

Presentation to Media and Analysts

First Half 2004 Results

11 August 2004



- **Results at a Glance**
- **Income Statement Trends**
- **Loans and Deposits**
- **Asset Quality and Provisions**
- **Consolidation of Great Eastern Holdings**
- **Further Capital Management Initiatives**
- **Conclusion**

Results at a Glance – Half Year

	1H04	1H03	YoY	2H03*	HoH
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	745	707	5	728	2
Non-Interest Income	428	322	33	436	(2)
- <i>Fee Income</i>	232	170	37	203	15
Total Income	1,172	1,029	14	1,164	1
Operating Expenses	441	424	4	430	3
Operating Profit	731	605	21	733	(0)
Goodwill	68	63	7	63	7
Provisions	43	134	(68)	91	(53)
Associates	109	89	23	146	(25)
Net Profit	559	384	46	570	(2)

* 2H03 included S\$128m pretax gain (S\$126m after tax) from divestment of non-core assets

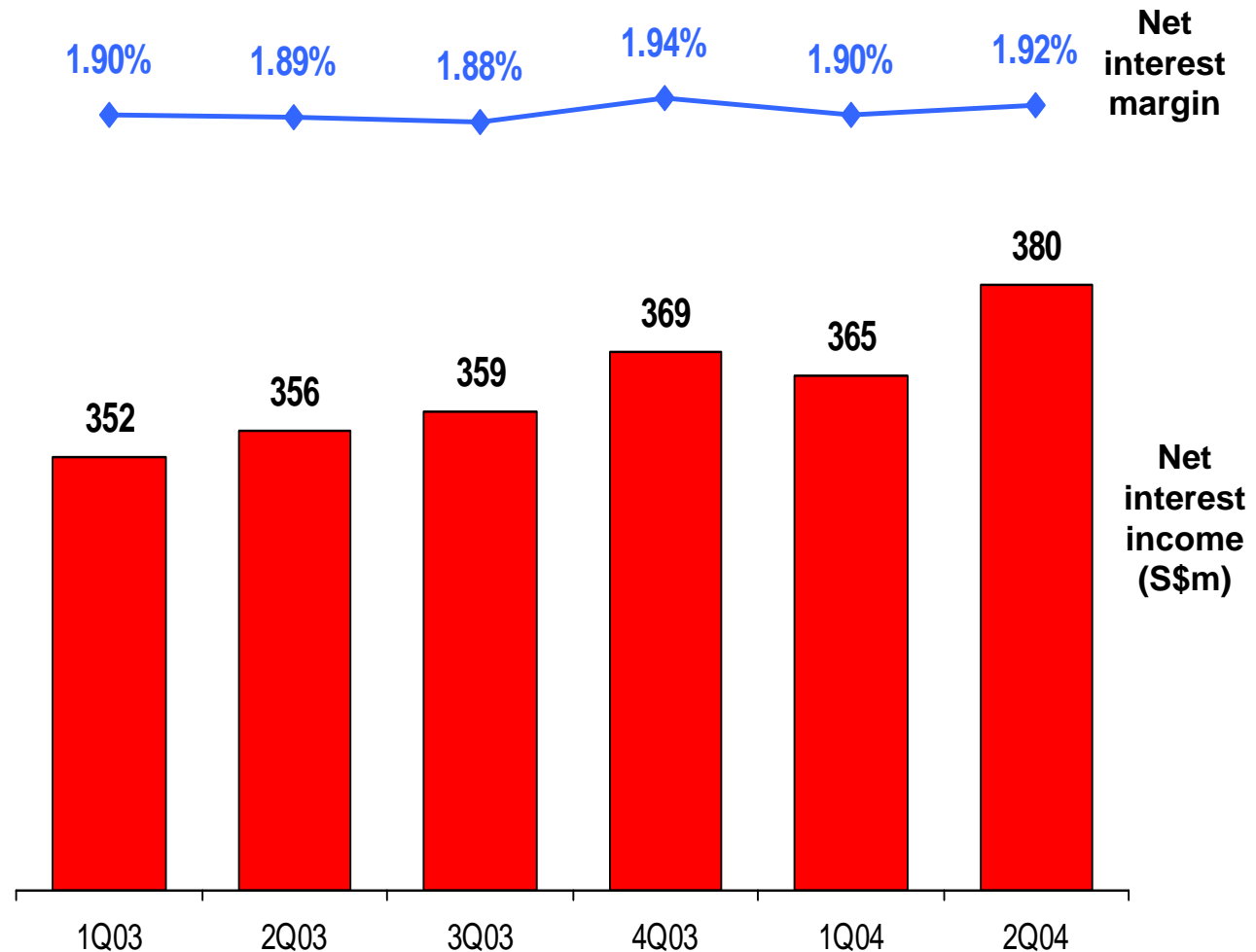
Results at a Glance - Quarterly

	2Q04	2Q03	YoY	1Q04	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	380	356	7	365	4
Non-Interest Income	267	174	53	161	66
- <i>Fee Income</i>	117	88	34	115	2
Total Income	647	530	22	526	23
Operating Expenses	236	223	6	206	15
Operating Profit	411	307	34	320	29
Goodwill	36	32	14	32	14
Provisions	22	70	(68)	20	9
Associates	48	78	(39)	62	(22)
Net Profit	303	224	35	256	19

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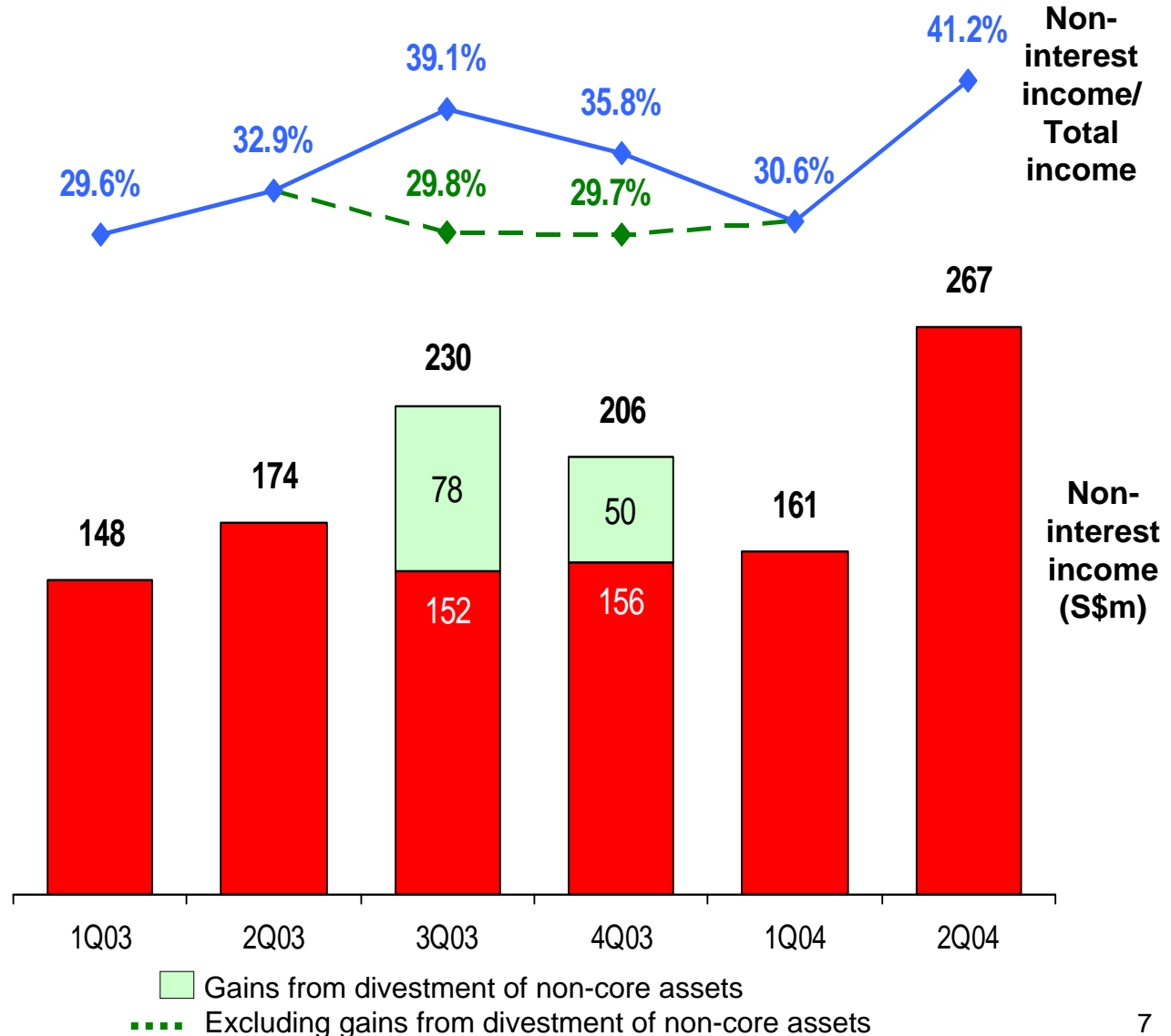
Growth in Net Interest Income, Margins Maintained

