

OVERSEA-CHINESE BANKING CORPORATION LIMITED

(Incorporated in Singapore)

The Directors of OCBC Bank wish to make the following announcement:

1 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

	GROUP					
	Year	Year		4th Qtr	4th Qtr	
	2003	2002	+ / (-)	2003 *	2002 *	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	2,380,646	2,729,376	(12.8)	599,959	664,806	(9.8)
Less: Interest expense	945,650	1,219,889	(22.5)	231,156	288,388	(19.8)
Net interest income	1,434,996	1,509,487	(4.9)	368,803	376,418	(2.0)
Fees and commissions	372,827	374,022	(0.3)	103,235	91,387	13.0
Dividends	74,778	33,684	122.0	8,080	4,424	82.6
Rental income	63,539	76,605	(17.1)	18,191	17,108	6.3
Other income	246,885	227,833	8.4	76,261	79,426	(4.0)
Income before operating expenses	2,193,025	2,221,631	(1.3)	574,570	568,763	1.0
Less: Staff costs	477,850	464,765	2.8	119,126	112,792	5.6
Other operating expenses	376,778	384,493	(2.0)	97,081	103,817	(6.5)
	854,628	849,258	0.6	216,207	216,609	(0.2)
Operating profit before provisions and goodwill amortisation	1,338,397	1,372,373	(2.5)	358,363	352,154	1.8
Less: Goodwill amortisation	126,644	126,995	(0.3)	31,664	31,751	(0.3)
Provisions for possible loan losses and diminution in value of other assets	224,959	500,608	(55.1)	54,074	130,013	(58.4)
Operating profit after provisions and goodwill amortisation	986,794	744,770	32.5	272,625	190,390	43.2
Share of profits less losses of associated companies	234,865	160,822	46.0	93,651	46,721	100.4
Profit before tax	1,221,659	905,592	34.9	366,276	237,111	54.5
Less: Tax	210,763	199,726	5.5	68,078	61,544	10.6
Share of tax of associated companies	55,137	37,028	48.9	19,226	5,860	228.1
	265,900	236,754	12.3	87,304	67,404	29.5
Profit after tax	955,759	668,838	42.9	278,972	169,707	64.4
Less: Minority interests	1,635	2,130	(23.2)	416	839	(50.4)
Profit attributable to shareholders	954,124	666,708	43.1	278,556	168,868	65.0

Note:

(1) * : Unaudited

2 SELECTED BALANCE SHEET DATA

	GROUP			BANK		
	31 Dec 2003	31 Dec 2002	30 Sep 2003 *	31 Dec 2003	31 Dec 2002	30 Sep 2003 *
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
(a) Assets						
Total assets	84,497,426	84,051,388	84,342,289	74,055,633	71,285,546	71,725,263
Loans to and bills receivable from customers ⁽²⁾	50,155,117	47,367,213	48,966,632	42,894,198	38,126,244	39,676,394
(b) Liabilities						
Deposits of non-bank customers	53,459,680	53,947,536	53,892,462	45,673,695	43,944,085	43,693,051
Deposits and balances of banks	12,480,794	12,621,149	12,633,799	11,910,339	12,076,240	12,372,865
Subordinated term debts due after one year (unsecured)	3,857,473	3,879,214	3,856,658	3,882,473	3,879,214	3,881,658
Other debt securities issued due within one year (secured) ⁽³⁾	152,750	133,000	152,750	-	-	-
(c) Capital and reserves						
Issued and paid-up ordinary share capital	1,280,076	1,290,299	1,279,495	1,280,076	1,290,299	1,279,495
Ordinary shareholders' equity	9,165,555	9,224,222	8,912,691	7,301,815	7,015,698	6,802,384
Preference shareholders' equity (net of issue expenses)	893,358	-	893,407	893,358	-	893,407
Total shareholders' equity	10,058,913	9,224,222	9,806,098	8,195,173	7,015,698	7,695,791

Notes:

⁽²⁾ Net of cumulative specific and general provisions.

⁽³⁾ The other debt securities are issued by Pioneer Funding Limited, a special purpose entity ("SPE") of the Group, and secured by a first fixed charge over the designated assets of the SPE.

3 NET ASSET VALUE

	GROUP			BANK		
	31 Dec 2003	31 Dec 2002	30 Sep 2003	31 Dec 2003	31 Dec 2002	30 Sep 2003
	S\$	S\$	S\$	S\$	S\$	S\$
Net asset value per ordinary share	7.16	7.15	6.96	5.70	5.44	5.31

4 ATTRIBUTABLE NET PROFIT

	GROUP		
	2003	2002	+ / (-)
	S\$'000	S\$'000	%
(a) First half year	383,712	317,267	20.9
(b) Second half year	570,412	349,441	63.2

