

Presentation to Media and Analysts

2004 Final Results

14 February 2005



- **Results at a Glance**
- **Income Statement Trends**
- **Loans & Deposits**
- **Asset Quality and Capital**
- **Results of Key Subsidiaries**
- **Accounting Changes**
- **Conclusion**

Full Year Net Profit Up 22%

	FY04	FY03	YoY
	S\$m	S\$m	+/(-)%
Net Interest Income	1,518	1,435	6
Non-Interest Income	1,126	758	48
- <i>Fee Income</i>	464	373	24
Total Income	2,643	2,193	21
Operating Expenses	(974)	(855)	14
Operating Profit	1,669	1,338	25
Goodwill	(158)	(127)	25
Provisions	(77)	(225)	(66)
Associates	121	235	(49)
Net Profit	1,162	954	22

Quarterly Comparison affected by Divestment Gains

	4Q04	4Q03	YoY	3Q04	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	389	369	5	384	1
Non-Interest Income	313	206	52	384	(18)
- <i>Fee Income</i>	113	103	10	118	(4)
Total Income	702	575	22	768	(9)
Operating Expenses	(281)	(216)	30	(251)	12
Operating Profit	421	358	18	517	(19)
Goodwill	(45)	(32)	43	(45)	-
Provisions	2	(54)	n.m.	(36)	n.m.
Associates	4	94	(96)	7	(43)
Net Profit	279	279	-	324	(14)

Note: 4Q03 and 3Q04 included net divestment gains of S\$54m and S\$97m respectively.

Results Adjusted to Exclude Divestment Gains

	FY04	FY03	YoY
<u>Full Year</u>	S\$m	S\$m	+/(-)%
Adjusted Operating Profit	1,537	1,211	27
Adjusted Net Profit	1,065	828	29

	4Q04	4Q03	YoY	3Q04	QoQ
<u>Quarterly</u>	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Adjusted Operating Profit	421	308	37	385	9
Adjusted Net Profit	279	224	24	227	23

Note: Adjusted to exclude the following gains from divestment of non-core assets:

3Q03 – F&N (S\$78m gross, S\$72m net)

4Q03 – Mount Emily property (S\$46m gross, S\$36m net), WBL Corporation (S\$4m),
Raffles Hotel (S\$14m under associates)

3Q04 – Raffles Investments (S\$55m), Whitesands Shopping Mall (S\$77m gross, S\$43m after minorities)

Key Financial Ratios

	FY04	FY03	4Q04	3Q04
	%	%	%	%
Net Interest Margin	1.91	1.90	1.93	1.89
Non-Interest Income/ Total Income	42.6	34.6	44.6	50.0
Cost-to-Income Ratio	36.8	39.0	40.0	32.7
Loans-to-Deposits Ratio	92.5	93.8	92.5	93.9
NPL Ratio	4.9	6.9	4.9	5.4
Provision Coverage	82.9	67.0	82.9	76.7
ROE	11.4	10.0	10.4	12.1
Cash ROE	13.0	11.4	12.1	13.8

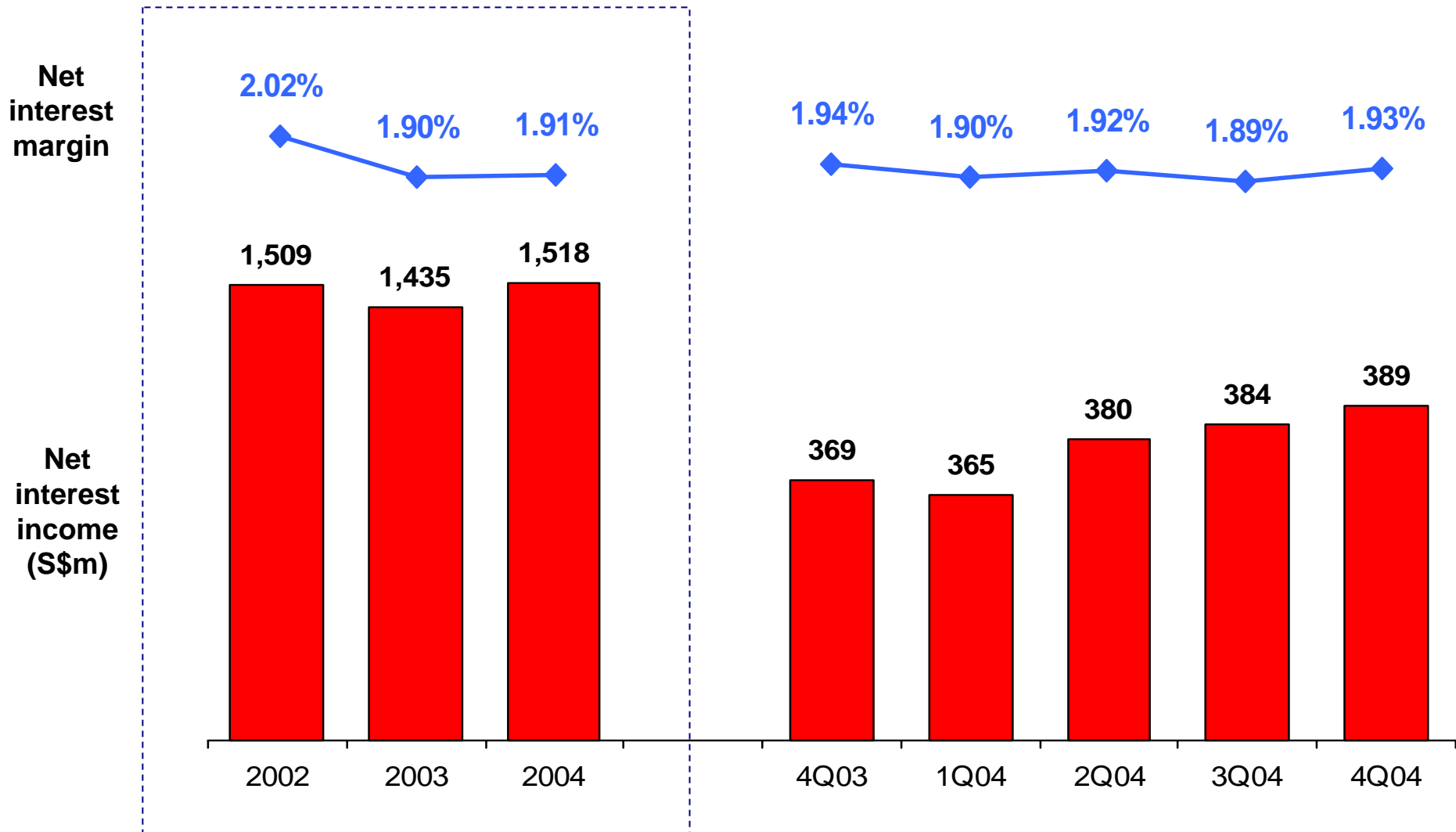
65% Increase in Dividends Per Share and Higher Payout

	2004	2003
	S\$m	S\$m
Gross Dividend per Share	38¢	23¢*
Net Dividends	403	234
Net Profit	1,162	954
Less: Gain on non-core assets	97	126
Adjusted Net Profit	1,065	828
Payout based on adjusted Net Profit	38%	28%

