapore, 7 August 2008

More details on the results are available on the Bank's website at www.ocbc.com

# Oversea-Chinese Banking Corporation Limited

# Second Quarter 2008 Group Financial Report

Incorporated in Singapore
Company Registration Number: 193200032W

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## FINANCIAL SUMMARY

OCBC Group prepares its financial statements in accordance with the Singapore Financial Reporting Standards, including the modification to FRS 39 *Financial Instruments: Recognition and Measurement* requirement on loan loss provisioning under Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore. The accounting policies and methods of computation for the current financial period are consistent with those applied in the previous financial period.

### Financial Results

Group net profit attributable to shareholders was S$425 million for the second quarter ended 30 June 2008 ("2Q08"), 20% lower compared to S$532 million for 2Q07. Core net profit, which excludes gains from the divestment of non-core assets and tax refunds, fell 26% to S$381 million, from S$518 million in 2Q07. The year-on-year earnings decline was largely due to reduced contributions from subsidiary Great Eastern Holdings ("GEH"), lower trading income and higher operating expenses and allowances.

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## FINANCIAL SUMMARY *(continued)*

| S$ million | 1H08 | 1H07 | +/(-) % | 2Q08 | 2Q07 | +/(-) % | 1Q08 | +/(-) % |
|---|---|---|---|---|---|---|---|---|
| **Selected Income Statement Items** | | | | | | | | |
| Net interest income | **1,317** | 1,065 | 24 | **678** | 558 | 22 | 638 | 6 |
| Non-interest income | **736** | 999 | (26) | **360** | 493 | (27) | 377 | (5) |
| Total core income | **2,053** | 2,064 | (1) | **1,038** | 1,050 | (1) | 1,015 | 2 |
| Operating expenses | **(899)** | (768) | 17 | **(473)** | (416) | 14 | (426) | 11 |
| Operating profit before allowances and amortisation | **1,154** | 1,296 | (11) | **565** | 634 | (11) | 589 | (4) |
| Amortisation of intangible assets | **(23)** | (23) | – | **(12)** | (12) | – | (12) | – |
| (Allowances and impairment) / write-back for loans and other assets | **(48)** | 15 | (408) | **(55)** | 16 | (451) | 8 | (819) |
| Operating profit after allowances and amortisation | **1,083** | 1,288 | (16) | **498** | 639 | (22) | 585 | (15) |
| Share of results of associates and joint ventures | **4** | 20 | (78) | **3** | 4 | (32) | 2 | 86 |
| Profit before income tax | **1,088** | 1,309 | (17) | **501** | 643 | (22) | 586 | (14) |
| **Core net profit attributable to shareholders** | **841** | 1,028 | (18) | **381** | 518 | (26) | 460 | (17) |
| Divestment gains (net of tax) | **174** | 90 | 94 | **18** | – | – | 156 | (88) |
| Tax refund | **32** | 62 | (49) | **26** | 15 | 75 | 6 | 320 |
| **Reported net profit attributable to shareholders** | **1,047** | 1,179 | (11) | **425** | 532 | (20) | 622 | (32) |
| **Cash basis net profit attributable to shareholders** [1/] | **1,070** | 1,202 | (11) | **437** | 544 | (20) | 633 | (31) |
| **Selected Balance Sheet Items** | | | | | | | | |
| Ordinary equity | **14,249** | 13,547 | 5 | **14,249** | 13,547 | 5 | 14,793 | (4) |
| Total equity *(excluding minority interests)* | **15,145** | 14,443 | 5 | **15,145** | 14,443 | 5 | 15,689 | (3) |
| Total assets | **180,820** | 163,939 | 10 | **180,820** | 163,939 | 10 | 179,997 | – |
| Assets excluding life assurance investment assets [4/] | **141,296** | 123,759 | 14 | **141,296** | 123,759 | 14 | 139,032 | 2 |
| Loans and bills receivable *(net of allowances)* | **76,989** | 63,656 | 21 | **76,989** | 63,656 | 21 | 73,977 | 4 |
| Deposits of non-bank customers | **92,371** | 82,233 | 12 | **92,371** | 82,233 | 12 | 92,867 | (1) |

Notes:
1. Excludes amortisation of intangible assets.
2. Certain figures may not add up to the relevant totals due to rounding.

## FINANCIAL SUMMARY *(continued)*

| | 1H08 | 1H07 | 2Q08 | 2Q07 | 1Q08 |
|---|---|---|---|---|---|
| **Key Financial Ratios** | | | | | |
| **- based on core earnings** | | | | | |
| **Performance ratios (% p.a.)** | | | | | |
| Return on equity [1/] | | | | | |
| GAAP basis | **11.3** | 15.6 | **10.3** | 15.4 | 12.2 |
| Cash basis | **11.6** | 16.0 | **10.6** | 15.7 | 12.6 |
| Return on assets [2/] | | | | | |
| GAAP basis | **1.21** | 1.74 | **1.09** | 1.71 | 1.34 |
| Cash basis | **1.25** | 1.78 | **1.12** | 1.75 | 1.37 |
| **Revenue mix / efficiency ratios (%)** | | | | | |
| Net interest margin (annualised) | **2.21** | 2.09 | **2.24** | 2.13 | 2.17 |
| Net interest income to total income | **64.1** | 51.6 | **65.4** | 53.1 | 62.9 |
| Non-interest income to total income | **35.9** | 48.4 | **34.6** | 46.9 | 37.1 |
| Cost to income | **43.8** | 37.2 | **45.5** | 39.6 | 42.0 |
| Loans to deposits | **83.3** | 77.4 | **83.3** | 77.4 | 79.7 |
| NPL ratio | **1.4** | 2.4 | **1.4** | 2.4 | 1.6 |
| **Earnings per share (annualised - cents)** | | | | | |
| Basic earnings | **53.5** | 66.1 | **48.3** | 66.1 | 58.7 |
| Basic earnings (cash basis) | **55.0** | 67.6 | **49.8** | 67.6 | 60.2 |
| Diluted earnings | **53.3** | 65.7 | **48.1** | 65.7 | 58.4 |
| **Net asset value (S$)** | | | | | |
| Before valuation surplus | **4.60** | 4.39 | **4.60** | 4.39 | 4.79 |
| After valuation surplus | **6.41** | 6.18 | **6.41** | 6.18 | 6.43 |
| **Capital adequacy ratios (%)** [4/] | | | | | |
| Tier 1 | **12.3** | 12.5 | **12.3** | 12.5 | 12.8 |
| Total | **13.6** | 14.6 | **13.6** | 14.6 | 13.5 |

Notes:

1. Preference equity and minority interests are not included in the computation for return on equity. Computation of return on equity for 1H08, 2Q08 and 1Q08 included the fair value reserve arising from the mark-to-market gain on the Group's investment in Bank of Ningbo following its listing on the Shenzhen Stock Exchange in July 2007. The mark-to-market gains were approximately S$0.4 billion and S$0.6 billion as at 30 Jun 2008 and 31 Mar 2008 respectively. Excluding the impact of the fair value gain, return on equity on GAAP basis would have been 11.8% for 1H08, 10.7% for 2Q08 and 13.0% for 1Q08.
2. The computation for return on assets does not include life assurance fund investment assets.
3. In computing return on equity and earnings per share, preference dividends paid and estimated to be due as at the end of the financial period are deducted from core earnings.
4. The ratios for 1H08, 2Q08 and 1Q08 are computed in accordance with Basel II rules while the ratios for 1H07 and 2Q07 are computed based on Basel I rules.

OCBC Bank

# NET INTEREST INCOME

## Average Balance Sheet

| S$ million | 1H08 Average Balance | 1H08 Interest | 1H08 Average Rate [4] | 1H07 Average Balance | 1H07 Interest | 1H07 Average Rate [4] |
|---|---|---|---|---|---|---|
| | | | % | | | % |
| **Interest earning assets** | | | | | | |
| Loans and advances to non-bank customers | **73,940** | **1,790** | **4.87** | 61,339 | 1,720 | 5.65 |
| Placements with and loans to banks | **23,826** | **396** | **3.35** | 22,060 | 441 | 4.03 |
| Other interest earning assets [1] | **22,242** | **431** | **3.90** | 19,369 | 406 | 4.23 |
| Total | **120,007** | **2,617** | **4.39** | 102,768 | 2,567 | 5.04 |
| **Interest bearing liabilities** | | | | | | |
| Deposits of non-bank customers | **92,091** | **935** | **2.04** | 78,561 | 1,086 | 2.79 |
| Deposits and balances of banks | **14,823** | **250** | **3.40** | 12,252 | 272 | 4.48 |
| Other borrowings [2] | **5,664** | **115** | **4.09** | 5,768 | 143 | 5.01 |
| Total | **112,578** | **1,301** | **2.32** | 96,582 | 1,501 | 3.13 |
| **Net interest income / margin [3]** | | **1,317** | **2.21** | | 1,065 | 2.09 |

| S$ million | 2Q08 Average Balance | 2Q08 Interest | 2Q08 Average Rate [4] | 2Q07 Average Balance | 2Q07 Interest | 2Q07 Average Rate [4] | 1Q08 Average Balance | 1Q08 Interest | 1Q08 Average Rate [4] |
|---|---|---|---|---|---|---|---|---|---|
| | | | % | | | % | | | % |
| **Interest earning assets** | | | | | | | | | |
| Loans and advances to non-bank customers | **75,514** | **883** | **4.70** | 62,667 | 877 | 5.61 | 72,365 | 906 | 5.04 |
| Placements with and loans to banks | **24,209** | **200** | **3.31** | 22,737 | 223 | 3.93 | 23,442 | 197 | 3.38 |
| Other interest earning assets [1] | **22,010** | **204** | **3.72** | 19,418 | 203 | 4.19 | 22,474 | 228 | 4.07 |
| Total | **121,733** | **1,287** | **4.25** | 104,822 | 1,303 | 4.98 | 118,281 | 1,331 | 4.52 |
| **Interest bearing liabilities** | | | | | | | | | |
| Deposits of non-bank customers | **93,007** | **440** | **1.90** | 80,686 | 540 | 2.68 | 91,176 | 495 | 2.18 |
| Deposits and balances of banks | **15,272** | **113** | **2.96** | 12,020 | 134 | 4.47 | 14,374 | 138 | 3.86 |
| Other borrowings [2] | **5,856** | **56** | **3.84** | 5,711 | 71 | 4.98 | 5,473 | 59 | 4.36 |
| Total | **114,134** | **608** | **2.14** | 98,416 | 745 | 3.04 | 111,023 | 692 | 2.51 |
| **Net interest income / margin [3]** | | **678** | **2.24** | | 558 | 2.13 | | 638 | 2.17 |

Notes:
1. Comprise corporate debts and government securities.
2. Mainly debts issued.
3. Net interest margin is net interest income as a percentage of interest earning assets.
4. Average rates are computed on an annualised basis.

## NET INTEREST INCOME *(continued)*

Net interest income grew 22% to S$678 million in 2Q08. The increase was a result of higher asset balances and improved margins. Interest earning assets grew by 16% contributed mainly by loans growth in Singapore and overseas. Net interest margin rose 11 basis points from 2.13% in 2Q07 to 2.24% in 2Q08 largely due to higher loan spreads and lower average cost of funds in Singapore and Indonesia.

Against 1Q08, net interest income increased by 6% mainly on higher loan volume and better margins. Loans and advances to non-bank customers increased by 4% primarily from higher corporate lending in Singapore. Net interest margin was up by 7 basis points to 2.24%, driven mainly by improved margins in Singapore and Indonesia.

