

OVERSEA-CHINESE BANKING CORPORATION LIMITED

(Incorporated in Singapore)

Company Registration Number: 193200032W

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

1(a) UNAUDITED CONSOLIDATED RESULTS

In million	1 st Qtr 2005	1 st Qtr 2004 *	+/(–)	4 th Qtr 2004 *	+/(–)
Interest income	712.0	598.3	19.0	688.6	3.4
Less: Interest expense	349.1	233.7	49.4	299.7	16.5
Net interest income	362.9	364.6	(0.5)	388.9	(6.7)
Fees and commissions	120.4	115.1	4.7	113.3	6.4
Dividends	20.0	44.5	(55.1)	13.2	50.8
Rental income	17.6	18.0	(2.2)	18.0	(2.2)
Income from insurance	105.1	–	n.m.	131.7	(20.2)
Other income	55.6	(16.6)	n.m.	37.3	48.9
Non-interest income	318.7	161.0	98.0	313.5	1.7
Income before operating expenses	681.6	525.6	29.7	702.4	(2.9)
Less: Staff costs	143.3	121.2	18.2	148.6	(3.6)
Other operating expenses	107.3	85.7	25.3	136.8	(21.5)
Total operating expenses	250.6	206.9	21.1	285.4	(12.2)
Operating profit before provisions and amortisation of goodwill and intangibles	431.0	318.7	35.3	417.0	3.4
Less: Amortisation of goodwill and intangibles	9.9	31.7	(68.8)	45.3	(78.2)
Provisions/(writeback) for loans losses and impairment charges for other assets	24.2	20.4	19.0	(1.8)	n.m.
Operating profit after provisions and amortisation of goodwill and intangibles	396.9	266.6	48.9	373.5	6.3
Share of profit of associated companies	7.7	47.3	(83.7)	2.4	213.3
Net profit before tax	404.6	313.9	28.9	375.9	7.6
Less: Tax	83.8	58.9	42.2	84.9	(1.3)
Net profit after tax	320.8	255.0	25.8	291.0	10.2
Attributable to:					
Equity holders of the Bank	297.7	254.5	17.0	275.1	8.2
Minority interests	23.1	0.5	n.m.	15.9	45.0
	320.8	255.0	25.8	291.0	10.2

n.m. – Not meaningful

* Certain comparative figures have been restated with the adoption of FRS 102 and revised INT FRS 12, as well as to conform to current period's presentation.