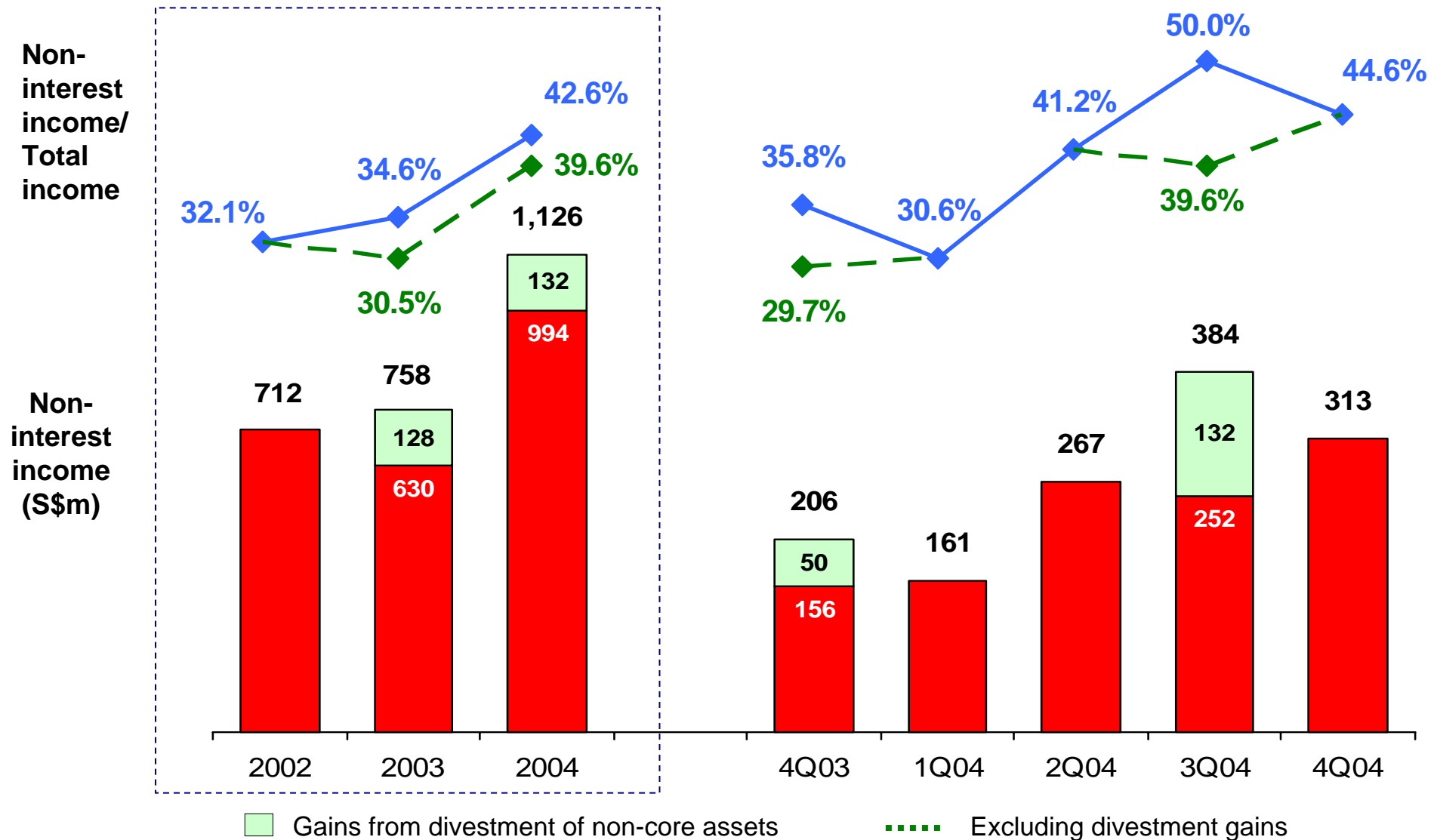
* Excluding Special Dividend of 63.78 cents (49.75 cents net of tax) paid in July 2003

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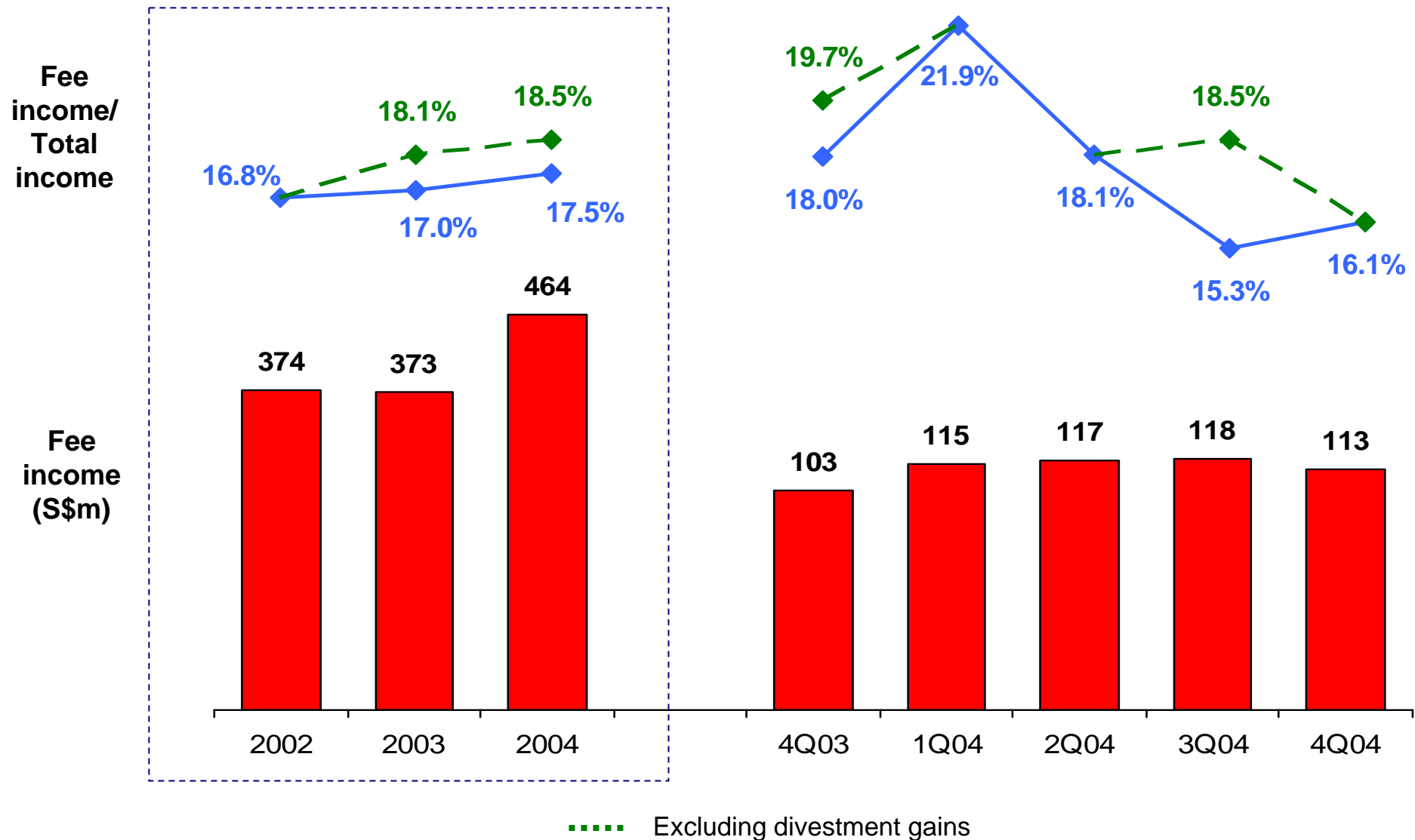
Moderate Growth in Net Interest Income and Stable Interest Margin



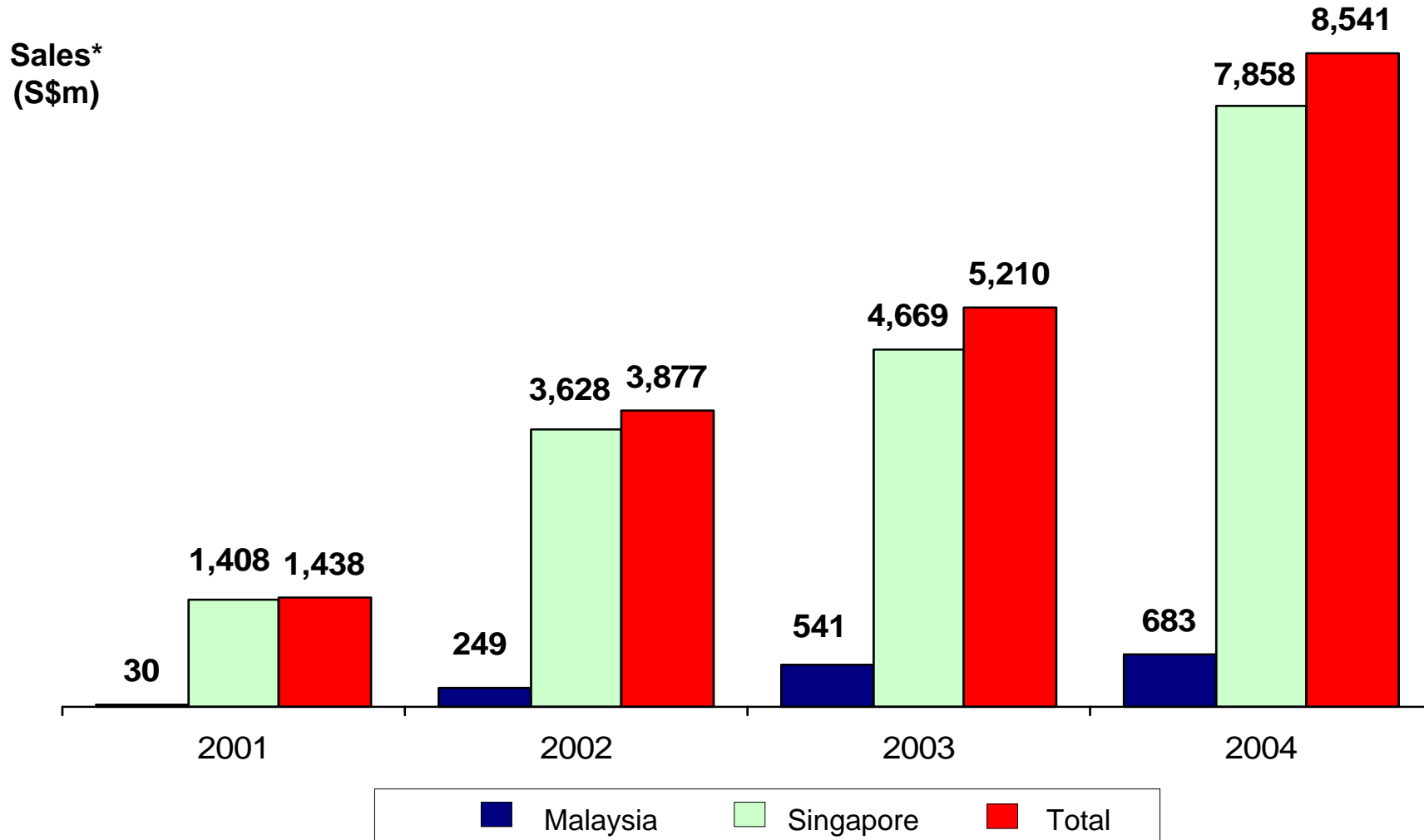
Non-Interest Income Boosted by Fee Income and Insurance Contribution



