



**OCBC GROUP'S FULL YEAR 2004 NET PROFIT
GREW 22% TO S\$1,162 MILLION**

Core Net Profit for Fourth Quarter increased 24% to S\$279 million

Singapore, 14 February 2005 – Oversea-Chinese Banking Corporation Limited today reported strong results for the financial year ended 31 December 2004. Group net profit rose 22% to S\$1,162 million, from S\$954 million in 2003. The improved performance was largely driven by strong growth in fee income, higher net interest income and lower provisions. Return on ordinary shareholders' funds ("ROE") improved from 10.0% in 2003 to 11.4% in 2004, while cash ROE increased from 11.4% to 13.0%.

The divestment of non-core assets contributed S\$97 million to net profit in 2004, as compared to S\$126 million in 2003. Excluding these gains, the Group's core net profit grew by 29%, from S\$828 million in 2003 to S\$1,065 million in 2004.

Operating profit before provisions and goodwill amortisation rose 25% to S\$1,669 million, as revenue growth of 21% outpaced the 14% increase in expenses. Net interest income rose 6% to S\$1,518 million, as loans grew by 5% and net interest margin remained stable. Fee and commission income registered a broad-based expansion of 24% to S\$464 million, boosted in particular by strong wealth management sales.

Reflecting the Group's improved asset quality and the economic recovery, total provision charges declined from S\$225 million in 2003 to S\$77 million in 2004. The Group's non-performing loans ("NPLs") ratio improved significantly from 6.9% to 4.9%.

Great Eastern Holdings ("GEH"), previously equity accounted as an associate, was consolidated as a subsidiary from June 2004. Its total net profit contribution to the Group, after taking into account goodwill and minorities, was S\$189 million in 2004, up from S\$163 million in 2003.

The Board of Directors is recommending a final dividend of 19 cents per share for ordinary shareholders. Together with the interim dividend of 19 cents paid in September 2004, total dividends for 2004 would amount to 38 cents, an increase of 65% over the 23 cents paid for 2003 (excluding the special dividend paid in July 2003). The estimated total net dividends of S\$403 million for 2004 represent 38% of the Group's core net profit of S\$1,065 million. This is consistent with the Group's dividend policy which targets a minimum payout of 35% of core earnings.

Fourth Quarter 2004 Results

Net profit in the fourth quarter of 2004 (“4Q04”) was S\$279 million, largely unchanged as compared to the same quarter last year (“4Q03”), despite the absence of divestment gains. In 4Q03, S\$54 million net gains were recorded from the divestment of a property at Mount Emily Road, shares in WBL Corporation, as well as an associate’s stake in Raffles Hotel. Excluding these gains, net profit in 4Q04 registered 24% growth, largely the result of higher operating profit as well as lower provisions.

Operating profit before provisions and goodwill amortisation increased by 18% year-on-year to S\$421 million, supported by a 5% increase in net interest income, 10% growth in fee and commission income and the consolidation of insurance income from GEH. Underlying expenses growth, excluding GEH, was 19%, due to higher staff costs and increased spending for business promotion.

In 4Q04, provisions were a negative S\$2 million, primarily due to the reversal of specific provisions for diminution in value of investment securities and properties, as well as a reversal of general provisions to offset new specific provisions for loans in Malaysia.

Consolidation of Great Eastern Holdings

The Group’s shareholding in GEH increased from 48.9% to 81.1% following a voluntary unconditional offer launched in May 2004. Consequently, the 2004 results included seven months’ full consolidation of GEH’s results as a subsidiary from June 2004. Prior to June 2004, the Group’s 48.9% share of GEH’s profit was reflected under the associates’ contribution line.

The consolidation of GEH contributed S\$304 million to the Group’s total income in 2004 (of which S\$243 million was classified under insurance income) and S\$51 million to operating expenses. The full year net profit contribution from GEH was S\$189 million, comprising S\$121 million as a subsidiary (after taking into account goodwill amortisation and minority interests) and S\$68 million as an associate. In 2003, GEH’s net profit contribution as an associate was S\$163 million.

Full Year Results

Revenue

Total income grew by 21% to S\$2,643 million in 2004, with net interest income rising by 6% to S\$1,518 million, and non-interest income increasing by 48% to S\$1,126 million.