1(b)(i) UNAUDITED BALANCE SHEETS

In million	GROUP		BANK	
	31 March 2005	31 December 2004 *	31 March 2005	31 December 2004 *
EQUITY				
Equity attributable to the Bank's shareholders				
Share capital	1,316.8	1,320.6	1,316.8	1,320.6
Capital reserves	3,149.7	3,139.6	3,020.1	3,003.2
Statutory reserves	1,950.0	1,934.1	1,599.5	1,583.7
Fair value reserves	572.9	—	372.6	—
Revenue reserves	4,870.5	4,835.5	3,393.4	3,367.3
	11,859.9	11,229.8	9,702.4	9,274.8
Minority interests	938.6	489.2	—	—
Total equity	12,798.5	11,719.0	9,702.4	9,274.8
LIABILITIES				
Deposits of non-bank customers	59,664.4	57,286.8	49,944.5	48,334.8
Deposits and balances of banks	13,644.6	12,454.8	13,013.6	12,073.9
Deposits of subsidiaries	—	—	1,473.4	1,686.2
Deposits of associated companies	17.3	17.2	8.4	8.2
Derivative payables	1,702.5	1,663.6	1,669.4	1,655.5
Other liabilities	1,839.7	1,641.7	981.7	911.8
Current tax	446.4	425.1	361.3	300.2
Deferred tax	189.7	83.1	126.6	41.5
Debt issued	6,265.6	5,695.2	6,630.6	5,668.5
	83,770.2	79,267.5	74,209.5	70,680.6
Life assurance fund	31,011.6	28,895.2	—	—
Total equity and liabilities	127,580.3	119,881.7	83,911.9	79,955.4
ASSETS				
Cash and placements with central banks	4,864.1	3,616.6	3,205.7	2,591.0
Singapore government treasury bills and securities	7,383.5	6,439.8	7,079.5	6,150.7
Other government treasury bills and securities	1,939.8	1,837.7	275.3	613.7
Placements with and loans to banks	12,844.9	10,007.2	12,113.7	9,342.2
Loans to and bills receivable from customers	51,398.0	51,829.2	42,882.8	43,509.3
Debt and equity securities	9,725.1	9,308.8	7,552.6	7,320.3
Derivative receivables	2,009.0	1,709.2	2,001.8	1,698.9
Other assets	1,720.3	1,564.8	707.5	754.4
Deferred tax	49.1	50.0	—	—
Associated companies	318.2	308.8	97.2	97.2
Subsidiaries	—	—	5,402.3	5,280.7
Property, plant and equipment	1,332.6	1,315.8	726.3	729.8
Goodwill and intangible assets	2,984.1	2,998.6	1,867.2	1,867.2
	96,568.7	90,986.5	83,911.9	79,955.4
Life fund net assets attributable to policyholders	31,011.6	28,895.2	—	—
Total assets	127,580.3	119,881.7	83,911.9	79,955.4
OFF-BALANCE SHEET ITEMS				
Contingent liabilities	5,233.6	4,798.2	4,176.7	3,829.4
Commitments	33,101.6	30,256.0	27,465.6	25,263.0
Financial derivatives	277,632.6	271,482.8	271,555.1	265,977.6
	315,967.8	306,537.0	303,197.4	295,070.0

* Certain comparative figures have been restated with the adoption of FRS 102 and revised INT FRS 12, as well as to conform to current period's presentation.

1(b)(ii) AGGREGATE GROUP BORROWINGS

	31 March 2005		31 December 2004	
	Secured ⁽¹⁾	Unsecured	Secured ⁽¹⁾	Unsecured
Amount repayable in one year or less	35.0	1,202.1	51.7	949.9
Amount repayable after one year	—	5,028.5	—	4,693.6

⁽¹⁾ The collateralised notes 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.

1(c) UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

In million	Three months ended 31 March	
	2005	2004*
Cash flows from operating activities		
Net profit before tax	404.6	313.9
<u>Adjustments for non-cash items</u>		
Amortisation of software costs	4.6	5.8
Amortisation of goodwill and intangible assets	9.9	31.7
Change in fair value of hedging transactions and trading securities	12.5	–
Depreciation of property, plant and equipment	14.8	14.8
Gains on disposal of government, debt and equity securities	(21.2)	(5.4)
Gains on disposal of property, plant and equipment	(0.5)	(0.2)
Impairment losses for loans and other assets	24.2	20.4
Share-based staff costs	4.2	1.3
Share of profit of associated companies	(7.7)	(47.3)
Operating profit before changes in operating assets and liabilities	445.4	335.0
<u>Increase/(decrease) in operating liabilities</u>		
Deposits of non-bank customers	2,378.1	919.1
Deposits and balances of banks	1,189.8	1,440.4
Derivative and other payables	30.7	60.0
<u>(Increase)/decrease in operating assets</u>		
Government securities and treasury bills	(1,129.1)	104.0
Trading securities	127.8	(86.7)
Placements with and loans to banks	(2,837.6)	290.3
Loans to customers and bills receivable	424.0	(456.6)
Derivative receivables and other assets	(122.8)	(40.7)
Cash provided by operating activities	506.3	2,564.8
Income tax paid	(77.9)	(32.2)
Net cash provided by operating activities	428.4	2,532.6
Cash flows from investing activities		
Dividends from associated companies	0.2	22.5
(Increase)/decrease in associated companies	(0.4)	4.3
Purchase of debt and equity securities	(805.2)	(608.7)
Purchase of property, plant and equipment	(34.8)	(6.7)
Proceeds from disposal of debt and equity securities	1,054.0	665.6
Proceeds from disposal of property, plant and equipment	0.6	9.9
Net cash provided by investing activities	214.4	86.9
Cash flows from financing activities		
Dividends paid	(2.0)	–
Increase/(decrease) in debt issued	243.5	(69.8)
Proceeds from issue of OCBC-OCC A preference shares	400.0	–
Proceeds from issue of ordinary shares	8.9	7.5
Share buyback	(56.4)	–
Dividends paid to minority interests	#	–
Net cash provided by/(used in) financing activities	594.0	(62.3)
Net currency translation adjustments	10.7	(21.3)
Net change in cash and cash equivalents	1,247.5	2,535.9
Cash and cash equivalents as at 1 January	3,616.6	4,035.9
Cash and cash equivalents as at 31 March	4,864.1	6,571.8