- Net interest income on a rising trend over past six quarters
- 2Q04 net interest income up 7% YoY and 4% QoQ, due to higher loan volume and slightly higher interest margin
- Net interest margin maintained at around 1.9% for six consecutive quarters, despite intense loan competition



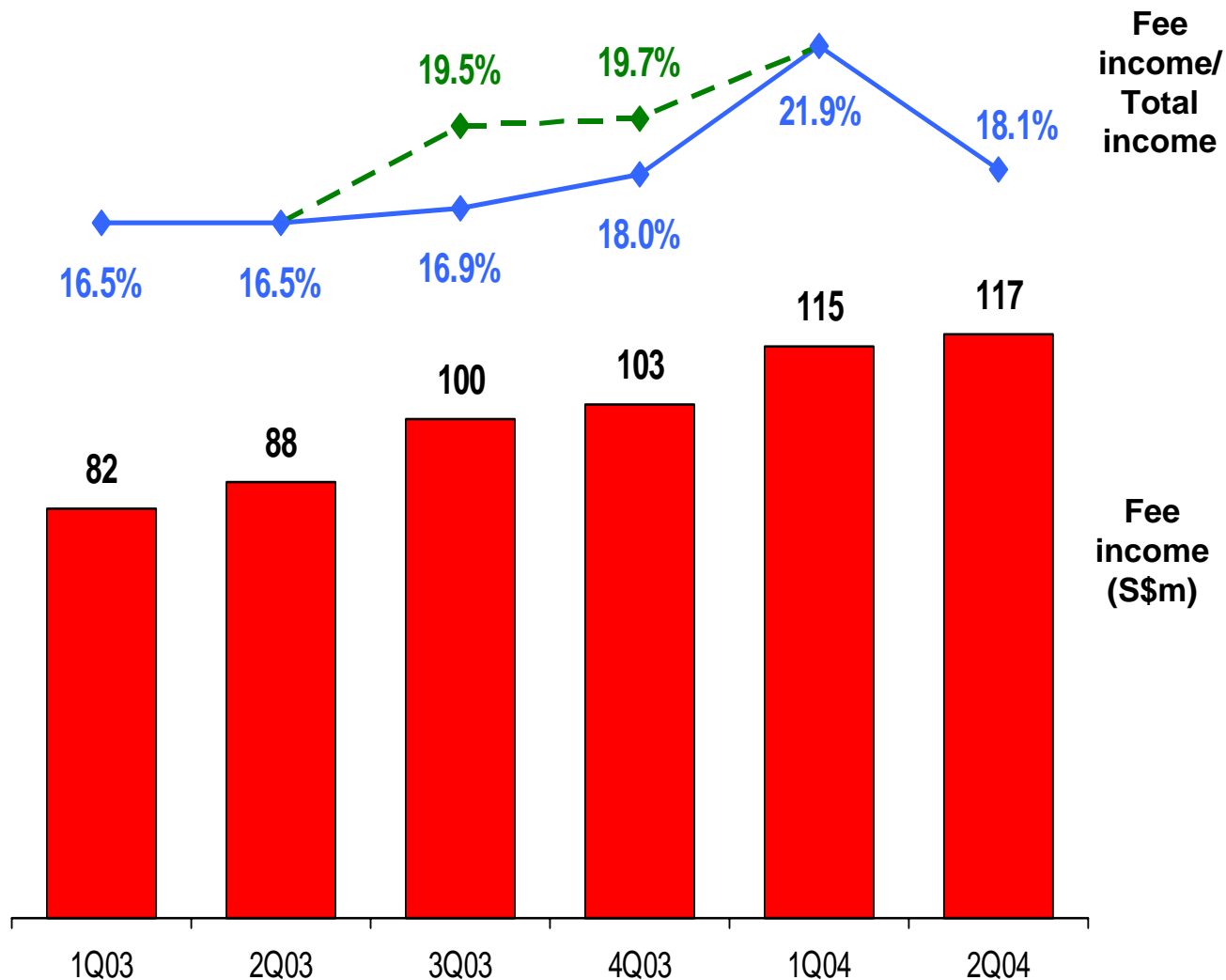
Strong Growth in Non-Interest Income

- 2Q04 non-interest income boosted by securities/ derivatives dealing income of S\$49m, against S\$62m loss in 1Q04
- Contribution of S\$35m from GEH for the month of June
- 1H04 non-interest income contribution rose to 36% from 31% in 1H03. Contribution expected to rise further with full quarter's consolidation of GEH