Fee Income Rose 24% in 2004

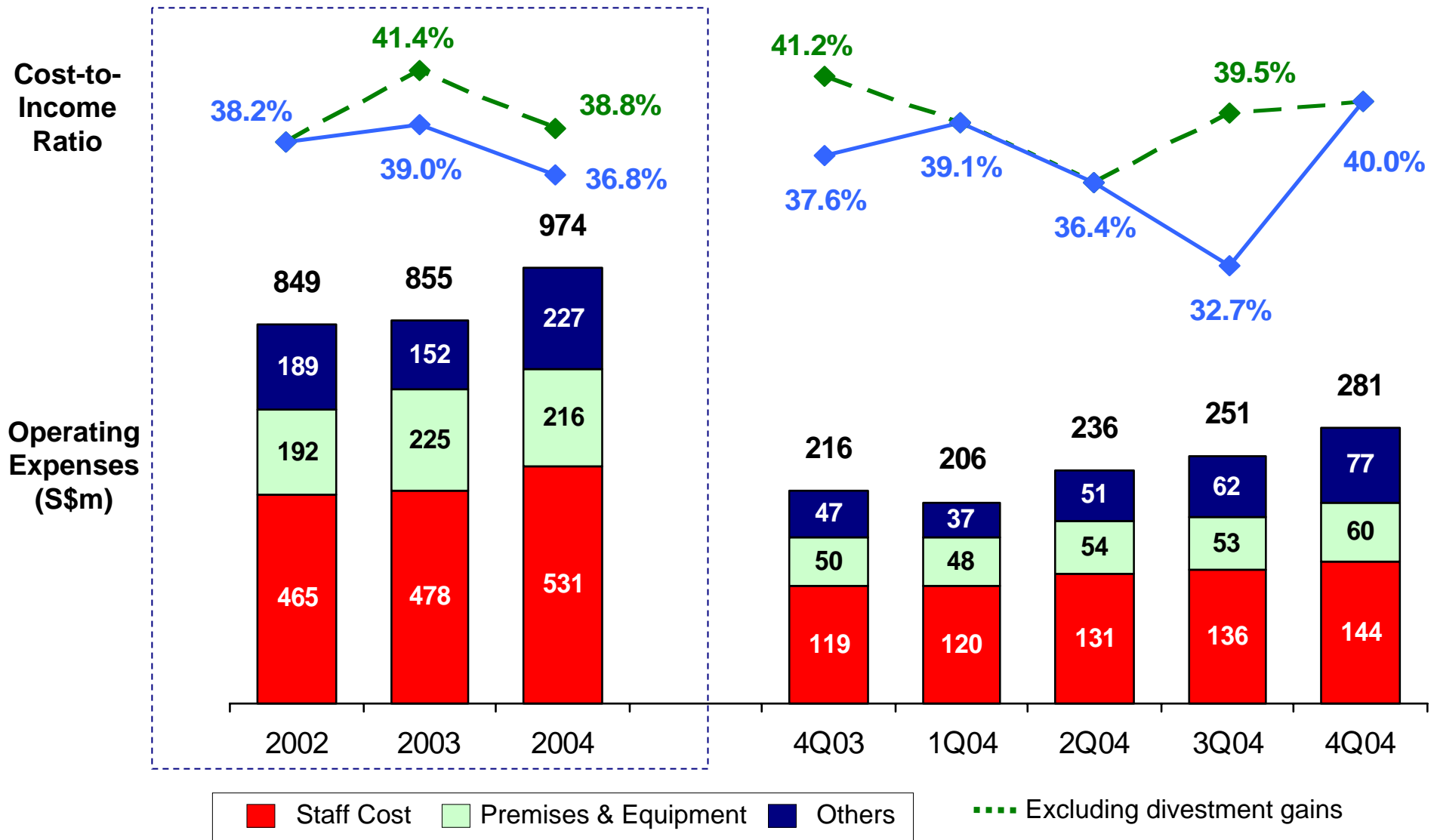


Robust Wealth Management Sales



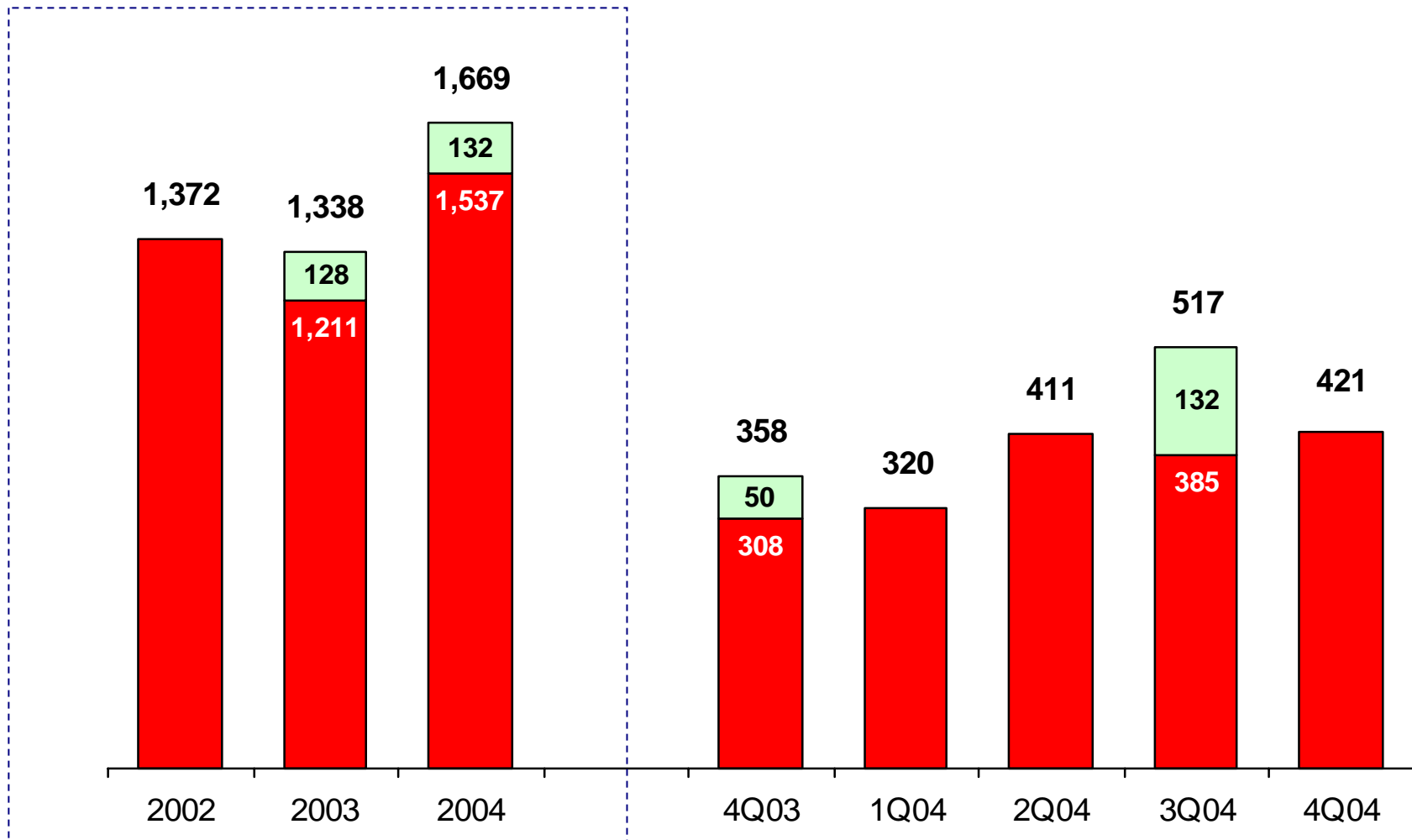
* Comprises sales of unit trusts, bancassurance products and structured deposits & notes

