

**OVERSEA-CHINESE BANKING CORPORATION LIMITED**

(Incorporated in Singapore)

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

**1 UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2003**

	<b>GROUP</b>				
	<b>1<sup>st</sup> Qtr 2003 S\$'000</b>	<b>1<sup>st</sup> Qtr 2002 S\$'000</b>	<b>+ / (-) %</b>	<b>4<sup>th</sup> Qtr 2002 S\$'000</b>	<b>+ / (-) %</b>
Interest income	<b>613,598</b>	707,949	(13.3)	672,187	(8.7)
Less: Interest expense	<b>262,031</b>	338,152	(22.5)	295,769	(11.4)
<b>Net interest income</b>	<b>351,567</b>	369,797	(4.9)	376,418	(6.6)
Fees and commissions	<b>82,299</b>	94,367	(12.8)	91,388	(9.9)
Dividends	<b>10,532</b>	8,251	27.6	4,424	138.1
Rental income	<b>15,618</b>	18,811	(17.0)	17,108	(8.7)
Other income	<b>39,162</b>	42,425	(7.7)	79,426	(50.7)
<b>Income before operating expenses</b>	<b>499,178</b>	533,651	(6.5)	568,764	(12.2)
Less: Staff costs	<b>119,103</b>	119,169	(0.1)	112,792	5.6
Other operating expenses	<b>81,948</b>	86,661	(5.4)	103,817	(21.1)
	<b>201,051</b>	205,830	(2.3)	216,609	(7.2)
<b>Operating profit before provisions and goodwill amortisation</b>	<b>298,127</b>	327,821	(9.1)	352,155	(15.3)
Less: Goodwill amortisation	<b>31,644</b>	32,301	(2.0)	31,751	(0.3)
Provisions for possible loan losses and diminution in value of other assets	<b>63,767</b>	90,557	(29.6)	130,013	(51.0)
<b>Operating profit after provisions and goodwill amortisation</b>	<b>202,716</b>	204,963	(1.1)	190,391	6.5
<b>Share of profits less losses of associated companies</b>	<b>11,212</b>	60,138	(81.4)	46,721	(76.0)
<b>Profit before tax</b>	<b>213,928</b>	265,101	(19.3)	237,112	(9.8)
Less: Tax	<b>47,427</b>	32,970	43.8	61,544	(22.9)
Share of tax of associated companies	<b>6,767</b>	17,255	(60.8)	5,860	15.5
	<b>54,194</b>	50,225	7.9	67,404	(19.6)
<b>Profit after tax</b>	<b>159,734</b>	214,876	(25.7)	169,708	(5.9)
Less: Minority interests	<b>320</b>	(465)	n.m.	839	(61.9)
<b>Profit attributable to stockholders</b>	<b>159,414</b>	215,341	(26.0)	168,869	(5.6)

Note: n.m. denotes not meaningful

## 2 SELECTED BALANCE SHEET DATA

	GROUP			BANK		
	31 Mar 2003	31 Dec 2002	31 Mar 2002	31 Mar 2003	31 Dec 2002	31 Mar 2002
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>(a) Assets</b>						
Total assets	<b>82,967,559</b>	84,051,388	85,131,168	<b>69,810,708</b>	71,285,546	71,315,277
Loans to and bills receivable from customers <sup>(1)</sup>	<b>47,132,565</b>	47,269,015	48,740,777	<b>37,844,206</b>	38,126,244	38,827,837
<b>(b) Liabilities</b>						
Deposits of non-bank customers	<b>55,333,771</b>	53,947,536	55,849,259	<b>45,152,785</b>	43,944,085	44,709,106
Deposits and balances of banks	<b>9,845,406</b>	12,621,149	13,057,332	<b>8,951,507</b>	12,076,240	12,377,365
Subordinated term debts due after one year (unsecured)	<b>3,855,171</b>	3,879,214	3,876,173	<b>3,855,171</b>	3,879,214	3,876,173
Other debt securities issued due within one year (secured) <sup>(2)</sup>	<b>127,750</b>	133,000	-	-	-	-
<b>(c) Capital and reserves</b>						
Net proceeds from issue of preference shares	<b>499,002</b>	-	-	<b>499,002</b>	-	-
Issued and paid-up ordinary Share capital	<b>1,290,416</b>	1,290,299	1,289,096	<b>1,290,416</b>	1,290,299	1,289,096
Ordinary shareholders' equity	<b>9,408,393</b>	9,224,222	9,041,070	<b>7,178,630</b>	7,015,698	6,802,831
Total (ordinary and preference) Shareholders' equity	<b>9,907,395</b>	9,224,222	9,041,070	<b>7,677,632</b>	7,015,698	6,802,831

