



## MEDIA RELEASE

### **OCBC BANK PROPOSES S\$2.9 BILLION PRE-CONDITIONAL OFFER FOR GREAT EASTERN HOLDINGS AND S\$1 BILLION SELECTIVE CAPITAL REDUCTION**

**Proposed Exchange Ratio of 976 OCBC Bank Shares for every 1,000 GEH Shares**

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### **CREATING A STRONGER ALLIANCE OF TWO PREMIER BRANDS**

SINGAPORE, 24 February 2004 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) announces today its intention to make a S\$2.9 billion voluntary offer (“the Offer”) for all the ordinary shares of Great Eastern Holdings Limited (“GEH”) that it does not currently own, on the basis of 976 ordinary OCBC Bank shares for every 1,000 GEH shares. GEH is currently a 48.9%-owned associated company of OCBC Bank. OCBC Bank has received a conditional irrevocable undertaking from the Lee Group (comprising Mr Lee Seng Wee, a Director of OCBC Bank, and affiliated parties) to accept the Offer in respect of their 15.7% holding in GEH.

In addition, OCBC Bank is proposing a S\$1 billion selective capital reduction to cancel all the 80.2 million OCBC Bank shares held by GEH, representing 6.3% of OCBC Bank’s existing issued share capital. The selective capital reduction is in line with OCBC Bank’s stated objective of managing its capital more efficiently and returning excess capital to its shareholders.

This exercise creates a financial services group with combined assets of approximately S\$113 billion on a proforma basis. It will strengthen the alliance between OCBC Bank and GEH and allow the two to leverage on each other’s strengths, particularly in wealth management.

#### Rationale for the Offer

The consolidation of GEH will represent an important milestone for OCBC Bank’s New Horizons Strategy, aiming to be a top three financial services provider in the combined Singapore and Malaysian markets. The combination creates a financial services group with proforma assets of approximately S\$113 billion. The combined entity will have a pro-forma 2003 net income in excess of S\$1 billion.

The transaction encourages a stronger alliance between OCBC Bank and GEH and will facilitate the development of greater synergies in product development, marketing and

distribution, and customer services. Commenting on the Offer, OCBC Bank's Chief Executive Officer, Mr David Conner, said:

"We have been working closely with Great Eastern for years. This transaction, which is a logical next step in our relationship, allows us to go beyond our current alliance, and leverage on each other's competitive advantages as we expand our wealth management capabilities across the region. It creates a solid platform for a more efficient and complete delivery of products and services to our combined customer base by further strengthening the OCBC Bank and Great Eastern partnership in the manufacturing, marketing and delivery of banking, insurance and investment products."

Mr Conner continued, "Acquiring more of Great Eastern's shares also gives us a more diversified earnings stream and complements our interest and fee income with more life insurance earnings."

"The structure of our offer is designed to deliver value to the shareholders of both OCBC Bank and Great Eastern. It allows both groups of shareholders to benefit from our stronger partnership. By offering OCBC Bank shares to Great Eastern shareholders, we are inviting them to participate in a more liquid investment in OCBC Bank shares, with a more balanced exposure to the wealth management industry."

Mr Conner concluded, "We appreciate the tremendous trust and confidence our customers have extended to both Great Eastern and OCBC Bank over many years, and we now look forward to working even more closely with Great Eastern's management team to offer our customers more choices to meet their financial needs."

## **Details of the Proposed Transactions**

### The Offer

Subject to regulatory and OCBC Bank shareholder approvals, OCBC Bank will make a voluntary offer (the "Offer") for all the ordinary shares of GEH that it does not already own, amounting to 240.6 million GEH shares. OCBC Bank will offer 0.976 new ordinary OCBC Bank shares for each GEH share ("Ordinary Share Alternative") on an ex-dividend basis. The Offer will not be conditional on the level of acceptances. OCBC Bank has obtained a conditional irrevocable undertaking from the Lee Group to accept the offer in respect of their 15.7% shareholding in GEH.