Amounts less than S\$50,000.

* Certain comparative figures have been restated with the adoption of FRS 102 and INT FRS 12, as well as to conform to current period's presentation.

1(d)(i) UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED For the period ended 31 March	Attributable to the Bank's equity holders						Minority interests	Total equity
	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total		
In million								
Balance at 1 January 2005								
– As previously reported	1,320.6	3,135.7	1,934.1	–	4,851.7	11,242.1	489.2	11,731.3
– Effect of adopting FRS 39	–	–	–	649.4	(0.7)	648.7	26.2	674.9
– Effect of adopting FRS 102	–	16.2	–	–	(15.1)	1.1	–	1.1
– Effect of adopting INT FRS 12	–	(12.3)	–	–	–	(12.3)	–	(12.3)
– As restated	1,320.6	3,139.6	1,934.1	649.4	4,835.9	11,879.6	515.4	12,395.0
Movements in fair value reserves:								
– Gains/(losses) taken to equity	–	–	–	(61.8)	–	(61.8)	1.0	(60.8)
– Deferred tax on gains/(losses) to equity	–	–	–	5.3	–	5.3	(0.1)	5.2
– Transferred to income statements	–	–	–	(20.0)	–	(20.0)	(1.2)	(21.2)
Currency translation differences	–	–	–	–	11.5	11.5	0.4	11.9
Net gains/(losses) recognised in equity	–	–	–	(76.5)	11.5	(65.0)	0.1	(64.9)
Net profit after tax	–	–	–	–	297.7	297.7	23.1	320.8
Total recognised gains/ (losses) for the period	–	–	–	(76.5)	309.2	232.7	23.2	255.9
Transfers	–	0.8	15.9	–	(16.7)	–	–	–
Issue of OCBC-OCC A preference shares	–	–	–	–	–	–	400.0	400.0
Dividends paid to minority interests	–	–	–	–	–	–	#	#
Dividends paid to preference shareholders	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Final dividends payable to ordinary stockholders	–	–	–	–	(199.5)	(199.5)	–	(199.5)
Shares purchased under DSP trust	–	(7.6)	–	–	–	(7.6)	–	(7.6)
Share-based staff costs capitalised	–	4.0	–	–	–	4.0	–	4.0
Share buyback	(4.7)	4.7	–	–	(56.4)	(56.4)	–	(56.4)
Shares issued to non-executive directors	#	0.2	–	–	–	0.2	–	0.2
Shares issued under Share Option Schemes	0.9	8.0	–	–	–	8.9	–	8.9
Balance at 31 March 2005	1,316.8	3,149.7	1,950.0	572.9	4,870.5	11,859.9	938.6	12,798.5
Comprise:								
Share of reserve of associated companies	–	1.4	–	–	45.1	46.5	–	–
Balance at 1 January 2004								
– As previously reported	1,284.1	2,329.1	1,854.3	–	4,591.5	10,059.0	19.9	10,078.9
– Effect of adopting FRS 102	–	3.8	–	–	(3.8)	–	–	–
– Effect of adopting INT FRS 12	–	(5.7)	–	–	–	(5.7)	–	(5.7)
– As restated	1,284.1	2,327.2	1,854.3	–	4,587.7	10,053.3	19.9	10,073.2
Currency translation differences	–	–	–	–	(21.4)	(21.4)	#	(21.4)
Net profit after tax	–	–	–	–	255.8	255.8	0.5	256.3
– As previously reported	–	–	–	–	255.8	255.8	0.5	256.3
– Effect of adopting FRS 102	–	1.3	–	–	(1.3)	–	–	–
– As restated	–	1.3	–	–	254.5	255.8	0.5	256.3
Total recognised gains for the period	–	1.3	–	–	233.1	234.4	0.5	234.9
Transfers	–	#	15.5	–	(15.5)	–	–	–
Shares purchased under DSP trust	–	(6.6)	–	–	–	(6.6)	–	(6.6)
Shares issued under Share Option Schemes	0.8	6.6	–	–	–	7.4	–	7.4
Balance at 31 March 2004	1,284.9	2,328.5	1,869.8	–	4,805.3	10,288.5	20.4	10,308.9
Comprise:								
Share of reserve of associated companies	–	20.7	–	–	1,042.0	1,062.7	–	–

