



OCBC'S FIRST QUARTER 2004 NET PROFIT INCREASED 61% TO S\$256 MILLION

Operating Profit Rose 7%, Driven by 40% Surge in Fee Income

Singapore, 30 April 2004 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") today reported a net profit of S\$256 million for the first quarter of 2004, an increase of 61% compared to S\$159 million in first quarter 2003. The better performance was driven by stronger revenue, lower provisions and higher contributions from associates.

Operating profit before provisions and goodwill amortisation was S\$320 million, an increase of 7% over the same period last year, propelled by a 40% jump in fee and commission income. Net interest income grew by 4% in line with higher average loan volume, while operating expenses were stable.

Provisions fell from S\$64 million in first quarter 2003 to S\$20 million in first quarter 2004, largely attributable to lower specific provision for loans. This reflects the ongoing benefits of improved credit processes and successful recovery efforts, as well as the improvement in the overall economic environment.

Pre-tax contributions from associates increased from S\$11 million in first quarter 2003 to S\$62 million in first quarter 2004, mainly due to a higher contribution from insurance associate Great Eastern Holdings Limited.

Compared to the fourth quarter of 2003, the Group's net profit fell by 8%, as the fourth quarter included exceptional gains of S\$54 million from the divestment of non-core assets. Excluding these gains, the Group's net profit for first quarter 2004 would show a growth of 14% compared to fourth quarter 2003.

Revenue

Total income in the first quarter was S\$526 million, up 5% compared to the same period last year.

Net interest income was 4% higher year-on-year, contributed by higher average loan volume and lower deposit costs. Net interest margin remained unchanged at 1.90%.

Customer loan balances grew by 7% from 31 March 2003 to S\$53.01 billion as at 31 March 2004. The growth was derived mainly from consumer loans, with housing loans and loans to professionals and private individuals recording year-on-year expansion of 26% and 7% respectively.

Total non-interest income rose by 9% year-on-year to S\$161 million in the first quarter of 2004, driven by stronger fee and commission income.

Fee and commission income jumped 40% to S\$115 million reflecting the growth in wealth management activities as well as higher stockbroking and investment banking income. Wealth management activities, comprising sales of unit trusts, bancassurance and structured deposits, benefited from increased cross-selling efforts and the improved investment climate.

Dividend income increased by S\$34 million compared to first quarter 2003, mainly due to a special dividend of S\$29 million from Robinson & Company, Limited.

Other income however recorded a loss of S\$17 million, as higher income from foreign exchange dealing and other items were offset by losses of S\$62 million in derivatives and securities dealing. The S\$62 million losses were mainly unrealised revaluation losses on interest rate swaps arising from the sustained fall in interest rates during the first quarter. These swaps were entered into primarily to mitigate the interest rate risks of the bank's assets and liabilities, and are marked to market, whereas the assets and liabilities are accounted for on an accrual basis. This difference in accounting treatment results in income swings during periods of significant interest rate movements or interest rate volatility.

Operating Expenses

Operating expenses of S\$206 million for the first quarter were up 2% over first quarter 2003, mainly due to the S\$5 million write back of un-utilised restructuring costs in first quarter 2003. Excluding the restructuring related expenses, operating expenses were 1% lower year-on-year. The Group's cost-to-income ratio for first quarter 2004 improved to 39.1% from 40.3% in first quarter 2003, as growth in revenue outpaced that of expenses.

Provisions and Asset Quality

Total provisions in the first quarter amounted to S\$20 million, down from S\$64 million in first quarter 2003. Specific provisions for loans, net of recoveries, fell sharply from S\$70 million to S\$9 million, while specific provisions for diminution in value of investment securities and other assets declined from S\$24 million to S\$10 million. In addition, general provisions of S\$2 million were made in this quarter compared to a write-back of S\$30 million in first quarter 2003.

Compared to 31 December 2003, the Group's non-performing loans ("NPLs") declined by 5% or S\$190 million to S\$3.64 billion as at 31 March 2004. The decrease was mainly in Singapore NPLs as recoveries, repayments and write-offs of fully provided "loss" loans more than offset new NPLs in the first quarter of 2004. Correspondingly, the ratio of NPLs to non-bank loans improved from 6.9% to 6.6% over the three-month period.

The Group's overall provision coverage remained at a comfortable level of 69.5% of total NPLs, up from 67.0% as at end-2003. Cumulative specific provisions coverage over the unsecured NPLs was largely unchanged at 99.9%.

Conclusion

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

"This set of results marks a good start for 2004, and we will build on the revenue momentum in a steadily improving economic environment. We will continue to pursue strategic initiatives that will strengthen OCBC's longer term growth prospects, as exemplified by our recent moves pertaining to Great Eastern Holdings and Bank NISP."

About OCBC Bank

OCBC Bank is a Singapore-based financial services group with assets of S\$87 billion and operations in 13 countries including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Japan, Australia, UK and USA, and has more than 110 branches and representative offices around the world. OCBC Bank offers a range of specialist financial services including consumer, corporate, investment, private and transaction banking, global treasury, asset management and stockbroking services to its customers. Additional information may be found at www.ocbc.com.

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