

HALF-YEAR PUBLICATION

OCBC Bank (Malaysia) Berhad

Unaudited Balance Sheets as at 30/6/2003

	<u>Group</u>		<u>Bank</u>	
	<u>30/6/2003</u>	<u>31/12/2002</u>	<u>30/6/2003</u>	<u>31/12/2002</u>
<u>ASSETS</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and short term funds	1,496,411	2,044,061	1,497,383	2,044,116
Deposits and placements with financial institutions	1,000,962	854,521	1,000,962	854,521
Dealing securities	1,007,678	500,908	1,007,678	500,908
Investment securities	3,857,873	3,042,372	3,857,873	3,042,372
Loans, advances and financing	15,472,385	15,074,151	15,471,397	15,073,052
Other assets	93,395	84,715	90,317	81,626
Statutory deposits with Bank Negara Malaysia	587,086	510,486	587,086	510,486
Investment in subsidiary companies	0	0	1,611	1,611
Property, plant and equipment	190,898	204,477	190,889	204,460
Total Assets	23,706,688	22,315,691	23,705,196	22,313,152
 <u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	14,386,542	14,361,176	14,407,452	14,385,645
Deposits and placements of banks and other financial institutions	2,804,407	2,234,192	2,804,407	2,234,192
Obligations on securities sold under repurchase agreements	1,504,361	907,241	1,504,361	907,241
Bills and acceptances payable	1,301,696	1,213,123	1,301,696	1,213,123
Amount due to Cagamas	1,299,199	1,439,816	1,299,199	1,439,816
Subordinated term loans	379,961	0	379,961	0
Other liabilities	174,574	189,151	173,256	187,849
Taxation and zakat	23,280	36,689	16,061	29,470
Deferred taxation liability	1,543	4,306	1,543	4,306
Total Liabilities	21,875,563	20,385,694	21,887,936	20,401,642
Share capital	287,500	287,500	287,500	287,500
Reserves	1,543,625	1,642,497	1,529,760	1,624,010
Total Shareholders' Funds	1,831,125	1,929,997	1,817,260	1,911,510
Total Liabilities and Shareholders' Funds	23,706,688	22,315,691	23,705,196	22,313,152
 <u>COMMITMENTS AND CONTINGENCIES</u>	 12,113,067	 10,662,451	 12,081,912	 10,631,296
 <u>CAPITAL ADEQUACY</u>				
Excluding proposed special dividend:				
Core capital ratio	11.37%	12.60%	11.29%	12.48%
Risk-weighted capital ratio	15.63%	14.58%	15.54%	14.46%
Including proposed special dividend:				
Core capital ratio	9.50%	11.45%	9.42%	11.33%
Risk-weighted capital ratio	13.76%	13.43%	13.67%	13.31%

OCBC Bank (Malaysia) Berhad

Unaudited Income Statements
For the Half-Year Ended 30/6/2003

	<u>Group</u>		<u>Bank</u>	
	<u>30/6/2003</u>	<u>30/6/2002</u>	<u>30/6/2003</u>	<u>30/6/2002</u>
	RM'000	RM'000	RM'000	RM'000
Interest income	547,921	532,414	547,909	532,270
Interest expense	(271,456)	(261,742)	(271,818)	(262,084)
Net interest income	276,465	270,672	276,091	270,186
<i>Islamic Banking operating income</i>	7,656	6,571	7,656	6,571
Non-interest income	57,818	48,260	64,718	48,260
Operating income	341,939	325,503	348,465	325,017
Staff cost and overheads	(114,184)	(105,916)	(114,075)	(105,825)
Profit before allowances	227,755	219,587	234,390	219,192
Allowance for losses on loans and financing	(112,431)	(69,550)	(112,512)	(69,866)
Provision for commitment and contingencies	(4,783)	0	(4,783)	0
Transfer to profit equalisation reserve	(1,515)	0	(1,515)	0
Allowance for diminution in value of investment securities written back in respect of recoveries (net)	54	5,031	54	5,031
Profit before taxation and zakat	109,080	155,068	115,634	154,357
Taxation	(31,989)	(51,808)	(33,921)	(51,808)
<i>Zakat</i>	(13)	(21)	(13)	(21)
Profit after taxation and zakat	77,078	103,239	81,700	102,528
Retained profits brought forward				
- as previously reported	364,628	185,455	439,510	261,977
- prior year adjustment	0	62,100	0	62,100
Dividend paid in respect of year ended 31 December 2002/2001	(175,950)	(62,100)	(175,950)	(62,100)
Profit attributable to shareholders	265,756	288,694	345,260	364,505
Earnings per share - basic (sen)	26.8	35.9	28.4	35.7
Earnings per share - fully diluted (sen)	26.8	35.9	28.4	35.7