### Volume and Rate Analysis

| | 1H08 vs 1H07 | | | 2Q08 vs 2Q07 | | | 2Q08 vs 1Q08 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Increase / (decrease) due to change in: S$ million** | **Volume** | **Rate** | **Net change** | **Volume** | **Rate** | **Net change** | **Volume** | **Rate** | **Net change** |
| **Interest income** | | | | | | | | | |
| Loans and advances to non-bank customers | 355 | (295) | 60 | 180 | (173) | 7 | 39 | (63) | (23) |
| Placements with and loans to banks | 35 | (83) | (47) | 14 | (38) | (23) | 6 | (4) | 3 |
| Other interest earning assets | 61 | (38) | 23 | 27 | (26) | 1 | (5) | (19) | (24) |
| Total | 451 | (415) | 36 | 221 | (237) | (16) | 41 | (85) | (44) |
| **Interest expense** | | | | | | | | | |
| Deposits of non-bank customers | 188 | (345) | (157) | 82 | (183) | (100) | 10 | (65) | (55) |
| Deposits and balances of banks | 57 | (81) | (23) | 36 | (58) | (21) | 9 | (34) | (25) |
| Other borrowings | (3) | (26) | (29) | 2 | (17) | (15) | 4 | (8) | (3) |
| Total | 243 | (452) | (209) | 121 | (257) | (137) | 23 | (107) | (84) |
| **Impact on net interest income** | 208 | 37 | 245 | 101 | 20 | 121 | 18 | 22 | 40 |
| Due to change in number of days | | | 6 | | | – | | | – |
| **Net interest income** | | | 251 | | | 121 | | | 40 |

## NON-INTEREST INCOME

| S$ million | 1H08 | 1H07 | +/(-) | 2Q08 | 2Q07 | +/(-) | 1Q08 | +/(-) |
|---|---|---|---|---|---|---|---|---|
| | | | % | | | % | | % |
| **Fees and commissions** | | | | | | | | |
| Brokerage | **43** | 66 | (35) | **19** | 36 | (47) | 24 | (23) |
| Wealth management | **80** | 76 | 5 | **40** | 44 | (10) | 41 | (2) |
| Fund management | **42** | 45 | (8) | **21** | 23 | (8) | 21 | 1 |
| Credit card | **28** | 26 | 7 | **14** | 13 | 5 | 14 | – |
| Loan-related | **71** | 59 | 21 | **37** | 34 | 9 | 33 | 12 |
| Trade-related and remittances | **65** | 54 | 20 | **32** | 27 | 20 | 32 | 1 |
| Guarantees | **13** | 11 | 16 | **6** | 6 | 6 | 7 | (10) |
| Investment banking | **35** | 25 | 40 | **15** | 18 | (14) | 20 | (24) |
| Service charges | **25** | 23 | 8 | **12** | 13 | (1) | 13 | (2) |
| Others | **13** | 8 | 48 | **5** | 3 | 46 | 8 | (38) |
| Sub-total | **415** | 395 | 5 | **202** | 217 | (7) | 212 | (5) |
| | | | | | | | | |
| **Dividends** | **46** | 36 | 27 | **28** | 20 | 41 | 18 | 60 |
| **Rental income** | **32** | 33 | (3) | **17** | 16 | 6 | 15 | 11 |
| **Profit from life assurance** | **40** | 222 | (82) | **33** | 123 | (73) | 7 | 377 |
| **Premium income from general insurance** | **46** | 31 | 49 | **29** | 15 | 90 | 17 | 67 |
| | | | | | | | | |
| **Other income** | | | | | | | | |
| Net dealing income: | | | | | | | | |
| Foreign exchange | **116** | 73 | 59 | **26** | 18 | 50 | 90 | (71) |
| Derivatives and securities | **(68)** | 32 | (315) | **(3)** | 28 | (112) | (65) | (95) |
| Net gains from investment securities | **68** | 143 | (52) | **4** | 39 | (89) | 64 | (93) |
| Net gains from disposal of properties | **6** | 4 | 51 | **6** | 1 | 300 | # | n.m. |
| Others | **35** | 30 | 17 | **17** | 15 | 12 | 18 | (6) |
| Sub-total | **157** | 282 | (44) | **50** | 102 | (51) | 107 | (53) |
| | | | | | | | | |
| **Total core non-interest income** | **736** | 999 | (26) | **360** | 493 | (27) | 377 | (5) |
| Divestment gains | **186** | 92 | 101 | **19** | – | – | 167 | (89) |
| **Total non-interest income** | **922** | 1,091 | (16) | **378** | 493 | (23) | 544 | (30) |
| | | | | | | | | |
| Fees and commissions / Total income [1/] | **20.2%** | 19.1% | | **19.5%** | 20.7% | | 20.9% | |
| Non-interest income / Total income [1/] | **35.9%** | 48.4% | | **34.6%** | 46.9% | | 37.1% | |

Notes:
1. Pre-tax divestment gains are not included.
2. "n.m." denotes not meaningful.
3. "#" represents amounts less than S$0.5 million.

Core non-interest income fell 27% year-on-year to S$360 million, generally impacted by the weaker financial markets which affected insurance, stockbroking and trading income.

Profit from life assurance fell by 73% year-on-year to S$33 million. Higher long-term interest rates and weak equity markets resulted in mark-to-market losses in debt and equity investments in GEH's Singapore non-participating fund portfolio. Fee and commission income fell 7% to S$202 million due to lower income from stockbroking, unit trust sales, fund management and investment banking, which offset growth in other areas.

Other income fell 51% to S$50 million, as net gains from investment securities fell from S$39 million to S$4 million, while derivatives and securities dealing registered a net loss of S$3 million compared to net gains of S$28 million a year ago.

Compared to 1Q08, core non-interest income was lower by 5%. This was mainly due to a decline in foreign exchange dealing income from S$90 million to S$26 million, following a very strong performance in the previous quarter. Lower gains in investment securities were largely offset by a smaller loss in derivatives and securities dealing as compared to 1Q08.

## OPERATING EXPENSES

| S$ million | 1H08 | 1H07 | +/(-) % | 2Q08 | 2Q07 | +/(-) % | 1Q08 | +/(-) % |
|---|---|---|---|---|---|---|---|---|
| **Staff costs** | | | | | | | | |
| Salaries and other costs | **476** | 398 | 20 | **249** | 213 | 17 | 228 | 9 |
| Share-based expenses | **4** | 5 | (21) | **2** | 3 | (21) | 2 | 10 |
| Contribution to defined contribution plans | **40** | 28 | 39 | **20** | 16 | 26 | 20 | (1) |
| | **520** | 431 | 20 | **270** | 231 | 17 | 249 | 8 |
| **Property and equipment** | | | | | | | | |
| Depreciation | **55** | 55 | – | **28** | 30 | (7) | 26 | 7 |
| Maintenance and hire of property, plant & equipment | **34** | 32 | 6 | **17** | 17 | – | 17 | 2 |
| Rental expenses | **18** | 14 | 33 | **10** | 7 | 38 | 8 | 17 |
| Others | **52** | 56 | (6) | **26** | 32 | (20) | 27 | (3) |
| | **159** | 156 | 2 | **81** | 87 | (7) | 78 | 4 |
| **Other operating expenses** | **220** | 181 | 22 | **121** | 98 | 24 | 99 | 23 |
| **Total operating expenses** | **899** | 768 | 17 | **473** | 416 | 14 | 426 | 11 |
| **Group staff strength** | | | | | | | | |
| Period end | **19,578** | 17,277 | 13 | **19,578** | 17,277 | 13 | 19,048 | 3 |
| Average | **19,219** | 16,669 | 15 | **19,496** | 17,018 | 15 | 18,942 | 3 |
| Cost to income ratio [1/] | **43.8%** | 37.2% | | **45.5%** | 39.6% | | 42.0% | |

Note:
1. Excludes divestment gains.

Operating expenses increased by 14% year-on-year to S$473 million, inclusive of the consolidation of PacMas' expenses in 2Q08. Approximately half of the expense increase can be attributed to the Group's overseas investments particularly in China, business volume-related and incentive compensation costs, and the first-time consolidation of PacMas' expenses.

Staff costs rose by 17% to S$270 million, mainly due to higher base salaries and increased headcount in tandem with the Group's regional expansion. Group headcount rose 13%, driven largely by higher headcount in overseas markets, including Malaysia, Indonesia and China. Excluding PacMas, group headcount increased by 11%. Property and equipment expenses fell 7% to S$81 million while other operating expenses increased by 24% to S$121 million, attributed mainly to higher business promotion expenses, general insurance claims and business volume-related expenses. The increase in general insurance claims was mainly from the consolidation of PacMas.

Compared with 1Q08, expenses were up by 11%, mainly as a result of higher staff costs and consolidation of PacMas' expenses.

The cost-to-income ratio for 2Q08 was 45.5%, compared with 39.6% in 2Q07 and 42.0% in 1Q08.

## ALLOWANCES FOR LOANS AND OTHER ASSETS

| S$ million | 1H08 | 1H07 | +/(-) | 2Q08 | 2Q07 | +/(-) | 1Q08 | +/(-) |
|---|---|---|---|---|---|---|---|---|
| | | | % | | | % | | % |
| Specific allowances / (write-back) for loans | | | | | | | | |
| Singapore | **(37)** | (14) | 153 | **(14)** | (2) | 546 | (23) | (40) |
| Malaysia | **(1)** | (2) | (39) | **(16)** | (9) | 68 | 14 | (208) |
| Others | **13** | (5) | (393) | **11** | (7) | (18) | 2 | 451 |
| | **(24)** | (21) | 16 | **(18)** | (18) | (1) | (6) | 181 |
| Allowances for CDOs | **67** | – | – | **67** | – | – | – | – |
| Allowances and impairment charges / (write-back) for other assets | **5** | 6 | (6) | **6** | 2 | 181 | (1) | (592) |
| **Allowances and impairment for loans and other assets** | **48** | (15) | (408) | **55** | (16) | (451) | (8) | (819) |

The Group provided S$55 million in net allowances for loans and other assets in 2Q08, compared with net write-backs of S$16 million in 2Q07, and S$8 million in 1Q08.

Allowances of S$67 million were taken against the Bank's total CDO investment portfolio of S$589 million. Of this amount, S$39 million was provided for the ABS CDO portfolio of S$246 million, following deterioration in the underlying assets and estimated losses based on the third party valuation model used. The ABS CDOs are now 100% provided for, compared to 85% in 1Q08.

Allowances of S$28 million were set aside for the corporate CDO portfolio of S$343 million, in anticipation of potential losses in parts of the portfolio, although as at June 2008 only S$5 million of the CDOs has been classified as non-performing. In addition to these allowances, cumulative mark-to-market losses of S$20 million on related credit default swaps have been taken to the Income Statement to-date (inclusive of a S$13 million gain in 2Q08), and a negative fair value adjustment of S$34 million was taken to the Balance Sheet fair value reserves.

The CDO allowances in 2Q08 were partly offset by net recoveries of S$18 million in specific loan allowances. While the Group continues to set aside additional allowances for new and existing non-performing loans ("NPLs"), these were more than offset by NPL recoveries and settlements.

