

**OVERSEA-CHINESE BANKING CORPORATION LIMITED**

(Incorporated in Singapore)

Company Registration Number: 193200032W

The Directors of OCBC Bank are pleased to make the following announcement:

**1(a) AUDITED CONSOLIDATED RESULTS**

In S\$million	Year 2005	Year 2004 *	+/(-) %	4 <sup>th</sup> Qtr 2005 ^	4 <sup>th</sup> Qtr 2004 * ^	+/(-) %
Interest income	3,470.3	2,560.2	35.5	965.6	688.6	40.2
Less: Interest expense	1,872.9	1,042.7	79.6	551.2	299.7	83.9
<b>Net interest income</b>	<b>1,597.4</b>	<b>1,517.5</b>	5.3	<b>414.4</b>	<b>388.9</b>	6.6
Fees and commissions	506.8	463.6	9.3	128.3	113.3	13.3
Dividends	129.6	86.6	49.6	77.4	13.2	484.5
Rental income	71.8	72.5	(0.9)	18.5	18.0	3.0
Income from insurance	341.8	224.8	52.1	63.8	120.5	(47.0)
Other income	239.4	260.1	(8.0)	76.1	37.3	103.7
<b>Non-interest income</b>	<b>1,289.4</b>	<b>1,107.6</b>	16.4	<b>364.1</b>	<b>302.3</b>	20.4
<b>Total income</b>	<b>2,886.8</b>	<b>2,625.1</b>	10.0	<b>778.5</b>	<b>691.2</b>	12.6
Less:						
Staff costs	633.7	545.6	16.2	165.2	149.1	10.8
Other operating expenses	510.8	442.1	15.5	147.0	136.8	7.4
<b>Total operating expenses</b>	<b>1,144.5</b>	<b>987.7</b>	15.9	<b>312.2</b>	<b>285.9</b>	9.2
<b>Operating profit before allowances and amortisation of goodwill and intangible assets</b>	<b>1,742.3</b>	<b>1,637.4</b>	6.4	<b>466.3</b>	<b>405.3</b>	15.1
Less:						
Amortisation of goodwill	–	135.3	n.m.	–	35.4	n.m.
Amortisation of intangible assets	39.9	23.0	73.2	10.3	9.9	4.3
Allowances/(writeback) for loans and impairment of other assets	11.6	77.2	(84.9)	12.0	(1.8)	n.m.
<b>Operating profit after allowances and amortisation of goodwill and intangible assets</b>	<b>1,690.8</b>	<b>1,401.9</b>	20.6	<b>444.0</b>	<b>361.8</b>	22.7
Share of results of associated and joint venture companies	14.8	89.2	(83.4)	1.4	2.5	(44.6)
<b>Profit before tax</b>	<b>1,705.6</b>	<b>1,491.1</b>	14.4	<b>445.4</b>	<b>364.3</b>	22.3
Less: Income tax	308.1	269.5	14.3	83.8	73.8	13.6
<b>Net profit after tax</b>	<b>1,397.5</b>	<b>1,221.6</b>	14.4	<b>361.6</b>	<b>290.5</b>	24.5
<b>Attributable to:</b>						
Equity holders of the Bank	1,298.0	1,148.3	13.0	341.1	274.6	24.2
Minority interests	99.5	73.3	35.6	20.5	15.9	28.8
	<b>1,397.5</b>	<b>1,221.6</b>	14.4	<b>361.6</b>	<b>290.5</b>	24.5

n.m. – not meaningful

\* Certain 2004 figures have been restated with the adoption of FRS 102 as well as to conform to current financial year's presentation.