OCBC BANK (MALAYSIA) BERHAD

Unaudited Statement Of Changes In Equity
For the 6 Months Period Ended 30/6/2003

<u>Group</u>	<u>Non-distributable</u>			<u>Distributable</u>		<u>Total</u>	<u>RM'000</u>
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Statutory Reserve</u>	<u>Capital Reserve</u>	<u>General Reserve</u>		
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
Balance at 1 January 2003	287,500	462,500	322,000	56,619	436,750	364,628	1,929,997
Net profit attributable to shareholders	0	0	0	0	0	77,078	77,078
Dividends paid in respect of year ended 31 December 2002	0	0	0	0	0	(175,950)	(175,950)
Balance at 30 June 2003	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>56,619</u>	<u>436,750</u>	<u>265,756</u>	<u>1,831,125</u>
Balance at 1 January 2002 :							
- as previously reported	287,500	462,500	322,000	56,619	436,750	185,455	1,750,824
- prior year adjustment	0	0	0	0	0	62,100	62,100
As restated	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>56,619</u>	<u>436,750</u>	<u>247,555</u>	<u>1,812,924</u>
Net profit attributable to shareholders	0	0	0	0	0	179,173	179,173
Dividends paid in respect of year ended 31 December 2001	0	0	0	0	0	(62,100)	(62,100)
Balance at 31 December 2002	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>56,619</u>	<u>436,750</u>	<u>364,628</u>	<u>1,929,997</u>
<u>Bank</u>							
Balance at 1 January 2003	287,500	462,500	322,000	0	400,000	439,510	1,911,510
Net profit attributable to shareholders	0	0	0	0	0	81,700	81,700
Dividends paid in respect of year ended 31 December 2002	0	0	0	0	0	(175,950)	0
Balance at 30 June 2003	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>0</u>	<u>400,000</u>	<u>345,260</u>	<u>1,817,260</u>
Balance at 1 January 2002 :							
- as previously reported	287,500	462,500	322,000	0	400,000	261,977	1,733,977
- prior year adjustment	0	0	0	0	0	62,100	62,100
As restated	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>0</u>	<u>400,000</u>	<u>324,077</u>	<u>1,796,077</u>
Net profit attributable to shareholders	0	0	0	0	0	177,533	177,533
Dividends paid in respect of year ended 31 December 2001	0	0	0	0	0	(62,100)	(62,100)
Balance at 31 December 2002	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>0</u>	<u>400,000</u>	<u>439,510</u>	<u>1,911,510</u>

1. ACCOUNTING POLICIES

The accounting policies and methods of computation applied for these financial statements are consistent with those applied for the annual financial statements. There have been no significant changes to these policies.

2. EXCEPTIONAL ITEMS

There were no exceptional items for the financial period to date.

3. EXTRAORDINARY ITEMS

There were no extraordinary items for the financial period to date.

4. TAXATION

There were no material transfers in respect of deferred taxation and no material adjustments made for over or under provision for taxation in respect of prior years.

5. PRE-ACQUISITION PROFITS

There were no pre-acquisition profits for the financial period to date.

6. PROFIT ON SALE OF INVESTMENTS AND PROPERTIES

There were no investment securities or properties sold during the period.

7. PURCHASE AND SALE OF QUOTED SECURITIES

This note is not applicable to financial institutions.

8. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period to date.

9. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced for the financial period to date.