## LOANS AND ADVANCES

| S$ million | 30 Jun 2008 | 31 Mar 2008 | 31 Dec 2007 | 30 Jun 2007 |
|---|---|---|---|---|
| Loans to customers | **77,036** | 74,417 | 71,598 | 64,414 |
| Bills receivable | **1,319** | 976 | 1,177 | 895 |
| Gross loans to customers | **78,355** | 75,393 | 72,775 | 65,309 |
| Allowances: | | | | |
| Specific allowances | **(407)** | (459) | (499) | (687) |
| Portfolio allowances | **(959)** | (958) | (960) | (967) |
| Loans net of allowances | **76,989** | 73,977 | 71,316 | 63,656 |
| **By Maturity** | | | | |
| Within 1 year | **28,286** | 26,674 | 26,653 | 22,904 |
| 1 to 3 years | **13,688** | 13,344 | 12,040 | 11,308 |
| Over 3 years | **36,380** | 35,376 | 34,082 | 31,096 |
| | **78,355** | 75,393 | 72,775 | 65,309 |
| **By Industry** | | | | |
| Agriculture, mining and quarrying | **1,232** | 1,151 | 1,116 | 1,125 |
| Manufacturing | **6,576** | 6,319 | 6,278 | 5,854 |
| Building and construction | **15,517** | 15,365 | 13,653 | 11,204 |
| Housing loans | **19,765** | 19,630 | 19,247 | 18,095 |
| General commerce | **7,507** | 6,939 | 6,943 | 5,961 |
| Transport, storage and communication | **4,359** | 4,068 | 3,922 | 3,055 |
| Financial institutions, investment and holding companies | **11,943** | 10,946 | 10,610 | 9,338 |
| Professionals and individuals | **7,445** | 7,243 | 7,385 | 7,217 |
| Others | **4,011** | 3,732 | 3,621 | 3,460 |
| | **78,355** | 75,393 | 72,775 | 65,309 |
| **By Currency** | | | | |
| Singapore Dollar | **45,132** | 43,930 | 42,617 | 38,635 |
| United States Dollar | **10,677** | 9,767 | 9,417 | 8,567 |
| Malaysian Ringgit | **11,238** | 11,035 | 10,869 | 9,709 |
| Indonesian Rupiah | **2,553** | 2,355 | 2,402 | 2,466 |
| Others | **8,755** | 8,307 | 7,471 | 5,933 |
| | **78,355** | 75,393 | 72,775 | 65,309 |
| **By Geographical Sector** [1/] | | | | |
| Singapore | **48,440** | 46,860 | 45,311 | 41,293 |
| Malaysia | **12,668** | 12,341 | 12,102 | 11,028 |
| Other ASEAN | **4,723** | 4,392 | 4,446 | 4,215 |
| Greater China | **5,920** | 5,577 | 5,133 | 3,891 |
| Other Asia Pacific | **3,248** | 3,462 | 3,073 | 2,291 |
| Rest of the World | **3,357** | 2,762 | 2,710 | 2,593 |
| | **78,355** | 75,393 | 72,775 | 65,309 |

Note:
1. Loans by geographical sector are based on where the credit risks reside, regardless of where the transactions are booked.

The Group's loan book increased by 20% year-on-year, and 4% quarter-on-quarter, to S$78.4 billion as at 30 June 2008. This was boosted by growth in corporate and SME loans in Singapore, Malaysia and overseas markets, as well as Singapore housing loans. By industry, the growth was broad-based, with the largest increase coming from loans to the building and construction, financial institutions, investment and holding companies, general commerce and housing sectors.

## NON-PERFORMING LOANS [1/]

| S$ million | Total [2/] | Substandard | Doubtful | Loss | Secured NPLs/ Total NPLs | Non-bank NPLs/ Non-bank loans [3/] |
|---|---|---|---|---|---|---|
| | | | | | % | % |
| **Singapore** | | | | | | |
| **30 Jun 2008** | **442** | **177** | **139** | **126** | **66.3** | **0.9** |
| 31 Mar 2008 | 456 | 151 | 170 | 135 | 71.5 | 1.0 |
| 31 Dec 2007 | 512 | 185 | 185 | 141 | 66.6 | 1.1 |
| 30 Jun 2007 | 749 | 285 | 251 | 213 | 65.9 | 1.8 |
| **Malaysia** | | | | | | |
| **30 Jun 2008** | **470** | **294** | **101** | **75** | **63.1** | **3.6** |
| 31 Mar 2008 | 519 | 316 | 120 | 84 | 62.7 | 4.0 |
| 31 Dec 2007 | 548 | 335 | 114 | 98 | 63.0 | 4.3 |
| 30 Jun 2007 | 621 | 371 | 146 | 104 | 61.1 | 5.4 |
| **Others** | | | | | | |
| **30 Jun 2008** | **320** | **94** | **153** | **73** | **33.6** | **1.2** |
| 31 Mar 2008 | 349 | 115 | 168 | 67 | 44.4 | 1.6 |
| 31 Dec 2007 | 294 | 71 | 151 | 72 | 47.4 | 1.3 |
| 30 Jun 2007 | 244 | 80 | 78 | 86 | 62.9 | 1.8 |
| **Group** | | | | | | |
| **30 Jun 2008** | **1,232** | **565** | **393** | **274** | **56.6** | **1.4** |
| 31 Mar 2008 | 1,325 | 581 | 458 | 286 | 60.9 | 1.6 |
| 31 Dec 2007 | 1,354 | 592 | 450 | 312 | 60.9 | 1.7 |
| 30 Jun 2007 | 1,614 | 736 | 475 | 403 | 63.6 | 2.4 |

Notes:
1. Comprises non-bank loans, debt securities and contingent facilities.
2. Include CDOs of S$110 million, S$83 million and S$86 million as at 30 Jun 2008, 31 March 2008 and 31 December 2007 respectively.
3. Exclude debt securities.

The Group's asset quality continued to improve in 2Q08. As at 30 June 2008, total NPLs were S$1.23 billion, down from S$1.61 billion at 30 June 2007 and S$1.32 billion at 31 March 2008. Singapore NPLs amounted to S$0.44 billion, while Malaysia NPLs were S$0.47 billion. These accounted for 36% and 38% of total NPLs respectively. Of the total NPLs, 46% were in the substandard category while 57% were secured by collateral.

The Group's NPL ratio was 1.4% in June 2008, an improvement over 2.4% in June 2007 and 1.6% in March 2008.

## NON-PERFORMING LOANS *(continued)*

| | 30 Jun 2008 | | 31 Mar 2008 | | 31 Dec 2007 | | 30 Jun 2007 | |
|---|---|---|---|---|---|---|---|---|
| | S$ million | % of loans | S$ million | % of loans | S$ million | % of loan | S$ million | % of loans |
| **NPLs by Industry** | | | | | | | | |
| Loans and advances | | | | | | | | |
| Agriculture, mining and quarrying | **9** | **0.7** | 9 | 0.8 | 12 | 1.0 | 12 | 1.0 |
| Manufacturing | **228** | **3.5** | 241 | 3.8 | 271 | 4.3 | 311 | 5.3 |
| Building and construction | **117** | **0.8** | 176 | 1.1 | 187 | 1.4 | 214 | 1.9 |
| Housing loans | **266** | **1.3** | 290 | 1.5 | 301 | 1.6 | 371 | 2.1 |
| General commerce | **161** | **2.1** | 136 | 2.0 | 146 | 2.1 | 219 | 3.7 |
| Transport, storage and communication | **25** | **0.6** | 21 | 0.5 | 22 | 0.6 | 23 | 0.7 |
| Financial institutions, investment and holding companies | **106** | **0.9** | 128 | 1.2 | 68 | 0.6 | 117 | 1.3 |
| Professionals and individuals | **140** | **1.9** | 163 | 2.3 | 170 | 2.3 | 237 | 3.3 |
| Others | **44** | **1.1** | 47 | 1.3 | 61 | 1.7 | 79 | 2.3 |
| Sub-total | **1,095** | **1.4** | 1,212 | 1.6 | 1,238 | 1.7 | 1,583 | 2.4 |
| Debt securities | **137** | | 112 | | 116 | | 32 | |
| | **1,232** | | 1,325 | | 1,354 | | 1,614 | |

| | 30 Jun 2008 | | 31 Mar 2008 | | 31 Dec 2007 | | 30 Jun 2007 | |
|---|---|---|---|---|---|---|---|---|
| | S$ million | % | S$ million | % | S$ million | % | S$ million | % |
| **NPLs by Period Overdue** | | | | | | | | |
| Over 180 days | **650** | **53** | 653 | 49 | 696 | 51 | 871 | 54 |
| Over 90 to 180 days | **150** | **12** | 207 | 16 | 190 | 14 | 181 | 11 |
| 30 to 90 days | **127** | **10** | 107 | 8 | 137 | 10 | 189 | 12 |
| Less than 30 days | **24** | **2** | 156 | 12 | 191 | 14 | 36 | 2 |
| Not overdue | **281** | **23** | 201 | 15 | 140 | 10 | 337 | 21 |
| | **1,232** | **100** | 1,325 | 100 | 1,354 | 100 | 1,614 | 100 |

| | 30 Jun 2008 | | 31 Mar 2008 | | 31 Dec 2007 | | 30 Jun 2007 | |
|---|---|---|---|---|---|---|---|---|
| S$ million | Loan | Allowance | Loan | Allowance | Loan | Allowance | Loan | Allowance |
| **Restructured Loans** | | | | | | | | |
| Substandard | **70** | **4** | 70 | 4 | 95 | 5 | 118 | 11 |
| Doubtful | **126** | **131** | 98 | 103 | 59 | 69 | 128 | 126 |
| Loss | **18** | **7** | 24 | 9 | 32 | 14 | 23 | 6 |
| | **214** | **142** | 192 | 115 | 186 | 88 | 269 | 143 |

## CUMULATIVE ALLOWANCES FOR LOANS

| S$ million | Total cumulative allowances | Specific allowances [1/] | Portfolio allowances | Specific allowances as % of total NPLs | Cumulative allowances as % of total NPLs |
|---|---|---|---|---|---|
| | | | | % | % |
| **Singapore** | | | | | |
| **30 Jun 2008** | **643** | **139** | **504** | **31.6** | **145.9** |
| 31 Mar 2008 | 680 | 162 | 518 | 35.4 | 149.0 |
| 31 Dec 2007 | 740 | 203 | 537 | 39.5 | 144.4 |
| 30 Jun 2007 | 894 | 300 | 594 | 40.0 | 119.3 |
| **Malaysia** | | | | | |
| **30 Jun 2008** | **415** | **212** | **203** | **45.1** | **88.3** |
| 31 Mar 2008 | 435 | 238 | 197 | 45.8 | 83.8 |
| 31 Dec 2007 | 422 | 232 | 190 | 42.3 | 77.1 |
| 30 Jun 2007 | 434 | 260 | 174 | 41.9 | 69.9 |
| **Others** | | | | | |
| **30 Jun 2008** | **442** | **191** | **251** | **59.7** | **138.1** |
| 31 Mar 2008 | 412 | 170 | 242 | 48.7 | 118.0 |
| 31 Dec 2007 | 410 | 177 | 233 | 60.4 | 139.5 |
| 30 Jun 2007 | 350 | 151 | 199 | 62.0 | 143.6 |
| **Group** | | | | | |
| **30 Jun 2008** | **1,501** | **543** | **959** | **44.1** | **121.9** |
| 31 Mar 2008 | 1,527 | 569 | 958 | 43.0 | 115.3 |
| 31 Dec 2007 | 1,571 | 612 | 960 | 45.2 | 116.1 |
| 30 Jun 2007 | 1,678 | 712 | 967 | 44.1 | 104.0 |

Note:
1. Included allowances of S$107 million, S$80 million and S$82 million for classified CDOs as at 30 June 2008, 31 March 2008 and 31 December 2007 respectively.

As at 30 June 2008, the Group's total cumulative allowances for loans were S$1.50 billion, comprising S$0.54 billion in specific allowances, and S$0.96 billion in portfolio allowances. The cumulative specific allowances included S$107 million in allowances for classified CDOs. Total cumulative allowances were 121.9% of total NPLs at 30 June 2008, compared with the coverage of 104.0% at 30 June 2007 and 115.3% at 31 March 2008.

