

OVERSEA-CHINESE BANKING CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

PROPOSED MERGER BETWEEN OCBC FINANCE LIMITED AND OVERSEA-CHINESE BANKING CORPORATION LIMITED

Introduction

Oversea-Chinese Banking Corporation Limited (the "**Bank**") is pleased to announce the proposed merger (the "**Merger**") of the business of OCBC Finance Limited ("**OCBC Finance**") into the Bank by the transfer to the Bank of all of the assets, rights, property (real and personal), business, debts, liabilities and obligations of OCBC Finance Limited, save and except for certain excluded assets and liabilities (the "**Business Undertaking**") by means of a Scheme of Arrangement and Amalgamation under Sections 210 and 212 of the Companies Act, Chapter 50 of Singapore (the "**Scheme**"). OCBC Finance is a licensed finance company and the Bank owns directly and indirectly the entire issued and paid-up share capital of OCBC Finance.

On and from the date the Merger becomes effective, OCBC Finance will cease operations as a licensed finance company and will surrender the finance company licence, and the operations of OCBC Finance will be merged with that of the Bank.

Rationale for the proposed Merger

As at the date of this announcement, OCBC Finance has an authorised share capital of S\$250,000,000 divided into 250,000,000 ordinary shares of S\$1.00 each ("**OCF Shares**"), of which 136,685,843 OCF Shares have been issued and are fully paid-up and as to which 82,655,308 OCF Shares are held by the Bank directly, 3,078,970 OCF Shares are held by Oversea-Chinese Bank Nominees Private Limited as nominee for the Bank and 50,951,565 OCF Shares are held by Eastern Realty Company Limited, which is a wholly-owned subsidiary of the Bank.

Following a recent review of the business of OCBC Finance, the Bank is of the view that it is timely to merge the operations of OCBC Finance with the operations of the Bank. The Merger will allow the Bank and its subsidiaries to achieve a more efficient utilization of capital, management resources, simplify control and supervision, and allow substantial savings in operating costs. In particular, the Merger is expected to result in the following benefits for OCBC Finance, the customers of OCBC Finance and the Bank:

- (1) centralization of various administrative functions within the Bank which will result in improved operational efficiency and reduced operating costs;
- (2) avoidance of duplication of overhead expenses currently incurred independently by OCBC Finance and the Bank; and
- (3) concentration of efforts and resources under one operation leading to improved work efficiencies.

In addition, the existing customers of OCBC Finance will be able to enjoy the benefits and privileges from the full range of services offered by the Bank. There will also be greater convenience for the existing customers of OCBC Finance as they will have access to the Bank's wide branch network and automated teller machines.

Summary of the Scheme

By virtue of the Scheme, the whole of the Business Undertaking shall be transferred to and become vested in the Bank. OCBC Finance will cease to carry on its present business as a finance company on and from the date the Scheme takes effect.

The consideration for the transfer of the Business Undertaking pursuant to the Scheme will be based on the unaudited net tangible asset value of the Business Undertaking as at the date the Scheme takes effect, as derived from the management accounts maintained by OCBC Finance and will be satisfied in cash payable by the Bank to OCBC Finance and will be reflected in OCBC Finance's balance sheet as an amount owing by the Bank. OCBC Finance will also be undertaking a capital reduction exercise as part of the Scheme.

Effects of the Scheme

For the purposes of illustration only, if the Scheme became effective on 30 June 2003, the consideration payable by the Bank to OCBC Finance would be approximately S\$593 million, being the net tangible asset value of the Business Undertaking as at 30 June 2003, based on the unaudited balance sheet of OCBC Finance as at 30 June 2003. Consequently and upon completion of the capital reduction exercise by OCBC Finance, the Bank's total assets will increase by S\$2,542 million and its liabilities will increase by S\$2,521 million. In addition, the Bank's shareholders' equity will increase by S\$21 million, assuming that there is no goodwill arising from the transfer of the Business Undertaking.

The respective balance sheets of OCBC Finance and the Bank before and after the proposed Merger (assuming the Scheme became effective on 30 June 2003) and upon completion of the capital reduction exercise by OCBC Finance based on their respective unaudited balance sheets as at 30 June 2003 are as follows:

(\$ million)	OCBC Finance (Pre-Merger)*	OCBC Finance (Post-Merger)*	The Bank (Pre-Merger)*	The Bank (Post-Merger)*
Shares (million)	137	8	1,291	1,291
Share Capital	137	8	1,291	1,291
Share Premium	203	12	1,856	1,856
Capital Reserve	2	2	253	253
Statutory Reserve	120	0	1,486	1,486
Revenue Reserve	152	272	2,509	2,529
Shareholders' Equity				
Total Assets	3,016	294	73,536	76,078
Total Liabilities	(2,403)	(1)	(66,140)	(68,662)
Net Assets				

*The figures may not add up due to rounding differences.

Conditions of the Scheme

The Scheme is conditional upon the following:

- (1) the approval of the Scheme by a majority in number representing three-fourths in value of OCBC Finance shareholders present and voting, either in person or by proxy, at a meeting (the "Court Meeting") to be convened in accordance with the directions of the High Court of Singapore (the "Court");
- (2) the approval of the shareholders of OCBC Finance to the special resolution to approve and give effect to the Scheme at an extraordinary general meeting of OCBC Finance (the "EGM") to be convened for the purpose of considering and, if thought fit, passing the necessary resolutions to approve and give effect to the Scheme; and
- (3) the Scheme being sanctioned by the Court and a copy of the order or orders of the Court being delivered to the Registrar of Companies and Businesses for registration.

Subject to the above conditions being satisfied, it is expected that the Scheme will become effective on or about 3 November 2003. A further announcement will be made once the Scheme becomes effective.

By Order of the Board

Peter Yeoh
Secretary

Singapore, 15 August 2003