10. SEASONALITY AND CYCLICALITY OF OPERATIONS

The operation of the Group is not subject to material seasonal or cyclical effects.

11. ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

There were no issuance and repayment of debts and equity securities for the financial period to date.

12. DEPOSITS AND PLACEMENT OF FINANCIAL INSTITUTIONS AND DEBT SECURITIES

Items	Group		Bank	
	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000
Deposits from customers				
- Fixed deposits and negotiable Instruments of deposits				
One year or less (short-term)	11,229,910	11,397,574	11,249,848	11,421,840
More than one year (medium/long-term)	120,166	145,944	120,166	145,944
	<u>11,350,076</u>	<u>11,543,518</u>	<u>11,370,014</u>	<u>11,567,784</u>
Deposits and placements of banks and other financial institutions				
One year or less (short-term)	2,754,470	2,171,695	2,754,470	2,171,695
More than one year (medium/long-term)	49,937	62,497	49,937	62,497
	<u>2,804,407</u>	<u>2,234,192</u>	<u>2,804,407</u>	<u>2,234,192</u>

13. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Group as at

	<u>30/6/2003</u>		<u>31/12/2002</u>	
	Principal Amount	Credit Equivalent Amount	Principal Amount	Credit Equivalent Amount
	RM'm	RM'm	RM'm	RM'm
Direct credit substitutes	411	411	211	211
Transaction-related contingent items	292	146	280	140
Short-term self-liquidating trade-related contingencies	166	33	152	30
Obligations under underwriting agreement	175	87	40	20
Irrevocable commitments to extend credit				
- maturity exceeding one year	3,195	1,598	2,922	1,461
- maturity not exceeding one year	4,702	0	4,679	0
Foreign exchange related contracts	2,740	39	2,337	31
Interest rate related contracts	401	36	10	0
Miscellaneous	31	0	31	0
Total	12,113	2,350	10,662	1,893

Risk weighted exposures of the Bank as at

	<u>30/6/2003</u>		<u>31/12/2002</u>	
	Principal Amount	Credit Equivalent Amount	Principal Amount	Credit Equivalent Amount
	RM'm	RM'm	RM'm	RM'm
Direct credit substitutes	411	411	211	211
Transaction-related contingent items	292	146	280	140
Short-term self-liquidating trade-related contingencies	166	33	152	30
Obligations under underwriting agreement	175	87	40	20
Irrevocable commitments to extend credit				
- maturity exceeding one year	3,195	1,598	2,922	1,461
- maturity not exceeding one year	4,702	0	4,679	0
Foreign exchange related contracts	2,740	39	2,337	31
Interest rate related contracts	401	36	10	0
Total	12,082	2,350	10,631	1,893

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

14. VALUE OF CONTRACTS CLASSIFIED BY REMAINING PERIOD TO MATURITY/NEXT REPRICING DATE (WHICHEVER IS THE EARLIER)

Group (RM million)

Items	Principal Amount	1 mth Or less	> 1 - 3 mths	> 3 - 6 mths	> 6 - 12 mths	> 1 - 5 Yrs	> 5 yrs	Margin Requirement
Foreign exchange related contracts								
- forward / spot	751	357	196	185	13	-	-	
- swaps	1,989	612	534	843	-	-	-	
- options	-	-	-	-	-	-	-	
Interest rate related contracts								
- forward / spot	-	-	-	-	-	-	-	
- futures	12	-	7	5	-	-	-	
- swaps	389	-	-	-	-	9	380	
- options	-	-	-	-	-	-	-	
Total	3,141	969	737	1,033	13	9	380	

Bank (RM million)

Items	Principal Amount	1 mth Or less	> 1 - 3 mths	> 3 - 6 mths	> 6 - 12 mths	> 1 - 5 Yrs	> 5 yrs	Margin Requirement
Foreign exchange related contracts								
- forward / spot	751	357	196	185	13	-	-	
- swaps	1,989	612	534	843	-	-	-	
- options	-	-	-	-	-	-	-	
Interest rate related contracts								
- forward / spot	-	-	-	-	-	-	-	
- futures	12	-	7	5	-	-	-	
- swaps	389	-	-	-	-	9	380	
- options	-	-	-	-	-	-	-	
Total	3,141	969	737	1,033	13	9	380	

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial half-year, the amount of contracts which were not hedged and hence, exposed to market risk was RM22.1 million (31 December 2002: RM2.9 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of the financial half-year, the amounts of credit risk, measured in term of the cost to replace the profitable contracts was RM8.4 million (31 December 2002: RM6.1 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

Premium or discount on all foreign exchange forward contracts that qualify as hedges are amortised to income statement on a straight line basis over the period of the contract.