## DEPOSITS

| S$ million | 30 Jun 2008 | 31 Mar 2008 | 31 Dec 2007 | 30 Jun 2007 |
|---|---|---|---|---|
| Deposits of non-bank customers | **92,371** | 92,867 | 88,788 | 82,233 |
| Deposits and balances of banks | **16,132** | 14,085 | 14,726 | 13,004 |
| | **108,503** | 106,952 | 103,514 | 95,237 |
| Loans to deposits ratio (net non-bank loans / non-bank deposits) | **83.3%** | 79.7% | 80.3% | 77.4% |

| S$ million | 30 Jun 2008 | 31 Mar 2008 | 31 Dec 2007 | 30 Jun 2007 |
|---|---|---|---|---|
| **Total Deposits By Maturity** | | | | |
| Within 1 year | **105,598** | 103,972 | 99,784 | 91,286 |
| 1 to 3 years | **2,149** | 2,102 | 2,766 | 2,485 |
| Over 3 years | **756** | 877 | 965 | 1,466 |
| | **108,503** | 106,952 | 103,514 | 95,237 |
| **Non-Bank Deposits By Product** | | | | |
| Fixed deposits | **59,225** | 60,471 | 58,765 | 53,250 |
| Savings deposits | **14,702** | 14,064 | 12,999 | 12,956 |
| Current account | **14,161** | 13,303 | 12,538 | 11,580 |
| Others | **4,283** | 5,029 | 4,486 | 4,447 |
| | **92,371** | 92,867 | 88,788 | 82,233 |
| **Non-Bank Deposits By Currency** | | | | |
| Singapore Dollar | **54,441** | 55,722 | 52,873 | 50,881 |
| United States Dollar | **12,003** | 10,796 | 11,473 | 9,091 |
| Malaysian Ringgit | **13,506** | 14,121 | 13,633 | 13,398 |
| Indonesian Rupiah | **2,644** | 2,650 | 2,903 | 2,864 |
| Others | **9,777** | 9,578 | 7,906 | 5,999 |
| | **92,371** | 92,867 | 88,788 | 82,233 |

As at 30 June 2008, total deposits were S$108.5 billion, an increase of 14% year-on-year. Non-bank customer deposits grew by 12% to S$92.4 billion, with increases of 11% in fixed deposits, 13% in savings deposits, and 22% in current account deposits. Deposits and balances of banks grew by 24% to S$16.1 billion. Compared with 31 March 2008, total deposits grew by 1% while customer deposits decreased marginally due mainly to lower fixed deposits.

The Group's loans to deposits ratio was 83.3% at 30 June 2008, compared with 79.7% at March 2008, 80.3% in December 2007, and 77.4% in June 2007.

## CAPITAL ADEQUACY RATIOS

| | Basel II | | Basel I | |
|---|---|---|---|---|
| **S$ million** | **30 Jun 2008** | **31 Mar 2008** | **31 Dec 2007** | **30 Jun 2007** |
| **Tier 1 Capital** | | | | |
| Ordinary and preference shares | **5,577** | 5,554 | 5,520 | 5,503 |
| Disclosed reserves / others | **9,899** | 9,927 | 9,366 | 9,054 |
| Goodwill / others [1/] | **(3,945)** | (3,951) | (3,455) | (3,508) |
| | **11,531** | 11,530 | 11,431 | 11,049 |
| **Tier 2 Capital** | | | | |
| Subordinated term notes | **3,473** | 2,824 | 2,651 | 3,208 |
| Others [1/] | **(2,273)** | (2,189) | 960 | 968 |
| **Total Capital** | **12,731** | 12,165 | 15,041 | 15,225 |
| Less: [1/] | | | | |
| Capital investments in insurance subsidiaries | **–** | – | (2,506) | (2,258) |
| Others | **–** | – | (124) | (122) |
| **Total Eligible Capital** | **12,731** | 12,165 | 12,411 | 12,844 |
| **Risk weighted assets** [2/] | **93,331** | 89,645 | 99,381 | 87,846 |
| **Tier 1 capital adequacy ratio** | **12.3%** | 12.8% | 11.5% | 12.5% |
| **Total capital adequacy ratio** | **13.6%** | 13.5% | 12.4% | 14.6% |

Notes:
1. In accordance with the revised MAS Notice 637, for 30 June and 31 March 2008, capital investments in insurance subsidiaries and other items were deducted against Tier 1 and Tier 2 Capital under the Basel II framework. Under Basel I, these items were deducted against Total Capital. Goodwill continues to be deducted against Tier 1 Capital.
2. Risk weighted assets include operational risk weighted assets with effect from January 2008.

Based on the revised MAS Notice 637 effective January 2008, the Group's total capital adequacy ratio ("CAR") under the Basel II framework was 13.6% and the Tier 1 CAR was 12.3% as at 30 June 2008, compared with the ratios of 13.5% and 12.8% at 31 March 2008 respectively. The decline in the Tier 1 CAR from March 2008 was due to growth in risk weighted assets ("RWA"). Total CAR increased slightly, as the Group's Tier 2 capital was boosted by RM1.6 billion (S$666 million) of Lower Tier 2 subordinated bonds issued by the Bank in Malaysia.

The capital ratios as at 30 June 2008 do not include the S$1 billion Tier 1 capital raised in the recent offering of OCBC Class B Preference Shares, which was launched in June 2008 but closed at the end of July 2008. Based on the Group's risk weighted assets as at 30 June 2008, the S$1 billion additional capital would increase the Group's Tier 1 and Total CAR by approximately one percentage point on a proforma basis. The impact on total capital, however, would be partly offset by the annual amortisation of the Bank's Upper Tier 2 subordinated bonds issued in 2001, which would reduce Tier 2 and total capital by approximately S$780 million during the third quarter.

## VALUATION SURPLUS

| S$ million | 30 Jun 2008 | 31 Mar 2008 | 31 Dec 2007 | 30 Jun 2007 |
|---|---|---|---|---|
| Properties [1/] | **2,575** | 2,536 | 2,513 | 1,967 |
| Equity securities [2/] | **3,009** | 2,530 | 2,654 | 3,541 |
| Total | **5,583** | 5,066 | 5,167 | 5,508 |

Notes:

1. Includes properties classified as investment properties and assets held for sale. Property values are determined mainly based on external valuations at year-end, with internal reviews performed for other quarters.
2. Comprises investments in quoted associates and subsidiaries, which are valued based on their market prices at the end of each quarter.

The Group's unrealised valuation surplus was S$5.58 billion as at 30 June 2008, 10% higher than at 31 March 2008. The valuation surplus of S$3.01 billion on equity securities was primarily from the Group's holding of GEH shares.

## PERFORMANCE BY BUSINESS SEGMENT

OCBC Group's businesses are presented in the following customer and product segments: Global Consumer Financial Services, Global Corporate Banking, Global Treasury and Insurance.

### Core Operating Profit by Business Segment

| S$ million | 1H08 | 1H07 | +/(-) % | 2Q08 | 2Q07 | +/(-) % | 1Q08 | +/(-) % |
|---|---|---|---|---|---|---|---|---|
| Global Consumer Financial Services | **350** | 288 | 22 | **166** | 146 | 13 | 184 | (10) |
| Global Corporate Banking | **527** | 410 | 29 | **277** | 226 | 23 | 250 | 11 |
| Global Treasury | **213** | 170 | 25 | **91** | 80 | 14 | 122 | (25) |
| Insurance [1/] | **43** | 315 | (86) | **20** | 163 | (88) | 23 | (16) |
| Others [2/] | **(50)** | 105 | (148) | **(56)** | 23 | (350) | 6 | n.m. |
| **Core operating profit after allowances and amortisation** | **1,083** | 1,288 | (16) | **498** | 639 | (22) | 585 | (15) |

Notes:
1. Pre-tax divestment gains of S$41 million for 1H08, S$2 million for 2Q08 and S$40 million for 1Q08 are not included.
2. Pre-tax divestment gains of S$145 million for 1H08, S$92 million for 1H07, S$17 million for 2Q08 and S$128 million for 1Q08 are not included.
3. "n.m." denotes not meaningful.

#### Global Consumer Financial Services

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

For 1H08, operating profit of the consumer segment rose by 22% to S$350 million, as broad-based revenue growth in net interest income and fee income, more than offset the growth in expenses. For 2Q08, operating profit increased by 13% to S$166 million.

#### Global Corporate Banking

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

Global Corporate Banking's operating profit grew by 29% to S$527 million in 1H08 and by 23% to S$277 million in 2Q08. The improved performance was driven by increase in net interest income due to strong loans and deposits growth, higher fee income and net write-back of loan allowances, partly offset by higher expenses.

## PERFORMANCE BY BUSINESS SEGMENT *(continued)*

### Global Treasury

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

Global Treasury's operating profit rose 25% from 1H07 to S$213 million in 1H08, and 14% from 2Q07 to S$91 million in 2Q08. The higher profit was driven by an increase in net interest income and foreign exchange gains, partly offset by higher expenses and losses from dealing in securities and derivatives.

### Insurance

The Group's insurance business, including its fund management activities, is carried out by 86.9%-owned subsidiary Great Eastern Holdings ("GEH"), which provides both life and general insurance products to its customers mainly in Singapore and Malaysia.

For 1H08, operating profit from GEH fell by 86% to S$43 million, due mainly to the weak performance of its non-participating fund. Compared to 2Q07, operating profit in 2Q08 saw a decline of 88% to S$20 million.

After minority interests and tax, and excluding non-core gains from divestments, GEH's contribution to the Group's core net profit was S$4 million in 1H08 and S$3 million in 2Q08, compared with S$233 million in 1H07 and S$116 million in 2Q07.

### Others

The "Others" segment comprises Bank NISP, newly acquired PacificMas Berhad, corporate finance, capital markets, property holding, stock brokerage and investment holding, support units, other investments and items not attributed to business segments.

## PERFORMANCE BY BUSINESS SEGMENT *(continued)*

| S$ million | Global Consumer Financial Services | Global Corporate Banking | Global Treasury | Insurance | Others | Group |
|---|---|---|---|---|---|---|
| **1H08** | | | | | | |
| **Total core income [1]** | **656** | **705** | **300** | **136** | **256** | **2,053** |
| Operating profit before allowances and amortisation [1] | **366** | **475** | **213** | **70** | **30** | **1,154** |
| Amortisation of intangible assets | **–** | **–** | **–** | **(23)** | **–** | **(23)** |
| (Allowances and impairment) / write-back for loans and other assets | **(16)** | **52** | **–** | **(3)** | **(81)** | **(48)** |
| **Operating profit / (loss) after allowances and amortisation [1]** | **350** | **527** | **213** | **43** | **(50)** | **1,083** |
| **Other information:** | | | | | | |
| Capital expenditure | **6** | **4** | **–** | **22** | **74** | **106** |
| Depreciation | **4** | **2** | **–** | **–** | **49** | **55** |
| **1H07** | | | | | | |
| **Total core income [1]** | 555 | 574 | 227 | 395 | 313 | 2,064 |
| Operating profit before allowances and amortisation [1] | 308 | 376 | 170 | 338 | 104 | 1,296 |
| Amortisation of intangible assets | – | – | – | (23) | – | (23) |
| (Allowances and impairment) / write-back for loans and other assets | (20) | 34 | – | – | 1 | 15 |
| **Operating profit after allowances and amortisation [1]** | 288 | 410 | 170 | 315 | 105 | 1,288 |
| **Other information:** | | | | | | |
| Capital expenditure | 4 | 3 | – | 60 | 58 | 125 |
| Depreciation | 5 | 3 | – | – | 47 | 55 |

Note:
1. Pre-tax divestment gains of S$186 million and S$92 million for 1H08 and 1H07 are not included.

