



2003

GROUP FINANCIAL
RESULTS

11 February 2004

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Media Release

OCBC's Full Year 2003 Net Profit

Grew 43% to S\$954 million

Net Profit for Fourth Quarter rose 65% to S\$279 million

Singapore, 11 February 2004 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported a net profit of S\$954 million for the financial year ended 31 December 2003, an increase of 43% compared to 2002, representing a record high for the Group. The earnings growth was driven by a substantial reduction in provisions, gains from the divestment of non-core assets and higher contributions from associates.

The Group's operating profit before provisions and goodwill amortisation fell by 2% to S\$1,338 million, mainly due to a 5% decline in net interest income as a result of increased competition driving down interest margins. Non-interest income increased by 6%, boosted by gains from the divestment of non-core assets which contributed S\$128 million. The divestments comprised shares in Fraser and Neave Limited (“F&N”) and WBL Corporation Limited, and a residential development site at Mount Emily Road. Fee and commission income was largely unchanged from 2002, but showed a strong rebound in the second half compared to the first half which was affected by weak investment sentiments and economic uncertainties. Operating expenses for the year rose marginally by 1%.

Provisions fell by 55% from S\$501 million in 2002 to S\$225 million in 2003, reflecting the significant progress made in strengthening the Group's credit processes and asset quality since the second half of 2002. The Group's non-performing loans (“NPLs”) ratio improved from 8.1% at the end of 2002 to 6.9% at the end of 2003, while cumulative provision coverage increased from 62.4% to 67.0% of total NPLs.

Pretax contribution from associates increased by 46% to S\$235 million, due to higher profits from insurance associate Great Eastern Holdings Limited, and a S\$14 million gain from the sale of an associate's stake in Raffles Hotel.

The total after-tax gain from the divestment of non-core assets, including the gain reflected under the associates line, was S\$126 million in 2003. Excluding this amount, the Group's net profit in 2003 would be S\$828 million, an increase of 24% over 2002.

The Board of OCBC Bank has recommended a final dividend of 12 cents per share for ordinary shareholders, bringing the total dividend for 2003 to 23 cents, an increase of 15% compared to the total dividend of 20 cents for 2002.

Fourth Quarter 2003 Results

Compared to the fourth quarter of 2002, net profit in the fourth quarter of 2003 rose by 65% to S\$279 million. Operating profit before provisions and goodwill amortisation increased by 2% year-on-year to S\$358 million, driven by a 13% growth in fee and commission income as well as the divestment gain from the property at Mount Emily Road. Net interest income declined by 2%, while operating expenses were unchanged from a year ago. Provisions in the fourth quarter amounted to S\$54 million, 58% lower than in the same period in 2002. Associates' contribution rose by 100% to S\$94 million resulting from higher earnings from Great Eastern Holdings as well as a S\$14 million gain from Raffles Investments' sale of Raffles Hotel.

Full Year Results

Net Interest Income

Net interest income in 2003 fell by 5% to S\$1,435 million, as increased competition led to lower interest margins, offsetting the impact of a higher loan volume. Net interest margin fell by 12 basis points, from 2.02% in 2002 to 1.90% in 2003.

Customer loans grew by 5% from the end of 2002 to S\$52.59 billion as at the end of 2003, driven by growth in consumer loans. Housing loans expanded by 25% to S\$15.38 billion, while loans to professionals and individuals increased by 7% to S\$8.13 billion. Consumer loans now account for 45% of the Group's loan portfolio, compared to 40% at the end of 2002.

Non-Interest Income

Total non-interest income grew by 6% to S\$758 million in 2003. Dividends and other income were higher due to gains from the divestment of non-core assets. The gains comprised S\$78 million from the disposal of shares in F&N, S\$46 million from the sale of the property at Mount Emily Road, and S\$4 million from the disposal of shares in WBL Corporation Limited.

Fee and commission income registered a strong 19% rebound in the second half of 2003 compared to the first half, as investment sentiments and stock market turnover recovered. This helped to make up for the lower distribution fees from unit trusts and bancassurance products in the first half of 2003. For the full year, fee and commission income was S\$373 million, similar to the level in 2002. Growth was registered in brokerage income, loan-related fees, credit card and fund management income.

Strong retail sales in treasury and structured products helped boost the Group's total sales of wealth management products in Singapore and Malaysia to a record S\$5.2 billion in 2003, compared to S\$3.9 billion in 2002. Sales of treasury and structured products in Singapore doubled from S\$1.5 billion to S\$3.0 billion. Unit trust sales in the two major markets totalled S\$1.2 billion, while bancassurance sales contributed S\$1.0 billion.

The Group recorded a net loss of S\$19 million in securities and derivatives dealing in 2003, compared to a net gain of S\$61 million in 2002. In the second half of the year, an unexpected spike in long term interest rates resulted in losses from the disposal of Singapore Government Securities and corporate debt securities, the latter comprising mainly securities related to a primary market underwriting transaction. The S\$19 million net loss also included some unrealised losses on interest rate derivatives.

Operating Expenses

Costs were managed tightly during 2003 in view of the sluggish economic environment. Compared to 2002, operating expenses rose only marginally by 1%, to S\$855 million. Increases in staff costs and premises and equipment costs were offset by lower professional and business promotion costs. The Group's cost-to-income ratio for 2003 was 39.0%, slightly above the 38.2% in 2002.

Provisions and Asset Quality

Total provisions in 2003 fell 55% to S\$225 million. Specific provisions for loans fell by 47% from S\$365 million in 2002 to S\$194 million in 2003. Specific provisions for diminution in value of investment securities and other assets also declined sharply, from S\$163 million in 2002 to S\$57 million in 2003. The S\$57 million provisions comprised provisions of S\$49 million for the Group's properties, down from S\$84 million in 2002, and provisions of S\$8 million for investments and other assets, down from S\$79 million in 2002.

As at 31 December 2003, the Group's NPLs were S\$3.83 billion, a reduction of 12% or S\$521 million compared to 31 December 2002. The NPL ratio improved to 6.9% from 8.1% in December 2002.

Cumulative specific and general provisions amounted to S\$2.57 billion or 67.0% of total NPLs as at 31 December 2003, up from 62.4% in December 2002. Cumulative specific provisions covered 100% of unsecured NPLs, similar to the level in December 2002. The Group's general provisions ratio (over net loans) was at a comfortable 2.3%.

Conclusion

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

"2003 has been a difficult year for most companies and individuals in Singapore, and against this backdrop, OCBC has done well. Even excluding the non-core gains, our net profit increased by 24% over 2002. The large reduction in provisions is an important achievement as it reflects an improved credit process and stronger asset quality. We are also encouraged by the growth in net interest income and fee income in the second half, and by the market share gains we have made in consumer loans.

The global economic outlook has brightened considerably over the past few months, giving us some sense of optimism for 2004. However, we must also be prepared for any adverse changes in the external environment. OCBC is in a strong position to capitalise on the growth opportunities ahead, and we will continue to press on in executing our New Horizons strategic initiatives."

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FINANCIAL REVIEW

Highlights

- ◆ Net profit attributable to shareholders rose 43% to S\$954 million in 2003, due to lower provisions, gains from divestment of non-core assets and higher contributions from associates.
- ◆ Operating profit before provisions and goodwill decreased by 2% to S\$1,338 million, largely due to a 5% decline in net interest income as a result of increased competition driving down interest margins. Fee and commission income and operating expenses were stable compared to 2002.
- ◆ Compared to the fourth quarter of 2002 ("4Q02"), net profit in the fourth quarter of 2003 ("4Q03") rose by 65% to S\$279 million, while operating profit before provisions and goodwill increased by 2% to S\$358 million.
- ◆ Loans to non-bank customers grew by 5% year-on-year to S\$52.59 billion as at 31 December 2003, led by growth in housing loans and loans to professionals and private individuals.
- ◆ NPLs declined 12% year-on-year to S\$3.83 billion as at 31 December 2003. The ratio of NPLs to total non-bank loans improved from 8.1% to 6.9%. Provision coverage of NPLs increased from 62.4% to 67.0%.
- ◆ Group Tier 1 and total capital adequacy ratios strengthened to 12.6% and 21.8% respectively (December 2002: 11.5% and 20.9% respectively).
- ◆ Earnings per ordinary share increased by 39% from 52 cents in 2002 to 72 cents in 2003. Return on ordinary shareholders' funds improved from 7.4% to 10.0%.
- ◆ Net asset value ("NAV") per ordinary share was S\$7.16 as at 31 December 2003, and including the unrealised valuation surplus of S\$2.79 per share, NAV per share was S\$9.95.