Robust Fee Income

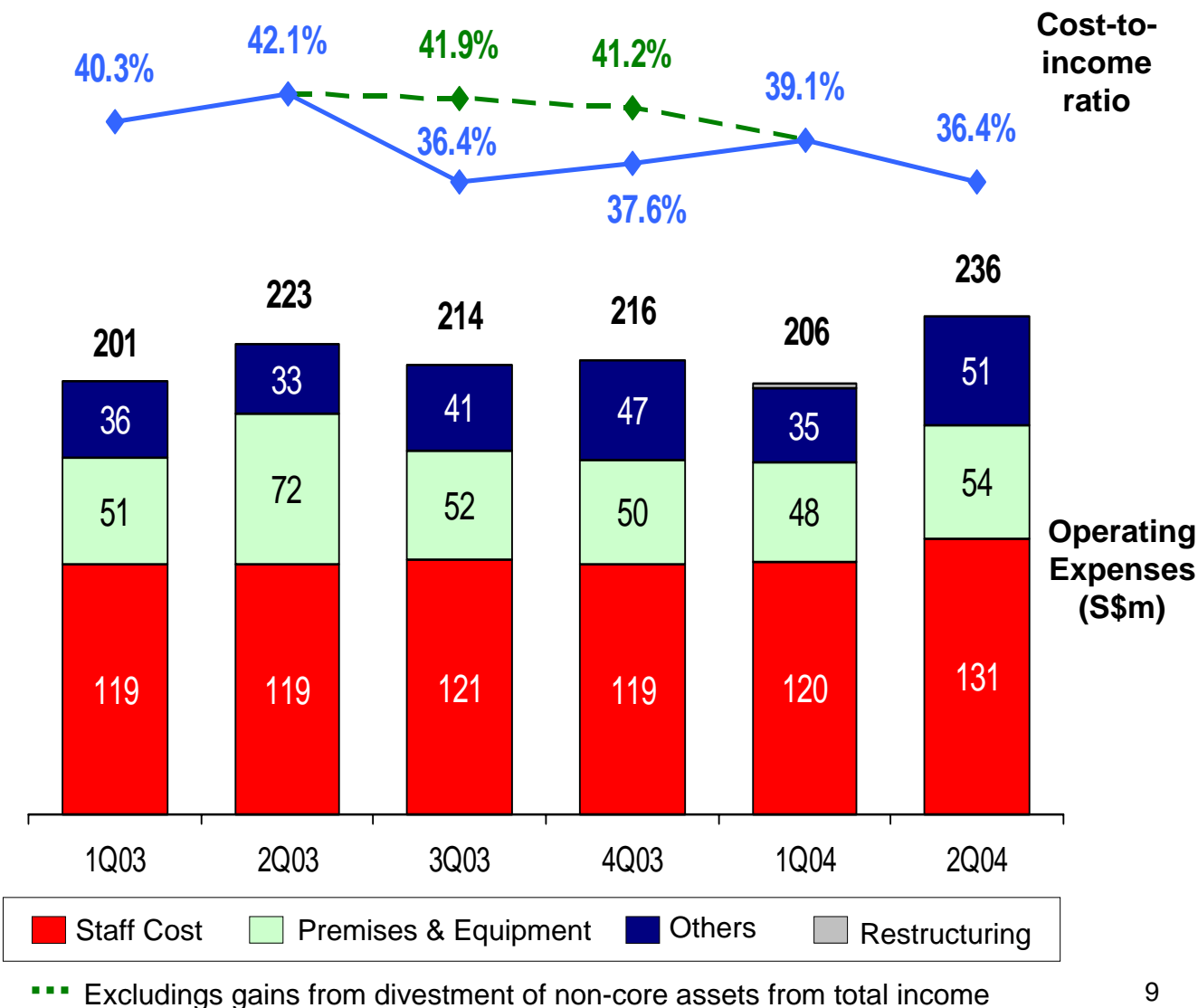
- Fifth consecutive quarter of growth in fee income
- Strong 1Q fee income level sustained in 2Q04 despite lower stockbroking and investment banking income
- Wealth management income up 138% YoY to S\$74m in 1H04, accounting for 32% of total fee income. Momentum remained strong in 2Q04



