



OCBC Group Reports 11% Increase in Net Profit to S\$355 million in Third Quarter 2005

Net Profit for first nine months grew 10% to S\$957 million

Singapore, 9 November 2005 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported a net profit attributable to shareholders (“net profit”) of S\$355 million for the third quarter of 2005 (“3Q05”), an increase of 11% compared to the S\$319 million profit recorded in third quarter 2004 (“3Q04”). Excluding the one-time gains of S\$97 million from the divestment of Raffles Investments Limited and Whitesands Shopping Mall in 3Q04, net profit grew 60% year-on-year in 3Q05. The improved earnings were driven by higher net interest income, significant growth in non-interest income, and recoveries which more than offset allowances for loans and other assets.

The 3Q05 financials include the consolidated results of 70.7%-owned PT Bank NISP Tbk (“Bank NISP”), which became a subsidiary in April 2005, whereas in 3Q04 Bank NISP was equity accounted as a 22.5%-owned associate. Both 3Q04 and 3Q05 include the consolidated results of 82.3%-owned Great Eastern Holdings (“GEH”), which became a subsidiary in June 2004.

The Group’s operating profit before allowances for loans and other assets in 3Q05 fell by 12% to S\$449 million, but showed an increase of 18% if 3Q04 divestment gains are excluded. Net interest income increased 8% to S\$413 million, driven by growth in interest-earning assets which was partly offset by a 6 basis points decline in net interest margin from 1.89% to 1.83% due mainly to higher cost of funds and lower gapping profits. Non-interest income grew by 32% (excluding 3Q04 divestment gains) to S\$332 million, led by growth in insurance income and fee income, as well as improved results from foreign exchange, securities and derivatives dealing.

Operating expenses increased by 16% to S\$297 million due mainly to the inclusion of Bank NISP’s expenses in 3Q05. Excluding Bank NISP, underlying expenses grew 6%. Allowances for loans and other assets fell from S\$36 million in 3Q04 to a net recovery of S\$23 million in 3Q05 largely due to recoveries in impairment charges for loan-related securities. With the discontinuation of goodwill amortisation under the new Financial Reporting Standard (“FRS”) 103, amortisation of intangible assets and goodwill fell from S\$45 million in 3Q04 to S\$10 million in 3Q05.

Compared to net profit of S\$304 million in second quarter 2005 (“2Q05”), 3Q05 profit was 17% higher. Operating profit before allowances for loans and other assets increased by 6% quarter-on-quarter, with revenue growth of 6% partly offset by a 5% increase in operating expenses. Net interest income increased 2% over 2Q05 while net interest margin improved from 1.82% to 1.83%. Non-interest income grew 11% due

to higher dealing income from foreign exchange, securities and derivatives, as well as higher fee income and insurance income.

Nine Months' Results

Net profit for the first nine months of 2005 ("9M05") was S\$957 million, up 10% over the same period last year. Excluding the net divestment gains of S\$97 million in 9M04, net profit rose 23%, while operating profit before allowances for loans and other assets increased by 18% to S\$1,302 million. Net interest income grew 5% to S\$1,183 million mainly due to the contribution from Bank NISP, partly offset by a decline in net interest margin from 1.90% to 1.81%. Margins were hurt by higher cost of funds and lack of gapping opportunities. Non-interest income rose 39% (excluding divestment gains) to S\$948 million. The increase was due to higher insurance income with the full nine months' consolidation of GEH's results, a 7% growth in fee and commission income, and improved results from securities and derivatives dealing as compared to losses sustained in 9M04.

Operating expenses increased 18% to S\$829 million due mainly to the consolidation effects of GEH and Bank NISP. Excluding GEH and Bank NISP, underlying operating expenses would have shown a smaller increase of 6% attributable mainly to higher staff costs and business promotion expenses. Allowances for loans and other assets fell from S\$79 million in 9M04 to a negligible amount in 9M05 due to recoveries in loans and loan-related securities.

Annualised earnings per share for 9M05 increased by 9% to 40 cents. Annualised return on ordinary shareholders' equity was 11.3%, compared to 9M04's 11.7% (10.3% excluding divestment gains).

Third Quarter Revenue

Total revenue fell from S\$768 million in 3Q04 to S\$745 million in 3Q05 due to the S\$132 million divestment gains (before minorities) in 3Q04. Without the 3Q04 divestment gains, revenues grew by 17%.