Excluding GEH's Expenses of S\$51m, Underlying Cost Increase was 8% in 2004



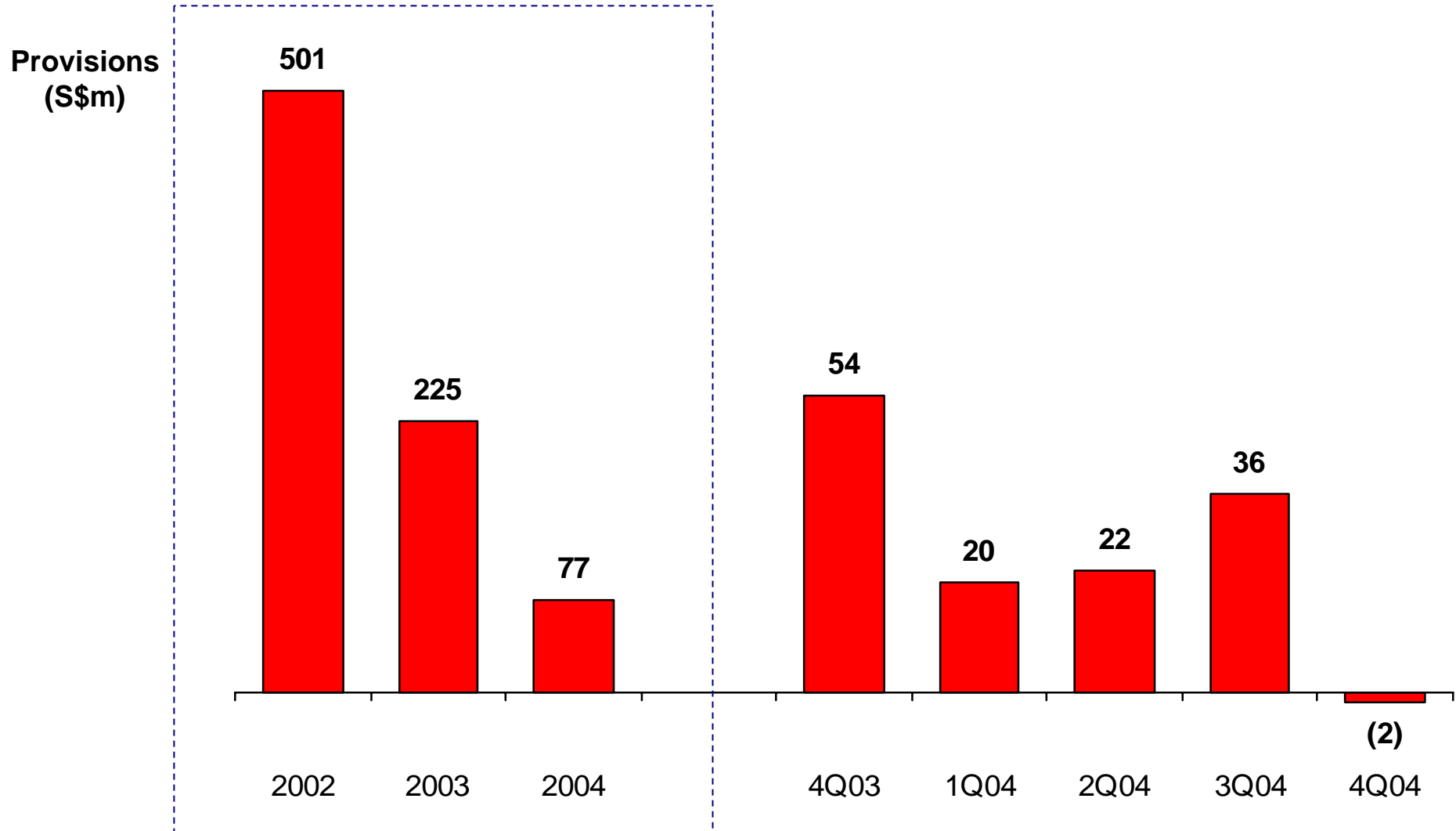
Operating Profit before Provisions and Goodwill up 25% in 2004

(S\$m)