Amounts less than S\$50,000.

1(d)(i) UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

BANK For the period ended 31 March	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total
In million						
Balance at 1 January 2005						
– As previously reported	1,320.6	2,987.0	1,583.7	–	3,379.3	9,270.6
– Effect of adopting FRS 39	–	–	–	436.5	47.6	484.1
– Effect of adopting FRS 102	–	16.2	–	–	(12.0)	4.2
– As restated	1,320.6	3,003.2	1,583.7	436.5	3,414.9	9,758.9
Movements in fair value reserves:						
– Gains/(losses) taken to equity	–	–	–	(63.2)	–	(63.2)
– Deferred tax on gains/(losses) to equity	–	–	–	0.9	–	0.9
– Transferred to income statements	–	–	–	(1.6)	–	(1.6)
Currency translation differences	–	–	–	–	2.3	2.3
Net gains/(losses) recognised in equity	–	–	–	(63.9)	2.3	(61.6)
Net profit after tax	–	–	–	–	247.9	247.9
Total recognised gains/(losses) for the period	–	–	–	(63.9)	250.2	186.3
Transfers	–	–	15.8	–	(15.8)	–
Final dividends payable to ordinary stockholders	–	–	–	–	(199.5)	(199.5)
Share-based staff costs capitalised	–	4.0	–	–	–	4.0
Share buyback	(4.7)	4.7	–	–	(56.4)	(56.4)
Shares issued to non-executive directors	#	0.2	–	–	–	0.2
Shares issued under Share Option Schemes	0.9	8.0	–	–	–	8.9
Balance at 31 March 2005	1,316.8	3,020.1	1,599.5	372.6	3,393.4	9,702.4
Balance at 1 January 2004						
– As previously reported	1,284.1	2,205.3	1,528.7	–	3,177.1	8,195.2
– Effect of adopting FRS 102	–	3.8	–	–	(2.8)	1.0
– As restated	1,284.1	2,209.1	1,528.7	–	3,174.3	8,196.2
Currency translation differences	–	–	–	–	(2.3)	(2.3)
Net profit after tax						
– As previously reported	–	–	–	–	309.4	309.4
– Effect of adopting FRS 102	–	1.3	–	–	(0.9)	0.4
– As restated	–	1.3	–	–	308.5	309.8
Total recognised gains for the period	–	1.3	–	–	306.2	307.5
Transfers	–	–	15.5	–	(15.5)	–
Shares issued under Share Option Schemes	0.8	6.6	–	–	–	7.4
Balance at 31 March 2004	1,284.9	2,217.0	1,544.2	–	3,465.0	8,511.1

Amounts less than S\$50,000.