Financial Summary

| | Full Year 2003 S\$m | Full Year 2002 S\$m | + / (-) % | 4th Qtr 2003 S\$m | 4th Qtr 2002 S\$m | + / (-) % | 3rd Qtr 2003 S\$m |
|---|---------------------------|---------------------------|--------------|-------------------------|-------------------------|--------------|-------------------------|
| Selected profit and loss data : | | | | | | | |
| Net interest income | 1,435 | 1,509 | (5) | 369 | 376 | (2) | 359 |
| Fees and commissions | 373 | 374 | (0) | 103 | 91 | 13 | 100 |
| Dividends | 75 | 34 | 122 | 8 | 4 | 83 | 36 |
| Rental income | 64 | 77 | (17) | 18 | 17 | 6 | 16 |
| Other income | 247 | 228 | 8 | 76 | 79 | (4) | 78 |
| Total income | 2,193 | 2,222 | (1) | 575 | 569 | 1 | 589 |
| Less : Operating expenses | 855 | 849 | 1 | 216 | 217 | (0) | 214 |
| Operating profit | 1,338 | 1,372 | (2) | 358 | 352 | 2 | 375 |
| Less : Goodwill amortisation | 127 | 127 | (0) | 32 | 32 | (0) | 32 |
| Less : Total provisions | 225 | 501 | (55) | 54 | 130 | (58) | 37 |
| Add : Share of associated companies' results | 235 | 161 | 46 | 94 | 47 | 100 | 52 |
| Profit before tax | 1,222 | 906 | 35 | 366 | 237 | 54 | 358 |
| Net profit attributable to shareholders | 954 | 667 | 43 | 279 | 169 | 65 | 292 |
| Cash basis net profit attributable to shareholders ^{1/} | 1,081 | 794 | 36 | 310 | 201 | 55 | 324 |
| Selected balance sheet data : | | | | | | | |
| Total assets | 84,497 | 84,051 | 1 | 84,497 | 84,051 | 1 | 84,342 |
| Loans to non-bank customers (net of provisions) | 50,155 | 47,367 | 6 | 50,155 | 47,367 | 6 | 48,967 |
| Deposits of non-bank customers | 53,460 | 53,948 | (1) | 53,460 | 53,948 | (1) | 53,892 |
| Ordinary shareholders' funds | 9,166 | 9,224 | (1) | 9,166 | 9,224 | (1) | 8,913 |
| Total shareholders' funds | 10,059 | 9,224 | 9 | 10,059 | 9,224 | 9 | 9,806 |
| Key Indicators : | | | | | | | |
| Ratios (% p.a.) | | | | | | | |
| Return on ordinary shareholders' funds ^{2/} | 10.0 | 7.4 | | 11.8 | 7.3 | | 12.2 |
| Return on ordinary shareholders' funds ^{2/} – Cash basis ^{1/} | 11.4 | 8.8 | | 13.2 | 8.7 | | 13.6 |
| Return on total shareholders' funds | 9.8 | 7.4 | | 11.2 | 7.3 | | 11.9 |
| Return on total shareholders' funds – Cash basis ^{1/} | 11.1 | 8.8 | | 12.4 | 8.7 | | 13.2 |
| Return on assets | 1.13 | 0.80 | | 1.30 | 0.80 | | 1.37 |
| Return on assets -- Cash basis ^{1/} | 1.28 | 0.95 | | 1.45 | 0.95 | | 1.52 |
| Per ordinary share data (S\$) | | | | | | | |
| Basic earnings per ordinary share (annualised) ^{3/} | 0.72 | 0.52 | 39 | 0.81 | 0.52 | 55 | 0.90 |
| Cash earnings per ordinary share (annualised) ^{1/} | 0.82 | 0.62 | 33 | 0.90 | 0.62 | 47 | 0.99 |
| Net asset value per ordinary share | | | | | | | |
| – Before valuation surplus | 7.16 | 7.15 | 0 | 7.16 | 7.15 | 0 | 6.96 |
| – After valuation surplus | 9.95 | 9.69 | 3 | 9.95 | 9.69 | 3 | 9.75 |

^{1/} Excluding goodwill amortisation charge

^{2/} Calculated after deducting preference shares dividends paid and estimated to be due as at 31 December 2003 from net profit attributable to shareholders

^{3/} Calculated after deducting declared and/or paid preference shares dividends from net profit attributable to shareholders

^{4/} Some of the figures may not add up to the relevant totals due to rounding

Net Interest Income

Net interest income in 2003 fell by 5% to S\$1,435 million, as increased competition led to lower interest margins, offsetting the impact of a higher loan volume. Net interest margin fell by 12 basis points from 2.02% in 2002 to 1.90% in 2003.

Compared to 4Q02, net interest income in 4Q03 fell by 2%, while net interest margin was lower by 5 basis points. However, compared to 3Q03, net interest income in 4Q03 showed an increase of 3%, as a result of better customer spreads, higher returns on net available funds and higher loan volume.

Average Balance Sheet (Full Year Trend)

| | Full Year 2003 | | | Full Year 2002 | | |
|---|----------------------------------|--------------|-----------------|----------------------------------|--------------|-----------------|
| | Average Balance ^{1/} | Interest | Average Rate | Average Balance ^{1/} | Interest | Average Rate |
| | S\$m | S\$m | % | S\$m | S\$m | % |
| Assets | | | | | | |
| Loans and advances to non-bank customers | 48,309 | 1,791 | 3.71 | 47,739 | 2,055 | 4.30 |
| Placements with and loans to banks | 14,526 | 267 | 1.84 | 14,941 | 312 | 2.09 |
| Other interest earning assets ^{2/} | 12,610 | 322 | 2.55 | 11,913 | 363 | 3.04 |
| Total interest earning assets | 75,445 | 2,381 | 3.16 | 74,593 | 2,729 | 3.66 |
| Non-interest earning assets | 8,873 | - | - | 8,722 | - | - |
| Total assets ^{4/} | 84,317 | - | - | 83,315 | - | - |
| Liabilities | | | | | | |
| Deposits of non-bank customers and Floating rate negotiable certificates of deposits | 55,452 | 681 | 1.23 | 56,378 | 895 | 1.59 |
| Deposits and balances and banks | 12,135 | 158 | 1.30 | 11,695 | 210 | 1.79 |
| Other borrowings ^{3/} | 4,175 | 106 | 2.54 | 4,042 | 115 | 2.85 |
| Total interest bearing liabilities | 71,763 | 946 | 1.32 | 72,116 | 1,220 | 1.69 |
| Non-interest bearing liabilities ^{4/} | 2,780 | - | - | 2,189 | - | - |
| Total liabilities | 74,543 | - | - | 74,305 | - | - |
| Net interest income/margin^{4/} | | 1,435 | 1.90 | | 1,509 | 2.02 |

^{1/} Average balances are based on monthly averages

^{2/} Comprise debt securities, government securities and treasury bills

^{3/} Comprise debt securities issued, including the S\$3.88 billion Upper Tier 2 subordinated debt issued in July 2001, and bills payable

^{4/} 2002 figures have been re-stated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, 2002's net interest margins have been re-stated.

Net Interest Income (continued)

Average Balance Sheet (Quarterly Trend)

| | 4th Quarter 2003 | | | 4th Quarter 2002 | | | 3rd Quarter 2003 | | |
|--|----------------------------------|---------------------|-----------------|----------------------------------|---------------------|-----------------|----------------------------------|---------------------|-----------------|
| | Average Balance ^{1/} | Average Interest | Average Rate | Average Balance ^{1/} | Average Interest | Average Rate | Average Balance ^{1/} | Average Interest | Average Rate |
| | S\$m | S\$m | % | S\$m | S\$m | % | S\$m | S\$m | % |
| Assets | | | | | | | | | |
| Loans and advances to non-bank customers | 49,477 | 452 | 3.62 | 46,813 | 488 | 4.13 | 48,616 | 441 | 3.60 |
| Placements with and loans to banks | 12,977 | 66 | 2.00 | 16,428 | 83 | 2.00 | 14,511 | 62 | 1.69 |
| Other interest earning assets ^{2/} | 12,903 | 83 | 2.55 | 11,732 | 94 | 3.19 | 12,770 | 81 | 2.52 |
| Total interest earning assets | 75,357 | 600 | 3.16 | 74,973 | 665 | 3.52 | 75,897 | 585 | 3.06 |
| Non-interest earning assets | 9,502 | - | - | 8,715 | - | - | 8,508 | - | - |
| Total assets ^{4/} | 84,859 | - | - | 83,687 | - | - | 84,405 | - | - |
| Liabilities | | | | | | | | | |
| Deposits of non-bank customers and floating rate negotiable certificates of deposits | 55,295 | 159 | 1.14 | 55,369 | 208 | 1.49 | 54,758 | 160 | 1.16 |
| Deposits and balances of banks | 12,665 | 42 | 1.33 | 12,638 | 55 | 1.72 | 13,039 | 40 | 1.22 |
| Other borrowings ^{3/} | 4,188 | 30 | 2.82 | 4,070 | 26 | 2.52 | 4,192 | 26 | 2.48 |
| Total interest bearing liabilities | 72,147 | 231 | 1.27 | 72,077 | 288 | 1.59 | 71,988 | 226 | 1.24 |
| Non-interest bearing liabilities ^{4/} | 2,770 | - | - | 2,467 | - | - | 2,675 | - | - |
| Total liabilities | 74,917 | - | - | 74,544 | - | - | 74,663 | - | - |
| Net interest income/margin^{4/} | | 369 | 1.94 | | 376 | 1.99 | | 359 | 1.88 |

^{1/} Average balances are based on monthly averages

^{2/} Comprise debt securities, government securities and treasury bills

^{3/} Comprise debt securities issued, including the S\$3.88 billion Upper Tier 2 subordinated debt issued in July 2001, and bills payable

^{4/} 2002 figures have been re-stated to net off provisions against the assets, instead of reporting provisions as non-interest bearing liabilities. Consequently, 2002's net interest margins have been re-stated.

