

HALF-YEAR PUBLICATION

OCBC Bank (Malaysia) Berhad

Unaudited Balance Sheets as at 30/6/2004

	<u>Group</u>		<u>Bank</u>	
	<u>30/06/2004</u>	<u>31/12/2003</u>	<u>30/06/2004</u>	<u>31/12/2003</u>
<u>ASSETS</u>	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	3,764,293	3,089,323	3,764,293	3,089,323
Deposits and placements with financial institutions	834,079	35,402	834,079	35,402
Dealing securities	258,825	792,658	258,825	792,658
Investment securities	4,465,995	3,931,919	4,465,995	3,931,919
Loans, advances and financing	17,730,302	16,658,288	17,729,409	16,657,273
Other assets	133,010	94,120	129,993	91,121
Statutory deposits with Bank Negara Malaysia	625,086	582,086	625,086	582,086
Investment in subsidiary companies	0	0	1,611	1,611
Property, plant and equipment	188,189	183,302	188,185	183,302
Deferred taxation asset	102,488	109,112	102,570	108,977
Total Assets	28,102,267	25,476,210	28,100,046	25,473,672
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	17,223,162	15,744,231	17,243,934	15,764,528
Deposits and placements of banks and other financial institutions	4,187,116	3,563,907	4,187,116	3,563,907
Obligations on securities sold under repurchase agreements	1,718,435	1,409,451	1,718,435	1,409,451
Bills and acceptances payable	1,510,237	1,267,140	1,510,237	1,267,140
Amount due to Cagamas	1,049,245	1,098,152	1,049,245	1,098,152
Subordinated term loans	570,007	380,027	570,007	380,027
Other liabilities	215,272	227,558	214,059	226,302
Taxation and zakat	50,471	18,676	43,252	11,457
Total Liabilities	26,523,945	23,709,142	26,536,285	23,720,964
Share capital	287,500	287,500	287,500	287,500
Reserves	1,290,822	1,479,568	1,276,261	1,465,208
Total Shareholders' Funds	1,578,322	1,767,068	1,563,761	1,752,708
Total Liabilities and Shareholders' Funds	28,102,267	25,476,210	28,100,046	25,473,672
<u>COMMITMENTS AND CONTINGENCIES</u>	17,497,924	12,618,566	17,466,769	12,587,411

CAPITAL ADEQUACY

Excluding proposed interim / final dividend:

Core capital ratio	7.84%	9.68%	7.77%	9.60%
Risk-weighted capital ratio	12.51%	13.69%	12.42%	13.60%

Including proposed interim / final dividend:

Core capital ratio	7.40%	7.63%	7.33%	7.55%
Risk-weighted capital ratio	12.07%	11.64%	11.99%	11.55%

OCBC Bank (Malaysia) Berhad

Unaudited Income Statements
For the Half-Year Ended 30/6/2004

	<u>Group</u>		<u>Bank</u>	
	<u>30/06/2004</u>	<u>30/06/2003</u>	<u>30/06/2004</u>	<u>30/06/2003</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	572,865	547,921	572,837	547,909
Interest expense	(300,334)	(271,456)	(300,652)	(271,818)
Net interest income	272,531	276,465	272,185	276,091
<i>Islamic Banking operating income</i>	9,632	6,141	9,632	6,141
Non-interest income	93,776	57,818	93,776	64,718
Operating income	375,939	340,424	375,593	346,950
Staff cost and overheads	(125,994)	(114,184)	(125,897)	(114,075)
Profit before allowances	249,945	226,240	249,696	232,875
Allowance for losses on loans and financing	(15,848)	(112,431)	(16,017)	(112,512)
Write back of / (provision for) commitment and contingencies	324	(4,783)	324	(4,783)
Write back of diminution in value of investment securities (net)	1,512	54	1,512	54
Profit before taxation (<i>and zakat</i>)	235,933	109,080	235,515	115,634
Taxation	(72,755)	(30,408)	(72,538)	(32,247)
<i>Zakat</i>	(24)	(13)	(24)	(13)
Profit after taxation and zakat	163,154	78,659	162,953	83,374
Retained profits brought forward				
- as previously reported	201,699	364,628	280,708	439,510
- prior year adjustment on deferred taxation	0	107,955	0	107,787
Transfer from General Reserve	400,000	0	400,000	0
Dividend paid in respect of year ended 31 December 2003/2002	(351,900)	(175,950)	(351,900)	(175,950)
Profit attributable to shareholders	412,953	375,292	491,761	454,721
Earnings per share - basic (sen)	56.7	27.4	56.7	29.0
Earnings per share - fully diluted (sen)	56.7	27.4	56.7	29.0

