Media Release

OCBC Group's Third Quarter 2004 Net Profit Increased 11% to S$324 million

Net Profit for first nine months grew 31% to S$883 million

Singapore, 10 November 2004 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") today reported a net profit of S$324 million for the third quarter of 2004, an increase of 11% compared to the S$292 million recorded in third quarter 2003. The improved performance was driven by growth in net interest income and fee income, and by larger gains from the divestment of non-core assets.

Operating profit before provisions and goodwill amortisation in the third quarter rose 38% to S$517 million, with all the core revenue segments registering growth. Net interest income increased 7% to S$384 million on higher loan volume and stable interest margins, while fee and commission income achieved broad-based growth of 18% to S$118 million. The divestments of Raffles Investments Limited and Whitesands Shopping Mall during the third quarter contributed S$132 million to other income (and S$97 million to net profit after minority interests), compared to the S$78 million gain (S$72 million after tax) in third quarter 2003 from the divestment of shares in Fraser and Neave, Limited ("F&N"). The Group's underlying operating expenses, excluding the expenses of Great Eastern Holdings Limited ("GEH") which was consolidated as a subsidiary from June 2004, increased by 7% year-on-year. Provisions amounted to S$36 million, similar to the level last year.

Compared to the second quarter of 2004, net profit in the third quarter rose 7% due largely to the divestment gains. The Group's annualised return on ordinary shareholders' funds ("ROE") for third quarter 2004 was 12.1%, while cash ROE was 13.8%.

Nine Months' Results

Net profit for the first nine months of 2004 was S$883 million, an increase of 31% compared to S$676 million in the same period last year. Profit growth was mainly driven by higher fee income, net interest income and divestment gains, coupled with lower provisions. Excluding the divestment gains from both periods, net profit increased by 30% from S$604 million to S$786 million.

Fee and commission income surged 30% to S$350 million, led by a doubling in wealth management income to S$104 million. GEH contributed S$111 million in insurance income since being consolidated for the four months to September 2004. Net interest income grew by 6% to S$1.13 billion, driven mainly by loan volume growth as interest margins remained stable. Operating expenses, excluding the effect of GEH's consolidation, showed an underlying increase of 4%. Provisions in the first nine months were S$79 million, down from S$171 million in the same period last year, reflecting the economic recovery as well as the Group's improved credit processes.

Annualised ROE improved to 11.8% in the first nine months of 2004 from 9.5% in the same period last year, while cash ROE increased to 13.4% from 10.9%.

Third Quarter Revenues

Total income in the third quarter was S$768 million, up 30% compared to the same quarter last year.

Net interest income rose by 7% year-on-year to S$384 million, in tandem with higher loan volume. Net interest margin improved slightly from 1.88% to 1.89%, as higher average yields on customer loans and interbank placements offset the increase in cost of funds.

Customer loans grew 5% over December 2003, and 7% over September 2003, to S$55.05 billion. Housing loans increased 10% from December 2003 to S$16.96 billion, accounting for 31% of total loans. Loans to the general commerce, manufacturing and non-bank financial institutions sectors also registered good growth of 13%, 7% and 7% respectively.

Non-interest income surged 67% to S$384 million, contributing 50% of total income. The increase was driven by stronger fee and commission income, insurance income contribution from GEH, and larger gains from the sale of non-core assets. Fee and commission income increased 18% to S$118 million, led by growth in wealth management, fund management, investment banking and trade-related activities, which more than offset the decline in stockbroking income.

Other income jumped 99% to S$155 million, mainly due to the divestments of Raffles Investments and Whitesands Shopping Mall, which contributed S$55 million and S$77 million, respectively. Foreign exchange dealing income contributed S$22 million, an increase of 55%. A net loss of S$20 million in securities and derivatives dealing was recorded in the third quarter due to difficult market conditions.

Third Quarter Operating Expenses

Operating expenses increased by 17%, or S$37 million, to S$251 million. Excluding GEH's expenses of S$22 million, the underlying cost increase was 7%. The increase was mainly attributable to higher staff costs, business promotion and marketing expenses, in tandem with the Group's increased headcount, growth in business volumes and new business initiatives. Excluding GEH, headcount has increased by 6% from December 2003.

With revenue growth exceeding that of expenses, the Group's cost-to-income ratio was 32.7% in the third quarter, and 35.7% in the first nine months of 2004, an improvement from 36.4% and 39.4%, respectively, for the same periods last year.

Consolidation of Great Eastern Holdings

In the third quarter of 2004, GEH contributed S$104 million to the Group's total income (of which S$85 million was classified under insurance income), S$22 million to operating expenses, and S$83 million to operating profit before provisions and goodwill amortisation. After deducting goodwill amortisation of S$13 million, taxes, and minority interests, GEH's net contribution to the Group's third quarter net profit was S$39 million. This was an increase of S$8 million as compared to the contribution if GEH had remained as an associated company.

Provisions and Asset Quality

Total provisions for third quarter 2004 fell marginally to S$36 million from S$37 million in the same quarter last year. While specific provisions for loans increased by S$7 million, this was more than offset by lower general provisions and lower provisions for diminution in value of investment securities and properties.

The Group's asset quality continued to strengthen in the third quarter. Total non-performing loans ("NPLs") of S$3.13 billion as at 30 September 2004 were 18% lower compared to December 2003 and 11% lower compared to June 2004. The NPL ratio dropped to 5.4% in September 2004, from 6.9% in December 2003 and 6.1% in June 2004.

Provision coverage for NPLs remains at a comfortable level. Total cumulative specific and general provisions amounted to S$2.4 billion, representing 76.7% of total NPLs, up from 67.0% in December 2003. Cumulative specific provisions covered 104.8% of unsecured NPLs, while cumulative general provisions were 2.2% of non-bank loans (net of specific provisions).

Capital Position

The Group's capital position remains strong, with Tier-1 and total capital adequacy ratio of 12.5% and 17.6%, respectively, as at 30 September 2004. Since the announcement of a S$500 million share buyback programme on 11 August 2004, the Group has, as of the date of this results announcement, purchased approximately 13.5 million of its ordinary shares from the stock market for a total consideration of S$185 million. The number of shares purchased and cancelled to-date represents 1.01% of the issued ordinary share capital at 11 August 2004.

Conclusion

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

"Our performance over the first nine months of the year showed steady improvement in all customer segments. Excluding the divestment gains, our core net profit still showed a strong 30% growth. Fee income has been particularly robust, and we managed to grow our net interest income moderately in the face of intense price competition. Our cost-to-income ratio has improved and provisions are under control. We continue to strive for sustainable growth in our key markets of Singapore and Malaysia, and we are pleased with the recent performance of both Great Eastern Holdings and Bank NISP."

About OCBC Bank

OCBC Bank is a Singapore-based financial services group with assets of S$119 billion and operations in 14 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Japan, Australia, UK and USA, and has more than 110 branches and representative offices around the world. It offers a range of specialist financial services including consumer, corporate, investment, private and transaction banking, global treasury, asset management and stockbroking services to its customers. OCBC Bank's subsidiary, Great Eastern Holdings Limited, is the largest insurance company in both Singapore and Malaysia in terms of assets and market share. Additional information may be found at www.ocbc.com.

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