5 OTHER INFORMATION

	GROUP					
	Year 2003	Year 2002	+ / (-) %	4th Qtr 2003	4th Qtr 2002	+ / (-) %
(a) Attributable net profit as a percentage of weighted average total shareholders' equity (%) ⁽⁴⁾	9.8	7.4	33.2	11.2	7.3	52.7
(b) Attributable net profit as a percentage of average total assets (%) ⁽⁴⁾	1.13	0.80	41.9	1.30	0.80	63.0
(c) Earnings per ordinary share (S\$) ⁽⁴⁾						
– Basic ⁽⁵⁾	0.72	0.52	39.2	0.81	0.52	55.3
– Fully diluted ⁽⁵⁾	0.72	0.52	39.2	0.80	0.52	55.0
(d) Depreciation of property, plant and equipment (S\$'000)	81,421	72,890	11.7	16,760	19,781	(15.3)
(e) Amortisation of computer software costs (S\$'000)	20,248	10,863	86.4	5,591	3,091	80.9

Notes:

⁽⁴⁾ Return on equity, return on assets and earnings per share for the Quarters are annualised.

⁽⁵⁾ Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders, after deducting declared and/or paid preference dividends, by the weighted average number of ordinary shares in issue during the financial period. For purposes of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the period).

6 COMMENTS ON PERFORMANCE AND BALANCE SHEET ITEMS

- (a) OCBC Group prepares its financial statements in accordance with Financial Reporting Standards ("FRS"). The same accounting policies and methods of computation have been applied in the financial statements for the current reporting period and the audited financial statements for the year ended 31 December 2002.
- (b) Group net profit attributable to shareholders for the year ended 31 December 2003 was S\$954 million, an increase of 43.1% over 2002. The increase was mainly due to a significant reduction in provisions, gains from the divestment of non-core assets and higher contribution from associates. Operating profit before provisions and goodwill amortisation of S\$1,338 million was 2.5% lower than 2002, attributable mainly to lower net interest income.
- (c) For the fourth quarter ended 31 December 2003, Group net profit was S\$279 million, an increase of 65.0% over the fourth quarter of 2002, due mainly to lower provisions and increased contribution from associates. Operating profit before provisions and goodwill amortisation was S\$358 million, 1.8% higher than the corresponding period last year. The increase was due to higher fee and commission income and a gain on the sale of a residential development site at Mount Emily Road, which offset weaker net interest income and treasury-related income.
- (d) Net interest income in 2003 declined by 4.9% to S\$1,435 million, as increased competition led to lower interest margins, offsetting the impact of a higher loan volume. Net interest margin fell by 12 basis points from 2.02% in 2002 to 1.90% in 2003.
- (e) Total non-interest income rose by 6.4% to S\$758 million in 2003, as dividends and other income were boosted by the gains from the sale of non-core assets which totalled S\$128 million. These gains comprised S\$78 million from the disposal of shares in Fraser and Neave Limited; S\$46 million from the sale of the property at Mount Emily Road; and S\$4 million from the disposal of shares in WBL Corporation Limited.

- (f) Fee and commission income amounted to S\$373 million in 2003, largely unchanged from 2002. Growth in brokerage income, loan-related fees, credit card and fund management income offset the lower income from unit trusts and bancassurance products, which was mainly due to the weak investment sentiments in the first half of the year.
- (g) Included in the Group's other income in 2003 was a net loss of S\$19 million in securities and derivatives dealing, as compared to a net gain of S\$61 million in 2002. The loss arose mainly from an unexpected spike in long term interest rates during the second half of 2003, which resulted in losses on the disposal of some of the Group's Singapore Government Securities and corporate debt securities, as well as from unrealised losses on interest rate derivatives.
- (h) Total operating expenses in 2003 increased marginally by 0.6% to S\$855 million, as higher staff costs and premises and equipment costs were largely offset by lower other operating expenses. The cost-to-income ratio rose marginally from 38.2% in 2002 to 39.0% in 2003.
- (i) Total provisions declined by 55.1% from S\$501 million in 2002 to S\$225 million in 2003, reflecting the progress made in strengthening the Group's credit processes and asset quality. The provisions comprised specific provisions of S\$194 million for loans, S\$57 million for diminution in value of the Group's properties and investment securities, and a net general provision writeback of S\$26 million.
- (j) The share of pre-tax profits of associated companies increased by 46.0% to S\$235 million in 2003. The higher contribution came primarily from the Group's insurance associate Great Eastern Holdings Limited, as well as a S\$14 million share of the gain from the sale of an associate's stake in Raffles Hotel.
- (k) Compared to 31 December 2002, total assets increased by 0.5% to S\$84.5 billion as at 31 December 2003 while net loans to customers grew by 5.9% to S\$50.2 billion. Total non-performing loans ("NPLs") declined by 12.0% from December 2002 to S\$3.8 billion as at 31 December 2003. The ratio of non-bank NPLs to non-bank loans improved from 8.1% to 6.9% over the same period. Total cumulative specific and general provisions amounted to S\$2.6 billion as at 31 December 2003, representing a provision coverage ratio of 67.0% of NPLs.
- (l) As at 31 December 2003, total shareholders' equity was S\$10.1 billion, an increase of 9.0% compared to 31 December 2002. The Group's Tier 1 and total capital adequacy ratios computed based on the Bank for International Settlements guidelines were 12.6% and 21.8% respectively.
- (m) Earnings per ordinary share increased by 39.2% from 52 cents in 2002 to 72 cents in 2003.