OCBC BANK (MALAYSIA) BERHAD

Unaudited Statement Of Changes In Equity
For the 6 Months Period Ended 30/6/2004

<u>Group</u>	<u>Non-distributable</u>				<u>Distributable</u>		<u>Total</u> RM'000
	<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Statutory Reserve</u> RM'000	<u>Capital Reserve</u> RM'000	<u>General Reserve</u> RM'000	<u>Retained Profits</u> RM'000	
Balance at 1 January 2004	287,500	462,500	322,000	56,619	436,750	201,699	1,767,068
Transfer (to)/from	0	0	0	0	(400,000)	400,000	0
Net profit attributable to shareholders	0	0	0	0	0	163,154	163,154
Dividends paid in respect of year ended 31 December 2003	0	0	0	0	0	(351,900)	(351,900)
Balance at 30 June 2004	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>56,619</u>	<u>36,750</u>	<u>412,953</u>	<u>1,578,322</u>
Balance at 1 January 2003:							
- as previously reported	287,500	462,500	322,000	56,619	436,750	364,628	1,929,997
- prior year adjustment on deferred taxation	0	0	0	0	0	107,955	107,955
As restated	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>56,619</u>	<u>436,750</u>	<u>472,583</u>	<u>2,037,952</u>
Net profit attributable to shareholders	0	0	0	0	0	205,216	205,216
Dividends paid in respect of:							
- year ended 31 December 2002	0	0	0	0	0	(175,950)	(175,950)
- year ended 31 December 2003	0	0	0	0	0	(300,150)	(300,150)
Balance at 31 December 2003	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>56,619</u>	<u>436,750</u>	<u>201,699</u>	<u>1,767,068</u>
<u>Bank</u>							
Balance at 1 January 2004	287,500	462,500	322,000	0	400,000	280,708	1,752,708
Transfer (to)/from	0	0	0	0	(400,000)	400,000	0
Net profit attributable to shareholders	0	0	0	0	0	162,953	162,953
Dividends paid in respect of year ended 31 December 2003	0	0	0	0	0	(351,900)	(351,900)
Balance at 30 June 2004	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>0</u>	<u>0</u>	<u>491,761</u>	<u>1,563,761</u>
Balance at 1 January 2003:							
- as previously reported	287,500	462,500	322,000	0	400,000	439,510	1,911,510
- prior year adjustment on deferred taxation	0	0	0	0	0	107,787	107,787
As restated	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>0</u>	<u>400,000</u>	<u>547,297</u>	<u>2,019,297</u>
Net profit attributable to shareholders	0	0	0	0	0	209,511	209,511
Dividends paid in respect of:							
- year ended 31 December 2002	0	0	0	0	0	(175,950)	(175,950)
- year ended 31 December 2003	0	0	0	0	0	(300,150)	(300,150)
Balance at 31 December 2003	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>0</u>	<u>400,000</u>	<u>280,708</u>	<u>1,752,708</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 was no investment securities sold during the period. The Bank sold two properties 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	<u>Group</u>		<u>Bank</u>	
	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000
Deposits from customers				
- Fixed deposits, negotiable instruments of				
Deposits and Islamic short term				
Mudharabah investment				
One year of less (short-term)	13,300,909	11,948,438	13,321,080	11,968,343
More than one year (medium/long-term)	190,457	318,061	190,457	318,061
	<u>13,491,366</u>	<u>12,266,499</u>	<u>13,511,537</u>	<u>12,286,404</u>
Deposits and placements of banks and other				
Financial institutions				
One year of less (short-term)	4,161,870	3,524,430	4,161,870	3,524,430
More than one year (medium/long-term)	25,246	39,477	25,246	39,477
	<u>4,187,116</u>	<u>3,563,907</u>	<u>4,187,116</u>	<u>3,563,907</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. Apart from the provision for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Group as at