Non-Interest Income

| | Full Year 2003 | Full Year 2002 | + / (-) % | 4th Qtr 2003 | 4th Qtr 2002 | + / (-) % | 3rd Qtr 2003 |
|---------------------------------------|-------------------|-------------------|--------------|-----------------|-----------------|--------------|-----------------|
| | S\$m | S\$m | | S\$m | S\$m | | S\$m |
| Fee and commission income | | | | | | | |
| Brokerage | 62 | 57 | 8 | 19 | 10 | 87 | 22 |
| Bancassurance | 33 | 35 | (7) | 12 | 12 | 2 | 8 |
| Unit trust distribution | 35 | 44 | (21) | 8 | 5 | 79 | 11 |
| Fund management | 19 | 17 | 12 | 5 | 4 | 22 | 5 |
| Credit cards | 30 | 27 | 11 | 9 | 8 | 18 | 7 |
| Loan-related | 73 | 68 | 8 | 17 | 24 | (30) | 18 |
| Trade-related | 30 | 32 | (4) | 8 | 8 | 0 | 8 |
| Guarantees | 18 | 18 | (4) | 4 | 4 | (19) | 4 |
| Investment banking | 12 | 14 | (14) | 4 | 3 | 39 | 3 |
| Service charges | 53 | 50 | 6 | 16 | 11 | 50 | 12 |
| Others | 8 | 12 | (34) | 1 | 2 | (74) | 3 |
| Total | 373 | 374 | (0) | 103 | 91 | 13 | 100 |
| Dividends | 75 | 34 | 122 | 8 | 4 | 83 | 36 |
| Rental income | 64 | 77 | (17) | 18 | 17 | 6 | 16 |
| Other income | | | | | | | |
| Dealing in foreign exchange | 61 | 48 | 27 | 16 | 16 | 1 | 14 |
| Dealing in securities and derivatives | (19) | 61 | n.m. | (10) | 35 | n.m. | (38) |
| Disposal of investment securities | 92 | 47 | 97 | 7 | # | n.m. | 82 |
| Disposal of associated companies | 0 | 10 | (100) | 0 | 10 | (100) | 0 |
| Disposal of properties | 47 | # | n.m. | 46 | # | n.m. | # |
| Others | 66 | 62 | 6 | 17 | 18 | (10) | 20 |
| Total | 247 | 228 | 8 | 76 | 79 | (4) | 78 |
| Total non-interest income | 758 | 712 | 6 | 206 | 192 | 7 | 230 |
| Fees and Commissions/Total Income | 17.0% | 16.8% | | 18.0% | 16.1% | | 16.9% |
| Non-Interest Income/Total Income | 34.6% | 32.1% | | 35.8% | 33.8% | | 39.1% |

- Amount under S\$500,000.

Total non-interest income grew by 6% to S\$758 million in 2003, boosted by the gains from divestments of non-core assets which contributed a total of S\$128 million, reflected under dividend income and other income. The gains comprised S\$78 million from disposal of F&N shares, S\$46 million from the sale of a residential development site at Mount Emily Road, and S\$4 million from disposal of WBL Corporation shares.

Fee and commission income amounted to S\$373 million in 2003, largely unchanged from 2002. Growth in brokerage income, loan-related fees, credit card and fund management income offset the lower income from unit trusts and bancassurance which was mainly due to the weak investment sentiments in the first half of the year.

The Group recorded a net loss of S\$19 million in securities and derivatives dealing in 2003, compared to a net gain of S\$61 million in 2002. In the second half of the year, an unexpected spike in long term interest rates resulted in losses from the disposal of Singapore Government Securities and corporate debt securities, the latter comprising mainly securities related to a primary market underwriting deal. The S\$19 million net loss also included some unrealised losses on interest rate derivatives.

Compared to 4Q02, non-interest income in 4Q03 grew by 7% to S\$206 million. The gain from the sale of the Mount Emily property and the higher fee and commission income more than offset the loss in securities and derivatives dealing.

Operating Expenses

| | Full Year 2003 | Full Year 2002 | + / (-) | 4th Qtr 2003 | 4th Qtr 2002 | + / (-) | 3rd Qtr 2003 |
|--|-------------------|-------------------|---------|-----------------|-----------------|---------|-----------------|
| | S\$m | S\$m | % | S\$m | S\$m | % | S\$m |
| Staff costs | 478 | 465 | 3 | 119 | 113 | 5 | 121 |
| Premises and equipment | | | | | | | |
| Depreciation of fixed assets | 81 | 73 | 12 | 17 | 20 | (15) | 18 |
| Amortisation of computer software costs | 20 | 11 | 86 | 6 | 3 | 81 | 5 |
| Maintenance and hire of fixed assets | 36 | 24 | 49 | 8 | 6 | 34 | 7 |
| Rental expenses | 18 | 22 | (17) | 4 | 4 | 17 | 4 |
| Others | 69 | 62 | 10 | 15 | 18 | (15) | 18 |
| Total | 225 | 192 | 17 | 50 | 51 | (1) | 52 |
| Other operating expenses | 157 | 178 | (12) | 47 | 52 | (10) | 41 |
| | 860 | 835 | 3 | 216 | 216 | (0) | 214 |
| Restructuring and other integration costs | (5) | 14 | n.m. | # | 1 | (89) | # |
| Total operating expenses | 855 | 849 | 1 | 216 | 217 | (0) | 214 |
| Group staff strength – period end | 7,424 | 7,477 | (1) | 7,424 | 7,477 | (1) | 7,394 |
| Group staff strength – average | 7,350 | 7,777 | (5) | 7,398 | 7,485 | (1) | 7,347 |
| Cost-to-income ratio | 39.0% | 38.2% | | 37.6% | 38.1% | | 36.4% |

- Amount under S\$500,000.

Costs were managed tightly during 2003 in view of the sluggish economic environment. Compared to 2002, operating expenses rose only marginally by 1%, to S\$855 million.

Increases in staff costs and premises and equipment costs were offset by lower professional and business promotion costs. Premises and equipment costs rose by 17% as a result of a S\$10 million write-off of fixed assets in the second quarter, coupled with higher computer charges and amortisation of software costs following the commissioning of the new core banking system in 2002.

The Group's cost-to-income ratio for 2003 was 39.0%, slightly above the 38.2% in 2002.

Provision Charge

| | Full Year 2003 | Full Year 2002 | + / (-) | 4th Qtr 2003 | 4th Qtr 2002 | + / (-) | 3rd Qtr 2003 |
|--|-------------------|-------------------|-------------|-----------------|-----------------|-------------|-----------------|
| | S\$m | S\$m | % | S\$m | S\$m | % | S\$m |
| Specific provision for loan losses | | | | | | | |
| – Singapore | 191 | 221 | (14) | 34 | 16 | 117 | 37 |
| – Malaysia | 55 | 111 | (50) | 12 | 46 | (73) | 4 |
| – Other regional countries | (27) | 6 | n.m. | # | 1 | n.m. | (9) |
| – Others | (25) | 27 | n.m. | 1 | (8) | n.m. | (2) |
| Sub-Total | 194 | 365 | (47) | 47 | 55 | (15) | 30 |
| General provision for loan losses | | | | | | | |
| – Five regional countries ^{1/} | (31) | (23) | n.m. | # | 1 | (92) | # |
| – Singapore & others | 5 | (5) | n.m. | 2 | # | 4,134 | 2 |
| Sub-Total | (26) | (27) | n.m. | 2 | 1 | 167 | 2 |
| Specific provision for diminution in value of investment securities and other assets | 57 | 163 | (65) | 5 | 74 | (92) | 5 |
| Total provision charge | 225 | 501 | (55) | 54 | 130 | (58) | 37 |

^{1/} Five regional countries comprise Malaysia, Indonesia, Thailand, South Korea and the Philippines
- Amount under S\$500,000.

Total provisions in 2003 amounted to S\$225 million, a decrease of 55% from S\$501 million in 2002.

Specific provisions for loans fell by 47% from S\$365 million in 2002 to S\$194 million in 2003. Provisions for both new and existing NPLs were lower, reflecting the substantial progress made in strengthening the Group's credit processes and overall asset quality, coupled with a gradually improving economic environment during the latter half of 2003.

Specific provisions for diminution in value of investment securities and other assets also registered a sharp decline, from S\$163 million in 2002 to S\$57 million in 2003. Provisions for the Group's properties fell from S\$84 million to S\$49 million, while provisions for investments and other assets fell from S\$79 million to S\$8 million.

There was a net write-back of general provisions amounting to S\$26 million in 2003, compared to S\$27 million net write-back in 2002.

In 4Q03, total provisions were S\$54 million, a decline of 58% year-on-year. The decline came largely from lower provisions for properties and investments.