<sup>(1)</sup> Net of cumulative specific and general provisions.

<sup>(2)</sup> 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 assets of the SPE.

## 3 NET ASSET VALUE

	GROUP			BANK		
	31 Mar 2003	31 Dec 2002	31 Mar 2002	31 Mar 2003	31 Dec 2002	31 Mar 2002
	S\$	S\$	S\$	S\$	S\$	S\$
Net asset value per ordinary share	<b>7.68</b>	7.15	7.01	<b>5.95</b>	5.44	5.28

#### 4 OTHER INFORMATION

	GROUP		
	1 <sup>st</sup> Qtr 2003	1 <sup>st</sup> Qtr 2002	+ / (-) %
(a) Annualised net profit as a percentage of weighted average total (ordinary and preference) shareholders' equity (%)	<b>6.7</b>	9.8	(31.4)
(b) Annualised net profit as a percentage of average total assets (%)	<b>0.77</b>	1.03	(24.9)
(c) Earnings per ordinary share (S\$) <sup>(3)</sup>			
– Basic	<b>0.50</b>	0.68	(26.1)
– Fully diluted	<b>0.50</b>	0.68	(26.0)
(d) Depreciation of property, plant and equipment (S\$'000)	<b>17,288</b>	16,267	6.3
(e) Amortisation of computer software costs (S\$'000)	<b>4,777</b>	2,294	108.3

<sup>(3)</sup> Basic earnings per ordinary share is calculated by dividing the annualised profit after tax attributable to stockholders 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).

#### 5 COMMENTS ON PERFORMANCE AND BALANCE SHEET ITEMS

- (a) The financial statements are prepared in accordance with Financial Reporting Standards ("FRS"). The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared to the audited financial statements as at 31 December 2002.
- (b) Group operating profit before provisions and amortisation of goodwill decreased by 9.1% to S\$298 million in the first quarter of 2003 compared to the same quarter last year. The decline in profit was due to weaker 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.
- (c) Net interest income decreased by 4.9% to S\$352 million mainly due to lower average loan balances and a reduction in net interest margin. Net interest margin declined by 9 basis points to 1.84% due to lower customer spreads and reduced returns on net available funds in a low interest rate environment. Against weak sentiment in the equity market and uncertain economic conditions, fee and commission income fell by 12.8% to S\$82 million, largely due to a 62.6% decline in brokerage income.
- (d) Total operating expenses decreased by 2.3% to S\$201 million compared to the same quarter last year. However, due to a lower total income base, the cost-to-income ratio increased to 40.3% from 38.6% in first quarter 2002.