^ Unaudited

## 1(b)(i) AUDITED BALANCE SHEETS

In S\$million	GROUP		BANK	
	31 December 2005	31 December 2004 *	31 December 2005	31 December 2004 *
<b>EQUITY</b>				
<b>Capital and reserves</b>				
<b>attributable to the Bank's equity holders</b>				
Share capital	1,561.2	1,320.6	1,561.2	1,320.6
Capital reserves	4,292.0	3,141.2	4,245.3	3,004.8
Statutory reserves	1,959.3	1,934.1	1,631.3	1,583.7
Fair value reserves	617.8	–	396.3	–
Revenue reserves	3,907.6	4,833.9	2,033.4	3,366.1
	<b>12,337.9</b>	<b>11,229.8</b>	<b>9,867.5</b>	<b>9,275.2</b>
<b>Minority interests</b>	<b>1,149.0</b>	<b>489.2</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	<b>13,486.9</b>	<b>11,719.0</b>	<b>9,867.5</b>	<b>9,275.2</b>
<b>LIABILITIES</b>				
Deposits of non-bank customers	64,087.5	57,286.8	50,885.4	48,334.8
Deposits and balances of banks	10,307.4	12,454.8	10,125.5	12,073.9
Deposits of subsidiaries	–	–	1,095.2	1,686.2
Deposits of associated companies	21.0	17.2	4.4	8.2
Derivative payables	1,921.5	1,663.6	1,889.2	1,655.5
Other liabilities	2,041.8	1,641.7	934.5	911.8
Current tax	412.5	425.1	299.5	300.2
Deferred tax	214.9	83.1	146.3	41.6
Debts issued	5,518.7	5,695.2	5,781.0	5,668.5
	<b>84,525.3</b>	<b>79,267.5</b>	<b>71,161.0</b>	<b>70,680.7</b>
Life assurance fund	33,286.2	28,895.2	–	–
<b>Total liabilities</b>	<b>117,811.5</b>	<b>108,162.7</b>	<b>71,161.0</b>	<b>70,680.7</b>
<b>Total equity and liabilities</b>	<b>131,298.4</b>	<b>119,881.7</b>	<b>81,028.5</b>	<b>79,955.9</b>
<b>ASSETS</b>				
Cash and placements with central banks	4,182.0	3,616.6	2,751.8	2,591.0
Singapore government treasury bills and securities	6,492.3	6,207.7	5,932.9	5,918.7
Other government treasury bills and securities	1,990.4	1,260.6	194.0	609.9
Placements with and loans to banks	11,538.2	9,643.6	11,036.9	9,270.6
Loans to and bills receivable from customers	55,133.7	51,829.2	43,751.4	43,509.3
Debt and equity securities	7,403.3	9,127.2	5,337.8	7,320.3
Assets pledged	1,916.5	1,354.4	651.5	307.3
Derivative receivables	2,378.3	1,709.2	2,348.0	1,698.9
Other assets	1,947.7	1,564.8	929.3	754.5
Deferred tax	71.5	50.0	–	–
Associated and joint venture companies	186.0	308.8	96.6	97.2
Subsidiaries	–	–	5,402.1	5,281.2
Property, plant and equipment	1,428.7	1,315.8	729.0	729.8
Goodwill and intangible assets	3,343.6	2,998.6	1,867.2	1,867.2
	<b>98,012.2</b>	<b>90,986.5</b>	<b>81,028.5</b>	<b>79,955.9</b>
Life fund net assets attributable to policyholders	33,286.2	28,895.2	–	–
<b>Total assets</b>	<b>131,298.4</b>	<b>119,881.7</b>	<b>81,028.5</b>	<b>79,955.9</b>
<b>OFF-BALANCE SHEET ITEMS</b>				
Contingent liabilities	6,646.9	4,798.2	5,492.7	3,829.4
Commitments	33,132.7	30,256.0	27,050.0	25,263.0
Derivative financial instruments	263,296.0	271,482.8	251,796.4	265,977.6
	<b>303,075.6</b>	<b>306,537.0</b>	<b>284,339.1</b>	<b>295,070.0</b>

\* Certain 2004 figures have been restated with the adoption of FRS 102 and revised INT FRS 12 as well as to conform to current financial year's presentation.

## 1(b)(ii) AGGREGATE GROUP BORROWINGS

In S\$million	31 December 2005		31 December 2004	
	Secured <sup>(1)</sup>	Unsecured	Secured <sup>(1)</sup>	Unsecured
Amount repayable in one year or less	53.3	432.8	51.7	949.9
Amount repayable after one year	–	5,032.6	–	4,693.6
	<b>53.3</b>	<b>5,465.4</b>	<b>51.7</b>	<b>5,643.5</b>

<sup>(1)</sup> 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) AUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

GROUP For the financial year ended 31 December	Attributable to equity holders of the Bank						Minority interests	Total equity
	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	Total		
In S\$million								
<b>Balance at 1 January 2005</b>								
– 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 102	–	17.8	–	–	(17.8)	–	–	–
– Effect of adopting INT FRS 12	–	(12.3)	–	–	–	(12.3)	–	(12.3)
– As restated retrospectively	1,320.6	3,141.2	1,934.1	–	4,833.9	11,229.8	489.2	11,719.0
– Effect of adopting FRS 39	–	–	–	648.6	12.1	660.7	25.2	685.9
– Effect of adopting FRS 102	–	–	–	–	1.2	1.2	–	1.2
– As restated	1,320.6	3,141.2	1,934.1	648.6	4,847.2	11,891.7	514.4	12,406.1
Movements in fair value reserves:								
– Gains/(losses) taken to equity	–	–	–	61.1	–	61.1	17.5	78.6
– Tax on gains/(losses) taken to equity	–	–	–	(21.8)	–	(21.8)	(2.4)	(24.2)
– Transferred to income statements	–	–	–	(70.1)	–	(70.1)	(12.8)	(82.9)
Currency translation differences	–	–	–	–	(17.1)	(17.1)	(0.9)	(18.0)
Net gains/(losses) recognised in equity	–	–	–	(30.8)	(17.1)	(47.9)	1.4	(46.5)
Net profit after tax	–	–	–	–	1,298.0	1,298.0	99.5	1,397.5
<b>Total recognised gains/ (losses) for the financial year</b>	–	–	–	(30.8)	1,280.9	1,250.1	100.9	1,351.0
Transfers	–	(82.1)	25.2	–	56.9	–	–	–
Acquisition of PT Bank NISP Tbk (“NISP”)	–	–	–	–	–	–	57.2	57.2
Issue of preference shares by subsidiaries	–	–	–	–	–	–	575.9	575.9
Proceeds from NISP’s rights issue	–	–	–	–	–	–	20.0	20.0
Change in minority interests	6.9	81.0	–	–	–	87.9	(43.6)	44.3
Cash distribution to minority interests	–	–	–	–	–	–	(38.3)	(38.3)
Dividends paid to minority interests	–	–	–	–	–	–	(37.5)	(37.5)
Bonus ordinary dividends	–	–	–	–	(1,310.7)	(1,310.7)	–	(1,310.7)
Ordinary and preference dividends paid	–	–	–	–	(514.1)	(514.1)	–	(514.1)
Shares purchased by DSP Trust	–	(7.6)	–	–	–	–	–	(7.6)
Share-based staff costs capitalised	–	13.8	–	–	–	–	–	13.8
Share buyback	(35.7)	35.7	–	–	(452.6)	(452.6)	–	(452.6)
Shares issued to non-executive directors	#	0.2	–	–	–	–	–	0.2
Shares issued under Share Option Schemes and Share Purchase Plan	7.2	62.2	–	–	–	69.4	–	69.4
Shares issued pursuant to Rights Issue	262.2	1,047.6	–	–	–	1,309.8	–	1,309.8
<b>Balance at 31 December 2005</b>	<b>1,561.2</b>	<b>4,292.0</b>	<b>1,959.3</b>	<b>617.8</b>	<b>3,907.6</b>	<b>12,337.9</b>	<b>1,149.0</b>	<b>13,486.9</b>
Included: Share of reserves of associated and joint venture companies	–	1.4	–	–	42.7	44.1	–	–