7 DIVIDENDS

Ordinary Stock

A final dividend of 12 cents (2002: 15 cents) for every S\$1 ordinary stock unit, less 22% (2002: 22%) Singapore income tax, has been recommended by the Directors in respect of the financial year ended 31 December 2003, and subject to the approval of Stockholders at the forthcoming Annual General Meeting, will be paid on 12 May 2004. The total dividend rate of 23% (2002: 20%), representing a payout of 28% of core earnings, is in line with OCBC's dividend policy adopted last year, which targets to pay out at least 25% of profit after tax from its core business, barring unforeseen circumstances. It also targets to pay more uniform dividends every half-year, increasing in line with its core earnings.

The 23 cents dividend payment for 2003 represents a 15% increase over the 20 cents paid in 2002.

	2003	2002
	S\$'000	S\$'000
<u>Ordinary Stock</u>		
Interim Dividend of 11 cents (2002: 5 cents) per S\$1 stock less 22% (2002: 22%) tax	110,811	50,317
Final Dividend of 12 cents (2002: 15 cents) per S\$1 stock less 22% (2002: 22%) tax	119,815	151,081
Sub-Total	230,626	201,398
Special Dividend of 63.78 cents per S\$1 stock less 22% tax (with an option to elect to receive non-cumulative, non-convertible Class G preference shares) ⁽⁶⁾	642,419	-
Total	873,045	201,398
<u>Note:</u>		
⁽⁶⁾ The special dividend was paid in July 2003		
<u>Non-Cumulative, Non-Convertible Preference Shares (NCPS)</u>		
Class E (OCBC 4.5% NCPS 100) – 2 semi-annual dividends	20,096	-
Class G (OCBC 4.2% NCPS) – 1 semi-annual dividend	7,242	-
Total	27,338	-

8 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 15 April 2004.

9 CLOSURE OF BOOKS

Notice is hereby given that, subject to the approval of the Stockholders of the Bank at the Annual General Meeting to be held on 15 April 2004 of the payment of the final dividend of 12 cents for every S\$1 ordinary stock unit, less 22% Singapore income tax, in respect of the financial year ended 31 December 2003, the Transfer Books and the Register of Stockholders of the Bank will be closed from 27 April 2004 to 28 April 2004 (both dates inclusive) for the purpose of determining the entitlement of Stockholders to the final dividend of 12 cents less 22% Singapore income tax for every S\$1 ordinary stock unit held. Duly completed registrable transfers of stock units received by the Bank's Share Registrar, KPMG of 138 Robinson Road #17-00 The Corporate Office Singapore 068906 up to 5.00 pm on 26 April 2004 will be registered in order to determine the entitlement of Stockholders to the final dividend. Stockholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with stock units as at 5.00 p.m. on 26 April 2004 will be entitled to the final dividend.

10 SCRIP DIVIDEND SCHEME

The Oversea-Chinese Banking Corporation Limited Scrip Dividend Scheme, which was approved by the Stockholders of the Bank at the Extraordinary General Meeting on 8 June 1996, will not be applicable to the final dividend.

11 SHARES ISSUED AND OUTSTANDING SHARE OPTIONS

- (a) From 1 October 2003 to 31 December 2003 (both dates inclusive), the Bank issued 581,108 ordinary shares of S\$1 each upon the exercise of options by officers of the Group pursuant to the OCBC Share Option Schemes.
- (b) As at 31 December 2003, there were 33,524,974 ordinary shares of S\$1 each (31 December 2002: 27,336,449) that may be issued on the exercise of options.
- (c) No new preference shares were allotted and issued in the fourth quarter ended 31 December 2003.

12 SUBSEQUENT EVENT

Subsequent to the financial year end, the Bank announced on 9 January 2004 that its subsidiary, OCBC Securities Hong Kong Limited, will cease its securities business activities on 9 February 2004. The cessation of business activities will not have any material impact on the Group's results.

By Order of the Board

Peter Yeoh
Secretary

Singapore, 11 February 2004

More details on the results are available at the Bank's website at www.ocbc.com

AUDITORS' REPORT TO THE MEMBERS OF OVERSEA-CHINESE BANKING CORPORATION LIMITED

We have audited the balance sheet of Oversea-Chinese Banking Corporation Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2003. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the accompanying balance sheet of the Bank and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2003, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all the subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The subsidiaries audited by other member firms of the PricewaterhouseCoopers Global Organisation are stated in Note 34 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 11 February 2004