1(d)(ii) SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

- (a) From 1 January 2005 to 31 March 2005 (both dates inclusive), the Bank issued 900,266 ordinary shares of S\$1 each upon the exercise of options by officers of the Group pursuant to the OCBC Share Option Schemes 1994 and 2001.
- (b) The Bank has, upon its shareholders' approval on 30 March 2005, issued 2,000 ordinary shares of S\$1 per share to each of its 7 non-executive directors ("NEDs"). The 14,000 ordinary shares were issued on 30 March 2005 via the capitalisation of S\$14,000 standing to the credit of the share premium account as at 31 December 2004 pursuant to Article 156(A) of the Articles of Association of the Bank as payment in part of the NEDs' remuneration for the financial year ended 31 December 2004.
- (c) As at 31 March 2005, there were 29,010,863 ordinary shares of S\$1 each (31 March 2004: 32,173,544) that may be issued on the exercise of options. In addition, options to subscribe for an aggregate of 4,328,134 shares under OCBC Share Option Scheme 2001 have been accepted by eligible staff of the Group at the close of the offers on 12 April 2005 and 6 May 2005 respectively.
- (d) As at 31 March 2005, the number of ordinary shares entitled to be issued under the OCBC Employee Share Purchase Plan was 2,595,385 (including 11,880 ordinary shares arising from the participation by two executive directors).
- (e) No new preference shares were allotted and issued by the Bank in the first quarter ended 31 March 2005.
- (f) Pursuant to the stock purchase mandate approved at an extraordinary general meeting held on 15 April 2004, the Bank has purchased a total of 4,090,576 ordinary shares of S\$1 each for the first quarter ended 31 March 2005. The ordinary shares were purchased by way of market acquisitions at prices ranging from S\$13.50 to S\$13.90 per share and the total consideration paid was S\$56,432,349 including transaction costs.

2 ACCOUNTING POLICIES

OCBC Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2004 except for the adoption of the following new and revised Financial Reporting Standards ("FRS") and Interpretation of Financial Reporting Standard ("INT FRS") effective for the financial years beginning on or after 1 January 2005.

FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 103	Business Combinations
Revised FRS 36	Impairment of Assets
Revised FRS 38	Intangible Assets
Revised INT FRS 12	Consolidation – Special Purpose Entities

2 ACCOUNTING POLICIES (continued)

The impact of the changes in accounting policies are as follows:

FRS 39

In accordance with the transitional provisions of FRS 39, the effect of recognition, derecognition and measurement of financial instruments, for periods prior to 1 January 2005, is not restated. Consequently, the comparative figures for 2004 have not been restated. On 1 January 2005, the following transitional adjustments were made.

<u>In million</u>	<u>Group effect</u>	<u>Bank effect</u>
Fair value reserves	649.4	436.5
Revenue reserves	(0.7)	47.6
Minority interests	26.2	–
Total	<u>674.9</u>	<u>484.1</u>

The adoption of FRS 39 has resulted in an increase in equity of the Group and the Bank as at 1 January 2005 of S\$674.9 million and S\$484.1 million respectively. This is after adjusting for the related deferred taxes. In accordance with the transitional provisions, there is no restatement of the 1st Qtr 2004 and 4th Qtr 2004 income statements of the Group and the Bank. The net impact on the Group's income statement for first quarter 2005 is a reduction of S\$6 million in profit after tax.

FRS 102

The impact on the equity of the Group and the Bank on the adoption of FRS 102 are as follows:

<u>In million</u>	<u>1 January 2005</u>		<u>1 January 2004</u>	
	<u>Group effect</u>	<u>Bank effect</u>	<u>Group effect</u>	<u>Bank effect</u>
Retained earnings	(15.1)	(12.0)	(3.8)	(2.8)
Capital reserves	16.2	16.2	3.8	3.8
Net impact to equity	<u>1.1</u>	<u>4.2</u>	<u>–</u>	<u>1.0</u>

The positive impact to equity for the Bank was driven by the options granted to employees of the Group's subsidiaries, whereby the expensing is in the subsidiaries' books while the equity reserves reside in the Bank's books.