# Amounts less than S\$50,000.

## 1(c) AUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

GROUP For the financial year ended 31 December In S\$million	Attributable to equity holders of the Bank				Total	Minority interests	Total equity
	Share capital	Capital reserves	Statutory reserves	Revenue reserves			
<b>Balance at 1 January 2004</b>							
– 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	–	3.7	–	(3.7)	–	–	–
– Effect of adopting INT FRS 12	–	(5.7)	–	–	(5.7)	–	(5.7)
– As restated retrospectively	1,284.1	2,327.1	1,854.3	4,587.8	10,053.3	19.9	10,073.2
Currency translation differences	–	–	–	(46.6)	(46.6)	(1.1)	(47.7)
Net profit after tax							
– As previously reported	–	–	–	1,162.4	1,162.4	73.3	1,235.7
– Effect of adopting FRS 102	–	–	–	(14.1)	(14.1)	–	(14.1)
– As restated retrospectively	–	–	–	1,148.3	1,148.3	73.3	1,221.6
<b>Total recognised gains for the financial year</b>	–	–	–	1,101.7	1,101.7	72.2	1,173.9
Transfers	–	25.0	50.1	(75.1)	–	–	–
Acquisition of interests in subsidiaries	–	–	29.7	48.4	78.1	416.3	494.4
Dividends paid to minority interests	–	–	–	–	–	(19.2)	(19.2)
Ordinary and preference dividends paid	–	–	–	(365.5)	(365.5)	–	(365.5)
Selective capital reduction	(80.2)	(785.3)	–	(126.0)	(991.5)	–	(991.5)
Shares purchased by DSP Trust	–	(6.6)	–	–	(6.6)	–	(6.6)
Share-based staff costs capitalised	–	14.1	–	–	14.1	–	14.1
Share buyback	(24.3)	24.3	–	(337.4)	(337.4)	–	(337.4)
Shares issued pursuant to voluntary unconditional offer	136.2	1,501.6	–	–	1,637.8	–	1,637.8
Shares issued under Share Option Schemes	4.8	41.0	–	–	45.8	–	45.8
<b>Balance at 31 December 2004</b>	<b>1,320.6</b>	<b>3,141.2</b>	<b>1,934.1</b>	<b>4,833.9</b>	<b>11,229.8</b>	<b>489.2</b>	<b>11,719.0</b>
Included:							
Share of reserves of associated companies	–	1.4	–	37.2	38.6	–	–

# Amounts less than S\$50,000.

## 1(c) AUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

BANK For the financial year ended 31 December In S\$million	Attributable to equity holders of the Bank					Total
	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves	
<b>Balance at 1 January 2005</b>						
– As previously reported	1,320.6	2,987.0	1,583.7	–	3,379.3	9,270.6
– Effect of adopting FRS 102	–	17.8	–	–	(13.2)	4.6
– As restated retrospectively	1,320.6	3,004.8	1,583.7	–	3,366.1	9,275.2
– Effect of adopting FRS 39	–	–	–	436.5	50.2	486.7
– As restated	1,320.6	3,004.8	1,583.7	436.5	3,416.3	9,761.9
Movements in fair value reserves:						
– Gains/(losses) taken to equity	–	–	–	(17.6)	–	(17.6)
– Tax on gains/(losses) taken to equity	–	–	–	(17.4)	–	(17.4)
– Transferred to income statements	–	–	–	(5.2)	–	(5.2)
Currency translation differences	–	–	–	–	(10.4)	(10.4)
Net gains/(losses) recognised in equity	–	–	–	(40.2)	(10.4)	(50.6)
Net profit after tax	–	–	–	–	952.5	952.5
<b>Total recognised gains/ (losses) for the financial year</b>	–	–	–	(40.2)	942.1	901.9
Transfers	–	–	47.6	–	(47.6)	–
Acquisition of additional interests in Great Eastern Holdings Limited	6.9	81.0	–	–	–	87.9
Bonus ordinary dividends	–	–	–	–	(1,310.7)	(1,310.7)
Ordinary and preference dividends paid	–	–	–	–	(514.1)	(514.1)
Share-based staff costs capitalised	–	13.8	–	–	–	13.8
Share buyback	(35.7)	35.7	–	–	(452.6)	(452.6)
Shares issued to non-executive directors	#	0.2	–	–	–	0.2
Shares issued under Share Option Schemes and Share Purchase Plan	7.2	62.2	–	–	–	69.4
Shares issued pursuant to Rights Issue	262.2	1,047.6	–	–	–	1,309.8
<b>Balance at 31 December 2005</b>	<b>1,561.2</b>	<b>4,245.3</b>	<b>1,631.3</b>	<b>396.3</b>	<b>2,033.4</b>	<b>9,867.5</b>
<b>Balance at 1 January 2004</b>						
– 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	–	–	(2.9)	0.9
– As restated retrospectively	1,284.1	2,209.1	1,528.7	–	3,174.2	8,196.1
Currency translation differences	–	–	–	–	(12.7)	(12.7)
Net profit after tax						
– As previously reported	–	–	–	–	1,098.9	1,098.9
– Effect of adopting FRS 102	–	–	–	–	(10.4)	(10.4)
– As restated	–	–	–	–	1,088.5	1,088.5
<b>Total recognised gains for the financial year</b>	–	–	–	–	1,075.8	1,075.8
Transfers	–	–	55.0	–	(55.0)	–
Ordinary and preference dividends paid	–	–	–	–	(365.5)	(365.5)
Selective capital reduction	(80.2)	(785.3)	–	–	(126.0)	(991.5)
Share-based staff costs capitalised	–	14.1	–	–	–	14.1
Share buyback	(24.3)	24.3	–	–	(337.4)	(337.4)
Shares issued pursuant to voluntary unconditional offer	136.2	1,501.6	–	–	–	1,637.8
Shares issued under Share Option Schemes	4.8	41.0	–	–	–	45.8
<b>Balance at 31 December 2004</b>	<b>1,320.6</b>	<b>3,004.8</b>	<b>1,583.7</b>	<b>–</b>	<b>3,366.1</b>	<b>9,275.2</b>