■ Gains from divestment of non-core assets

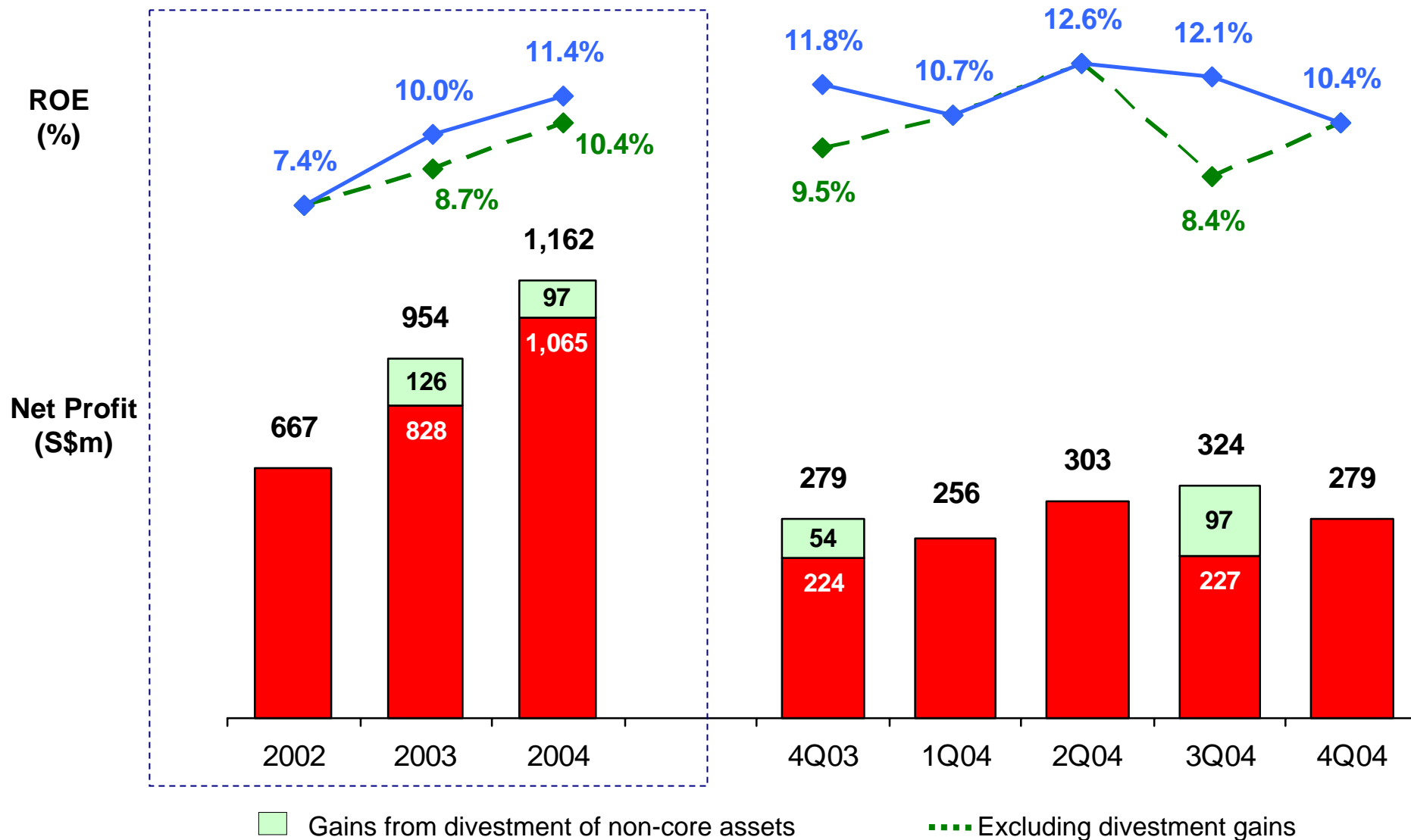
Substantial Reduction in Provisions



Breakdown of Provision Charges

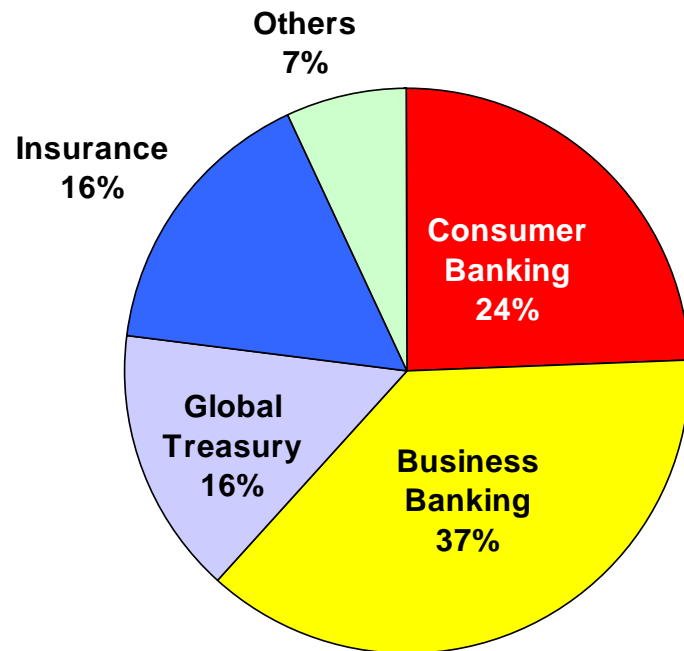
	FY04	FY03	4Q04	4Q03	3Q04
	S\$m	S\$m	S\$m	S\$m	S\$m
Specific provision for Loans	143	194	81	47	37
General provision for Loans	(32)	(26)	(33)	2	0
SP for Diminution in Value of Investment Securities and other Assets	(34)	57	(50)	5	(1)
Total Provision Charge	77	225	(2)	54	36