Net interest income increased 8% to S\$413 million in 3Q05, driven by an 11% growth in average interest earning assets which was partly due to the acquisition of Bank NISP. Customer loans grew by 6% year-on-year to S\$57 billion as at 30 September 2005, led by growth in loans to the general commerce, manufacturing and housing sectors. Net interest margin fell by 6 basis points from 1.89% in 3Q04 to 1.83% in 3Q05 due to higher borrowing costs which rose faster than asset yields. Deposit costs which are pegged to short-term interbank rates increased while borrowing costs on subordinated term notes and other debt papers also rose in tandem with the rising interest rates. Gapping profits continued to be depressed due to the flatter yield curve.

Non-interest income fell 14% to S\$332 million but would have increased by 32% if the divestment gains in 3Q04 are excluded. Fee and commission income grew 10% to S\$130 million, boosted by higher trade-related, stockbroking and fund management income. Insurance income from GEH rose 23% to S\$104 million. Foreign exchange dealing income jumped 74% to S\$38 million, and securities and derivatives dealing registered gains of S\$9 million compared to net losses of S\$20 million in 3Q04.

Third Quarter Operating Expenses

Total operating expenses grew by 16% year-on-year to S\$297 million in 3Q05. Excluding the consolidation effects of Bank NISP, the underlying cost increase was 6%, largely due to higher staff costs and increase in business promotion expenses. Excluding Bank NISP, staff headcount increased by 7% year-on-year. Spending on marketing and business promotions rose in tandem with new product and promotional initiatives.

The Group's cost-to-income ratio was 39.8% in 3Q05 and 38.9% in 9M05. These were largely similar to the adjusted ratios (excluding divestment gains) of 40.2% in 3Q04 and 38.8% in 9M04.

Loan Allowances and Asset Quality

Total allowances for loans and other assets fell from S\$36 million in 3Q04 to a net recovery of S\$23 million in 3Q05, underpinned by continued improvement in the Group's asset quality and successful recovery efforts for non-performing assets. Specific loan allowances fell from S\$37 million to S\$20 million, while investment securities and other assets saw a S\$43 million net recovery of impairment charges, due mainly to recoveries in loan-related securities.

Total non-performing loans ("NPLs") fell 14% from December 2004 and 5% from June 2005 to S\$2.47 billion as at 30 September 2005. The NPL ratio improved to 4.2%, from 5.0% in December 2004 and 4.3% in June 2005. Total cumulative specific and portfolio allowances amounted to S\$2.15 billion, providing coverage of 86.9% of total NPLs, unchanged from June 2005 and up from 82.9% in December 2004.

Capital Position

Total capital adequacy ratio and Tier-1 ratio of the Group stood at 16.8% and 12.8% respectively as at 30 September 2005. This was up from 14.7% and 10.7% respectively as at 30 June 2005 due to the full subscription of the one-for-five Rights Issue in July 2005 amounting to S\$1.31 billion.

On 29 June 2005, the Group announced a second S\$500 million share buyback programme, which commenced in July 2005. As at the date of this results announcement, approximately 33 million ordinary shares have been purchased under the second buyback programme, for a total consideration of S\$203 million.

Conclusion

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

"We have achieved good earnings growth for the first nine months of the year, boosted by our acquisitions of Great Eastern and Bank NISP, our strong Malaysia results and continued successes in loan recoveries. Despite Singapore interest earnings being depressed by lack of gapping opportunities, our nine-months earnings are at a record, and we continue to make good progress under our New Horizons strategy."

About OCBC Bank

OCBC Bank is Singapore's longest established local bank. It has assets of S\$134 billion and a network of 112 branches and representative offices in 15 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Japan, Australia, UK and USA. OCBC Bank offers a range of specialist financial services including consumer, corporate, investment, private and transaction banking, global treasury and stockbroking services to meet the needs of its customers across communities. Its subsidiary, Great Eastern Holdings, is the largest insurance group in both Singapore and Malaysia in terms of assets and market share.

In 2004, OCBC Bank was named Lafferty Group's Retail Bank of the Year in Asia-Pacific and South East Asia and Global Finance magazine's Best Bank in Singapore. Additional information may be found at www.ocbc.com.