# Amounts less than S\$50,000.

**1(d) AUDITED CONSOLIDATED CASH FLOW STATEMENT**

In S\$million	2005	2004*
<b>Cash flows from operating activities</b>		
Profit before tax	1,705.6	1,491.1
<u>Adjustments for non-cash items</u>		
Amortisation and depreciation of software, property, plant and equipment	87.8	85.7
Amortisation of goodwill and intangible assets	39.9	158.3
Allowances for loans and impairment of other assets	11.6	77.2
Change in fair value of hedging transactions and trading securities	2.2	–
Gains on disposal of associated companies	–	(54.1)
Gains on disposal of government, debt and equity securities	(83.0)	(22.5)
Losses/(gains) on disposal of property, plant and equipment	0.8	(79.4)
Share-based staff costs	13.1	14.1
Share of results of associated and joint venture companies	(14.8)	(89.2)
Operating profit before changes in operating assets and liabilities	1,763.2	1,581.2
<u>Increase/(decrease) in operating liabilities</u>		
Deposits of non-bank customers	4,316.8	2,386.6
Deposits and balances of banks	(2,167.1)	(26.0)
Derivative payables and other liabilities	392.2	535.6
<u>(Increase)/decrease in operating assets</u>		
Government securities and treasury bills	(756.6)	(935.3)
Trading securities	544.2	(448.8)
Placements with and loans to banks	(2,243.4)	150.2
Loans to and bills receivable from customers	(1,522.0)	(2,364.9)
Derivative receivables and other assets	(704.9)	(732.4)
Cash (used in)/provided by operating activities	(377.6)	146.2
Income tax paid	(356.6)	(352.8)
<b>Net cash used in operating activities</b>	<b>(734.2)</b>	<b>(206.6)</b>
<b>Cash flows from investing activities</b>		
Acquisition of additional interests in a subsidiary	(48.5)	–
Acquisition of associated companies	–	(118.1)
Capital return from an associated company	1.0	1.0
Dividends from associated companies	4.3	62.4
(Increase)/decrease in associated and joint venture companies	(2.6)	7.7
Net cash inflow/(outflow) from acquisition of additional interests in subsidiaries	77.0	(163.3)
Purchases of debt and equity securities	(2,338.4)	(2,361.8)
Purchases of property, plant and equipment	(147.0)	(63.3)
Proceeds from disposal of associated companies	–	122.0
Proceeds from disposal of debt and equity securities	4,607.7	2,157.3
Proceeds from disposal of property, plant and equipment	6.6	173.0
<b>Net cash provided by/(used in) investing activities</b>	<b>2,160.1</b>	<b>(183.1)</b>
<b>Cash flows from financing activities</b>		
Cash distribution and dividends paid to minority interests	(75.8)	(19.2)
Dividends paid to equity holders of the Bank	(514.1)	(365.5)
(Decrease)/increase in debts issued	(484.2)	1,681.8
Expenses relating to Rights Issue	(1.0)	–
Proceeds from minority interests for subscription of shares in subsidiaries	20.1	3.0
Proceeds from issue of preference shares by subsidiaries	575.9	–
Proceeds from issue of ordinary shares under Share Option Schemes and Share Purchase Plan	69.4	45.8
Share buyback	(452.6)	(337.4)
Selective capital reduction	–	(991.5)
<b>Net cash (used in)/provided by financing activities</b>	<b>(862.3)</b>	<b>17.0</b>
<b>Net currency translation adjustments</b>	<b>1.8</b>	<b>(46.6)</b>
<b>Net change in cash and cash equivalents</b>	<b>565.4</b>	<b>(419.3)</b>
<b>Cash and cash equivalents as at 1 January #</b>	<b>3,616.6</b>	<b>4,035.9</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>4,182.0</b>	<b>3,616.6</b>

\* Certain 2004 figures have been restated with the adoption of FRS 102 and INT FRS 12 as well as to conform to current financial year's presentation.