	<u>30/6/2004</u>		<u>31/12/2003</u>	
	Principal Amount	Credit Equivalent Amount *	Principal Amount	Credit Equivalent Amount *
	<u>RM'm</u>	<u>RM'm</u>	<u>RM'm</u>	<u>RM'm</u>
Direct credit substitutes	491	491	551	551
Transaction-related contingent items	339	170	224	112
Short-term self-liquidating trade-related contingencies	299	60	156	31
Obligations under underwriting agreement	157	78	175	88
Irrevocable commitments to extend credit				
- maturity exceeding one year	4,742	2,371	3,297	1,648
- maturity not exceeding one year	5,889	0	5,407	0
Foreign exchange related contracts	4,634	77	2,392	41
Interest rate related contracts	897	54	386	34
Miscellaneous	50	0	31	0
Total	17,498	3,301	12,619	2,505

Risk weighted exposures of the Bank as at

	<u>30/6/2004</u>		<u>31/12/2003</u>	
	Principal Amount	Credit Equivalent Amount *	Principal Amount	Credit Equivalent Amount *
	<u>RM'm</u>	<u>RM'm</u>	<u>RM'm</u>	<u>RM'm</u>
Direct credit substitutes	491	491	551	551
Transaction-related contingent items	339	170	224	112
Short-term self-liquidating trade-related contingencies	299	60	156	31
Obligations under underwriting agreement	157	78	175	88
Irrevocable commitments to extend credit				
- maturity exceeding one year	4,742	2,371	3,297	1,648
- maturity not exceeding one year	5,889	0	5,407	0
Foreign exchange related contracts	4,634	77	2,392	41
Interest rate related contracts	897	54	386	34
Miscellaneous	19	0	0	0
Total	17,467	3,301	12,588	2,505

* 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	1,559	520	411	379	213	36	-	
- swaps	2,993	600	880	1,373	138	2	-	
- options	82	31	32	19	-	-	-	
Interest rate related contracts								
- forward / spot	-	-	-	-	-	-	-	
- futures	5	-	-	-	-	5	-	
- swaps	892	-	-	-	79	221	592	
- options	-	-	-	-	-	-	-	
Total	5,531	1,151	1,323	1,771	430	264	592	

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	1,559	520	411	379	213	36	-	
- swaps	2,993	600	880	1,373	138	2	-	
- options	82	31	32	19	-	-	-	
Interest rate related contracts								
- forward / spot	-	-	-	-	-	-	-	
- futures	5	-	-	-	-	5	-	
- swaps	892	-	-	-	79	221	592	
- options	-	-	-	-	-	-	-	
Total	5,531	1,151	1,323	1,771	430	264	592	

Foreign exchange, interest rate and equity and commodity 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 RM0.86 million (31 December 2003: RM15.96 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 RM10.41 million (31 December 2003: RM7.19 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 contracts.

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 30/6/2004			6 months ended 30/6/2003		
	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	676,245	235,515	28,100,046	618,768	115,634	23,813,114
Others	346	418	26,435	374	346	25,909
Total	676,591	235,933	28,126,481	619,142	115,980	23,839,023
Consolidation adjustments	(318)	0	(24,214)	(7,262)	(6,900)	(24,342)
Grand total	676,273	235,933	28,102,267	611,880	109,080	23,814,681

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

	Group		Bank	
	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000
Agriculture	1,025,895	914,674	1,025,895	914,674
Mining and quarrying	22,531	21,487	22,531	21,487
Manufacturing	2,827,126	2,814,369	2,826,695	2,813,852
Electricity, gas and water	154,063	214,305	154,063	214,305
Construction	687,641	732,368	687,164	731,896
Real estate	1,330,651	1,303,937	1,330,651	1,303,937
Purchase of landed property (of which: Residential Non-residential)	5,111,990 772,230	4,667,016 723,739	5,111,990 772,230	4,667,016 723,739
General commerce	2,321,836	2,272,034	2,321,836	2,271,956
Transport, storage and communication	779,866	571,901	779,866	571,901
Finance, insurance and business service	713,745	478,049	713,203	478,049
Purchase of securities	456,994	454,753	456,994	454,753
Purchase of transport vehicles	11,646	11,522	11,646	11,520
Consumption credit	850,605	820,883	849,697	819,693
Others	1,564,258	1,617,035	1,564,258	1,616,616
Total	18,631,077	17,618,072	18,628,719	17,615,394