As an alternative to ordinary shares, OCBC Bank will also offer, for the election of all GEH shareholders, irredeemable non-cumulative convertible preference shares ("INCCPS") in exchange for GEH shares ("Preference Share Alternative"). The offer of INCCPS would allow the Lee Group, prior to the completion of the SCR or the sale of the 6.3% stake by GEH, to accept the Offer under the Preference Share Alternative without triggering a general offer for OCBC Bank. As in the case of the Ordinary Share Alternative, OCBC Bank will offer 0.976 INCCPS for each GEH share. The intention is that the INCCPS will carry the same dividend as ordinary shares, and their conversion will be mandatory, on a one-for-one basis, into ordinary shares between two and three years from the date of issue. The INCCPS will also be convertible anytime at the option of the holder or at the discretion of OCBC Bank if the outstanding INCCPS falls below one million.

### Selective Capital Reduction (“SCR”)

If the necessary approvals are obtained and the Offer is launched, OCBC Bank’s stake in GEH is expected to cross 50%, whereby GEH will become a subsidiary of OCBC Bank. Under the Companies Act, this requires GEH and its subsidiaries to divest their 6.3% stake in OCBC Bank within 12 months. Accordingly, OCBC Bank has entered into an agreement with GEH to cancel this block of 80.2 million OCBC Bank shares for cash via a Selective Capital Reduction (“SCR”).

The SCR allows OCBC Bank to buy, and GEH to sell, a significant block of OCBC Bank shares at close to market price. It benefits OCBC Bank shareholders through its positive impact on OCBC Bank’s earnings per share and return on equity. It is also in line with OCBC Bank’s previously announced capital management objective, of using surplus capital for share buybacks. At the same time, the SCR allows GEH to save transaction costs in the required disposal of those shares.

### Terms of the Offer and the SCR

The Offer and the SCR will close on an ex-dividend basis. For the purpose of determining the exchange ratio for the Offer and the cash consideration for the SCR, the reference prices used were based on the volume weighted average of the transacted prices for each company’s shares for the last seven trading days, from 12 February 2004 to 20 February 2004, being the full-day trading periods following the announcement of OCBC Bank’s 2003 financial results on 11 February 2004. (Reference prices: OCBC Bank: S\$12.46 per share, GEH: S\$12.20 per share). OCBC Bank’s and GEH’s net dividends of S\$0.0936 and S\$0.1404 per share respectively were then deducted from these prices to arrive at the net price for each company’s shares for the purpose of these transactions.

The Offer represents a premium of approximately 6.3% to GEH’s one month average share price. Based on GEH’s 2003 unaudited financials, the Offer represents a 31% premium to GEH’s embedded value and is equivalent to an 18.4 times multiple to GEH’s 2003 earnings.

The consideration paid for the SCR values OCBC Bank at a multiple of 17.3 times 2003 earnings and 1.59 times 2003 book value.

### Approvals and Conditionality

The Offer and the SCR are independent transactions and are not conditional upon each other. The SCR, the Offer, and the issuance of the INCCPS are conditional upon regulatory and OCBC Bank shareholder approvals, and the SCR is also conditional upon GEH shareholder approval. OCBC Bank intends to seek its shareholder vote at its Extraordinary General Meeting to be held on or about 15 April 2004. GEH plans to hold its Extraordinary General Meeting to vote on the SCR ahead of OCBC Bank’s EGM.

JP Morgan is acting as financial advisor to OCBC Bank on the transactions. ANZ Investment Bank has been appointed as Independent Financial Advisor to the Independent Directors of OCBC Bank. Allen & Gledhill is legal counsel to OCBC Bank.

This summary press release should be read in conjunction with the full text of the Offer Announcement filed with the SGX on 24 February 2004.

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### **About OCBC Bank**

OCBC Bank is a Singapore-based financial services group with assets of S\$84 billion and operations in 13 countries including Malaysia, Indonesia, China, 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.

### **About Great Eastern Holdings**

Great Eastern Holdings is the largest insurer in Singapore and Malaysia, with over S\$32 billion in assets, and over 2.4 million policy holders. It is the holding company of Great Eastern Life Assurance Limited, Overseas Assurance Corporation Limited and Great Eastern Life (Malaysia) Berhad. It has two successful distribution channels – the tied agency force (of about 20,000 strong for the Group) and bancassurance. The Group is the market leader in the life insurance industry in both Singapore and Malaysia with a market share of 26.5% and 23.2% respectively. Through its subsidiary Straits Lion Asset Management Limited, GEH also engages in the business of asset management.

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