- (e) Provision charge amounted to S\$64 million, comprising specific provisions of S\$70 million for loans, S\$16 million for properties, S\$8 million for investment securities and S\$30 million release of general provision. 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. The Group also released S\$30 million from its general provision reserves, which remained at a high 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 end of 2002.
- (f) The share of associated companies' profits fell significantly by 81.4% to S\$11 million mainly due to lower contributions from the Group's insurance and other associated companies, which were also affected by the negative market conditions.
- (g) Total assets fell by 1.3% to S\$83.0 billion as customer loans declined by 0.3% against December 2002 to S\$47.1 billion. The loan decline reflected the weak demand for loans as well as the Group's selective and cautious approach in lending. The Group's non-performing loans ("NPLs") fell by 1.5% from December 2002 to S\$4.29 billion as at end March 2003, while the ratio of non-bank NPLs to non-bank loans improved marginally from 8.1% to 8.0%.
- (h) As at 31 March 2003, total shareholders' equity was S\$9.9 billion, an increase of 7.4% compared to end December 2002. The Tier 1 and total capital adequacy ratios computed based on the Bank for International Settlements guidelines were 12.5% and 21.8% respectively.
- (i) Earnings per ordinary share declined by 26.1% to S\$0.50 and return on total shareholders' equity was 6.7% compared to 9.8% in first quarter 2002.
- (j) In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen, which would substantially affect the results of the operations of the Group during the financial period under review and the period from the end of March 2003 to the date of this report.

## **6 ORDINARY SHARES ISSUED AND OUTSTANDING CONVERTIBLES**

- (a) From 1 January 2003 to 31 March 2003 (both dates inclusive), the Bank issued 116,836 ordinary shares of S\$1 each upon the exercise of options by officers of the Bank pursuant to the OCBC Executives' Share Option Scheme 1994.
- (b) As at 31 March 2003, there were 26,708,687 ordinary shares of S\$1 each (31 December 2002: 27,336,449) that may be issued on the exercise of options.

## **7 PREFERENCE SHARES ISSUED**

On 8 January 2003, the shareholders of the Bank approved the alterations to the Articles of Association of the Bank in connection with the establishment of a programme for the issuance of non-cumulative non-convertible preference shares eligible to qualify as Tier 1 capital of the Bank. Following the approval, the Bank has on 28 January 2003, issued S\$500 million Class E non-cumulative non-convertible preference shares ("Class E Preference Shares"). These Class E Preference Shares qualify as Tier 1 capital for the purposes of computing the regulatory capital adequacy ratio. The Class E Preference Shares have a fixed dividend rate of 4.5 per cent per annum (net), payable semi-annually in arrears on 20 June and 20 December.

## 8 INTERIM DIVIDEND

No interim dividend has been declared for the first quarter ended 31 March 2003 in respect of the financial year ending 31 December 2003.

## 9 OTHER MATTER

### OCBC Deferred Share Plan

OCBC has implemented the OCBC Deferred Share Plan ("the Plan") with effect from 2003. Under the Plan, eligible executives are granted OCBC shares, at no cost to the grantees, on a deferred basis as part of their performance bonus. Each recipient is granted a certain number of shares, determined by dividing the value of the grant by the prevailing market price of OCBC shares at the time of grant. The value of the grant each employee receives is equivalent to 25 per cent of the total value of their performance bonus, inclusive of cash and deferred shares. The shares will be subject to a vesting period of three years, such that recipients will only receive the shares three years from the date of grant. The Plan does not involve any issue of new shares, as all the shares granted will be purchased from the market.

This year, 375 executives ranking Vice President and above received grants under the Plan. OCBC will consider extending the Plan to other executives in years to come.

In line with the Bank's New Horizons strategy, unveiled in February 2003, the Plan is part of OCBC's stated intention of implementing new share ownership schemes to easily enable OCBC employees to become shareholders. The Plan serves to help employees develop a stronger sense of identification with OCBC's overall performance as well as motivate them to achieve better returns for the benefit of all shareholders.

OCBC believes that employee commitment will be clearly demonstrated when they invest part of their savings in OCBC shares and it hopes to see more than 30% of employees as shareholders within three years.

BY ORDER OF THE BOARD

Peter Yeoh  
Secretary

Singapore, 14 May 2003

More details on the results are available at the Bank's website at [www.ocbc.com](http://www.ocbc.com)