# 2004 figures have been restated to exclude government securities from cash and cash equivalents.

## 2 SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

- (a) From 1 October 2005 to 31 December 2005 (both dates inclusive), the Bank issued 3,941,108 ordinary shares of S\$0.50 each upon the exercise of options by officers of the Group pursuant to the OCBC Share Option Schemes 1994 and 2001.
- (b) From 1 October 2005 to 31 December 2005 (both dates inclusive), the Bank issued 342,631 ordinary shares of S\$0.50 each upon the exercise of subscription rights by employees of the Group under the OCBC Employee Share Purchase Plan.
- (c) As at 31 December 2005, there were 66,100,780 ordinary shares of S\$0.50 each (31 December 2004: 30,842,014<sup>(1)</sup>) that may be issued on the exercise of options.
- (d) As at 31 December 2005, the number of ordinary shares entitled to be issued under the OCBC Employee Share Purchase Plan was 4,072,657 (31 December 2004: 2,659,527<sup>(1)</sup>), including 28,514 (31 December 2004: 11,880<sup>(1)</sup>) ordinary shares arising from the participation by the Chairman and the Chief Executive Officer of the Bank.
- (e) No new preference shares were allotted and issued by the Bank in the fourth quarter ended 31 December 2005.
- (f) Pursuant to the stock purchase mandate approved at an extraordinary general meeting held on 30 March 2005, the Bank has purchased a total of 22,904,186 ordinary shares of S\$0.50 each in the fourth quarter ended 31 December 2005. The ordinary shares were purchased by way of market acquisitions at prices ranging from S\$6.20 to S\$6.65 per share and the total consideration paid was S\$147,765,237 (including transaction costs).

<sup>(1)</sup> Number of shares is before the Bank's Rights Issue and Sub-division of shares of S\$1 each to S\$0.50 each.

## 3 ACCOUNTING POLICIES

OCBC Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial year 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 year beginning on or after 1 January 2005.

FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 36 (revised 2004)	Impairment of Assets
FRS 38 (revised 2004)	Intangible Assets
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 103	Business Combinations
FRS 104	Insurance Contracts
INT FRS 12 (revised 2004)	Consolidation – Special Purpose Entities

### 3 ACCOUNTING POLICIES *(continued)*

#### FRS 21 (revised 2004)

Previously, goodwill and fair value adjustments arising from the acquisition of a foreign entity were treated as assets and liabilities of the acquirer and expressed in the functional currency of the acquirer. FRS 21 (revised 2004) treats these goodwill and fair value adjustments as assets and liabilities of the foreign entity for acquisitions from 1 January 2005.

The effect of adopting FRS 21 (revised 2004) on the Group's balance sheet as at 31 December 2005 was a decrease in currency translation reserve of S\$19.0 million and goodwill of S\$19.6 million, and an increase in loans to non-bank customers of S\$0.6 million.

#### FRS 39 (revised 2004)

The adoption of FRS 39 (revised 2004) resulted in certain changes in the accounting policies relating to the classification and measurement of the Group's financial assets and liabilities, including the application of hedge accounting criteria and loan impairment requirements. Pursuant to Section 201 (19) of the Companies Act, the requirements of FRS 39 (revised 2004) in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 'Credit Files, Grading and Provisioning' (dated 11 March 2005) issued by the Monetary Authority of Singapore.

In accordance with the transitional provisions of FRS 39 (revised 2004), the effects of recognition, de-recognition and measurement of financial instruments for periods prior to 1 January 2005 are not restated. On 1 January 2005, the following transitional adjustments were made:

	<u>GROUP</u>	<u>BANK</u>
<b>Increase in (In S\$ million):</b>		
Fair value reserves	648.6	436.5
Revenue reserves	12.1	50.2
Minority interests	25.2	–
Total	<u>685.9</u>	<u>486.7</u>

The impact of FRS 39 (revised 2004) on the income statements of the Group and the Bank for financial year 2005 was an increase in profits of S\$37.6 million and S\$20.4 million respectively.

#### FRS 102

FRS 102 has resulted in a change in the accounting policy for share-based payments. The FRS requires the Group and the Bank to recognise an expense in the income statements with a corresponding increase in equity for shares or share options granted after 22 November 2002 and not vested by 1 January 2005.

As a result of adopting FRS 102, the capital reserves as at 1 January 2004 of both the Group and the Bank increased by S\$3.8 million; with a decrease in retained earnings of the Group and the Bank of S\$3.8 million and S\$2.8 million respectively. For financial year 2004, the Group and the Bank recognised share-based staff costs of S\$14.1 million and S\$10.4 million respectively.

For financial year 2005, the Group and the Bank recognised share-based staff costs of S\$13.9 million and S\$8.6 million respectively.

### 3 ACCOUNTING POLICIES (continued)

#### FRS 103, FRS 36 (revised 2004) and FRS 38 (revised 2004)

With effect from 1 January 2005, the Group adopted FRS 103, FRS 36 (revised 2004) and FRS 38 (revised 2004). FRS 103 requires goodwill acquired in 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 FRS 36 (revised 2004) and FRS 38 (revised 2004), 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.

The discontinuation of amortisation of goodwill resulted in an increase in profits for the Group and the Bank of S\$154.6 million and S\$121.0 million respectively for financial year 2005.

#### FRS 104

FRS 104 required the identification of insurance contracts which do not contain significant insurance risks to be reclassified as investment contracts. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. For purposes of FRS 104, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for deposit component. Accordingly, all policy contracts issued by the Group are insurance contracts as at balance sheet date.

#### INT FRS 12 (revised 2004)

With the adoption of the INT FRS 12 (revised 2004), the Group consolidated the employee benefit trust set up for the purpose of the Bank's Deferred Share Plan ("DSP").