In addition, the impact on the Group and the Bank's income statements arising from the share-based expenses are shown below; they do not have a material impact to the basic and diluted EPS for the respective period.

<u>In million</u>	<u>Group effect</u>	<u>Bank effect</u>
1 st Qtr 2005	4.0	3.0
1 st Qtr 2004	1.3	0.9
4 th Qtr 2004	4.0	3.0

Revised INT FRS 12

As a result of adopting the revised INT FRS 12, the Group consolidated the employee benefit trust set up for the purpose of the Deferred Share Plan ("DSP"). The impact to the Group is a deduction in the capital reserves of S\$5.7 million as at 1 January 2004 and S\$12.3 million as at 1 January 2005 for the shares held in the trust. There is no material impact to the Group's income statement on consolidation of the employee benefit trust.

2 ACCOUNTING POLICIES *(continued)*

FRS 103, Revised FRS 36 and Revised FRS 38

With effect from 1 January 2005, the Group adopted FRS 103, revised FRS 36 and revised FRS 38. FRS 103 requires goodwill acquired in a business combinations to be measured at cost less accumulated impairment losses. Goodwill is no longer amortised but is subject to impairment test to be conducted at least annually or when indication of impairment exists. On adoption of FRS 103, together with the revised FRS 36 and revised FRS 38, the accumulated amortisation for goodwill is netted off against gross goodwill and there is no impact to the equity of the Group as at 1 January 2005. For first quarter 2005, this resulted in a S\$35 million reduction in the amortisation charge for goodwill.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of revised FRS 38. No adjustment resulted from this reassessment.

Apart from the above, the Group adopted various revisions in FRS, applicable from 1 January 2005. These do not result in any changes to the Group's accounting policies.

3 OTHER INFORMATION

	GROUP				
	1 st Qtr 2005	1 st Qtr 2004	+/(-) %	4 th Qtr 2004	+/(-) %
(a) Attributable net profit to the Bank's equity holders as a percentage of weighted average equity (%) ⁽¹⁾	10.1	10.1	0.4	9.7	4.0
(b) Attributable net profit to the Bank's equity holders as a percentage of average assets (%) ⁽¹⁾⁽²⁾	1.26	1.18	7.1	1.21	4.6
(c) Earnings per ordinary share (S\$) ⁽¹⁾⁽³⁾					
– Basic	0.91	0.80	14.2	0.77	19.2
– Fully diluted	0.91	0.80	14.2	0.76	19.3
(d) Depreciation of property, plant and equipment (S\$m)	14.8	14.8	0.1	15.5	(4.2)
(e) Amortisation of software costs (S\$m)	4.6	5.8	(19.4)	5.1	(9.8)

Notes:

⁽¹⁾ Return on equity, return on assets and earnings per ordinary share for the quarters are annualised.

⁽²⁾ Average assets computed exclude life fund net assets.

⁽³⁾ Basic earnings per ordinary share is calculated by dividing net profit attributable to the Bank's equity holders, 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).

4 NET ASSET VALUE

	GROUP		BANK	
	31 March 2005	31 December 2004	31 March 2005	31 December 2004
Net asset value per ordinary share (S\$)	8.35	7.85	6.71	6.36