Net interest income growth resulted from higher loans and debt securities volumes. Net interest margin improved slightly from 1.90% to 1.91%, with higher average yields on interest earning assets offsetting the higher cost of funds in a rising rate environment. Customer loans grew 5% during the year to S\$55.22 billion, led by housing loans which rose 12% to S\$17.29 billion. Loans to general commerce and manufacturing sectors also registered good growth of 20% and 7% respectively.

The surge in non-interest income came primarily from a 24% jump in fee and commission income to S\$464 million, as well as the inclusion of S\$243 million in insurance income from GEH. Non-interest income accounted for 43% of total income in 2004, up from 35% in 2003.

Fee income growth was broad-based, led by wealth management income which jumped 65% to S\$129 million due to robust sales of bancassurance products, structured deposits and unit trusts. Other fee-based activities including fund management, trade and remittance services, investment banking and credit cards also registered good growth.

Other income increased 5% to S\$260 million, mainly due to higher foreign exchange dealing income which grew 44% to S\$87 million. The divestment of non-core assets, namely, Raffles Investments Limited and Whitesands Shopping Mall, contributed S\$132 million to other income. This is broadly similar to the S\$128 million in divestment income recorded in 2003. A net loss of S\$51 million was recorded in securities and derivatives dealing during the year, mainly due to losses on interest rate swaps as a result of difficult market conditions.

Operating Expenses

Operating expenses increased by 14% to S\$974 million in 2004. Excluding GEH's expenses of S\$51 million, the underlying year-on-year cost increase was 8%. Staff expenses were higher due to an 11% increase in headcount (excluding GEH) during the year, and higher sales commissions. Other business-driven expenses such as promotions and marketing costs also rose in line with new business initiatives launched during the year.

Despite the higher expenses, the Group's cost-to-income ratio remained well in control, declining from 39.0% in 2003 to 36.8% in 2004.

Provisions and Asset Quality

Reflecting the improved credit processes within the Group and stable economic conditions, total provisions declined from S\$225 million in 2003 to S\$77 million in 2004. Specific provisions for loans fell from S\$194 million to S\$143 million. A sustained improvement in the value of certain investment securities and properties held by the Group during the year resulted in a net reversal of S\$34 million in provisions for such assets, compared to a charge of S\$57 million in 2003. The Group also reversed a net S\$32 million from its surplus general provisions in 2004, compared to S\$26 million reversed in 2003.

Total NPLs declined by 25% from S\$3.83 billion in December 2003 to S\$2.87 billion in December 2004, leading to an improvement in the NPL ratio from 6.9% to 4.9%. Total cumulative specific and general provisions amounted to S\$2.38 billion, representing 82.9% of total NPLs, up from 67.0% in December 2003. Cumulative specific provisions covered 106.3% of unsecured NPLs, while cumulative general provisions were 2.1% of non-bank loans (net of specific provisions).

Capital Position

The Group's capital position remains strong, with a total capital adequacy ratio of 17.7% and Tier -1 ratio of 12.6% as at 31 December 2004. Since the announcement of a S\$500 million share buyback programme in August 2004, the Group has to-date purchased 29.0 million of its ordinary shares from the stock market for a total consideration of S\$394 million.

As part of its continuing efforts to achieve a more efficient Tier 1 capital mix and to utilise lower-cost capital, the Group successfully launched its maiden offering of hybrid Tier 1 preference shares in January 2005, raising a total of S\$400 million from institutional and sophisticated investors.

Conclusion

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

“We are pleased to have delivered another year of good earnings growth. It is particularly satisfying that our top-line revenues have improved both in terms of growth and mix, with significantly higher fee income. No doubt we'll have to work harder this year, given our higher base, the expected moderation in economic growth, and unrelenting competition in our home market. The key strategic initiatives we executed last year, including forging closer partnerships with Great Eastern and Bank NISP, should position us well for further growth and continued geographic diversification of earnings.”

About OCBC Bank

OCBC Bank is Singapore's longest established local bank. It has assets of S\$120 billion and a network of 112 branches and representative offices in 14 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Japan, Australia, UK and USA. 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 meet the needs of its customers across communities. Its subsidiary, Great Eastern Holdings, is the largest insurance group in both Singapore and Malaysia in terms of assets and market share.

In 2004, OCBC Bank was named Lafferty Group's Retail Bank of the Year in Asia-Pacific and South East Asia and Global Finance magazine's Best Bank in Singapore. Additional information may be found at www.ocbc.com

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