As a result of adopting INT FRS 12 (revised 2004), the capital reserves of the Group as at 1 January 2004 was reduced by S\$5.7 million with an increase in liabilities by the same amount. For the financial years ended 31 December 2004 and 2005, shares purchased by DSP Trust of S\$6.6 million and S\$7.6 million respectively, were deducted from capital reserves with a corresponding increase in liabilities.

#### Other revised FRSs

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

### 4 NET ASSET VALUE

	GROUP		BANK	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
<u>Restated</u>				
Net asset value per ordinary share (S\$)	<b>3.67</b>	3.27 *	<b>2.88</b>	2.65*
<u>Previously reported</u>				
Net asset value per ordinary share (S\$)	–	7.86	–	6.36

\* The comparatives have been restated to take into account the effects of the adoption of FRS 102, the issue of 262,137,665 new rights shares pursuant to the Rights Issue effected on 18 July 2005 and the Sub-division (or stock split) of one ordinary share of par value S\$1.00 to two ordinary shares of par value S\$0.50 effected on 5 August 2005.

## 5 OTHER INFORMATION

	GROUP					
	Year 2005	Year 2004	+/(-) %	4 <sup>th</sup> Qtr 2005	4 <sup>th</sup> Qtr 2004	+/(-) %
(a) Net profit attributable to the Bank's equity holders as a percentage of weighted average total equity (%) <sup>(1)</sup>	10.8	10.7	1.1	11.0	9.7	13.4
(b) Net profit attributable to the Bank's equity holders as a percentage of average assets (%) <sup>(1) (2)</sup>	1.30	1.28	0.9	1.36	1.21	13.1
(c) Earnings per share (S\$) <sup>(1) (3)</sup>						
<u>Restated</u> <sup>(4)</sup>						
– Basic	0.40	0.35	13.3	0.41	0.32	28.3
– Fully diluted	0.40	0.35	13.2	0.41	0.32	28.2
<u>Previously reported</u>						
– Basic		0.86			0.78	
– Fully diluted		0.86			0.77	
(d) Amortisation and depreciation of software, property, plant and equipment (S\$million)	87.8	85.7	2.4	24.3	20.6	17.7

Notes:

<sup>(1)</sup> Return on equity, return on assets and earnings per share for the quarters are annualised.

<sup>(2)</sup> Average assets computed exclude life fund net assets.

<sup>(3)</sup> Basic earnings per 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 year. For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of outstanding share options and subscription rights where such shares would be issued at a price lower than the fair value (average share price during the financial year).

<sup>(4)</sup> For compliance with FRS 33 *Earnings Per Share*, the weighted average number of ordinary shares have been adjusted to take into account the issue of 262,137,665 new rights shares pursuant to the Rights Issue effected on 18 July 2005 and the Sub-division (or stock split) of one ordinary share of par value S\$1.00 to two ordinary shares of par value S\$0.50 effected on 5 August 2005. The comparatives have been restated for the effects of the adoption of FRS 102, Rights Issue and Sub-division.

## 6 COMMENTS ON PERFORMANCE AND BALANCE SHEET ITEMS

- (a) OCBC Group prepares its financial statements in accordance with Singapore Financial Reporting Standards ("FRS"). Revised FRSs and INT FRSs adopted by the Group with effect from 1 January 2005 are disclosed in Section 2.
- (b) The financial performance of the Group for the financial year ended 31 December 2005 included the results of 82.3%-owned subsidiary Great Eastern Holdings ("GEH") and 72.3%-owned subsidiary PT Bank NISP Tbk ("Bank NISP"), consolidated since June 2004 and April 2005 respectively. Prior to that, GEH was equity accounted for as a 48.9%-owned associate, while Bank NISP was equity accounted as a 22.5%-owned associate from May 2004 to March 2005.
- (c) Group net profit attributable to equity holders of the Bank for the financial year ended 31 December 2005 was S\$1,298 million, an increase of 13.0% from S\$1,148 million in 2004. Excluding the one-time gains of S\$97 million from the divestment of non-core assets in 2004, net profit increased by 23.5%. The improved performance was driven by growth in operating profit, lower allowances for loans and other assets, and the discontinuation of goodwill amortisation.