## PERFORMANCE BY BUSINESS SEGMENT *(continued)*

| S$ million | Global Consumer Financial Services | Global Corporate Banking | Global Treasury | Insurance | Others | Group |
|---|---|---|---|---|---|---|
| **2Q08** | | | | | | |
| **Total core income** [1/] | **325** | **365** | **136** | **69** | **143** | **1,038** |
| Operating profit before allowances and amortisation [1/] | **174** | **245** | **91** | **32** | **23** | **565** |
| Amortisation of intangible assets | **–** | **–** | **–** | **(12)** | **–** | **(12)** |
| (Allowances and impairment) / write-back for loans and other assets | **(8)** | **32** | **–** | **–** | **(79)** | **(55)** |
| **Operating profit / (loss) after allowances and amortisation** [1/] | **166** | **277** | **91** | **20** | **(56)** | **498** |
| **Other information:** | | | | | | |
| Capital expenditure | **4** | **3** | **–** | **13** | **33** | **53** |
| Depreciation | **2** | **1** | **–** | **–** | **25** | **28** |
| **2Q07** | | | | | | |
| **Total core income** | 290 | 306 | 109 | 204 | 141 | 1,050 |
| Operating profit before allowances and amortisation | 155 | 198 | 80 | 175 | 26 | 634 |
| Amortisation of intangible assets | – | – | – | (12) | – | (12) |
| (Allowances and impairment) / write-back for loans and other assets | (8) | 28 | – | – | (4) | 16 |
| **Operating profit after allowances and amortisation** | 146 | 226 | 80 | 163 | 23 | 639 |
| **Other information:** | | | | | | |
| Capital expenditure | 3 | 1 | – | 27 | 31 | 62 |
| Depreciation | 5 | 2 | – | – | 23 | 30 |
| **1Q08** | | | | | | |
| **Total core income** [1/] | 330 | 340 | 163 | 67 | 115 | 1,015 |
| Operating profit before allowances and amortisation [1/] | 192 | 230 | 122 | 38 | 7 | 589 |
| Amortisation of intangible assets | – | – | – | (12) | – | (12) |
| (Allowances and impairment) / write-back for loans and other assets | (8) | 20 | – | (3) | (1) | 8 |
| **Operating profit after allowances and amortisation** [1/] | 184 | 250 | 122 | 23 | 6 | 585 |
| **Other information:** | | | | | | |
| Capital expenditure | 2 | 2 | – | 9 | 40 | 53 |
| Depreciation | 2 | 1 | – | – | 23 | 26 |

Note:
1. Pre-tax divestment gains of S$19 million and S$167 million for 2Q08 and 1Q08 are not included.

## PERFORMANCE BY BUSINESS SEGMENT *(continued)*

| S$ million | Global Consumer Financial Services | Global Corporate Banking | Global Treasury | Insurance | Others | Group |
|---|---|---|---|---|---|---|
| **At 30 June 2008** | | | | | | |
| Segment assets | **26,273** | **56,698** | **39,615** | **46,330** | **17,829** | **186,745** |
| Unallocated assets | | | | | | **80** |
| Elimination | | | | | | **(6,005)** |
| **Total assets** | | | | | | **180,820** |
| Segment liabilities | **38,856** | **46,198** | **29,127** | **41,128** | **13,699** | **169,008** |
| Unallocated liabilities | | | | | | **1,461** |
| Elimination | | | | | | **(6,005)** |
| **Total liabilities** | | | | | | **164,464** |
| **Other information:** | | | | | | |
| Gross non-bank loans | **25,044** | **49,026** | **247** | **326** | **3,712** | **78,355** |
| NPLs (include debt securities) | **340** | **707** | **–** | **9** | **176** | **1,232** |
| **At 31 March 2008** | | | | | | |
| Segment assets | 26,348 | 54,558 | 37,373 | 47,594 | 19,726 | 185,599 |
| Unallocated assets | | | | | | 60 |
| Elimination | | | | | | (5,662) |
| **Total assets** | | | | | | 179,997 |
| Segment liabilities | 39,381 | 46,880 | 23,487 | 41,972 | 15,415 | 167,135 |
| Unallocated liabilities | | | | | | 1,681 |
| Elimination | | | | | | (5,662) |
| **Total liabilities** | | | | | | 163,154 |
| **Other information:** | | | | | | |
| Gross non-bank loans | 24,778 | 46,627 | 248 | 318 | 3,422 | 75,393 |
| NPLs (include debt securities) | 370 | 795 | – | 8 | 152 | 1,325 |
| **At 31 December 2007** | | | | | | |
| Segment assets | 25,917 | 51,190 | 36,967 | 47,727 | 17,393 | 179,194 |
| Unallocated assets | | | | | | 87 |
| Elimination | | | | | | (4,674) |
| **Total assets** | | | | | | 174,607 |
| Segment liabilities | 38,858 | 43,258 | 24,666 | 41,911 | 11,938 | 160,631 |
| Unallocated liabilities | | | | | | 1,811 |
| Elimination | | | | | | (4,674) |
| **Total liabilities** | | | | | | 157,768 |
| **Other information:** | | | | | | |
| Gross non-bank loans | 24,303 | 44,118 | 382 | 252 | 3,720 | 72,775 |
| NPLs (include debt securities) | 387 | 802 | – | 8 | 157 | 1,354 |
| **At 30 June 2007** | | | | | | |
| Segment assets | 24,599 | 43,452 | 35,205 | 46,296 | 18,573 | 168,125 |
| Unallocated assets | | | | | | 79 |
| Elimination | | | | | | (4,265) |
| **Total assets** | | | | | | 163,939 |
| Segment liabilities | 37,232 | 42,531 | 18,470 | 40,705 | 11,951 | 150,889 |
| Unallocated liabilities | | | | | | 1,722 |
| Elimination | | | | | | (4,265) |
| **Total liabilities** | | | | | | 148,346 |
| **Other information:** | | | | | | |
| Gross non-bank loans | 23,061 | 37,452 | 232 | 365 | 4,199 | 65,309 |
| NPLs (include debt securities) | 496 | 1,034 | – | – | 84 | 1,614 |

## PERFORMANCE BY GEOGRAPHICAL SEGMENT

| | 1H08 | | 1H07 | | 2Q08 | | 2Q07 | | 1Q08 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **S$ million** | **%** | **S$ million** | **%** | **S$ million** | **%** | **S$ million** | **%** | **S$ million** | **%** |
| **Total core income** | | | | | | | | | | |
| Singapore [1/] | **1,255** | **61** | 1,365 | 66 | **627** | **60** | 714 | 68 | 628 | 62 |
| Malaysia | **493** | **24** | 446 | 22 | **243** | **23** | 222 | 21 | 250 | 25 |
| Other ASEAN | **149** | **7** | 168 | 8 | **79** | **8** | 73 | 7 | 70 | 7 |
| Asia Pacific | **134** | **7** | 67 | 3 | **76** | **7** | 33 | 3 | 58 | 6 |
| Rest of the World | **22** | **1** | 18 | 1 | **13** | **1** | 10 | 1 | 9 | 1 |
| | **2,053** | **100** | 2,064 | 100 | **1,038** | **100** | 1,050 | 100 | 1,015 | 100 |
| **Profit before income tax** | | | | | | | | | | |
| Singapore [1/] | **687** | **63** | 860 | 66 | **308** | **61** | 443 | 69 | 379 | 65 |
| Malaysia | **287** | **26** | 322 | 25 | **126** | **25** | 157 | 24 | 161 | 27 |
| Other ASEAN | **35** | **3** | 62 | 5 | **23** | **5** | 15 | 2 | 12 | 2 |
| Asia Pacific | **70** | **6** | 44 | 3 | **38** | **8** | 23 | 4 | 32 | 6 |
| Rest of the World | **8** | **1** | 21 | 2 | **6** | **1** | 5 | 1 | 2 | – |
| | **1,088** | **100** | 1,309 | 100 | **501** | **100** | 643 | 100 | 586 | 100 |

Notes:
1. Pre-tax divestment gains of S$186 million for 1H08, S$92 million for 1H07, S$19 million for 2Q08 and S$167 million for 1Q08 are not included in total core income and profit before income tax.

| | 30 Jun 2008 S$ million | % | 31 Mar 2008 S$ million | % | 31 Dec 2007 S$ million | % | 30 Jun 2007 S$ million | % |
|---|---|---|---|---|---|---|---|---|
| **Total assets** | | | | | | | | |
| Singapore | **118,917** | **66** | 119,200 | 66 | 117,833 | 67 | 110,997 | 68 |
| Malaysia | **36,465** | **20** | 37,847 | 21 | 36,309 | 21 | 35,126 | 21 |
| Other ASEAN | **5,555** | **3** | 5,422 | 3 | 5,940 | 4 | 5,766 | 4 |
| Asia Pacific | **15,177** | **8** | 13,495 | 7 | 10,951 | 6 | 8,623 | 5 |
| Rest of the World | **4,706** | **3** | 4,032 | 2 | 3,574 | 2 | 3,427 | 2 |
| | **180,820** | **100** | 179,997 | 100 | 174,607 | 100 | 163,939 | 100 |

The geographical segment analysis is based on the location where the assets or transactions are booked. For 2Q08, Singapore accounted for 60% of total income and 61% of pre-tax profit, while Malaysia accounted for 23% of total income and 25% of pre-tax profit. Year-on-year, pre-tax profit in 2Q08 for Singapore was lower due mainly to the allowances of S$67 million for CDOs held by the Bank, while Malaysia's pretax profit was lower due to reduced contribution from GEH's Malaysia operations.

For 1H08, Singapore accounted for 61% of total income and 63% of pre-tax profit, while Malaysia accounted for 24% of total income and 26% of pre-tax profit.

# ADDITIONAL DISCLOSURES

## Collateralised Debt Obligations

As at 30 June 2008, OCBC[1] has investments of S$589 million in CDOs, including S$246 million in asset-backed securities CDOs ("ABS CDOs"). The exposure to US sub-prime mortgages amounted to approximately 18% of the ABS CDOs. OCBC has made 100% allowance in the income statement for its ABS CDO exposure.

Of the S$343 million corporate CDO investment portfolio, S$5 million are invested in an equity tranche. As at 30 June 2008, the value of the corporate CDO portfolio has been reduced by impairment allowances of S$28 million as well as negative fair value adjustment of S$34 million in equity. In addition, cumulative mark-to-market losses of S$20 million on the credit default swaps related to these corporate CDOs have been taken to the income statement.

| | 30 Jun 08 | | 31 Mar 08 | | 31 Dec 07 | | 30 Jun 07 | |
|---|---|---|---|---|---|---|---|---|
| **Type of CDO / Tranche** | **Exposure** | **Allowance** | **Exposure** | **Allowance** | **Exposure** | **Allowance** | **Exposure** | **Allowance** |
| **ABS CDO** | | | | | | | | |
| ***Investment Portfolio*** | **246** | **(246)** | 250 | (211) | 260 | (219) | 277 | – |
| **Corporate CDO (Non-ABS)** | | | | | | | | |
| ***Investment Portfolio*** | **343** | **(28)** | 349 | – | 360 | – | 382 | – |
| **Total CDO Portfolio** | **589** | **(274)** | 599 | (211) | 620 | (219) | 659 | – |

As at 30 June 2008, the credit rating profile of the total CDO portfolio[2] was as follows: 16% - AAA, 9% - AA, 28% - A, 3% - BB, 4% - B, 23% - CCC, and 17% - CC and below.

## Special Purpose Entities ("SPE")

As at 30 June 2008, OCBC does not utilise any SPE as a conduit for the securitisation of assets, nor does it provide any credit enhancement to any third-party sponsored SPEs.

[1] The disclosures in this section exclude GEH and its asset management subsidiary Lion Global Investors. The bulk of GEH's investments are for policyholders under its Life Assurance Funds. Lion Global Investors manages funds on behalf of its clients who bear the risks and returns.

[2] Where a CDO is rated differently by two or more rating agencies, the lowest rating is used.