Loans and Advances

| | 31 Dec 2003 | 31 Dec 2002 | + / (-) | 30 Sep 2003 |
|--------------------------|--------------------|--------------------|----------------|--------------------|
| | S\$m | S\$m | % | S\$m |
| Loans to customers | 52,159 | 49,587 | 5 | 51,083 |
| Bills receivable | 429 | 297 | 44 | 317 |
| | <hr/> | <hr/> | | <hr/> |
| Gross loans to customers | 52,589 | 49,884 | 5 | 51,400 |
| Less Provisions: | | | | |
| Specific provisions | 1,251 | 1,306 | (4) | 1,250 |
| General provisions | 1,183 | 1,211 | (2) | 1,183 |
| | <hr/> | <hr/> | | <hr/> |
| Net loans to customers | 50,155 | 47,367 | 6 | 48,967 |

Loans to customers grew by 5% year-on-year to S\$52.59 billion as at 31 December 2003, driven by growth in consumer loans. Housing loans expanded by 25% to S\$15.38 billion, boosted by the new HDB (Housing Development Board) home loan market as well as growth in the Malaysia portfolio. Loans to professionals and individuals increased by 7% to S\$8.13 billion, driven mainly by car loans and other individual loans.

| | 31 Dec 2003 | | 31 Dec 2002 | | 30 Sep 2003 | |
|---------------------------|--------------------|------------|--------------------|------------|--------------------|------------|
| | S\$m | % | S\$m | % | S\$m | % |
| <u>By Maturity</u> | | | | | | |
| Less than 7 days | 8,267 | 16 | 9,292 | 19 | 8,494 | 17 |
| 1 week to 1 month | 3,037 | 6 | 3,630 | 7 | 3,355 | 7 |
| Over 1 to 3 months | 3,128 | 6 | 3,077 | 6 | 3,402 | 7 |
| Over 3 to 12 months | 5,244 | 10 | 5,026 | 10 | 4,453 | 9 |
| Over 1 to 3 years | 9,686 | 18 | 8,206 | 16 | 9,211 | 18 |
| Over 3 years | 23,227 | 44 | 20,652 | 42 | 22,485 | 42 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 52,589 | 100 | 49,884 | 100 | 51,400 | 100 |

By Industry

| | | | | | | |
|---|---------------|------------|---------------|------------|---------------|------------|
| Agriculture, mining & quarrying | 519 | 1 | 437 | 1 | 498 | 1 |
| Transport, storage and communication | 1,525 | 3 | 1,753 | 4 | 1,500 | 3 |
| Building and construction | 7,302 | 14 | 7,453 | 15 | 7,519 | 15 |
| Manufacturing | 3,265 | 6 | 3,455 | 7 | 3,356 | 7 |
| Financial institutions, investment and holding companies | 8,924 | 17 | 9,047 | 18 | 8,605 | 17 |
| General commerce | 3,065 | 6 | 3,208 | 6 | 3,046 | 6 |
| Professionals and individuals | 8,129 | 15 | 7,613 | 15 | 8,380 | 16 |
| Housing loans | 15,382 | 29 | 12,313 | 25 | 14,520 | 28 |
| Others | 4,478 | 9 | 4,605 | 9 | 3,976 | 7 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 52,589 | 100 | 49,884 | 100 | 51,400 | 100 |

Non-Performing Loans

By grading, security coverage and countries

| | Total NPLs ^{1/} | Sub-Standard NPLs | Doubtful NPLs | Loss NPLs | Secured NPLs as % of total NPLs | Non-bank NPLs as % of non-bank loans ^{2/} |
|--------------------------------------|--------------------------|-------------------|---------------|------------|---------------------------------|--|
| Malaysia | S\$m | S\$m | S\$m | S\$m | % | % |
| 31 Dec 2003 | 1,068 | 699 | 126 | 243 | 69.3 | 11.3 |
| 30 Sep 2003 | 1,105 | 729 | 147 | 229 | 70.2 | 11.9 |
| 31 Dec 2002 | 1,199 | 831 | 183 | 186 | 70.7 | 14.2 |
| Other Four Regional Countries | | | | | | |
| 31 Dec 2003 | 140 | 17 | 100 | 24 | 22.8 | 30.8 |
| 30 Sep 2003 | 148 | 18 | 105 | 24 | 22.5 | 31.7 |
| 31 Dec 2002 | 208 | 23 | 156 | 28 | 28.4 | 34.1 |
| Total Regional Countries | | | | | | |
| 31 Dec 2003 | 1,208 | 716 | 225 | 267 | 63.9 | 12.4 |
| 30 Sep 2003 | 1,253 | 748 | 252 | 253 | 64.5 | 13.0 |
| 31 Dec 2002 | 1,407 | 854 | 339 | 214 | 64.5 | 15.8 |
| Singapore | | | | | | |
| 31 Dec 2003 | 2,389 | 1,725 | 498 | 166 | 65.0 | 6.2 |
| 30 Sep 2003 | 2,388 | 1,706 | 507 | 176 | 68.2 | 6.3 |
| 31 Dec 2002 | 2,646 | 1,952 | 502 | 192 | 69.9 | 7.3 |
| Others | | | | | | |
| 31 Dec 2003 | 237 | 155 | 82 | # | 53.0 | 3.6 |
| 30 Sep 2003 | 249 | 165 | 84 | # | 53.5 | 3.9 |
| 31 Dec 2002 | 304 | 148 | 96 | 61 | 32.9 | 3.5 |
| Group Total | | | | | | |
| 31 Dec 2003 | 3,834 | 2,596 | 805 | 433 | 63.9 | 6.9 |
| 30 Sep 2003 | 3,890 | 2,619 | 842 | 429 | 66.1 | 7.1 |
| 31 Dec 2002 | 4,356 | 2,953 | 936 | 467 | 65.6 | 8.1 |

^{1/} Comprise non-bank loans, debt securities and contingent facilities

^{2/} Excluding debt securities

- Amount under S\$500,000.

Continued progress was made in reducing the Group's NPLs, both in absolute terms and as a proportion of total loans.

Compared to 31 December 2002, total NPLs declined by 12% or S\$521 million to S\$3.83 billion as at 31 December 2003. Singapore NPLs of S\$2.39 billion accounted for 62.3% of the Group's total NPLs, while Malaysia NPLs of S\$1.07 billion made up 27.9%. Of the total NPLs, 67.7% were in the substandard category while 63.9% were secured by collateral.

Non-Performing Loans (continued)

The ratio of NPLs to non-bank loans improved from 8.1% as at 31 December 2002 to 6.9% as at 31 December 2003. The Singapore NPL ratio fell from 7.3% to 6.2%, while the Malaysia NPL ratio improved from 14.2% to 11.3%.

| | 31 Dec 2003 | | 31 Dec 2002 | | 30 Sep 2003 | |
|--|-------------|------|-------------|------|-------------|------|
| | S\$m | % | S\$m | % | S\$m | % |
| By industry ^{1/} | | | | | | |
| Agriculture, mining & quarrying | 33 | 6.4 | 39 | 8.9 | 32 | 6.4 |
| Transport, storage and communication | 131 | 8.6 | 72 | 4.1 | 131 | 8.7 |
| Building and construction | 763 | 10.4 | 756 | 10.1 | 709 | 9.4 |
| Manufacturing | 497 | 15.2 | 680 | 19.7 | 511 | 15.2 |
| Financial institutions, investment and holding companies | 524 | 5.9 | 768 | 8.5 | 668 | 7.8 |
| General commerce | 463 | 15.1 | 539 | 16.8 | 487 | 16.0 |
| Professionals and individuals | 600 | 7.4 | 582 | 7.6 | 515 | 6.1 |
| Housing loans | 223 | 1.4 | 227 | 1.8 | 200 | 1.4 |
| Others | 393 | 8.8 | 379 | 8.2 | 411 | 10.3 |
| Sub-total | 3,627 | 6.9 | 4,042 | 8.1 | 3,664 | 7.1 |
| Debt securities | 207 | | 314 | | 226 | |
| Total | 3,834 | 7.3 | 4,356 | 8.7 | 3,890 | 7.6 |

^{1/} The percentages refer to the amount of NPLs over gross customer loans in each industry.

| | 31 Dec 2003 | | 31 Dec 2002 | | 30 Sep 2003 | |
|--------------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|
| | Balance S\$m | As % of Total NPLs | Balance S\$m | As % of Total NPLs | Balance S\$m | As % of Total NPLs |
| By period overdue | | | | | | |
| Over 180 days | 2,224 | 58 | 2,339 | 54 | 2,246 | 58 |
| Over 90 to 180 days | 302 | 8 | 567 | 13 | 247 | 6 |
| Over 30 to 90 days | 242 | 6 | 267 | 6 | 341 | 9 |
| Less than 30 days | 136 | 4 | 208 | 5 | 110 | 3 |
| No overdue | 930 | 24 | 975 | 22 | 946 | 24 |
| | 3,834 | 100 | 4,356 | 100 | 3,890 | 100 |