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

- (d) Group net profit attributable to the equity holders of the Bank for fourth quarter of 2005 ("4Q05") was S\$341 million, 24.2% higher compared to the same quarter last year ("4Q04"). Higher operating profit before allowances, coupled with the discontinuation of amortisation of goodwill contributed to the improved performance in 4Q05.
- (e) Net interest income in 2005 increased by 5.3% to S\$1,597 million, driven mainly by increase in loan volume and contribution from Bank NISP. Net interest margin, however, declined from 1.91% to 1.84% due to higher cost of funds and the lack of gapping opportunities.
- (f) Non-interest income, excluding 2004's divestment gains, grew by 32.2% to S\$1,289 million in 2005, mainly due to higher insurance income with the full year's consolidation of GEH's results, growth in fee and commission income, higher dividend income, as well as higher contributions from dealing in securities and derivatives and the disposal of investment securities.
- (g) The Group's operating expenses increased by 15.9% to S\$1,145 million, the result largely of the consolidation of GEH and Bank NISP. Excluding GEH and Bank NISP, operating expenses showed a smaller increase of 4.4%, attributable mainly to increases in staff costs. The Group's cost-to-income ratio was 39.6%, unchanged from 2004's adjusted ratio excluding the divestment gains (37.6% including the divestment gains).
- (h) Allowances for loans and other assets fell from S\$77 million in 2004 to S\$12 million in 2005 as a result of recoveries in loans and loan-related securities. Amortisation of goodwill was discontinued in 2005 with the adoption of FRS 103.
- (i) Compared to 31 December 2004, net loans to customers and bills receivable increased by 6.4% to S\$55.1 billion as at 31 December 2005, with growth registered mainly in housing loans and loans to the manufacturing and general commerce sectors. Total non-performing loans ("NPLs") fell by 16.5% from S\$2.87 billion as at 31 December 2004 to S\$2.39 billion as at 31 December 2005. The NPL ratio improved from 5.0% to 4.1% over the same period. Total cumulative specific and portfolio allowances amounted to S\$2.11 billion as at 31 December 2005, representing 88.3% of total NPLs, up from 82.9% in December 2004.
- (j) As at 31 December 2005, equity attributable to the Bank's equity holders was S\$12.3 billion, an increase of 9.9% compared to 31 December 2004. The Group's Tier 1 and total capital adequacy ratios were 13.4% and 17.5% respectively, compared with 12.6% and 17.7% as at 31 December 2004.
- (k) Basic earnings per share ("EPS") for 2005 was 40 cents, an increase of 13.3% over 2004's EPS of 35 cents.

## 7 PERFORMANCE BY BUSINESS SEGMENTS

In S\$million	Consumer Banking	Business Banking	Treasury	Insurance	Others	Group
<b>Financial year ended 31 December 2005</b>						
Segment income	995	922	248	524	288	2,977
Elimination						(90)
<b>Total income</b>						<b>2,887</b>
Profit before tax and allowances	541	638	172	435	(44)	1,742
Amortisation of intangible assets (Allowances)/writeback for loans and impairment of other assets	–	–	–	(40)	–	(40)
	(82)	32	–	–	38	(12)
Income tax (charge)/credit	(94)	(130)	(36)	(68)	20	(308)
Net profit before equity accounting	365	540	136	327	14	1,382
Share of results of associated and joint venture companies						15
<b>Net profit after tax</b>						<b>1,397</b>
Minority interests						(99)
<b>Net profit attributable to equity holders of the Bank</b>						<b>1,298</b>
<b>Other information:</b>						
Capital expenditure	4	3	1	4	135	147
Amortisation and depreciation of software, property, plant and equipment	6	6	–	2	74	88
<b>At 31 December 2005</b>						
Segment assets	28,229	34,221	22,238	37,357	12,816	134,861
Unallocated assets						71
Elimination						(3,634)
<b>Total assets</b>						<b>131,298</b>
Segment liabilities	31,914	28,522	16,289	33,468	10,625	120,818
Unallocated liabilities						627
Elimination						(3,634)
<b>Total liabilities</b>						<b>117,811</b>
<b>Other information</b>						
Non-bank loans (gross)	26,727	27,274	–	378	2,814	57,193
NPLs and debt securities (gross)	729	1,611	–	–	52	2,392

## 7 PERFORMANCE BY BUSINESS SEGMENT (continued)

In S\$million	Consumer Banking	Business Banking	Treasury	Insurance	Others	Group
<b>Financial year ended 31 December 2004</b>						
Segment income	912	889	327	286	293	2,707
Elimination						(82)
<b>Total income</b>						<b>2,625</b>
Profit before tax and allowances	489	638	258	234	18	1,637
Amortisation of intangible assets (Allowances)/writeback for loans and impairment of other assets	–	–	–	(23)	–	(23)
Income tax (charge)/credit	(101)	(21)	–	1	44	(77)
Net profit before equity accounting	308	493	210	166	90	1,267
Amortisation of goodwill						(135)
Share of results of associated companies						89
<b>Net profit after tax</b>						<b>1,221</b>
Minority interests						(73)
<b>Net profit attributable to equity holders of the Bank</b>						<b>1,148</b>
<b>Other information:</b>						
Capital expenditure	9	3	–	1	50	63
Amortisation and depreciation of software, property, plant and equipment	14	7	–	1	64	86
<b>At 31 December 2004</b>						
Segment assets	28,058	33,449	21,535	32,538	7,802	123,382
Unallocated assets						50
Elimination						(3,550)
<b>Total assets</b>						<b>119,882</b>
Segment liabilities	29,633	26,952	17,929	29,050	7,641	111,205
Unallocated liabilities						508
Elimination						(3,550)
<b>Total liabilities</b>						<b>108,163</b>
<b>Other information</b>						
Non-bank loans (gross)	26,335	26,169	–	391	1,195	54,090
NPLs and debt securities (gross)	735	2,131	–	–	–	2,866

## 8 BREAKDOWN OF TOTAL INCOME AND NET PROFIT AFTER TAX

In S\$million	GROUP		
	2005	2004	+ / (-) %
<b><u>Total income</u></b>			
First half year	1,373.6	1,171.0	17.3
Second half year	1,513.2	1,454.1	4.1
	<b>2,886.8</b>	<b>2,625.1</b>	10.0
<b><u>Net profit after tax</u></b>			
First half year	651.1	562.9	15.7
Second half year	746.4	658.7	13.3
	<b>1,397.5</b>	<b>1,221.6</b>	14.4

## 9 SUBSEQUENT EVENTS / OTHER MATTERS

- (a) On 8 December 2005, the Bank announced that its wholly-owned subsidiary, OCBC Overseas Investments Pte Ltd had subscribed for a total of 643,897,798 new shares in Bank NISP, a subsidiary company listed on the Jakarta Stock Exchange. The subscription, pursuant to the renounceable rights issue undertaken by Bank NISP, was made at an issue price of Rp 750 for each rights share. The aggregate consideration for the subscription amounted to Rp 483 million (S\$82 million).