5 COMMENTS ON PERFORMANCE AND BALANCE SHEET ITEMS

- (a) OCBC Group prepares its financial statements in accordance with Singapore Financial Reporting Standards ("FRS"). The same accounting policies and methods of computation have been applied in the financial statements for the current financial period, except as disclosed in Section 2.
- (b) Great Eastern Holdings Limited ("GEH") became a 81.0%-owned subsidiary of the Bank in June 2004 and its results were consolidated from June 2004. Prior to June 2004, GEH was a 48.9%-owned associate and its profit contribution was equity-accounted under share of profits of associated companies.
- (c) Group net profit attributable to shareholders for the first quarter ended 31 March 2005 was S\$298 million, an increase of 17.0% over the first quarter of 2004. The improved performance was driven mainly by higher non-interest income and lower amortisation charges for intangible assets and goodwill. Operating profit before provisions rose 35.3% to S\$431 million, with revenue growth of 29.7% outpacing expenses growth of 21.1%.
- (d) Net interest income fell marginally by 0.5% to S\$363 million. Growth in interest earning assets was offset by the effects of higher cost of funds in a rising interest rate environment and limited gapping opportunities due to a flattening yield curve. Market-driven deposit rates for larger deposits rose faster than average loan yields, resulting in a 12 basis points decline in net interest margin from 1.90% to 1.78%.
- (e) Total non-interest income surged 98.0% to S\$319 million in first quarter 2005, primarily from the inclusion of S\$105 million in insurance income from GEH, and a turnaround in securities and derivatives dealing income from losses of S\$62 million to a net gain of S\$12 million. Fee and commission income rose moderately by 4.7% to S\$121 million, boosted by growth from fund management, wealth management, trade and remittances, credit cards and loan-related activities, offset partly by weaker stockbroking and investment banking income. Dividend income decreased by 55.1% to S\$20 million as first quarter 2004 included a special dividend of S\$29 million from Robinson & Company, Limited.
- (f) Total operating expenses increased by 21.1% to S\$251 million. Excluding GEH's expenses of S\$21 million, operating expenses rose by 10.9% for the quarter. This was mainly attributable to higher staff costs and higher business promotion expenses. Staff costs rose due to increases in headcount, salaries, commission incentives to sales and front-line staff, and share-based compensation. Expensing of share options compensation was introduced this year with the adoption of FRS 102 on Share-Based Payment, and amounted to S\$4 million in first quarter 2005 as compared to S\$1 million in the restated expenses for first quarter 2004. The Group's cost-to-income ratio improved from 39.4% to 36.8% in the first quarter of 2005, as revenue grew faster than expenses.
- (g) With the adoption of FRS 103 – Business Combinations with effect from 1 January 2005, goodwill ceased to be amortised, resulting in the drop in amortisation of goodwill and intangible assets from S\$31.7 million in the first quarter of 2004 to S\$9.9 million in the first quarter of 2005.
- (h) Total provisions for loan losses and impairment charges for other assets increased marginally from S\$20 million in first quarter 2004 to S\$24 million in first quarter 2005, mainly due to lower recoveries from non-performing loans ("NPLs").
- (i) The share of after-tax profits of associated companies declined by 83.7% to S\$8 million as GEH's profit was no longer equity accounted from June 2004.

5 COMMENTS ON PERFORMANCE AND BALANCE SHEET ITEMS *(continued)*

- (j) Compared to 31 December 2004, net loans to customers and bills receivable decreased marginally by 0.8% to S\$51.4 billion as at 31 March 2005. Growth in housing loans and loans to the manufacturing sector was offset by declines in loans to other sectors. Total NPLs declined by 5.6% from S\$2.9 billion as at 31 December 2004 to S\$2.7 billion as at 31 March 2005. The ratio of non-bank NPLs to non-bank loans improved from 5.0% to 4.8% over the same period. Total cumulative specific and portfolio provisions amounted to S\$2.3 billion as at 31 March 2005, representing a provision coverage ratio of 84.1% of total NPLs, up from 82.9% as at 31 December 2004.
- (k) As at 31 March 2005, equity attributable to the Bank's shareholders was S\$11.9 billion, an increase of 5.6% compared to 31 December 2004. The Group's Tier 1 and total capital adequacy ratios, computed in accordance with the capital adequacy framework set out in MAS Notice 637, were 13.3% and 17.7% respectively.
- (l) Annualised basic earnings per ordinary share ("EPS") for first quarter 2005 was 91 cents, up 14.2% from 80 cents in first quarter 2004.