--- Ratio excludes gains from divestment of non-core assets from total income

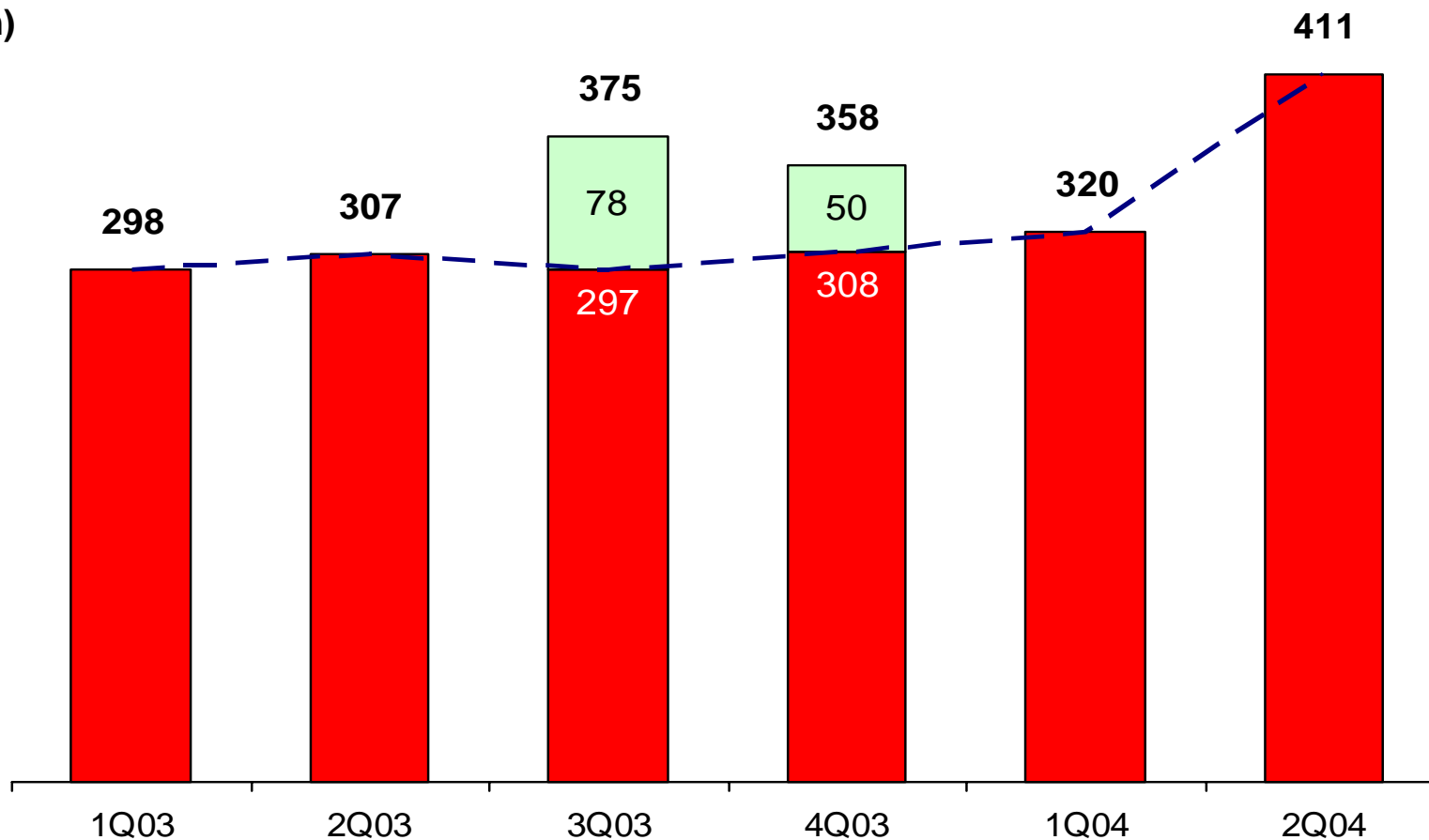
Cost Ratio Remains Comfortable - Investing to Support Business Growth