Cumulative Provisions

| | Total cumulative provisions ^{1/} | Specific provisions | General provisions | Specific provisions as % of total NPLs | Total cumulative provisions as % of total NPLs | Total cumulative provisions as % of unsecured NPLs |
|--------------------------------------|---|---------------------|--------------------|--|--|--|
| | S\$m | S\$m | S\$m | % | % | % |
| Malaysia | | | | | | |
| 31 Dec 2003 | 766 | 402 | 363 | 37.6 | 71.7 | 233.3 |
| 30 Sep 2003 | 769 | 404 | 366 | 36.5 | 69.6 | 233.2 |
| 31 Dec 2002 | 743 | 377 | 366 | 31.5 | 62.0 | 211.9 |
| Other Four Regional Countries | | | | | | |
| 31 Dec 2003 | 340 | 127 | 213 | 90.9 | 242.8 | 314.7 |
| 30 Sep 2003 | 342 | 129 | 213 | 87.4 | 231.6 | 298.9 |
| 31 Dec 2002 | 415 | 171 | 244 | 82.6 | 200.1 | 279.4 |
| Total Regional Countries | | | | | | |
| 31 Dec 2003 | 1,106 | 529 | 576 | 43.8 | 91.5 | 253.4 |
| 30 Sep 2003 | 1,111 | 532 | 579 | 42.5 | 88.7 | 250.1 |
| 31 Dec 2002 | 1,159 | 549 | 610 | 39.0 | 82.4 | 232.0 |
| Singapore | | | | | | |
| 31 Dec 2003 | 1,282 | 771 | 511 | 32.3 | 53.7 | 153.5 |
| 30 Sep 2003 | 1,282 | 772 | 509 | 32.3 | 53.7 | 168.6 |
| 31 Dec 2002 | 1,305 | 800 | 506 | 30.2 | 49.3 | 164.1 |
| Others | | | | | | |
| 31 Dec 2003 | 179 | 84 | 95 | 35.5 | 75.7 | 161.1 |
| 30 Sep 2003 | 181 | 86 | 95 | 34.5 | 72.6 | 156.0 |
| 31 Dec 2002 | 253 | 158 | 95 | 52.0 | 83.2 | 124.0 |
| Group Total | | | | | | |
| 31 Dec 2003 | 2,568 | 1,385 | 1,183 | 36.1 | 67.0 | 185.6 |
| 30 Sep 2003 | 2,574 | 1,391 | 1,183 | 35.8 | 66.2 | 194.9 |
| 31 Dec 2002 | 2,717 | 1,506 | 1,211 | 34.6 | 62.4 | 181.2 |

^{1/} Include provisions for debt securities

Total cumulative specific and general provisions amounted to S\$2.57 billion as at 31 December 2003. These represent 67.0% of total NPLs, an improvement from the coverage of 62.4% as at 31 December 2002. Cumulative specific provisions covered 100.1% of unsecured NPLs, similar to the level at 31 December 2002. In addition, cumulative general provisions were 2.3% (December 2002: 2.5%) of total non-bank loans (net of specific provisions).

Exposure to the Five Regional Countries, Hong Kong and China

| | Loans and debt securities | | | Investments | Gross Exposure | Less: Loans to and investment in subsidiaries /branches | Net Exposure | |
|--------------------------------------|---------------------------|-----------------------------|---------------|-------------|----------------|---|---------------|-------------------|
| | Bank | Central Bank and Government | Non-Bank | | | | Total | % of Group assets |
| | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m | % |
| Malaysia | | | | | | | | |
| 31 Dec 2003 | 2,954 | 3,210 | 8,164 | 579 | 14,907 | 2,494 | 12,413 | 14.7 |
| 30 Sep 2003 | 2,739 | 3,115 | 7,861 | 581 | 14,296 | 2,346 | 11,950 | 14.2 |
| 31 Dec 2002 | 1,259 | 2,823 | 7,078 | 590 | 11,750 | 1,229 | 10,522 | 12.5 |
| Indonesia | | | | | | | | |
| 31 Dec 2003 | 91 | 121 | 285 | 68 | 566 | 68 | 498 | 0.6 |
| 30 Sep 2003 | 98 | 144 | 303 | 68 | 613 | 78 | 535 | 0.6 |
| 31 Dec 2002 | 181 | 105 | 356 | 50 | 692 | 49 | 643 | 0.8 |
| Thailand | | | | | | | | |
| 31 Dec 2003 | 70 | 46 | 87 | # | 203 | 55 | 148 | 0.2 |
| 30 Sep 2003 | 67 | 36 | 90 | # | 193 | 46 | 147 | 0.2 |
| 31 Dec 2002 | 74 | 33 | 108 | # | 215 | 58 | 157 | 0.2 |
| Korea | | | | | | | | |
| 31 Dec 2003 | 387 | 34 | 111 | 0 | 532 | 26 | 505 | 0.6 |
| 30 Sep 2003 | 383 | 35 | 73 | 0 | 491 | 28 | 463 | 0.5 |
| 31 Dec 2002 | 228 | 35 | 102 | 0 | 364 | 27 | 337 | 0.4 |
| Philippines | | | | | | | | |
| 31 Dec 2003 | 35 | 16 | 38 | 1 | 90 | 1 | 89 | 0.1 |
| 30 Sep 2003 | 26 | 17 | 39 | 1 | 83 | 1 | 82 | 0.1 |
| 31 Dec 2002 | 25 | 17 | 28 | 5 | 74 | 5 | 69 | 0.1 |
| Total Five Regional Countries | | | | | | | | |
| 31 Dec 2003 | 3,536 | 3,428 | 8,686 | 648 | 16,298 | 2,646 | 13,652 | 16.2 |
| 30 Sep 2003 | 3,313 | 3,347 | 8,366 | 650 | 15,676 | 2,499 | 13,177 | 15.6 |
| 31 Dec 2002 | 1,767 | 3,012 | 7,671 | 645 | 13,095 | 1,367 | 11,727 | 14.0 |
| Hong Kong | | | | | | | | |
| 31 Dec 2003 | 421 | 28 | 1,274 | 19 | 1,742 | 9 | 1,733 | 2.1 |
| 30 Sep 2003 | 921 | 29 | 1,191 | 21 | 2,162 | 9 | 2,153 | 2.6 |
| 31 Dec 2002 | 528 | 29 | 1,312 | 23 | 1,892 | 9 | 1,883 | 2.2 |
| China | | | | | | | | |
| 31 Dec 2003 | 592 | 7 | 891 | 3 | 1,493 | 370 | 1,123 | 1.3 |
| 30 Sep 2003 | 605 | 9 | 721 | 4 | 1,339 | 367 | 972 | 1.2 |
| 31 Dec 2002 | 476 | 16 | 1,002 | 9 | 1,503 | 345 | 1,158 | 1.4 |
| Total | | | | | | | | |
| 31 Dec 2003 | 4,549 | 3,463 | 10,851 | 670 | 19,533 | 3,024 | 16,508 | 19.5 |
| 30 Sep 2003 | 4,839 | 3,385 | 10,278 | 675 | 19,178 | 2,875 | 16,303 | 19.3 |
| 31 Dec 2002 | 2,770 | 3,057 | 9,985 | 677 | 16,489 | 1,721 | 14,768 | 17.6 |

- Amount under S\$500,000.

The Group's net exposure to the five regional countries – Malaysia, Indonesia, Thailand, the Philippines and South Korea – was S\$13.65 billion as at 31 December 2003, an increase of 16% compared to the end of 2002. This exposure amounted to 16.2% of the Group's total assets. The increase was largely from Malaysia, which accounted for 14.7% of Group assets.

Deposits

| | <u>31 Dec 2003</u> | <u>31 Dec 2002</u> | <u>+ / (-)</u> | <u>30 Sep 2003</u> |
|---|--------------------|--------------------|----------------|--------------------|
| | S\$m | S\$m | % | S\$m |
| Deposits of non-bank customers | 53,460 | 53,948 | (1) | 53,892 |
| Deposits and balances of banks | 12,480 | 12,621 | (1) | 12,634 |
| | 65,940 | 66,569 | (1) | 66,526 |
| Loans-to-deposits ratio (net non-bank loans/non-bank deposits) | 93.8% | 87.8% | | 90.9% |

Total deposits and non-bank customer deposits both declined by a marginal 1%, to S\$65.94 billion and S\$53.46 billion respectively as at 31 December 2003. The decline in non-bank deposits was attributed to lower fixed deposits, which was largely offset by higher savings and current account deposits.

