



OCBC GROUP REPORTS FIRST QUARTER 2003 RESULTS

Operating profit fell 9.1% to S\$298 million due to weaker revenue

Net profit declined 26.0% to S\$159 million due to the reduced operating profit, compounded by lower associates' contributions

Singapore, 14 May 2003 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported an operating profit before provisions and goodwill amortisation of S\$298 million in the first quarter of 2003, a decline of 9.1% compared to the first quarter of 2002. The fall was due to lower revenue as the operating environment was affected by sluggish economic growth and weak investment sentiment.

Net profit attributable to members was S\$159 million, a decrease of 26.0% from first quarter 2002 mainly as a result of the lower operating profit as well as a 81.4% fall in associates' contributions from S\$60 million to S\$11 million. Major associate Great Eastern Holdings reported lower earnings while contributions from other associates also fell. In addition, first quarter 2002 results benefited from lower tax expenses due to the adoption of Financial Reporting Standards 12 which resulted in a one-time write back in deferred tax.

Total provision charge in the first quarter of 2003 amounted to S\$64 million. The soft property and equity markets continue to have a direct impact on loan collateral values as well as the Group's own property and equity investments resulting in additional specific provisions in the quarter.

Compared to the fourth quarter of 2002, the Group's net profit fell by a smaller 5.6%, as provisions were lower by 51%. Operating profit showed a quarter-on-quarter decline of 15.3%, a larger fall compared to the year-on-year decline of 9.1% as there were larger gains from securities dealing and from the disposal of an associated company during the fourth quarter.

Net Interest Income and Fee Income

Compared to first quarter 2002, total income fell by 6.5% to S\$499 million. Net interest income decreased by 4.9% to S\$352 million due to lower average loan balances and a reduction in net interest margin from 1.93% to 1.84%. Interest margins were affected by lower customer spreads and lower returns on free funds due to the low interest rate environment.

Fee-based activities, which in recent years have been generating strong growth, were impacted by the poor investment sentiment. Fee and commission income fell 12.8% to S\$82 million largely due to a

62.6% decline in brokerage income as a result of the weak equity markets. Fee income from unit trust distribution, fund management business and bancassurance sales were subdued, partly offset by higher loan-related fees and credit card fees.

Effective Cost Management

Despite having achieved significant cost savings in 2002, the Group continued to practise tight cost control. Total operating expenses of S\$201 million were 2.3% and 7.2% lower compared to the same quarter and fourth quarter of 2002 respectively. However, due to the lower income, the Group's cost-to-income ratio increased to 40.3%, compared to 38.6% in first quarter 2002 and 38.1% in fourth quarter 2002.

Cautious Provision Charge

Total provision charge amounted to S\$64 million representing a decrease of 29.6% from first quarter of 2002. Specific provisions for loans amounted to S\$70 million, and these were largely for loans to Business Banking customers in Singapore and Malaysia who were affected by weak economic conditions and lower collateral values. The Group also released S\$30 million from its general provision reserves, which remained at 2.44% of total non-bank loans (net of specific provisions) as at 31 March 2003, similar to the ratio of 2.49% as at the end of 2002.

In addition, specific provisions of S\$16 million were made for diminution in value of the Group's properties, and another S\$8 million for investments and other assets. Provisions for the Group's properties relate mainly to those which were consolidated at fair market value prevailing at the time of the Keppel Capital Holdings acquisition in August 2001 and which had since fallen in value.

As at 31 March 2003, the Group's overall provision coverage remained at a comfortable level of 62.7% of total non-performing loans (NPLs), compared to 62.3% as at the end of 2002. Cumulative specific provisions were 105% of unsecured NPLs, above the ratio of 100.5% at end-2002.

Loans and Asset Quality

Customer loan balances fell 4.4% year-on-year to S\$49.63 billion as at 31 March 2003 due to weak overall credit demand in Singapore. However the consumer segments continued to register healthy growth, with housing loans and loans to professionals and private individuals recording year-on-year expansion of 9% and 6.3% respectively. These two segments accounted for 41% of the Group's total loan portfolio.

The Group's NPLs declined by S\$760 million or 15% from S\$5.05 billion a year ago to S\$4.29 billion as at 31 March 2003. The decrease was mainly in Singapore NPLs as recoveries, repayments and write-offs of fully provided "loss" loans more than offset new classified loans. Correspondingly, the ratio of NPLs to non-bank loans improved from 9.6% to 8.0%. Compared to 31 December 2002, NPLs fell 1.5% while the NPL ratio was largely unchanged.

Conclusion

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

"Our performance in the first quarter was clearly affected by the difficult operating environment. Business and consumer sentiment was hit hard by the weak economy, the Iraq war, and the emergence of SARS. These are uncertain times, and business outlook will depend a lot on the duration of the SARS outbreak. I am confident that with the Groups' strong capital position and proactive risk management approach, we will continue to deliver reasonable results. Right now, our priority is to keep costs under control while we seek growth in selective areas. Most of all, we want to do all we can to help our customers get through this difficult period."

For more information, please contact:

Peter Zheng
Head Group Corporate Communications
Tel : (65) 6530 1531
Fax : (65) 6535 7477
Duty Handphone: 9620 2336

Kelvin Quek
Head Investor Relations
Tel: (65) 6530 4205
Fax: (65) 6532 6001