Outstanding forward contracts that do not qualify as hedges are revalued using the net present value method, and the resulting gain or losses computed based on future cash flows discounted using the applicable interest rates for the cash flows, is taken to the income statement.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognized over the life of the swaps agreement as a component of interest income or interest expense. Gains and losses on interest rate swaps and futures contracts that qualify as hedges are generally deferred over the life of the underlying assets or liabilities.

Gains and losses on interest rate swaps and futures contracts that do not qualify as hedges are recognised in the current period using the mark-to-market method.

15. MATERIAL LITIGATION

As the date of this report, there was no material pending litigation.

16. SEGMENTAL REPORTING ON TOTAL INCOME, PROFIT AND ASSETS

	6 months ended 30/6/2003			6 months ended 30/6/2002		
	Total Income	Profit Before Tax	Total Assets	Total Income	Profit Before Tax	Total Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commercial bank	620,283	115,634	23,705,196	587,101	154,357	22,115,333
Others	374	346	25,834	486	711	29,652
Total	620,657	115,980	23,731,030	587,587	155,068	22,144,985
Consolidation adjustments	(7,262)	(6,900)	(24,362)	(342)	0	(27,670)
Grand total	613,395	109,080	23,706,668	587,245	155,068	22,117,315

Segmental Reporting On Loans, Advances And Financing Analysed By Their Economic Purposes

	<u>Group</u>		<u>Bank</u>	
	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000
Agriculture	743,895	749,685	743,895	749,685
Mining and quarrying	24,253	30,870	24,253	30,870
Manufacturing	2,846,597	2,776,156	2,846,077	2,775,655
Electricity, gas and water	130,540	120,823	130,540	120,823
Construction	691,164	731,757	690,678	731,241
Real estate	1,224,934	1,251,142	1,224,934	1,251,142
Purchase of landed property				
(of which: Residential	4,060,634	3,777,717	4,060,634	3,777,717
Non-residential)	719,173	740,989	719,173	740,989
General commerce	2,246,230	2,317,805	2,246,158	2,317,715
Transport, storage and communication	257,930	267,262	257,930	267,262
Finance, insurance and business service	484,917	384,393	484,917	384,392
Purchase of securities	512,162	535,685	512,162	535,654
Purchase of transport vehicles	12,255	13,150	12,224	13,150
Consumption credit	787,774	817,679	786,774	816,310
Others	1,678,415	1,393,975	1,677,725	1,393,525
Total	16,420,873	15,909,088	16,418,074	15,906,130

Non-Performing Loans

	<u>Group</u>		<u>Bank</u>	
	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000
Opening balance as at 1 January	1,727,657	1,556,326	1,725,902	1,553,410
Non-performing during the period / year (gross)	500,835	713,283	500,761	713,070
Amount converted to investment securities	(3,977)	(63,367)	(3,977)	(63,367)
Amount recovered	(256,930)	(294,480)	(256,823)	(293,272)
Amount written-off	(44,840)	(184,104)	(44,827)	(183,939)
Closing balance as at	1,922,745	1,727,658	1,921,036	1,725,902
Total net non-performing loans (and financing) /1	1,280,015	1,197,582	1,280,102	1,197,670
(as % of total loans) /1	8.11%	7.79%	8.11%	7.79%