Record Net Profit and Improved ROE



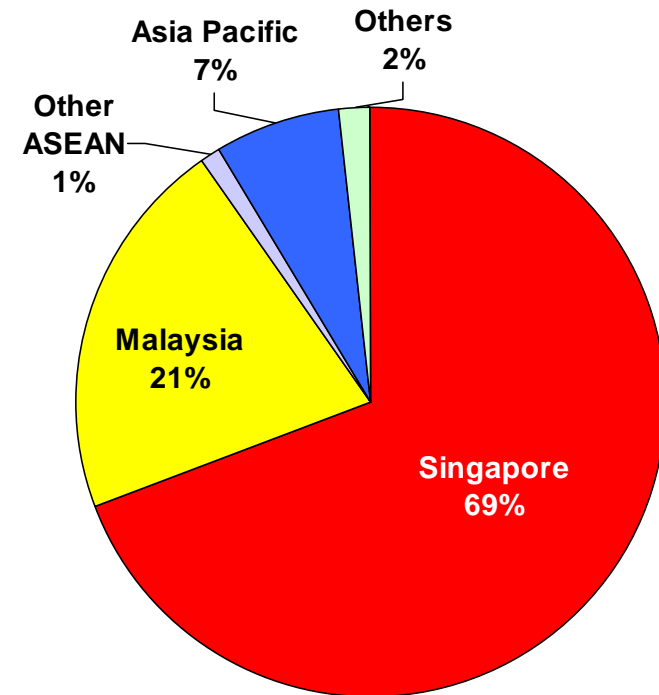
Earnings Contribution by Segments

PBT by Business Segment



2004 Profit Before Tax,
Goodwill & Amortisation: S\$1,592m

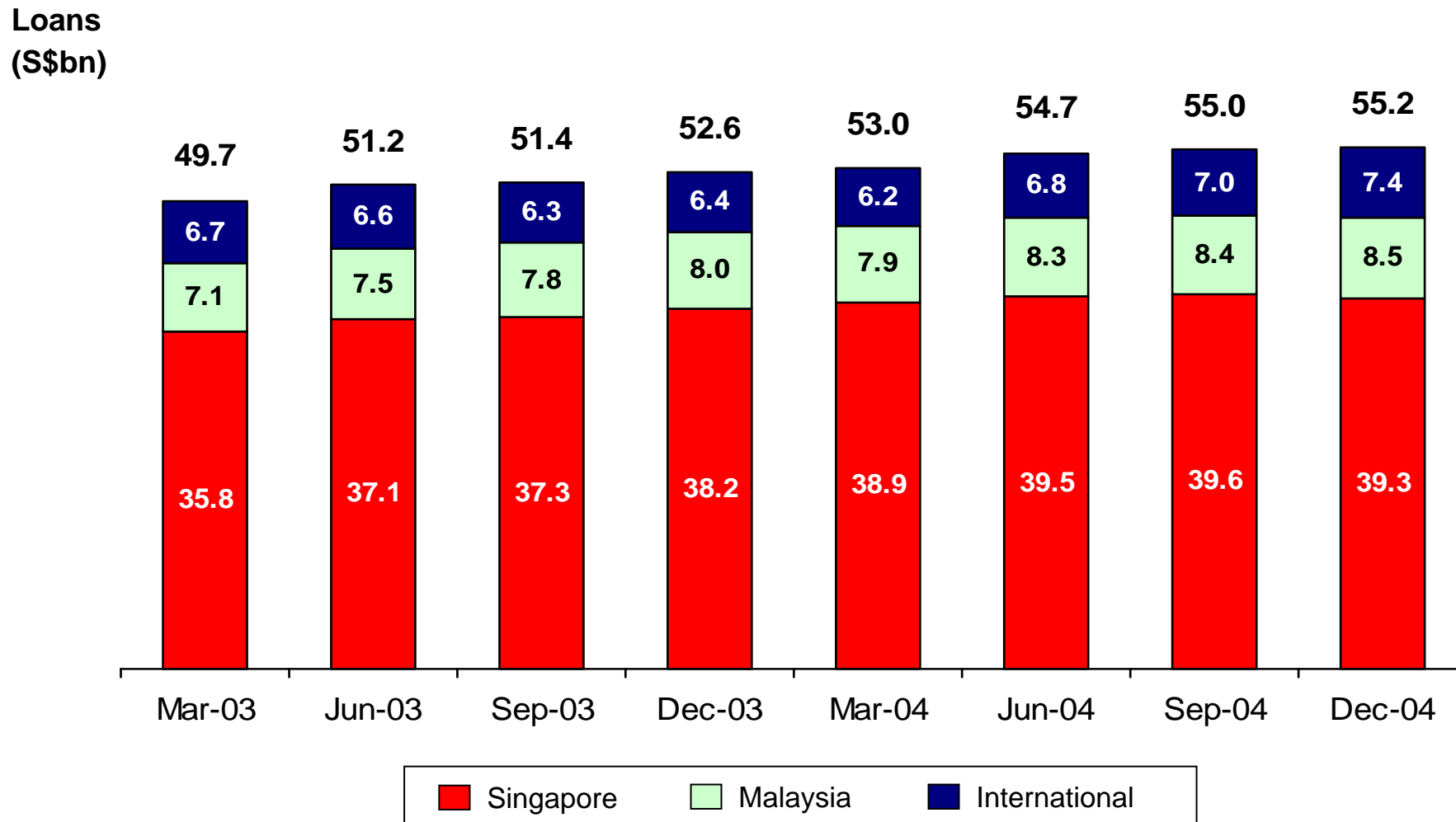
PBT by Geography



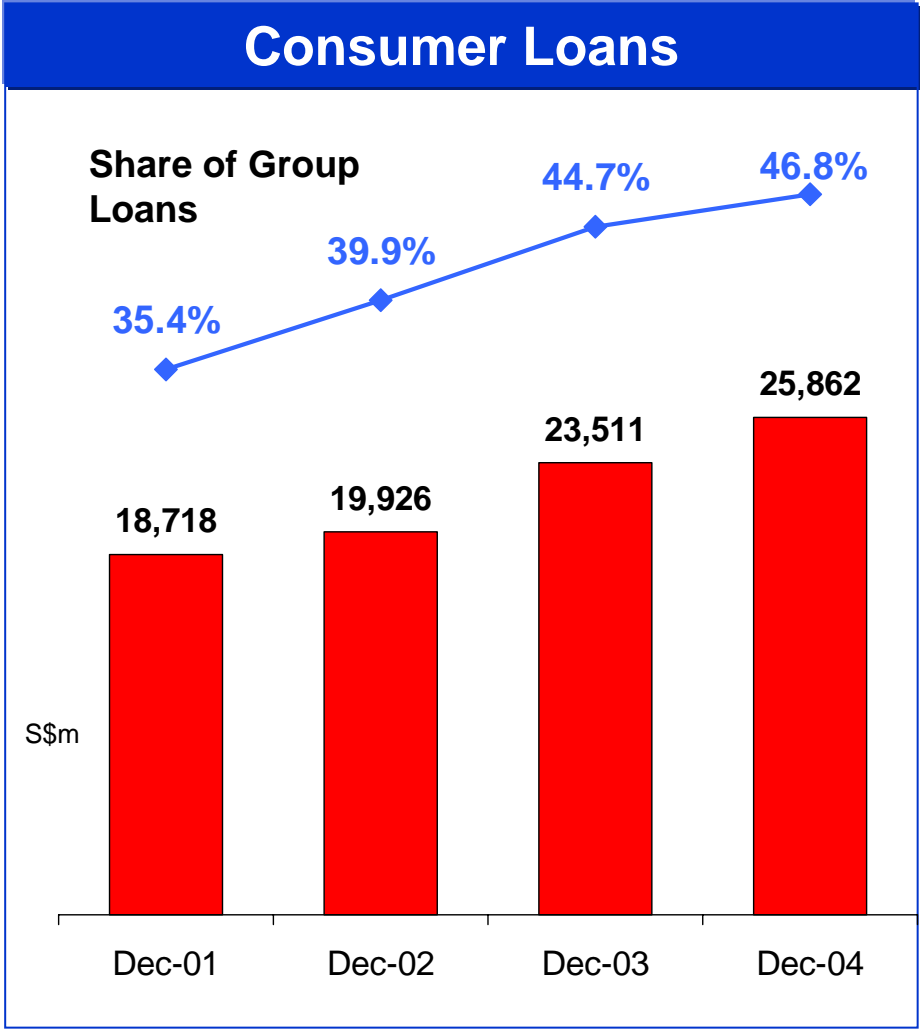
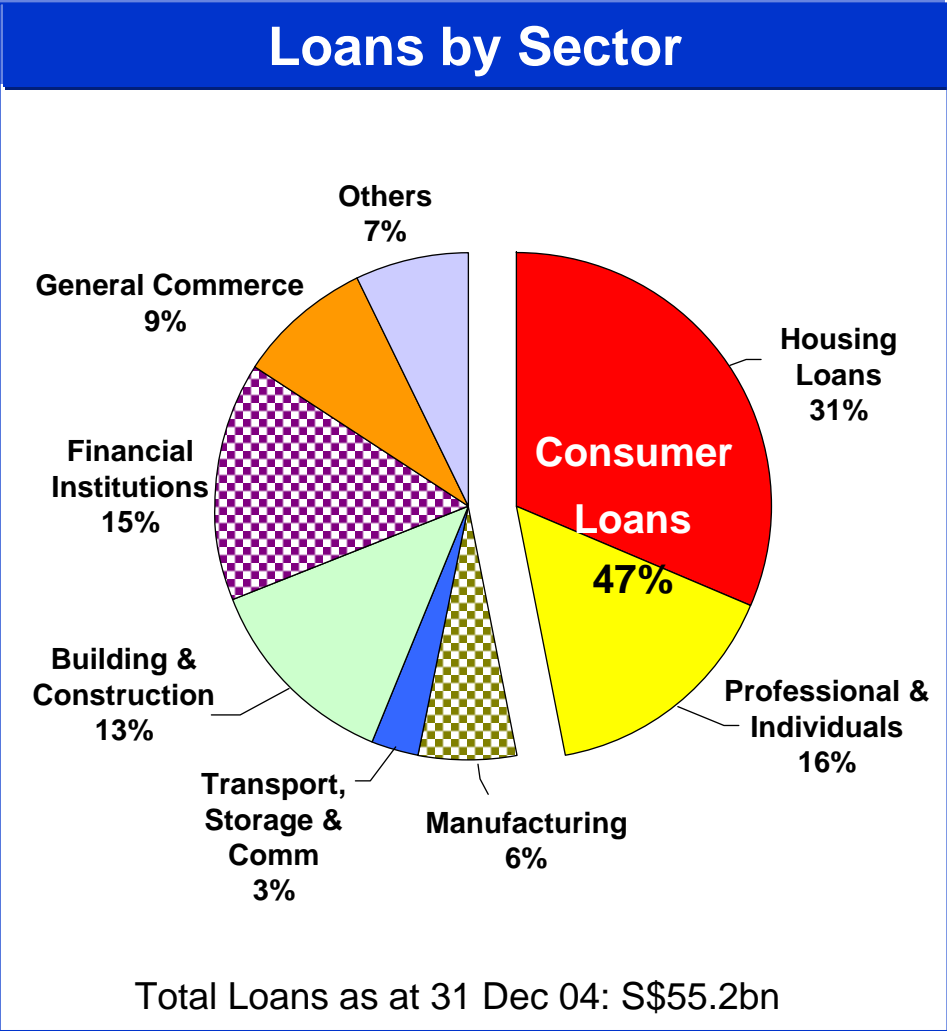
2004 Profit Before Tax: S\$1,555m

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Loans Growth of 5% in 2004

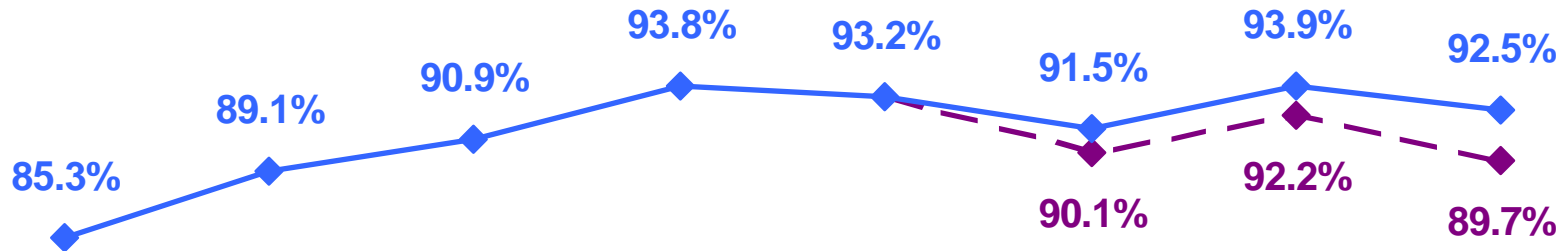


Rising Share of Consumer Loans

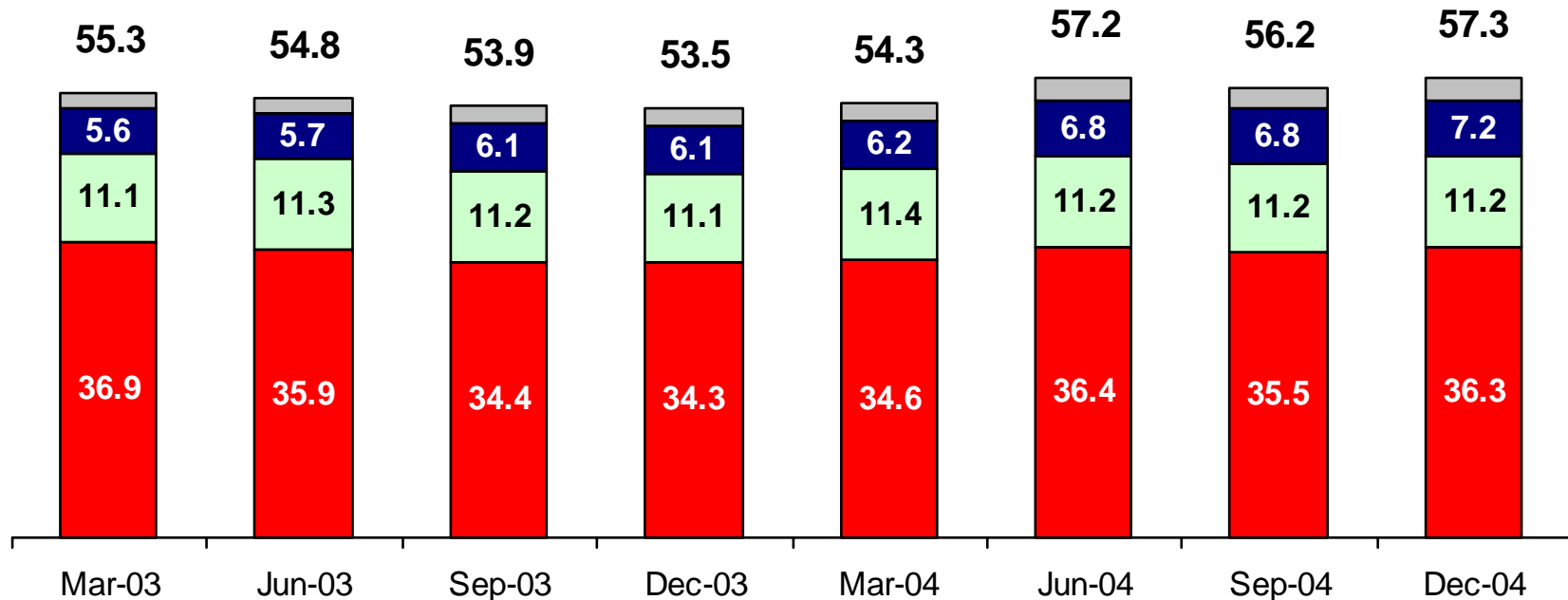


Deposits Grew 7% in 2004

Loans-to-deposits



Deposits (S\$bn)