The Group's loans-to-deposits ratio rose from 87.8% at the end of 2002 to 93.8% as at 31 December 2003, largely reflecting the 5% loan growth in 2003.

| | <u>31 Dec 2003</u> | | <u>31 Dec 2002</u> | | <u>30 Sep 2003</u> | |
|-----------------------------------|--------------------|------------|--------------------|------------|--------------------|------------|
| | S\$m | % | S\$m | % | S\$m | % |
| Total Deposits By Maturity | | | | | | |
| Less than 7 days | 28,489 | 43 | 25,715 | 38 | 28,454 | 42 |
| 1 week to 1 month | 17,898 | 27 | 18,327 | 28 | 16,354 | 25 |
| Over 1 to 3 months | 9,420 | 14 | 11,779 | 18 | 9,651 | 15 |
| Over 3 to 12 months | 9,091 | 14 | 9,598 | 14 | 10,957 | 16 |
| Over 1 to 3 years | 617 | 1 | 714 | 1 | 737 | 1 |
| Over 3 years | 425 | 1 | 436 | 1 | 373 | 1 |
| | 65,940 | 100 | 66,569 | 100 | 66,526 | 100 |

Non-Bank Deposits By Product

| | | | | | | |
|------------------|---------------|------------|---------------|------------|---------------|------------|
| Fixed deposits | 34,273 | 64 | 36,176 | 67 | 34,359 | 64 |
| Savings deposits | 11,131 | 21 | 10,802 | 20 | 11,225 | 21 |
| Current account | 6,108 | 11 | 5,294 | 10 | 6,146 | 11 |
| Others | 1,948 | 4 | 1,676 | 3 | 2,162 | 4 |
| | 53,460 | 100 | 53,948 | 100 | 53,892 | 100 |

Capital Adequacy Ratios

| | <u>31 Dec 2003</u> | <u>31 Dec 2002</u> | <u>30 Sep 2003</u> |
|--|----------------------|--------------------|--------------------|
| | S\$m | S\$m | S\$m |
| Tier 1 Capital | | | |
| Paid-up ordinary and preference shares | 1,284 | 1,290 | 1,284 |
| Disclosed reserves/others | 8,681 | 7,802 | 8,478 |
| Less: Goodwill | 2,072 | 2,199 | 2,104 |
| | <u>7,893</u> | <u>6,894</u> | <u>7,658</u> |
| Tier 2 Capital | | | |
| Asset revaluation reserves ^{1/} | 1,302 | 1,121 | 1,308 |
| Cumulative general provisions | 607 | 597 | 604 |
| Hybrid (debt/equity) capital instruments | 3,857 | 3,879 | 3,857 |
| | <u>5,766</u> | <u>5,597</u> | <u>5,769</u> |
| Less: Capital deductions for private equity and venture capital investments | 2 | 5 | 3 |
| Total Capital | <u>13,657</u> | <u>12,486</u> | <u>13,424</u> |
| Risk weighted assets including market risk | 62,723 | 59,884 | 62,301 |
| Tier 1 ratio | 12.6% | 11.5% | 12.3% |
| Total capital adequacy ratio | 21.8% | 20.9% | 21.5% |

^{1/} After discount of 55% based on Bank for International Settlements (BIS) guidelines

Note: Capital adequacy ratio is calculated in accordance with the Basel Committee on Banking Supervision guidelines

The Group's total capital adequacy ratio remained strong at 21.8% as at 31 December 2003 compared to 20.9% as at 31 December 2002. The Tier 1 capital ratio increased from 11.5% to 12.6% over the same period.

Various capital management initiatives were undertaken during the year to enhance the Group's overall capital structure and to enhance the return for shareholders:

- During the year, the Bank issued two tranches of non-cumulative, non-convertible Tier 1 preference shares, raising a total of S\$895 million. This amount comprised S\$500 million of OCBC Class E 4.5% preference shares, and S\$395 million of OCBC Class G 4.2% preference shares.
- In July 2003, a special cash dividend of 49.75 cents (net) per ordinary share was paid to ordinary shareholders, with an option to elect to receive the Class G preference shares in lieu of the cash dividend. A total cash payment of S\$434 million was paid to shareholders who have elected for the cash dividend.
- On 17 September 2003, a selective capital reduction exercise was completed, under which 12,138,915 ordinary shares held by F&N were cancelled in exchange for cash of S\$8.63 per share, or S\$105 million in total. This exercise reduced the Bank's issued and paid-up ordinary share capital by 0.94%.

Valuation Surplus

| | 31 Dec 2003 | | | 31 Dec 2002 | | | 30 Sep 2003 | | |
|-------------------------------|----------------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|--------------|
| | Net book value | Market value | Surplus | Net book value | Market value | Surplus | Net book value | Market value | Surplus |
| | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m | S\$m |
| Properties | 1,274 | 2,664 | 1,390 | 1,360 | 2,901 | 1,542 | 1,298 | 2,756 | 1,458 |
| Equity securities | 1,466 | 3,499 | 2,033 | 1,431 | 2,911 | 1,480 | 1,412 | 3,349 | 1,937 |
| Debt securities ^{1/} | 13,438 | 13,587 | 149 | 12,050 | 12,301 | 252 | 12,627 | 12,796 | 169 |
| Total investments | 16,178 | 19,750 | 3,571 | 14,840 | 18,114 | 3,273 | 15,338 | 18,901 | 3,563 |

^{1/} Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$3.57 billion as at 31 December 2003, an increase of 9% compared to 31 December 2002. The increase was attributable mainly to the appreciation in the share price of associate Great Eastern Holdings. Equity securities accounted for S\$2.03 billion or 57% of the surplus while properties accounted for S\$1.39 billion or 39%.

Performance by Business Segment

For the purpose of financial reporting, OCBC Group's businesses are presented under four main segments representing the key customer and product groups: Consumer Banking, Business Banking, Global Treasury and Others.

Net Profit by Business Segment

| | Full Year 2003 | Full Year 2002 | + / (-) |
|------------------------------|----------------|----------------|---------|
| | S\$m | S\$m | % |
| Consumer Banking | 245 | 331 | (26) |
| Business Banking | 482 | 283 | 70 |
| Global Treasury | 138 | 198 | (30) |
| Others* | 38 | (140) | n.m. |
| | 903 | 672 | 34 |
| Goodwill Amortisation | (127) | (127) | - |
| Share of Associates' Profits | 180 | 124 | 45 |
| Minority Interests | (2) | (2) | - |
| Group | 954 | 667 | 43 |

* Includes gains from divestment of non-core assets in 2003 (S\$112 million net of tax), and provisions for diminution in value of investments and properties (2003: S\$60 million, 2002: S\$155 million).

Consumer Banking

Consumer Banking provides a full range of products and services to individuals, including deposit accounts, consumer loans such as housing loans and other personal loans, stock brokerage, unit trusts, bancassurance products and credit cards.

The segment's net profit decreased by 26% from 2002 to S\$245 million in 2003 due to lower interest margins as well as higher provisions.

Business Banking

Business Banking provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium-sized enterprises. The products and services offered include short term and long-term credit facilities, deposit and payment services, cash management, capital markets, corporate finance, trustee and custodian services.

Business Banking's net profit increased 70% to S\$482 million in 2003, due largely to lower provisions, reflecting the improvement in asset quality.

Performance by Business Segment *(continued)*

Global Treasury

Global Treasury engages and assists customers in foreign exchange activities, financial futures trading and money market operations, as well as customer-driven derivatives business. It has responsibility over the Group's treasury businesses in Singapore, Malaysia, Hong Kong, London and Sydney.

In 2003, Treasury's operations were adversely affected by the fall in government bond prices, resulting in a 30% fall in net profit to S\$138 million.

Others

The "Others" segment include asset management, property and investment holding, other investments and unallocated items including corporate overheads, divestment gains and provisions for diminution in value of investments, properties and other assets.

Performance by Business Segment *(continued)*

2003

| S\$ million | Consumer Banking | Business Banking | Global Treasury | Others | Group |
|--|---------------------|---------------------|--------------------|--------|---------------|
| Segment income before operating expenses | 832 | 903 | 238 | 220 | 2,193 |
| Profit before tax and goodwill amortisation | 310 | 599 | 183 | 22 | 1,114 |
| Tax | (65) | (117) | (45) | 16 | (211) |
| Net profit before goodwill amortisation | 245 | 482 | 138 | 38 | 903 |
| Goodwill amortisation | | | | | (127) |
| Profit after tax | | | | | 776 |
| Share of associates' profits (net of tax) | | | | | 180 |
| Minority interests | | | | | (2) |
| Profit attributable to shareholders | | | | | 954 |
| Segment assets | 25,781 | 35,236 | 17,888 | 2,426 | 81,331 |
| Associated companies' assets | | | | | 1,042 |
| Unallocated assets | | | | | 2,124 |
| Total assets | | | | | 84,497 |
| Segment liabilities | 30,346 | 28,552 | 13,292 | 1,825 | 74,015 |
| Unallocated liabilities | | | | | 404 |
| Total liabilities | | | | | 74,419 |
| Other information | | | | | |
| Loans | 24,400 | 28,033 | - | 156 | 52,589 |
| NPLs and debt securities: | | | | | |
| - Substandard | 543 | 2,053 | - | - | 2,596 |
| - Doubtful | 168 | 637 | - | - | 805 |
| - Loss | 171 | 262 | - | - | 433 |
| | 882 | 2,952 | - | - | 3,834 |
| Cumulative Specific Provisions for NPLs | (274) | (1,078) | - | - | (1,352) |
| | 608 | 1,874 | - | - | 2,482 |
| Capital expenditure | 12 | 3 | - | 32 | 47 |
| Depreciation of property, plant and equipment | 12 | 9 | 1 | 59 | 81 |
| Amortisation of software | 5 | 1 | - | 14 | 20 |