/1 net of specific allowance and interest-in-suspense/income-in-suspense

Allowances for Losses on Loan and Financing

	<u>Group</u>		<u>Bank</u>	
	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000
<u>General allowance</u>				
Opening balance as at 1 January	304,861	289,447	304,846	289,432
Allowance made during the period / year	897	15,414	897	15,414
Closing balance as at	305,758	304,861	305,743	304,846
<u>Specific allowance</u>				
Opening balance as at 1 January	354,558	335,607	353,443	333,590
Allowance made during the period / year	154,778	261,179	154,767	261,098
Amount transferred to allowance for diminution in value of investment securities	0	(19,874)	0	(19,874)
Amount recovered	(40,638)	(74,981)	(40,545)	(74,033)
Amount written-off	(31,043)	(147,373)	(31,038)	(147,338)
Closing balance as at	437,655	354,558	436,627	353,443
<u>Interest-in-suspense (income-in-suspense)</u>				
Opening balance as at 1 January	175,518	154,086	174,789	153,153
Allowance made during the period / year	72,871	120,296	72,812	120,114
Amount transferred to allowance for diminution in value of investment securities	0	(1,789)	0	(1,789)
Amount recovered	(29,719)	(60,268)	(29,707)	(60,011)
Amount written-off	(13,595)	(36,807)	(13,587)	(36,678)
Closing balance as at	205,075	175,518	204,307	174,789

Amount Recoverable From Danaharta

	<u>Group</u>		<u>Bank</u>	
	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000	As At 30/6/2003 RM'000	As At 31/12/2002 RM'000
Opening balance as at 1 January	0	0	0	0
Amount arising during the period / year	0	13,296	0	13,296
Allowance made during the period / year	0	(13,296)	0	(13,296)
Closing balance as at	0	0	0	0

17. COMPARISON WITH THE CORRESPONDING HALF YEAR'S RESULTS

For the half year ended 30 June 2003, the Bank registered a profit before tax of RM115.6 million compared with RM154.4 million for the half year ended 30 June 2002. For the Group, profit before tax decreased by 29.7% to RM109.1 million over the corresponding half year 2002. The lower profits in the half year period for the Group and the Bank was due to lower net interest income from a decline in net interest margin and higher allowance for losses on loans and financing.

18. REVIEW OF PERFORMANCE

The results of the Bank and its principal subsidiary were:

	<u>Profit Before Tax</u>	
	<u>Half Year Ended</u> <u>30/6/2003</u> <u>RM million</u>	<u>Half Year Ended</u> <u>30/6/2002</u> <u>RM million</u>
OCBC Bank (Malaysia) Berhad	115.6	154.4
OCBC Credit Berhad	0.3	0.7

19. CURRENT YEAR'S PROSPECTS

The Bank would continue to be profitable in the second half of 2003 as the Malaysian economy recovers, amid stiffer competition in selected segments and narrowing interest margins.

20. EXPLANATORY NOTE ON VARIANCES BETWEEN ACTUAL AND FORECAST PROFITS

Not applicable.

21. PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS

The net amount written back in respect of recoveries of RM0.05 million arose from the settlement of debt securities converted from loan amounting to RM1.21 million, against a provision for the period of RM1.16 million.

22. DIVIDENDS

The Directors have proposed a special dividend 145 sen (2002: nil) per share less tax amounting to RM300.15 million on the fully issued and paid up ordinary shares of the Bank in respect of the financial period ended 30 June 2003. These financial statements do not reflect this proposed special dividend which will be accrued as a liability in the second half of the financial year ending 31 December 2003 when approved by board of directors at the Board of Directors Meeting.

23. SUBORDINATED TERM LOAN

The subordinated term loan represents a USD100 million 10-year unsecured term loan at a fixed rate of 5.55% per annum obtained from Oversea-Chinese Banking Corporation Limited, Labuan Branch on 28 May 2003. The subordinated term loan is repayable in full by 5 equal and consecutive annual installments commencing from the 6th anniversary year from the date of disbursement.

The Bank has obtained approval from Bank Negara Malaysia for inclusion of the subordinated term loan as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

24. CAPITAL ADEQUACY

Profit after taxation and zakat of RM81.7 million for the current half-year which was included in the capital base, was subjected to a limited review by the external auditors in accordance with Technical Bulletin 4.