■ Fixed Deposits
 ■ Savings Deposits
 ■ Current Account
 ■ Others

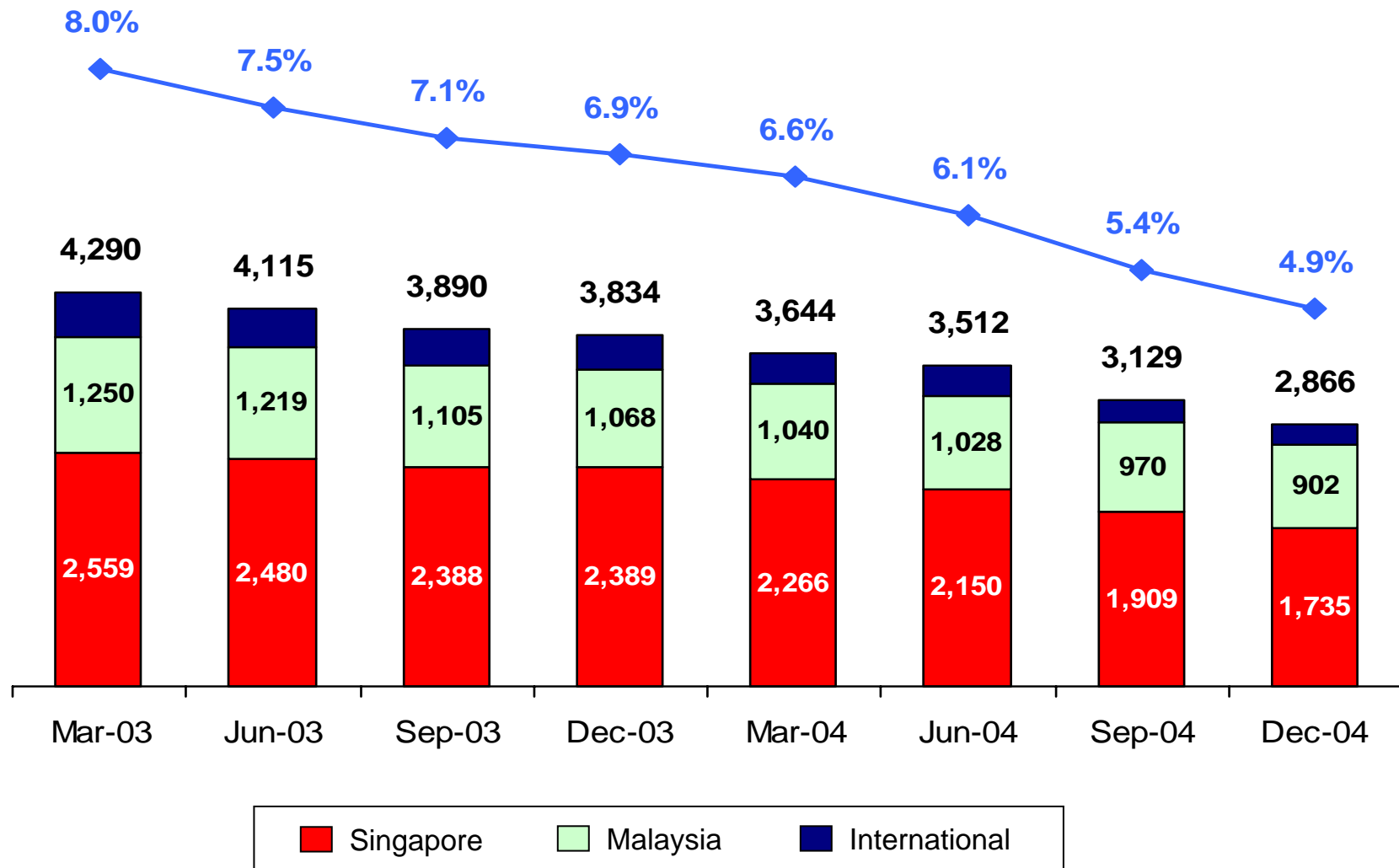
◆◆◆ Including FRNs and ECPs

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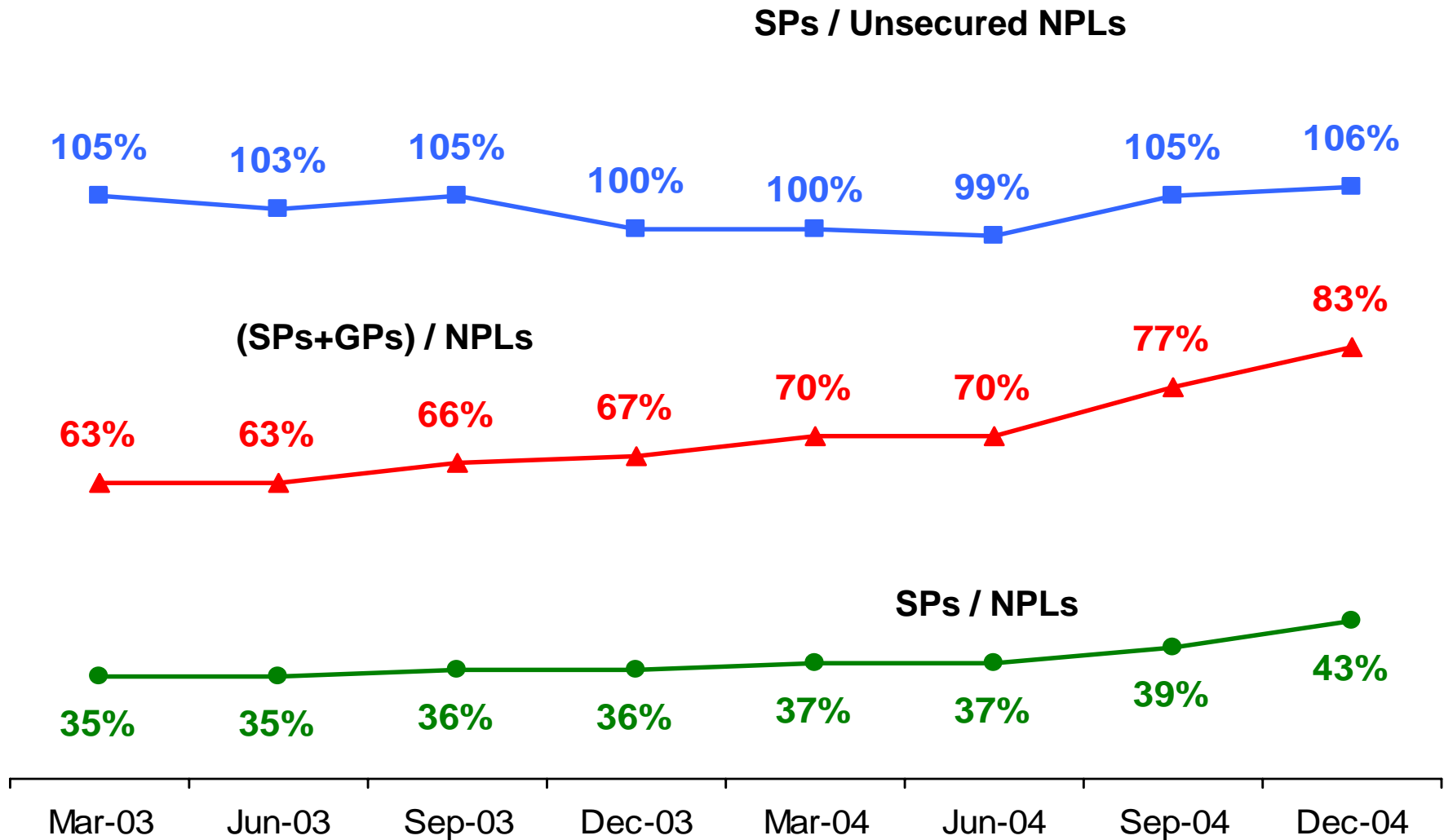
Sustained Improvement in Asset Quality