## CONSOLIDATED INCOME STATEMENT

| S$ million | 1H08 | 1H07 | +/(-) | 2Q08 | 2Q07 | +/(-) | 1Q08 | +/(-) |
|---|---|---|---|---|---|---|---|---|
| | | | % | | | % | | % |
| Interest income | **2,617** | 2,567 | 2 | **1,287** | 1,303 | (1) | 1,331 | (3) |
| Interest expense | **(1,301)** | (1,501) | (13) | **(608)** | (745) | (18) | (692) | (12) |
| **Net interest income** | **1,317** | 1,065 | 24 | **678** | 558 | 22 | 638 | 6 |
| Premium income | **3,488** | 2,665 | 31 | **1,930** | 1,444 | 34 | 1,558 | 24 |
| Investment income | **430** | 1,763 | (76) | **198** | 1,003 | (80) | 232 | (15) |
| Net claims, surrenders and annuities | **(1,867)** | (2,196) | (15) | **(849)** | (1,076) | (21) | (1,019) | (17) |
| Change in life assurance fund contract liabilities [1/] | **(1,642)** | (1,482) | 11 | **(1,075)** | (915) | 18 | (566) | 90 |
| Commission and others [1/] | **(369)** | (529) | (30) | **(171)** | (334) | (49) | (198) | (14) |
| Profit from life assurance | **40** | 222 | (82) | **33** | 123 | (73) | 7 | 377 |
| Premium income from general insurance | **46** | 31 | 49 | **29** | 15 | 90 | 17 | 67 |
| Fees and commissions (net) | **415** | 395 | 5 | **202** | 217 | (7) | 212 | (5) |
| Dividends | **46** | 36 | 27 | **28** | 20 | 41 | 18 | 60 |
| Rental income | **32** | 33 | (3) | **17** | 16 | 6 | 15 | 11 |
| Other income | **343** | 374 | (8) | **69** | 102 | (32) | 274 | (75) |
| **Non-interest income** | **922** | 1,091 | (16) | **378** | 493 | (23) | 544 | (30) |
| **Total income** | **2,239** | 2,157 | 4 | **1,057** | 1,050 | 1 | 1,182 | (11) |
| Staff costs | **(520)** | (431) | 20 | **(270)** | (231) | 17 | (249) | 8 |
| Other operating expenses | **(379)** | (337) | 13 | **(202)** | (185) | 9 | (177) | 14 |
| **Total operating expenses** | **(899)** | (768) | 17 | **(473)** | (416) | 14 | (426) | 11 |
| **Operating profit before allowances and amortisation** | **1,340** | 1,389 | (4) | **584** | 634 | (8) | 756 | (23) |
| Amortisation of intangible assets | **(23)** | (23) | – | **(12)** | (12) | – | (12) | – |
| (Allowances and impairment) / write-back for loans and other assets | **(48)** | 15 | (408) | **(55)** | 16 | (451) | 8 | (819) |
| **Operating profit after allowances and amortisation** | **1,269** | 1,381 | (8) | **517** | 639 | (19) | 752 | (31) |
| Share of results of associates and joint ventures | **4** | 20 | (78) | **3** | 4 | (32) | 2 | 86 |
| **Profit before income tax** | **1,273** | 1,401 | (9) | **520** | 643 | (19) | 753 | (31) |
| Income tax expense [2/] | **(200)** | (164) | 22 | **(89)** | (87) | 2 | (111) | (21) |
| **Profit for the period** | **1,073** | 1,237 | (13) | **431** | 556 | (22) | 642 | (33) |
| **Attributable to:** | | | | | | | | |
| Equity holders of the Bank | **1,047** | 1,179 | (11) | **425** | 532 | (20) | 622 | (32) |
| Minority interests | **27** | 58 | (55) | **6** | 23 | (73) | 20 | (69) |
| | **1,073** | 1,237 | (13) | **431** | 556 | (22) | 642 | (33) |
| **Earnings per share (for the period – cents)** [3/] | | | | | | | | |
| Basic | **33.2** | 37.7 | | **13.1** | 16.6 | | 20.1 | |
| Diluted | **33.1** | 37.4 | | **13.1** | 16.5 | | 20.1 | |

Notes:

1. 1H07 and 2Q07 comparatives have been restated for the effect of the new tax basis on par fund policy liabilities, amounting to S$92 million and S$86 million respectively.
2. 1H08, 1H07, 2Q08, 2Q07 and 1Q08 tax expense are net of tax refunds of S$32 million, S$62 million, S$26 million, S$15 million and S$6 million respectively. The refunds relate to Singapore and Malaysia tax, as well as the finalisation of tax treatment for certain loan allowances previously made by Keppel Capital Holdings Group, which was acquired by OCBC Bank in 2001.
3. “Earnings per share” was computed including divestment gains and tax refunds.

## BALANCE SHEETS

| S$ million | GROUP 30 Jun 2008 | GROUP 31 Mar 2008 | GROUP 31 Dec 2007 @ | GROUP 30 Jun 2007 | BANK 30 Jun 2008 | BANK 31 Mar 2008 | BANK 31 Dec 2007 @ | BANK 30 Jun 2007 |
|---|---|---|---|---|---|---|---|---|
| **EQUITY** | | | | | | | | |
| **Attributable to equity holders of the Bank** | | | | | | | | |
| Share capital | **5,577** | 5,554 | 5,520 | 5,503 | **5,577** | 5,554 | 5,520 | 5,503 |
| Capital reserves | **36** | 37 | 56 | 55 | **99** | 96 | 94 | 89 |
| Statutory reserves | **1,500** | 1,588 | 1,676 | 2,049 | **1,189** | 1,274 | 1,359 | 1,719 |
| Fair value reserves | **635** | 1,124 | 1,726 | 850 | **170** | 345 | 430 | 468 |
| Revenue reserves | **7,396** | 7,386 | 6,699 | 5,986 | **5,031** | 4,908 | 3,710 | 3,089 |
| | **15,145** | 15,689 | 15,678 | 14,443 | **12,066** | 12,177 | 11,113 | 10,867 |
| **Minority interests** | **1,211** | 1,154 | 1,161 | 1,150 | **–** | – | – | – |
| **Total equity** | **16,356** | 16,842 | 16,839 | 15,593 | **12,066** | 12,177 | 11,113 | 10,867 |
| **LIABILITIES** | | | | | | | | |
| Deposits of non-bank customers | **92,371** | 92,867 | 88,788 | 82,233 | **73,646** | 73,688 | 70,415 | 64,891 |
| Deposits and balances of banks | **16,132** | 14,085 | 14,726 | 13,004 | **14,730** | 12,438 | 13,024 | 11,855 |
| Due to subsidiaries | **–** | – | – | – | **1,153** | 1,165 | 1,189 | 1,398 |
| Due to associates | **82** | 65 | 60 | 22 | **67** | 51 | 47 | 3 |
| Trading portfolio liabilities | **48** | 142 | 172 | 112 | **42** | 142 | 172 | 112 |
| Derivative payables | **4,079** | 4,063 | 2,697 | 2,028 | **3,856** | 3,924 | 2,590 | 1,949 |
| Other liabilities | **3,577** | 3,456 | 3,313 | 4,144 | **1,082** | 932 | 1,065 | 1,421 |
| Current tax | **653** | 726 | 649 | 587 | **298** | 370 | 320 | 286 |
| Deferred tax 1/ | **808** | 955 | 1,163 | 1,136 | **81** | 89 | 123 | 116 |
| Debts issued 2/ | **6,305** | 5,549 | 4,970 | 4,661 | **6,326** | 5,600 | 5,032 | 4,888 |
| | **124,054** | 121,908 | 116,537 | 107,926 | **101,280** | 98,399 | 93,977 | 86,919 |
| Life assurance fund liabilities 1/ | **40,410** | 41,247 | 41,232 | 40,420 | **–** | – | – | – |
| **Total liabilities** | **164,464** | 163,154 | 157,768 | 148,346 | **101,280** | 98,399 | 93,977 | 86,919 |
| **Total equity and liabilities** | **180,820** | 179,997 | 174,607 | 163,939 | **113,346** | 110,576 | 105,089 | 97,786 |
| **ASSETS** | | | | | | | | |
| Cash and placements with central banks | **8,484** | 11,203 | 8,396 | 7,982 | **5,433** | 7,299 | 5,493 | 5,001 |
| Singapore government treasury bills and securities | **10,371** | 8,408 | 8,762 | 8,055 | **9,788** | 7,845 | 8,209 | 7,552 |
| Other government treasury bills and securities | **3,108** | 3,633 | 3,446 | 3,522 | **932** | 1,110 | 572 | 307 |
| Placements with and loans to banks | **17,555** | 15,936 | 15,105 | 17,747 | **13,630** | 13,126 | 13,211 | 15,277 |
| Loans and bills receivable | **76,989** | 73,977 | 71,316 | 63,656 | **59,708** | 57,223 | 54,490 | 49,484 |
| Debt and equity securities | **11,787** | 11,880 | 13,625 | 10,557 | **7,879** | 7,856 | 8,800 | 7,525 |
| Assets pledged | **618** | 801 | 889 | 540 | **618** | 801 | 889 | 343 |
| Assets held for sale | **1** | 1 | 1 | 1 | **#** | # | # | # |
| Derivative receivables | **3,940** | 4,121 | 2,937 | 1,940 | **3,674** | 3,945 | 2,818 | 1,857 |
| Other assets | **2,515** | 3,082 | 2,982 | 3,765 | **1,069** | 1,061 | 1,313 | 1,912 |
| Deferred tax | **49** | 27 | 45 | 42 | **1** | 1 | 1 | 2 |
| Associates and joint ventures | **142** | 250 | 243 | 257 | **12** | 96 | 96 | 97 |
| Subsidiaries | **–** | – | – | – | **7,885** | 7,509 | 6,510 | 5,857 |
| Property, plant and equipment | **1,626** | 1,621 | 1,612 | 1,601 | **367** | 348 | 327 | 292 |
| Investment property | **697** | 665 | 667 | 598 | **482** | 489 | 493 | 413 |
| Goodwill and intangible assets | **3,415** | 3,427 | 3,444 | 3,496 | **1,867** | 1,867 | 1,867 | 1,867 |
| | **141,296** | 139,032 | 133,471 | 123,759 | **113,346** | 110,576 | 105,089 | 97,786 |
| Life assurance fund investment assets | **39,525** | 40,964 | 41,137 | 40,180 | **–** | – | – | – |
| **Total assets** | **180,820** | 179,997 | 174,607 | 163,939 | **113,346** | 110,576 | 105,089 | 97,786 |
| **Net Asset Value Per Ordinary Share (before valuation surplus – in S$)** | **4.60** | 4.79 | 4.79 | 4.39 | **3.61** | 3.65 | 3.31 | 3.23 |
| **OFF-BALANCE SHEET ITEMS** | | | | | | | | |
| Contingent liabilities | **9,374** | 9,475 | 8,861 | 8,209 | **7,637** | 7,344 | 7,137 | 6,258 |
| Commitments | **44,864** | 45,799 | 45,051 | 42,364 | **35,804** | 36,214 | 36,280 | 34,437 |
| Derivative financial instruments | **421,774** | 363,924 | 339,925 | 310,402 | **390,740** | 338,808 | 319,969 | 287,232 |

Notes:
1. 30 June 2007 comparatives have been restated for the effect of the new tax basis on par fund policy liabilities, amounting to S$528 million.
2. Comprises Group's debts issued of S$1,410 million (31 Mar 2008: S$672 million; 31 Dec 2007: S$652 million; 30 Jun 2007: S$651 million) repayable in one year or less and S$4,895 million (31 Mar 2008: S$4,877 million; 31 Dec 2007: S$4,318 million; 30 Jun 2007: S$4,010 million) repayable after one year. The Bank's debts issued of S$1,360 million (31 Mar 2008: S$672 million; 31 Dec 2007: S$575 million; 30 Jun 2007: S$651 million) are repayable in one year or less and S$4,966 million (31 Mar 2008: S$4,928 million; 31 Dec 2007: S$4,457 million; 30 Jun 2007: S$4,237 million) repayable after one year. Debts issued at the respective period ends are unsecured.
3. "#" represents amounts less than S$0.5 million.
4. "@" represents audited.