Performance by Business Segment *(continued)*

2002

| S\$ million | Consumer Banking | Business Banking | Global Treasury | Others | Group |
|--|---------------------|---------------------|--------------------|--------|---------------|
| Segment income before operating expenses | 872 | 950 | 273 | 127 | 2,222 |
| Profit before tax and goodwill amortisation | 430 | 380 | 235 | (173) | 872 |
| Tax | (99) | (97) | (37) | 33 | (200) |
| Net profit before goodwill amortisation | 331 | 283 | 198 | (140) | 672 |
| Goodwill amortisation | | | | | (127) |
| Profit after tax | | | | | 545 |
| Share of associates' profits (net of tax) | | | | | 124 |
| Minority interests | | | | | (2) |
| Profit attributable to shareholders | | | | | 667 |
| Segment assets | 22,756 | 35,969 | 19,311 | 2,850 | 80,886 |
| Associated companies' assets | | | | | 896 |
| Unallocated assets | | | | | 2,269 |
| Total assets | | | | | 84,051 |
| Segment liabilities | 30,892 | 27,258 | 11,240 | 4,963 | 74,353 |
| Unallocated liabilities | | | | | 455 |
| Total liabilities | | | | | 74,808 |
| Other information | | | | | |
| Loans | 21,342 | 28,413 | 1 | 128 | 49,884 |
| NPLs and debt securities: | | | | | |
| - Substandard | 623 | 2,330 | - | - | 2,953 |
| - Doubtful | 153 | 783 | - | - | 936 |
| - Loss | 100 | 367 | - | - | 467 |
| | 876 | 3,480 | - | - | 4,356 |
| Cumulative Specific Provisions for NPLs | (260) | (1,187) | - | - | (1,447) |
| | 616 | 2,293 | - | - | 2,909 |
| Capital expenditure | 15 | 3 | 2 | 67 | 87 |
| Depreciation of property, plant and equipment | 14 | 4 | 1 | 54 | 73 |
| Amortisation of software | 4 | 1 | - | 6 | 11 |

Performance by Geographical Segment

| | Full Year 2003 | | Full Year 2002 | | 4th Qtr 2003 | | 4th Qtr 2002 | | 3rd Qtr 2003 | |
|---|----------------|------------|----------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | S\$m | % | S\$m | % | S\$m | % | S\$m | % | S\$m | % |
| Income before operating expenses | | | | | | | | | | |
| Singapore | 1,706 | 78 | 1,710 | 77 | 446 | 78 | 450 | 79 | 469 | 79 |
| Malaysia | 332 | 15 | 332 | 15 | 90 | 15 | 81 | 14 | 82 | 14 |
| Other ASEAN | 18 | 1 | 21 | 1 | 4 | 1 | 7 | 1 | 4 | 1 |
| Asia Pacific | 100 | 5 | 126 | 6 | 26 | 5 | 22 | 4 | 24 | 4 |
| Rest of the world | 37 | 1 | 33 | 1 | 9 | 1 | 9 | 2 | 10 | 2 |
| | 2,193 | 100 | 2,222 | 100 | 575 | 100 | 569 | 100 | 589 | 100 |
| Profit before tax | | | | | | | | | | |
| Singapore | 983 | 80 | 692 | 76 | 308 | 84 | 254 | 107 | 282 | 78 |
| Malaysia | 150 | 13 | 103 | 11 | 45 | 12 | (23) | (10) | 49 | 14 |
| Other ASEAN | 12 | 1 | 2 | 0 | 2 | 1 | (8) | (3) | 6 | 2 |
| Asia Pacific | 51 | 4 | 86 | 10 | 4 | 1 | 9 | 4 | 14 | 4 |
| Rest of the world | 26 | 2 | 22 | 3 | 7 | 2 | 5 | 2 | 7 | 2 |
| | 1,222 | 100 | 906 | 100 | 366 | 100 | 237 | 100 | 358 | 100 |

| | 31 Dec 2003 | | 31 Dec 2002 | | 30 Sep 2003 | |
|---------------------|---------------|------------|---------------|------------|---------------|------------|
| | S\$m | % | S\$m | % | S\$m | % |
| Total assets | | | | | | |
| Singapore | 65,267 | 77 | 66,553 | 79 | 65,306 | 77 |
| Malaysia | 11,579 | 14 | 10,016 | 12 | 11,235 | 13 |
| Other ASEAN | 347 | 0 | 353 | 0 | 369 | 0 |
| Asia Pacific | 4,729 | 6 | 4,511 | 5 | 4,280 | 5 |
| Rest of the world | 2,575 | 3 | 2,619 | 4 | 3,152 | 4 |
| | 84,497 | 100 | 84,051 | 100 | 84,342 | 100 |

The analysis by geographical segment is based on the location where the assets or transactions are booked. The Group's Singapore and Malaysia operations accounted for 80% and 13% respectively of Group pretax profit in 2003, with the remaining contribution coming mainly from the Greater China operations.

Appendix I

Audited Group Income Statement

| | Full Year 2003 | Full Year 2002 | + / - | 4th Qtr 2003* | 4th Qtr 2002* | + / - | 3rd Qtr 2003* |
|--|-------------------|-------------------|--------------|------------------|------------------|--------------|------------------|
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % | S\$'000 |
| Interest income | 2,380,646 | 2,729,376 | (12.8) | 599,959 | 664,806 | (9.8) | 584,680 |
| Less: Interest expense | 945,650 | 1,219,889 | (22.5) | 231,156 | 288,388 | (19.8) | 225,821 |
| Net interest income | 1,434,996 | 1,509,487 | (4.9) | 368,803 | 376,418 | (2.0) | 358,859 |
| Fees and commissions | 372,827 | 374,022 | (0.3) | 103,235 | 91,387 | 13.0 | 99,640 |
| Dividends | 74,778 | 33,684 | 122.0 | 8,080 | 4,424 | 82.6 | 36,286 |
| Rental income | 63,539 | 76,605 | (17.1) | 18,191 | 17,108 | 6.3 | 16,166 |
| Other income | 246,885 | 227,833 | 8.4 | 76,261 | 79,426 | (4.0) | 78,136 |
| Income before operating expenses | 2,193,025 | 2,221,631 | (1.3) | 574,570 | 568,763 | 1.0 | 589,087 |
| Less: Staff costs | 477,850 | 464,765 | 2.8 | 119,126 | 112,792 | 5.6 | 120,654 |
| Other operating expenses | 376,778 | 384,493 | (2.0) | 97,081 | 103,817 | (6.5) | 93,483 |
| | 854,628 | 849,258 | 0.6 | 216,207 | 216,609 | (0.2) | 214,137 |
| Operating profit before provisions and goodwill amortisation | 1,338,397 | 1,372,373 | (2.5) | 358,363 | 352,154 | 1.8 | 374,950 |
| Less: Amortisation of goodwill | 126,644 | 126,995 | (0.3) | 31,664 | 31,751 | (0.3) | 31,682 |
| Provisions for possible loan losses and diminution in value of other assets | 224,959 | 500,608 | (55.1) | 54,074 | 130,013 | (58.4) | 37,214 |
| Operating profit after provisions and amortisation of goodwill | 986,794 | 744,770 | 32.5 | 272,625 | 190,390 | 43.2 | 306,054 |
| Share of profits less losses of associated companies | 234,865 | 160,822 | 46.0 | 93,651 | 46,721 | 100.4 | 52,010 |
| Profit before tax | 1,221,659 | 905,592 | 34.9 | 366,276 | 237,111 | 54.5 | 358,064 |
| Less: Tax | 210,763 | 199,726 | 5.5 | 68,078 | 61,544 | 10.6 | 53,413 |
| Share of tax of associated companies | 55,137 | 37,028 | 48.9 | 19,226 | 5,860 | 228.1 | 12,332 |
| | 265,900 | 236,754 | 12.3 | 87,304 | 67,404 | 29.5 | 65,745 |
| Profit after tax | 955,759 | 668,838 | 42.9 | 278,972 | 169,707 | 64.4 | 292,319 |
| Less: Minority interests | 1,635 | 2,130 | (23.2) | 416 | 839 | (50.4) | 463 |
| Profit attributable to shareholders | 954,124 | 666,708 | 43.1 | 278,556 | 168,868 | 65.0 | 291,856 |