Non-Performing Loans

	<u>Group</u>		<u>Bank</u>	
	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000
Opening balance as at 1 January	1,909,993	1,727,658	1,908,369	1,725,902
Non-performing during the period / year (gross)	642,315	1,335,480	642,261	1,335,312
Amount converted to investment securities	(1,341)	(3,977)	(1,341)	(3,977)
Amount recovered	(593,618)	(1,012,304)	(593,417)	(1,012,075)
Amount written-off	(114,305)	(136,864)	(114,278)	(136,793)
Closing balance as at	1,843,044	1,909,993	1,841,594	1,908,369
Total net non-performing loans (and financing) /1	1,249,139	1,255,967	1,249,139	1,255,991
(as % of total loans) /1	6.93%	7.40%	6.93%	7.40%

/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 30/6/2004 RM'000	As At 31/12/2003 RM'000	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000
<u>General allowance</u>				
Opening balance as at 1 January	305,758	304,861	305,743	304,846
Allowance made during the period / year	1,112	897	1,112	897
Closing balance as at	306,870	305,758	306,855	305,743
<u>Specific allowance</u>				
Opening balance as at 1 January	448,813	354,558	447,853	353,443
Allowance made during the period / year	182,815	363,683	182,810	363,637
Amount transferred to allowance for diminution in value of investment securities	(1,341)	(830)	(1,341)	(830)
Amount recovered	(155,868)	(177,584)	(155,694)	(177,404)
Amount written-off	(85,567)	(91,014)	(85,564)	(90,993)
Closing balance as at	388,852	448,813	388,064	447,853
<u>Interest-in-suspense (income-in-suspense)</u>				
Opening balance as at 1 January	205,213	175,518	204,525	174,789
Allowance made during the period / year	67,636	141,584	67,585	141,466
Amount recovered	(37,887)	(65,712)	(37,860)	(65,605)
Amount written-off	(29,909)	(46,177)	(29,859)	(46,125)
Closing balance as at	205,053	205,213	204,391	204,525

Amount Recoverable From Danaharta

	<u>Group</u>		<u>Bank</u>	
	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000	As At 30/6/2004 RM'000	As At 31/12/2003 RM'000
Opening balance as at 1 January	0	0	0	0
Amount arising during the period / year	0	7,456	0	7,456
Allowance made during the period / year	0	(7,456)	0	(7,456)
Closing balance as at	0	0	0	0

17. COMPARISON WITH THE CORRESPONDING HALF YEAR'S RESULTS

For the half year ended 30 June 2004, the Bank registered a profit before tax of RM235.5 million compared with RM115.6 million for the half year ended 30 June 2003. For the Group, profit before tax had increased by 116.3% to RM235.9 million over the corresponding half year 2003. The higher profits in the half year period for the Group and the Bank were due to higher non interest income and higher allowance for losses on loans and financing written back in respect of recoveries.

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>Half Year Ended</u>
	<u>30/6/2004</u>	<u>30/6/2003</u>
	<u>RM million</u>	<u>RM million</u>
OCBC Bank (Malaysia) Berhad	235.5	115.6
OCBC Credit Berhad	0.4	0.3

19. CURRENT YEAR'S PROSPECTS

The Bank would continue to be profitable in the second half of 2004 with the introduction of more innovative banking products to its customers, amid a more competitive operating environment.

20. EXPLANATORY NOTE ON VARIANCES BETWEEN ACTUAL AND FORECAST PROFITS

Not applicable.

21. DIVIDENDS

The Directors have proposed an interim dividend of 40 sen (2003: 145 sen) per share less tax amounting to RM82.8 million on the fully issued and paid up ordinary shares of the Bank in respect of the financial period ended 30 June 2004. These financial statements do not reflect this proposed interim dividend which will be accrued as a liability in the second half of the financial year ending 31 December 2004 when approved by Board of Directors at the Board of Directors' meeting.

22. PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS

The net amount written back of RM1.5 million arose from the sales of debt securities converted from loan during the period.

23. SUBORDINATED TERM LOAN

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

On 29 March 2004, the Bank issued another subordinated term loan of USD50 million 10-year unsecured term loan at fixed rate of 5.71% per annum obtained from Oversea-Chinese Banking Corporation Limited, Labuan Branch. The subordinated term loan is repayable in full by 5 equal and consecutive annual instalments commencing from the 6th anniversary year from the date of disbursement.

Prepayment of all the subordinated term loans above in whole or in part is allowed but is subject to the mutual agreement of the Bank and the lender as well as with the prior approval of Bank Negara Malaysia. These subordinated term loans qualify 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 RM163.0 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.