NPL Ratio

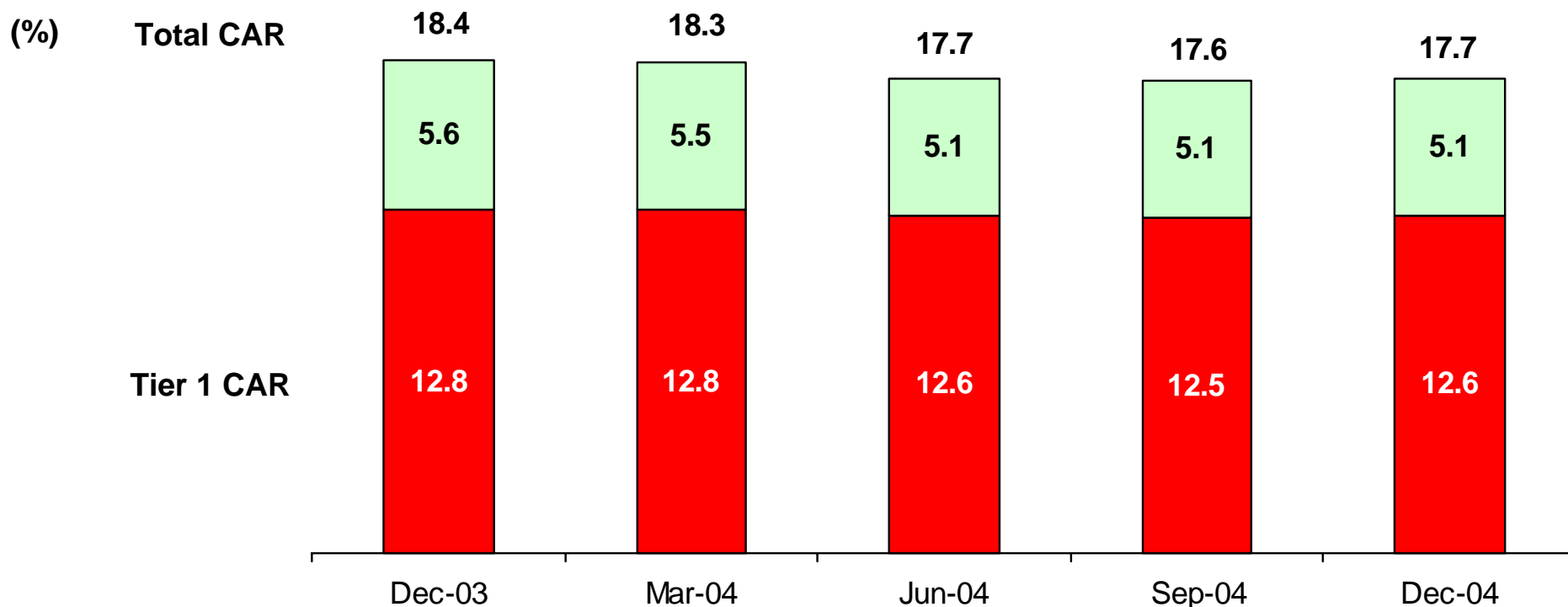
NPLs (S\$m)



Provision Coverage Increased to 83%



Strong Capital Position despite Acquisitions and S\$1.3bn Capital Reduction/Buybacks *



(S\$m)	Dec-03	Mar-04	Jun-04	Sep-04	Dec-04
Tier-1 capital	7,986	8,131	8,495	8,557	8,642
Risk Weighted Assets	62,178	63,372	67,483	68,672	68,729

* Comprising S\$991m for selective capital reduction of shares held by GEH and S\$337m on-market share buybacks in 2004

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OCBC Malaysia's Net Profit Up 35%



	FY04	FY03	YoY	2H04	1H04	HoH
<u>Reported Results*</u>	RM m	RM m	+/(-)%	RM m	RM m	+/(-)%
Net Interest Income	551	552	-	279	273	2
Islamic Banking Income	29	13	132	20	10	104
Non Interest Income	204	130	57	110	94	17
Total Income	784	694	13	408	376	9
Operating Expenses	(288)	(233)	24	(162)	(126)	28
Operating Profit	496	462	7	246	250	(1)
Provisions	(102)	(178)	(43)	(88)	(14)	527
Net Profit	276	205	35	113	163	(31)

* Based on Bank Negara Malaysia's guidelines and Malaysia accounting standards

OCBC Malaysia: Financial Ratios



	FY04	FY03	2H04	1H04
	%	%	%	%
Net Interest Margin	2.23	2.48	2.25	2.18
Non-Interest Income / Total Income	26.0	18.7	26.9	24.9
Cost-to-Income Ratio	36.7	33.5	39.6	33.5
Loans-to-Deposits Ratio	113	106	113	103
Net NPL Ratio	5.9	7.4	5.9	6.9
Loans Growth	13.8	10.7	7.6	5.7
ROE	17.3	11.3	14.4	20.1

GEH Contributed 16% of Group Net Profit

	FY04*	FY03	4Q04	3Q04
<u>GEH's Contribution to OCBC's Results</u>	S\$m	S\$m	S\$m	S\$m
Total Income	304	-	162	104
Operating Expenses	(51)	-	(24)	(22)
Operating Profit	252	-	138	83
Goodwill Amortisation	(32)	-	(14)	(13)
Tax	(64)	-	(38)	(18)
Minority Interests	(36)	-	(17)	(12)
Net Profit contribution as a subsidiary	121	-	69	39
Net Profit contribution as an associate	68	163	-	-
Total Net Profit contribution of GEH	189	163	69	39

* GEH was consolidated as a subsidiary from June 2004, and equity accounted as an associate prior to June 2004

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Classification of Financial Assets & Liabilities

Available for Sale (AFS): Marked to market (MTM), with changes in value taken directly to equity

Held for Trading: MTM with changes in value taken to income statement

Held to Maturity: Stated at cost less impairment on balance sheet

Loans & Receivables: Stated at cost less impairment on balance sheet

- On 1 Jan 05, a new “fair value reserves” item in shareholders’ equity to reflect the valuation surplus of AFS securities (expected to be mainly surplus from equities).
- Classification into AFS and Trading affects mainly government bonds, investment and dealing securities (amounting to S\$16.4bn as at Dec 04)
- Most government bonds and investment securities likely to be under AFS, and dealing securities under Trading
- Properties will not be revalued as they are outside the scope of FRS 39

Hedge Accounting

All derivatives on balance sheet to be marked-to-market; impact of hedge ineffectiveness reflected in income statement

- On 1 Jan 05, re-statement of revenue reserves (retained earnings) – relatively minor impact as most of the hedging derivatives qualify for hedge accounting under FRS 39.

Loan Impairment

Make provision only when there is evidence of impairment; no concept of general provisions

- Specific provisions continue in the form of individual impairment provisions
- Need to establish collective impairment provisions

General Comments

- No requirements to restate 2004 comparatives for FRS 39
- Biggest impact of FRS 39 is on balance sheet and equity

- Goodwill no longer amortised, but subject to impairment test to be conducted annually or when indication of impairment exists
- Intangible assets with definite useful life to be amortised over their useful life

Impact

- Amortisation of goodwill & intangibles in 2004 was S\$158m (S\$180m annualised based on 4Q04).
- Outstanding goodwill & intangible assets of S\$3,077m as at Dec 04, comprising:

KCH	S\$1,938m
GEH	S\$1,053m (incl. S\$790m intangibles relating to value of in-force business)
Bank NISP	S\$79m (under associates)
Others	S\$7m
- GEH's intangible asset of S\$790m will continue to be amortised over 20 years, translating to S\$40m p.a..
- Currently we do not foresee impairment charge for the goodwill relating to KCH, GEH and Bank NISP

- Expense fair value of options granted over the vesting period
- Fair value determined using option pricing models

Impact:

- Estimated additional operating expenses of approx. S\$13m for FY2005 arising from:
 - OCBC Share Option Scheme
 - OCBC Employee Share Purchase Plan
- Additional operating expense will be offset by an equal credit to “options reserves” in shareholders’ equity, so there is no net impact on NAV or value of the company
- We have reduced share options in anticipation of options expensing – 2004 options 56% lower compared to 2003 options

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- **Healthy operating results driven by top line growth**
- **Major strategic initiatives accomplished in 2004, including GEH transaction and expansion into Indonesia through Bank NISP**
- **Through active capital management, GEH & NISP acquisitions completed with little dilution to shareholders – EPS up 20%, only slightly below net profit growth of 22%**
- **Need to work harder in 2005 given our higher base, expected moderation in economic growth and keen competition. We will continue to be disciplined in our cost management, and seek further growth in overseas income**