The subscription of rights increased the Bank's shareholding in Bank NISP to 72.3%.

- (b) The Bank had on 30 December 2005 announced that the Bank and its subsidiary, the Overseas Assurance Corporation Limited ("OAC") will be divesting an approximately combined 8.6% shareholding in The Straits Trading Company Limited ("STC") by way of a selective capital reduction. STC will cancel 27,003,000 STC Shares held by the Bank and 3,500,000 STC Shares held by OAC. A cash distribution of S\$2.966 will be made for each STC Share cancelled, and the aggregate amount of cash distribution for the STC Shares so cancelled is approximately S\$90.5 million.

Following the completion of the proposed transaction, the Bank would have complied with the regulatory requirement on the divestment of its interests in non-financial businesses with respect to STC.

- (c) On 10 January 2006, the Bank announced that it had entered into an agreement to subscribe for a 12.2% stake in China's Ningbo Commercial Bank Co., Ltd ("NCB") for RMB 570 million or approximately S\$120 million. The Bank intends to fund the purchase using its internal resources and completion of the proposed transaction is expected in the first half of 2006, subject to both parties obtaining all necessary regulatory approvals in Singapore and the People's Republic of China.

- (d) The Bank had, on 16 January 2006, announced that it had entered into a conditional share purchase agreement (the "Share Purchase Agreement") with certain individuals (collectively, the "Vendors") pursuant to which the Vendors agreed to sell and the Bank agreed to purchase an aggregate of 2,570,000 ordinary shares ("Sale Shares") in the capital of Great Eastern Holdings Limited ("GEH"). The consideration for the purchase of the Sale Shares was satisfied by the issue of 6,019,968 new ordinary shares in the capital of the Bank ("new OCBC Shares") to the Vendors. Completion of the transaction took place on 24 February 2006 and the Bank's interest in GEH increased from 82.3% to 82.9%.

**10 DIVIDENDS****Ordinary stock**

A final dividend of 12 cents (2004: 19 cents<sup>(1)</sup>) for each ordinary stock unit, less 20% (2004: 20%) Singapore income tax, has been recommended by the Directors in respect of the financial year ended 31 December 2005.

	<u>2005</u> S\$'000	<u>2004</u> S\$'000
<u>Interim dividend</u>		
11 cents (2004: 19 cents <sup>(1)</sup> ) per ordinary stock unit less 20% (2004: 20%) tax	275,362	203,265
<u>Final dividend</u>		
12 cents (2004: 19 cents <sup>(1)</sup> ) per ordinary stock unit less 20% (2004: 20%) tax	298,976	199,628
Sub-total	<u>574,338</u>	<u>402,893</u>
<u>Bonus dividend</u>		
S\$1.25 (2004: Nil) per S\$1 ordinary stock unit less 20% tax <sup>(2)</sup>	1,310,688	–
<b>Total</b>	<b><u>1,885,026</u></b>	<b><u>402,893</u></b>

<sup>(1)</sup> With adjustments for the Rights Issue and Sub-division, the interim dividend and final dividend for 2004 were 7.9 cents and 7.9 cents respectively for every S\$0.50 ordinary stock unit.

<sup>(2)</sup> The bonus dividend was declared together with a 1-for-5 Rights Issue at S\$5 per rights share, whereby shareholders can elect to use the bonus dividend to pay fully for their rights subscription.

**Non-cumulative non-convertible preference shares**

	<u>2005</u> S\$'000	<u>2004</u> S\$'000
Class E (OCBC 4.5% NCPS 100) – 2 semi-annual dividends (2004: 2 semi-annual dividends)	22,500	22,562
Class G (OCBC 4.2% NCPS) – 2 semi-annual dividends (2004: 2 semi-annual dividends)	16,625	16,670
	<u>39,125</u>	<u>39,232</u>

**11 ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on 20 April 2006.

**12 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.

### 13 CLOSURE OF BOOKS

Notice is hereby given that, subject to stockholders' approval at the Annual General Meeting of the Bank to be held on 20 April 2006 of the payment of the final dividend of 12 cents for each ordinary stock unit, less 20% Singapore income tax, in respect of the financial year ended 31 December 2005, the Transfer Books and the Register of Stockholders of the Bank will be closed from 4 May 2006 to 5 May 2006 (both dates inclusive) for the purpose of determining the entitlement of stockholders to the final dividend of 12 cents less 20% Singapore income tax for each ordinary stock unit held.

Duly completed registrable transfers of stock units 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 3 May 2006 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 3 May 2006 will be entitled to the final dividend.

The final dividend, if approved by the stockholders, will be paid on 18 May 2006.

By Order of the Board

Peter Yeoh  
Secretary

Singapore, 28 February 2006

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

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

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited for the financial year ended 31 December 2005, comprising the income statement, balance sheet and statement of changes in equity of the Bank, and the consolidated financial statements of the Group. 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 financial statements of the Bank and the 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, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 'Credit Files, Grading and Provisioning' issued by the Monetary Authority of Singapore, 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 2005, the results and changes in equity of the Bank and of the Group for the financial year ended on that date, and of the cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records 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.

PricewaterhouseCoopers  
Certified Public Accountants

Singapore, 28 February 2006