* - Unaudited

Appendix II

Audited Group Balance Sheet

| | 31 Dec 2003 S\$'000 | 31 Dec 2002 S\$'000 | 30 Sep 2003* S\$'000 |
|--|------------------------|------------------------|-------------------------|
| SHAREHOLDERS' EQUITY | | | |
| Share Capital | | | |
| Authorised | 2,010,838 | 2,000,000 | 2,010,841 |
| Issued and fully paid | 1,284,084 | 1,290,299 | 1,283,503 |
| Reserves | | | |
| Capital reserves | 2,329,076 | 1,505,515 | 2,342,284 |
| Statutory reserves | 1,854,303 | 1,936,244 | 1,984,350 |
| Revenue reserves | 4,591,450 | 4,492,164 | 4,195,961 |
| Total shareholders' equity | 10,058,913 | 9,224,222 | 9,806,098 |
| MINORITY INTERESTS | 19,879 | 18,928 | 20,044 |
| LIABILITIES | | | |
| Deposits of non-bank customers | 53,459,680 | 53,947,536 | 53,892,462 |
| Deposits and balances of banks | 12,480,794 | 12,621,149 | 12,633,799 |
| Deposits of associated companies | 1,457,708 | 1,454,366 | 1,168,398 |
| Bills payable | 185,233 | 177,164 | 184,785 |
| Current tax | 327,667 | 321,765 | 284,426 |
| Deferred tax | 76,043 | 133,498 | 97,050 |
| Other liabilities | 2,421,286 | 2,140,546 | 2,245,819 |
| Debt securities | 4,010,223 | 4,012,214 | 4,009,408 |
| Total liabilities and shareholders' equity | 84,497,426 | 84,051,388 | 84,342,289 |
| ASSETS | | | |
| Cash and placements with central banks | 4,035,863 | 2,858,403 | 2,371,877 |
| Singapore government treasury bills and securities | 6,151,111 | 5,966,732 | 5,866,808 |
| Other government treasury bills and securities | 1,054,618 | 984,145 | 1,131,420 |
| Dealing securities | 235,541 | 173,076 | 262,335 |
| Placements with and loans to banks | 9,649,818 | 14,458,968 | 13,381,203 |
| Loans to customers (include bills receivable) | 50,155,117 | 47,367,213 | 48,966,632 |
| Investment securities | 6,294,827 | 5,310,085 | 5,675,060 |
| Deferred tax | 53,670 | 70,416 | 74,204 |
| Other assets | 2,182,934 | 2,044,580 | 1,935,744 |
| | 79,813,499 | 79,233,618 | 79,665,283 |
| Associated companies | 1,177,137 | 1,047,441 | 1,103,653 |
| Property, plant and equipment | 1,434,736 | 1,571,646 | 1,469,635 |
| Goodwill | 2,072,054 | 2,198,683 | 2,103,718 |
| Total assets | 84,497,426 | 84,051,388 | 84,342,289 |
| OFF-BALANCE SHEET ITEMS | | | |
| Contingent liabilities | 5,829,577 | 5,848,394 | 5,727,063 |
| Commitments | 27,261,292 | 28,288,944 | 28,313,662 |
| Financial derivatives | 191,246,606 | 184,769,732 | 180,109,041 |
| | 224,337,475 | 218,907,070 | 214,149,766 |

* - Unaudited

Appendix III

Audited Statement of Changes in Shareholders' Equity – Group

For the financial year ended 31 December

| | Share capital | Capital reserves | Statutory reserves | Revenue reserves | Total |
|--|------------------|---------------------|-----------------------|---------------------|-------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 January 2003 | 1,290,299 | 1,505,515 | 1,936,244 | 4,492,164 | 9,224,222 |
| Profit attributable to shareholders | - | - | - | 954,124 | 954,124 |
| Foreign currency translation gains not recognised in the income statements | - | - | - | 8,555 | 8,555 |
| Total recognised gains for the financial period | - | - | - | 962,679 | 962,679 |
| Transfers | - | 13,685 | (81,941) | 68,256 | - |
| Class E preference shares issued for cash | 50 | 499,950 | - | - | 500,000 |
| Class E preference dividends paid | - | - | - | (20,096) | (20,096) |
| Class G preference shares issued for cash | 1,865 | 184,877 | - | - | 186,742 |
| Class G preference shares issued in lieu of special cash dividend | 2,093 | 206,171 | - | (208,264) | - |
| Class G preference dividends paid | - | - | - | (7,242) | (7,242) |
| Expenses relating to the issue of preference shares | - | (1,648) | - | - | (1,648) |
| Final dividends paid to ordinary stockholders | - | - | - | (151,081) | (151,081) |
| Interim dividends paid to ordinary stockholders | - | - | - | (110,811) | (110,811) |
| Special dividends paid in cash to ordinary stockholders | - | - | - | (434,155) | (434,155) |
| Selective capital reduction | (12,139) | (92,620) | - | - | (104,759) |
| Shares issued under Share Option Schemes | 1,916 | 13,146 | - | - | 15,062 |
| Balance at 31 December 2003 | 1,284,084 | 2,329,076 | 1,854,303 | 4,591,450 | 10,058,913 |
| Include:- | | | | | |
| Share of reserves of associated companies | - | 20,691 | - | 1,021,463 | 1,042,154 |
| Balance at 1 January 2002 | 1,286,606 | 1,911,490 | 1,889,924 | 3,744,204 | 8,832,224 |
| Profit attributable to shareholders | - | - | - | 666,708 | 666,708 |
| Foreign currency translation losses not recognised in the income statements | - | - | - | (96,834) | (96,834) |
| Total recognised gains for the financial period | - | - | - | 569,874 | 569,874 |
| Transfers | - | (429,693) | 46,320 | 383,373 | - |
| Adjustment in reserves of an associated company | - | - | - | (24,167) | (24,167) |
| Final dividends paid to ordinary stockholders | - | - | - | (130,803) | (130,803) |
| Interim dividends paid to ordinary stockholders | - | - | - | (50,317) | (50,317) |
| Shares issued under Share Option Schemes | 3,693 | 23,718 | - | - | 27,411 |
| Balance at 31 December 2002 | 1,290,299 | 1,505,515 | 1,936,244 | 4,492,164 | 9,224,222 |
| Include:- | | | | | |
| Share of reserves of associated companies | - | 19,232 | - | 877,250 | 896,482 |

Appendix IV

Audited Consolidated Cash Flow Statement

For the financial year ended 31 December

| | <u>31 Dec 2003</u> | <u>31 Dec 2002</u> |
|---|--------------------|--------------------|
| | S\$'000 | S\$'000 |
| Cash flows from operating activities | | |
| Operating profit before provisions and amortisation of goodwill | 1,338,397 | 1,372,373 |
| Adjustments for non-cash items: | | |
| Amortisation of computer software costs | 20,248 | 10,863 |
| Depreciation of property, plant and equipment | 81,421 | 72,890 |
| Gains on disposal of investment securities | (92,406) | (46,709) |
| Gains on disposal of a subsidiary company | - | (305) |
| Gains on disposal of interests in associated companies | - | (9,677) |
| (Gains)/losses on disposal of property, plant and equipment | (45,883) | 991 |
| Operating profit before changes in operating assets and liabilities | 1,301,777 | 1,400,426 |
| Increase/(decrease) in operating liabilities: | | |
| Deposits of non-bank customers | (484,514) | (513,908) |
| Deposits and balances of banks | (140,355) | (1,429,849) |
| Bills payable and other liabilities | 292,678 | 94,723 |
| (Increase)/decrease in operating assets: | | |
| Dealing securities | (62,269) | 180,451 |
| Placements with and loans to banks | 4,809,150 | (31,700) |
| Loans to customers and bills receivable | (2,944,192) | 2,091,613 |
| Other assets | (140,762) | (249,455) |
| Cash provided by operating activities | 2,631,513 | 1,542,301 |
| Income tax paid | (246,041) | (226,991) |
| Net cash provided by operating activities | <u>2,385,472</u> | <u>1,315,310</u> |
| Cash flows from investing activities | | |
| Acquisition of additional interest in subsidiary companies | (288) | (10,148) |
| Capital return from an associated company | 1,000 | 9,000 |
| Dividends from associated companies | 51,170 | 35,837 |
| Decrease in associated companies | 5,727 | 5,173 |
| Purchase of investment securities | (2,435,285) | (2,064,132) |
| Purchase of long-term Singapore government securities | (544,013) | - |
| Purchase of property, plant and equipment | (46,536) | (67,053) |
| Net cash outflow from disposal of a subsidiary company | - | (1,980) |
| Proceeds from disposal of interests in associated companies | - | 2,806 |
| Proceeds from disposal of investment securities | 1,526,826 | 1,370,992 |
| Proceeds from disposal of property, plant and equipment | 69,444 | 8,143 |
| Net cash used in investing activities | <u>(1,371,955)</u> | <u>(711,362)</u> |
| Cash flows from financing activities | | |
| (Decrease)/increase in debt securities | (5,250) | 133,000 |
| Dividends paid | (723,385) | (181,120) |
| Net proceeds from issue of preference shares | 685,094 | - |
| Proceeds from issue of ordinary shares | 15,062 | 27,411 |
| Selective capital reduction | (104,759) | - |
| Change in minority interests and dividends paid to minority interests | (535) | (1,659) |
| Net cash used in financing activities | <u>(133,773)</u> | <u>(22,368)</u> |
| Net foreign currency translation adjustments | 8,555 | (96,834) |
| Net change in cash and cash equivalents | 888,299 | 484,746 |
| Cash and cash equivalents as at 1 January | <u>9,809,280</u> | <u>9,324,534</u> |
| Cash and cash equivalents as at 31 December | <u>10,697,579</u> | <u>9,809,280</u> |