## STATEMENT OF CHANGES IN EQUITY – GROUP
For the half year ended 30 June 2008

| S$ million | Share capital | Capital reserves | Statutory reserves | Fair value reserves | Revenue reserves | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Bank | | | | | | | |
| **Balance at 1 January 2008** | **5,520** | **56** | **1,676** | **1,726** | **6,699** | **15,678** | **1,161** | **16,839** |
| Movements in fair value reserves: | | | | | | | | |
| Losses taken to equity | – | – | – | (923) | – | (923) | (24) | (948) |
| Transferred to income statement on sale | – | – | – | (248) | – | (248) | (5) | (254) |
| Tax on net movements | – | – | – | 81 | – | 81 | 6 | 88 |
| Currency translation | – | – | – | – | (76) | (76) | (19) | (95) |
| Net loss recognised in equity | – | – | – | (1,091) | (76) | (1,167) | (42) | (1,209) |
| Profit for the period | – | – | – | – | 1,047 | 1,047 | 27 | 1,073 |
| **Total recognised gains / (losses) for the financial period** | – | – | – | (1,091) | 971 | (120) | (16) | (135) |
| Transfers | – | – | (176) | – | 176 | – | – | – |
| Acquisition of interest in subsidiaries | – | – | – | – | – | – | 104 | 104 |
| Dividends to minority interests | – | – | – | – | – | – | (38) | (38) |
| DSP reserve from dividends on unvested shares | – | – | – | – | 2 | 2 | – | 2 |
| Ordinary and preference dividends | – | – | – | – | (453) | (453) | – | (453) |
| Share-based staff costs capitalised | – | 5 | – | – | – | 5 | – | 5 |
| Shares issued to non-executive directors | # | – | – | – | – | # | – | # |
| Shares purchased by DSP Trust | – | (1) | – | – | – | (1) | – | (1) |
| Shares vested under DSP Scheme | – | 8 | – | – | – | 8 | – | 8 |
| Treasury shares transferred / sold | 57 | (31) | – | – | – | 26 | – | 26 |
| **Balance at 30 June 2008** | **5,577** | **36** | **1,500** | **635** | **7,396** | **15,145** | **1,211** | **16,356** |
| Included: | | | | | | | | |
| Share of reserves of associates and joint ventures | – | 3 | – | (#) | 28 | 31 | 1 | 31 |
| **Balance at 1 January 2007** | 5,481 | 103 | 2,028 | 668 | 5,125 | 13,404 | 1,087 | 14,491 |
| Movements in fair value reserves: | | | | | | | | |
| Gains taken to equity | – | – | – | 322 | – | 322 | 15 | 337 |
| Transferred to income statement on sale | – | – | – | (135) | – | (135) | (8) | (143) |
| Tax on net movements | – | – | – | (5) | – | (5) | (#) | (5) |
| Currency translation | – | – | – | – | 43 | 43 | 2 | 45 |
| Net gain recognised in equity | – | – | – | 183 | 43 | 225 | 9 | 234 |
| Profit for the period | – | – | – | – | 1,179 | 1,179 | 58 | 1,237 |
| **Total recognised gains for the financial period** | – | – | – | 183 | 1,222 | 1,404 | 67 | 1,471 |
| Transfers | – | (50) | 21 | – | 29 | – | – | – |
| Dividends to minority interests | – | – | – | – | – | – | (36) | (36) |
| Ordinary and preference dividends | – | – | – | – | (389) | (389) | – | (389) |
| Rights issue by a subsidiary and change in minority interests | – | – | – | – | – | – | 33 | 33 |
| Share-based staff costs capitalised | – | 6 | – | – | – | 6 | – | 6 |
| Share buyback – held in treasury | (39) | – | – | – | – | (39) | – | (39) |
| Shares issued to non-executive directors | 1 | – | – | – | – | 1 | – | 1 |
| Shares purchased by DSP Trust | – | (10) | – | – | – | (10) | – | (10) |
| Shares vested under DSP Scheme | – | 6 | – | – | – | 6 | – | 6 |
| Treasury shares transferred / sold | 61 | – | – | – | – | 61 | – | 61 |
| **Balance at 30 June 2007** | 5,503 | 55 | 2,049 | 850 | 5,986 | 14,443 | 1,150 | 15,593 |
| Included: | | | | | | | | |
| Share of reserves of associates and joint ventures | – | 3 | – | # | 32 | 35 | # | 36 |

Note:
1. "#" represents amounts less than S$0.5 million.

## STATEMENT OF CHANGES IN EQUITY – GROUP
For the three months ended 30 June 2008

| S$ million | Share capital | Capital reserves | Statutory reserves | Fair value reserves | Revenue reserves | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Bank | | | | | | | |
| **Balance at 1 April 2008** | **5,554** | **37** | **1,588** | **1,124** | **7,386** | **15,689** | **1,154** | **16,842** |
| Movements in fair value reserves: | | | | | | | | |
| Losses taken to equity | **–** | **–** | **–** | **(504)** | **–** | **(504)** | **(14)** | **(518)** |
| Transferred to income statement on sale | **–** | **–** | **–** | **(23)** | **–** | **(23)** | **#** | **(23)** |
| Tax on net movements | **–** | **–** | **–** | **39** | **–** | **39** | **3** | **42** |
| Currency translation | **–** | **–** | **–** | **–** | **(52)** | **(52)** | **(15)** | **(68)** |
| Net loss recognised in equity | **–** | **–** | **–** | **(489)** | **(52)** | **(541)** | **(26)** | **(567)** |
| Profit for the period | **–** | **–** | **–** | **–** | **425** | **425** | **6** | **431** |
| **Total recognised gains / (losses) for the financial period** | **–** | **–** | **–** | **(489)** | **373** | **(115)** | **(20)** | **(135)** |
| Transfers | **–** | **–** | **(88)** | **–** | **88** | **–** | **–** | **–** |
| Acquisition of interest in subsidiaries | **–** | **–** | **–** | **–** | **–** | **–** | **104** | **104** |
| Dividends to minority interests | **–** | **–** | **–** | **–** | **–** | **–** | **(26)** | **(26)** |
| DSP reserve from dividends on unvested shares | **–** | **–** | **–** | **–** | **1** | **1** | **–** | **1** |
| Ordinary and preference dividends | **–** | **–** | **–** | **–** | **(453)** | **(453)** | **–** | **(453)** |
| Share-based staff costs capitalised | **–** | **3** | **–** | **–** | **–** | **3** | **–** | **3** |
| Shares issued to non-executive directors | **#** | **–** | **–** | **–** | **–** | **#** | **–** | **#** |
| Shares purchased by DSP Trust | **–** | **(1)** | **–** | **–** | **–** | **(1)** | **–** | **(1)** |
| Shares vested under DSP Scheme | **–** | **#** | **–** | **–** | **–** | **#** | **–** | **#** |
| Treasury shares transferred / sold | **23** | **(2)** | **–** | **–** | **–** | **21** | **–** | **21** |
| **Balance at 30 June 2008** | **5,577** | **36** | **1,500** | **635** | **7,396** | **15,145** | **1,211** | **16,356** |
| Included: Share of reserves of associates and joint ventures | **–** | **3** | **–** | **(#)** | **28** | **31** | **1** | **31** |
| **Balance at 1 April 2007** | 5,481 | 104 | 2,049 | 805 | 5,743 | 14,182 | 1,110 | 15,292 |
| Movements in fair value reserves: | | | | | | | | |
| Gains taken to equity | – | – | – | 94 | – | 94 | 7 | 101 |
| Transferred to income statement on sale | – | – | – | (37) | – | (37) | (2) | (39) |
| Tax on net movements | – | – | – | (11) | – | (11) | (1) | (12) |
| Currency translation | – | – | – | – | 48 | 48 | 4 | 52 |
| Net gain recognised in equity | – | – | – | 45 | 48 | 93 | 9 | 102 |
| Profit for the period | – | – | – | – | 532 | 532 | 23 | 556 |
| **Total recognised gains for the financial period** | – | – | – | 45 | 580 | 625 | 32 | 658 |
| Transfers | – | (52) | # | – | 52 | – | – | – |
| Dividends to minority interests | – | – | – | – | – | – | (25) | (25) |
| Ordinary and preference dividends | – | – | – | – | (389) | (389) | – | (389) |
| Rights issue by a subsidiary and change in minority interests | – | – | – | – | – | – | 33 | 33 |
| Share-based staff costs capitalised | – | 3 | – | – | – | 3 | – | 3 |
| Share buyback – held in treasury | (12) | – | – | – | – | (12) | – | (12) |
| Shares issued to non-executive directors | 1 | – | – | – | – | 1 | – | 1 |
| Shares purchased by DSP Trust | – | (1) | – | – | – | (1) | – | (1) |
| Shares vested under DSP Scheme | – | 1 | – | – | – | 1 | – | 1 |
| Treasury shares transferred / sold | 33 | – | – | – | – | 33 | – | 33 |
| **Balance at 30 June 2007** | 5,503 | 55 | 2,049 | 850 | 5,986 | 14,443 | 1,150 | 15,593 |
| Included: Share of reserves of associates and joint ventures | – | 3 | – | # | 32 | 35 | # | 36 |

Note:
1. "#" represents amounts less than S$0.5 million.

## STATEMENT OF CHANGES IN EQUITY – BANK
For the half year ended 30 June 2008

| S$ million | Share capital | Capital reserves | Statutory reserves | Fair value reserves | Revenue reserves | Total equity |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2008** | **5,520** | **94** | **1,359** | **430** | **3,710** | **11,113** |
| Movements in fair value reserves: | | | | | | |
| Losses taken to equity | **–** | **–** | **–** | **(197)** | **–** | **(197)** |
| Transferred to income statement on sale | **–** | **–** | **–** | **(93)** | **–** | **(93)** |
| Tax on net movements | **–** | **–** | **–** | **30** | **–** | **30** |
| Currency translation | **–** | **–** | **–** | **–** | **(26)** | **(26)** |
| Net loss recognised in equity | **–** | **–** | **–** | **(260)** | **(26)** | **(286)** |
| Profit for the period | **–** | **–** | **–** | **–** | **1,628** | **1,628** |
| **Total recognised gains / (losses) for the financial period** | **–** | **–** | **–** | **(260)** | **1,602** | **1,342** |
| Transfers | **–** | **–** | **(170)** | **–** | **170** | **–** |
| DSP reserve from dividends on unvested shares | **–** | **–** | **–** | **–** | **2** | **2** |
| Ordinary and preference dividends | **–** | **–** | **–** | **–** | **(453)** | **(453)** |
| Share-based staff costs capitalised | **–** | **5** | **–** | **–** | **–** | **5** |
| Shares issued to non-executive directors | **#** | **–** | **–** | **–** | **–** | **#** |
| Treasury shares transferred / sold | **57** | **–** | **–** | **–** | **–** | **57** |
| **Balance at 30 June 2008** | **5,577** | **99** | **1,189** | **170** | **5,031** | **12,066** |
| | | | | | | |
| **Balance at 1 January 2007** | 5,481 | 83 | 1,698 | 405 | 2,562 | 10,229 |
| Movements in fair value reserves: | | | | | | |
| Gains taken to equity | – | – | – | 115 | – | 115 |
| Transferred to income statement on sale | – | – | – | (60) | – | (60) |
| Tax on net movements | – | – | – | 7 | – | 7 |
| Currency translation | – | – | – | – | 33 | 33 |
| Net gain recognised in equity | – | – | – | 62 | 33 | 95 |
| Profit for the period | – | – | – | – | 904 | 904 |
| **Total recognised gains for the financial period** | – | – | – | 62 | 937 | 999 |
| Transfers | – | – | 21 | – | (21) | – |
| Ordinary and preference dividends | – | – | – | – | (389) | (389) |
| Share-based staff costs capitalised | – | 6 | – | – | – | 6 |
| Share buyback – held in treasury | (39) | – | – | – | – | (39) |
| Shares issued to non-executive directors | 1 | – | – | – | – | 1 |
| Treasury shares transferred / sold | 61 | – | – | – | – | 61 |
| **Balance at 30 June 2007** | 5,503 | 89 | 1,719 | 468 | 3,089 | 10,867 |

Note:
1. "#" represents amounts less than S$0.5 million.