6 SUBSEQUENT EVENTS / OTHER MATTERS

- (a) On 4 April 2005, the Bank purchased 347,573 ordinary shares in Great Eastern Holdings Limited ("GEH") at S\$13.50 per share by way of an off-market married trade for a total cash consideration of S\$4.69 million. The purchase resulted in the increase of the Bank's equity shareholding in GEH from 81.01% to 81.08%.
- (b) On 5 April 2005, the Bank announced that P.T. Bank NISP Tbk ("Bank NISP") became a 51% subsidiary of the Bank following the legal completion of its purchase of 1,178.2 million shares in Bank NISP for a total cash consideration of Indonesian Rupiah 1,060 billion (approximately S\$186 million). The Bank has offered to buy the remaining shares in Bank NISP at Indonesian Rupiah 900 per share ("Offer"). The Offer period to remaining shareholders of Bank NISP commences on 27 April 2005 and ends on 26 May 2005.
- (c) On 9 May 2005, the Bank announced that the shareholders of KCH Limited ("KCH"), a subsidiary of the Bank, have approved the commencement of the members' voluntary winding-up of KCH.
- (d) On the date of this results announcement (11 May 2005), the Bank also announced the following exercises: (i) a proposed bonus cash dividend of S\$1.25 less tax of 20% (or S\$1.00 net) per ordinary share of par value S\$1.00 each in the capital of OCBC Bank, in respect of shares held as at a books closure date to be announced at a subsequent date; and (ii) a proposed renounceable non-underwritten rights issue of new ordinary shares of par value S\$1.00 each, at an issue price of S\$5.00 for each rights share, on the basis of one rights share for every five ordinary shares held as at the books closure date.

OCBC Bank intends to effect the two-for-one sub-division, which was approved by shareholders on 30 March 2005, only after the close of the rights issue. Under the proposed sub-division, each ordinary share of par value S\$1.00 will be sub-divided into two ordinary shares of par value S\$0.50 each.

Details of the proposed exercises can be found in a separate announcement issued by the Bank.

7 DIVIDENDS

Ordinary stock

An interim bonus cash dividend of S\$1.25 (2004: nil) for every S\$1 ordinary stock unit, less 20% Singapore income tax, has been declared for the financial year ending 31 December 2005, as referred to in section 6(d) of this announcement. It is expected to be paid in early July 2005.

Non-cumulative non-convertible preference shares

On 11 May 2005, the Board of Directors has declared the payment of semi-annual dividends of 4.5% per annum net of tax (2004: 4.5% net of tax) on its non-cumulative non-convertible Class E Preference Shares ("OCBC 4.5% NCPS 100") and 4.2% per annum net of tax (2004: 4.2% net of tax) on its non-cumulative non-convertible Class G Preference Shares ("OCBC 4.2% NCPS") and these dividends will be paid on 20 June 2005.

8 CLOSURE OF BOOKS – OCBC 4.5% NCPS 100 and OCBC 4.2% NCPS

Notice is hereby given that the Transfer Books and the Registers of Preference Shareholders will be closed from 9 June 2005 to 10 June 2005 (both dates inclusive). Duly completed transfers received by the Bank's Share Registrar, M & C Services Private Limited of 138 Robinson Road #17-00 The Corporate Office Singapore 068906 up to 5.00 p.m. on 8 June 2005 will be registered to determine the entitlement of the preference shareholders to the semi-annual dividends as follows:

	<u>OCBC 4.5% NCPS 100</u>	<u>OCBC 4.2% NCPS</u>
Dividend period	20 December 2004 to 19 June 2005 (both dates inclusive)	20 December 2004 to 19 June 2005 (both dates inclusive)
Actual No. of Days (Basis of calculation: No. of Days divided by 365 days)	182 days	182 days
Dividend Rate (on liquidation preference of each share)	4.5% per annum (net)	4.2% per annum (net)
Dividend Amount (S\$m)	11.2	8.3

In respect of both classes of Preference Shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the semi-annual dividends will be paid by the Bank to CDP which will in turn distribute the dividend entitlements to preference shareholders.

By Order of the Board

Peter Yeoh
Secretary

Singapore, 11 May 2005

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