## STATEMENT OF CHANGES IN EQUITY – BANK
For the three months ended 30 June 2008

| S$ million | Share capital | Capital reserves | Statutory reserves | Fair value reserves | Revenue reserves | Total equity |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2008** | **5,554** | **96** | **1,274** | **345** | **4,908** | **12,177** |
| Movements in fair value reserves: | | | | | | |
| Losses taken to equity | **–** | **–** | **–** | **(181)** | **–** | **(181)** |
| Transferred to income statement on sale | **–** | **–** | **–** | **(2)** | **–** | **(2)** |
| Tax on net movements | **–** | **–** | **–** | **8** | **–** | **8** |
| Currency translation | **–** | **–** | **–** | **–** | **(8)** | **(8)** |
| Net loss recognised in equity | **–** | **–** | **–** | **(175)** | **(8)** | **(183)** |
| Profit for the period | **–** | **–** | **–** | **–** | **498** | **498** |
| **Total recognised gains / (losses) for the financial period** | **–** | **–** | **–** | **(175)** | **490** | **315** |
| Transfers | **–** | **–** | **(85)** | **–** | **85** | **–** |
| DSP reserve from dividends on unvested shares | **–** | **–** | **–** | **–** | **1** | **1** |
| Ordinary and preference dividends | **–** | **–** | **–** | **–** | **(453)** | **(453)** |
| Share-based staff costs capitalised | **–** | **3** | **–** | **–** | **–** | **3** |
| Shares issued to non-executive directors | **#** | **–** | **–** | **–** | **–** | **#** |
| Treasury shares transferred / sold | **23** | **–** | **–** | **–** | **–** | **23** |
| **Balance at 30 June 2008** | **5,577** | **99** | **1,189** | **170** | **5,031** | **12,066** |
| | | | | | | |
| **Balance at 1 April 2007** | 5,481 | 86 | 1,719 | 498 | 2,962 | 10,746 |
| Movements in fair value reserves: | | | | | | |
| Losses taken to equity | – | – | – | (9) | – | (9) |
| Transferred to income statement on sale | – | – | – | (24) | – | (24) |
| Tax on net movements | – | – | – | 2 | – | 2 |
| Currency translation | – | – | – | – | 24 | 24 |
| Net gain / (loss) recognised in equity | – | – | – | (31) | 24 | (7) |
| Profit for the period | – | – | – | – | 492 | 492 |
| **Total recognised gains / (losses) for the financial period** | – | – | – | (31) | 516 | 485 |
| Ordinary and preference dividends | – | – | – | – | (389) | (389) |
| Share-based staff costs capitalised | – | 3 | – | – | – | 3 |
| Share buyback – held in treasury | (12) | – | – | – | – | (12) |
| Shares issued to non-executive directors | 1 | – | – | – | – | 1 |
| Treasury shares transferred / sold | 33 | – | – | – | – | 33 |
| **Balance at 30 June 2007** | 5,503 | 89 | 1,719 | 468 | 3,089 | 10,867 |

Note:
1. "#" represents amounts less than S$0.5 million.

OCBC Bank

## CONSOLIDATED CASH FLOW STATEMENT
For the half year ended 30 June 2008

| S$ million | 1H08 | 1H07 | 2Q08 | 2Q07 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before income tax | **1,273** | 1,401 | **520** | 643 |
| Adjustments for non-cash items | | | | |
| Amortisation of intangible assets | **23** | 23 | **12** | 12 |
| Allowances and impairment / (write-back) for loans and other assets | **48** | (15) | **55** | (16) |
| Change in fair value for hedging transactions and trading securities | **92** | (10) | **69** | (10) |
| Depreciation of property, plant and equipment and investment property | **55** | 55 | **28** | 30 |
| Net gain on disposal of government, debt and equity securities | **(254)** | (143) | **(23)** | (39) |
| Net gain on disposal of property, plant and equipment and investment property | **(6)** | (97) | **(6)** | (2) |
| Share-based staff costs | **5** | 6 | **2** | 3 |
| Share of results of associates and joint ventures | **(4)** | (20) | **(3)** | (4) |
| Write-off of plant and equipment | **–** | 9 | **–** | 9 |
| Items relating to life assurance fund | | | | |
| (Deficit)/ surplus before income tax | **(22)** | 403 | **2** | 251 |
| Surplus transferred from life assurance fund | **(40)** | (222) | **(33)** | (123) |
| Operating profit before change in operating assets and liabilities | **1,169** | 1,389 | **623** | 754 |
| Change in operating assets and liabilities | | | | |
| Deposits of non-bank customers | **3,604** | 7,021 | **(478)** | 4,202 |
| Deposits and balances of banks | **1,368** | 1,134 | **2,008** | 1,544 |
| Derivative payables and other liabilities | **1,524** | 1,487 | **(3)** | 1,235 |
| Trading portfolio liabilities | **(124)** | (310) | **(94)** | (1,042) |
| Government securities and treasury bills | **(940)** | (81) | **(1,401)** | (83) |
| Trading securities | **(359)** | (917) | **(604)** | (458) |
| Placements with and loans to banks | **(2,404)** | 254 | **(1,436)** | 199 |
| Loans and bills receivable | **(5,494)** | (4,327) | **(2,845)** | (2,091) |
| Derivative receivables and other assets | **(416)** | (916) | **750** | (822) |
| Net change in investment assets and liabilities of life assurance fund | **623** | 21 | **522** | 9 |
| Cash from operating activities | **(1,450)** | 4,756 | **(2,958)** | 3,446 |
| Income tax paid | **(216)** | (152) | **(160)** | (142) |
| **Net cash (used in) / from operating activities** | **(1,667)** | 4,604 | **(3,118)** | (3,304) |
| **Cash flows from investing activities** | | | | |
| Capital reduction in an associate | **1** | – | **1** | – |
| Dividends from associates | **#** | 30 | **#** | 3 |
| Decrease in associates and joint ventures | **1** | 45 | **8** | 36 |
| Net cash outflow from acquisition of subsidiaries | **(124)** | – | **(124)** | – |
| Purchases of debt and equity securities | **(2,219)** | (3,432) | **(1,335)** | (965) |
| Purchases of property, plant and equipment and investment property | **(106)** | (125) | **(53)** | (62) |
| Proceeds from disposal of debt and equity securities | **3,248** | 1,749 | **1,458** | 572 |
| Proceeds from disposal of property, plant and equipment and investment property | **17** | 143 | **7** | 122 |
| **Net cash from / (used in) investing activities** | **818** | (1,591) | **(38)** | (294) |
| **Cash flows from financing activities** | | | | |
| Dividends paid to equity holders of the Bank | **(453)** | (389) | **(453)** | (389) |
| Dividends paid to minority interests | **(38)** | (36) | **(26)** | (24) |
| Increase / (decrease) in debts issued | **1,466** | (445) | **942** | (477) |
| Proceeds from exercise of options and rights under the Bank's employee share schemes | **26** | 61 | **21** | 33 |
| Proceeds from minority interests on subscription of shares in a subsidiary | **–** | 32 | **–** | 32 |
| Share buyback | **–** | (39) | **–** | (12) |
| **Net cash from / (used in) financing activities** | **1,001** | (816) | **484** | (837) |
| **Net currency translation adjustments** | **(65)** | 44 | **(47)** | 42 |
| **Net change in cash and cash equivalents** | **88** | 2,240 | **(2,719)** | 2,215 |
| **Cash and cash equivalents at beginning of period** | **8,396** | 5,741 | **11,203** | 5,766 |
| **Cash and cash equivalents at end of period** | **8,484** | 7,982 | **8,484** | 7,982 |

Note:
1. "#" represents amounts less than S$0.5 million.

## SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

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

| Number of Shares | Half year ended 30 June 2008 | Half year ended 30 June 2007 | Three months ended 30 June 2008 | Three months ended 30 June 2007 |
|---|---|---|---|---|
| **Issued ordinary shares** | | | | |
| Balance at beginning of period | **3,126,512,712** | 3,126,459,912 | **3,126,512,712** | 3,126,459,912 |
| Shares issued to non-executive directors | **52,800** | 52,800 | **52,800** | 52,800 |
| Balance at end of period | **3,126,565,512** | 3,126,512,712 | **3,126,565,512** | 3,126,512,712 |
| **Treasury shares** | | | | |
| Balance at beginning of period | **(40,291,633)** | (51,668,796) | **(35,343,765)** | (49,320,807) |
| Share buyback | **–** | (4,527,458) | **–** | (1,296,471) |
| Shares sold / transferred to employees pursuant to OCBC Share Option Schemes | **3,177,691** | 12,385,848 | **2,235,099** | 6,806,872 |
| Shares sold / transferred to employees pursuant to OCBC Employee Share Purchase Plan | **1,548,265** | – | **1,431,827** | – |
| Shares transferred to DSP Trust pursuant to OCBC Deferred Share Plan | **4,091,307** | – | **202,469** | – |
| Balance at end of period | **(31,474,370)** | (43,810,406) | **(31,474,370)** | (43,810,406) |
| **Total** | **3,095,091,142** | 3,082,702,306 | **3,095,091,142** | 3,082,702,306 |

From 1 April 2008 to 30 June 2008 (both dates inclusive), the Bank utilised 2,235,099 treasury shares upon the exercise of options by employees of the Group pursuant to OCBC Share Option Schemes 1994 and 2001. As at 30 June 2008, the number of options outstanding under the OCBC Share Options Schemes was 45,330,025 (30 June 2007: 46,179,051).

From 1 April 2008 to 30 June 2008 (both dates inclusive), the Bank utilised 1,431,827 treasury shares upon the exercise of acquisition rights by employees of the Group pursuant to OCBC Employee Share Purchase Plan ("ESPP"). As at 30 June 2008, the number of acquisition rights outstanding under the Second Offering of OCBC ESPP was 3,814,578 (30 June 2007: 7,140,585), including 11,162 (30 June 2007: 11,162) ordinary shares from the participation by the Chief Executive Officer of the Bank.

From 1 April 2008 to 30 June 2008 (both dates inclusive), the Bank transferred 202,469 treasury shares to the Trust administering OCBC Deferred Share Plan ("DSP") following the Bank's award of deferred shares to a director of the Group.

There was no share buyback in the second quarter ended 30 June 2008. No new preference shares were allotted and issued by the Bank in the second quarter ended 30 June 2008.

## OTHER MATTERS / SUBSEQUENT EVENTS

1. The Bank launched a S$1 billion offering of Class B Preference Shares ("Preference Shares") on 2 June 2008, comprising 10 million non-convertible non-cumulative Preference Shares at S$100 per share. The offer closed on 28 July 2008, with S$950 million raised from a placement tranche and S$50 million from an ATM tranche. The Preference Shares were issued on 29 July 2008 and are intended to qualify as Tier 1 capital (non-innovative) of the Bank. The Preference Shares carry a fixed dividend rate (tax exempt) of 5.1% per annum, payable semi-annually in June and December. The net proceeds from the issue are being used for general corporate funding purposes.

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

7 August 2008

Dear Sirs

**Oversea-Chinese Banking Corporation Limited ("the Bank") and its Subsidiaries ("the Group")**

**Review of Interim Financial Information for the half year ended 30 June 2008**

***Introduction***

We have reviewed the accompanying Interim Financial Information of the Bank and of the Group for the half year ended 30 June 2008. The Interim Financial Information consists of the following:

- Consolidated income statement for the half year ended 30 June 2008;
- Bank and consolidated balance sheets as at 30 June 2008;
- Bank and consolidated statements of changes in equity for the half year ended 30 June 2008;
- Consolidated cash flow statement for the half year ended 30 June 2008; and
- Certain explanatory notes to the above financial information.

Management is responsible for the preparation and presentation of this Interim Financial Information in accordance with Singapore Financial Reporting Standard ("FRS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

*Scope of review*

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with FRS 34 *Interim Financial Reporting*, including the modification of the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* in respect of the loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore.

Yours faithfully

KPMG

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

OCBC Bank

## CONFIRMATION BY THE BOARD
**PURSUANT TO RULE 705(4) OF THE SGX-ST LISTING MANUAL**

We, Cheong Choong Kong and David Philbrick Conner, being directors of Oversea-Chinese Banking Corporation Limited ("the Bank"), do hereby confirm on behalf of the Board of Directors of the Bank, that to the best of our knowledge, nothing has come to our attention which may render the unaudited financial results of the Bank and of the Group for the quarter ended 30 June 2008 to be false or misleading.

On behalf of the Board of Directors

Cheong Choong Kong
Chairman

David Philbrick Conner
Chief Executive Officer / Director

7 August 2008