- Excluding S\$5m cost contribution from GEH in 2Q04, underlying expenses rose 3% YoY in 1H04, 12% QoQ in 2Q04
- Increased headcount and business promotion expenses to support business growth
- Cost-to-income ratio improved from 39.1% in 1Q04 to 36.4% in 2Q04



Operating Profit Up 21% YoY in 1H04

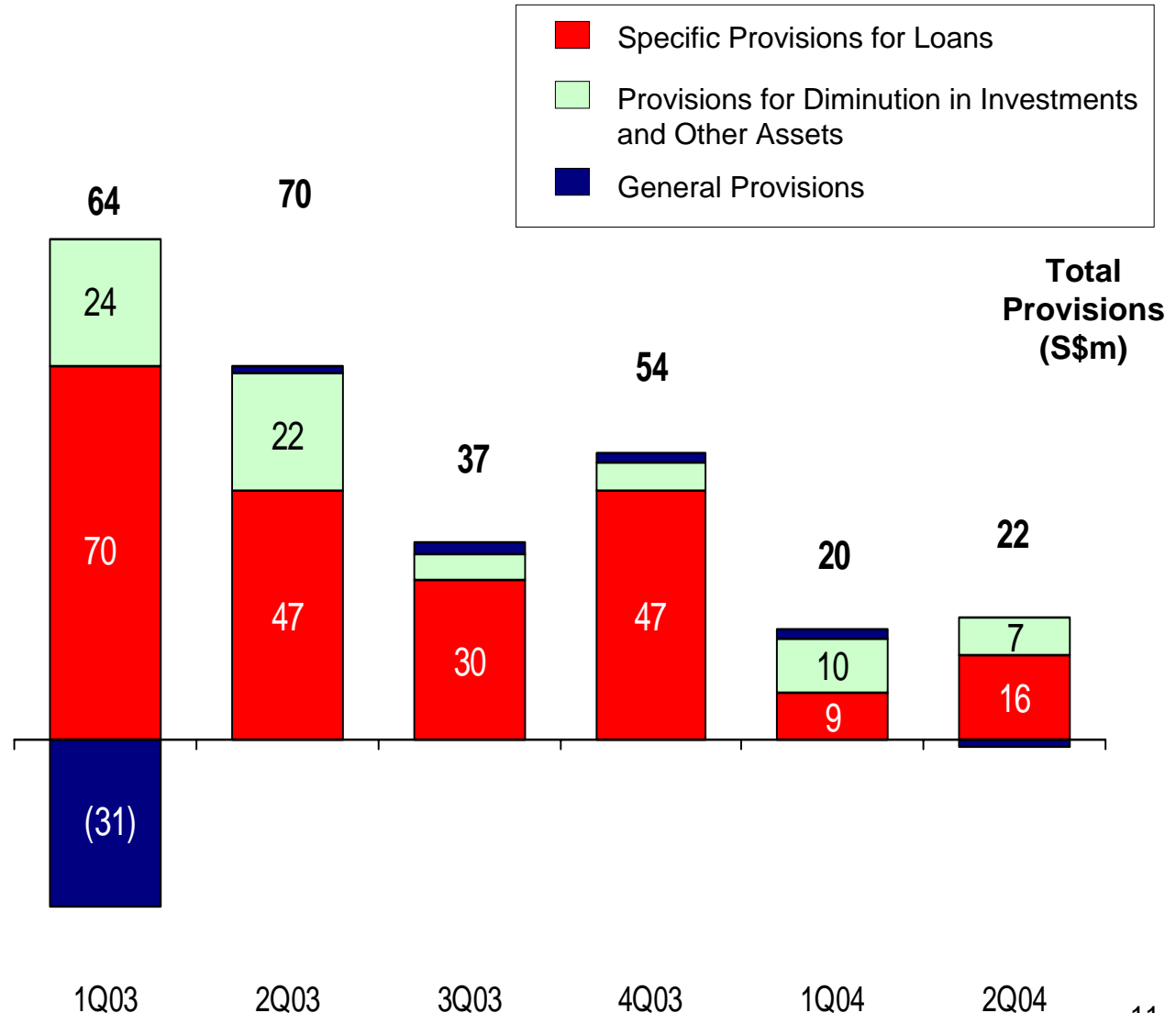
Operating Profit
(S\$m)



 Gains from divestment of non-core assets

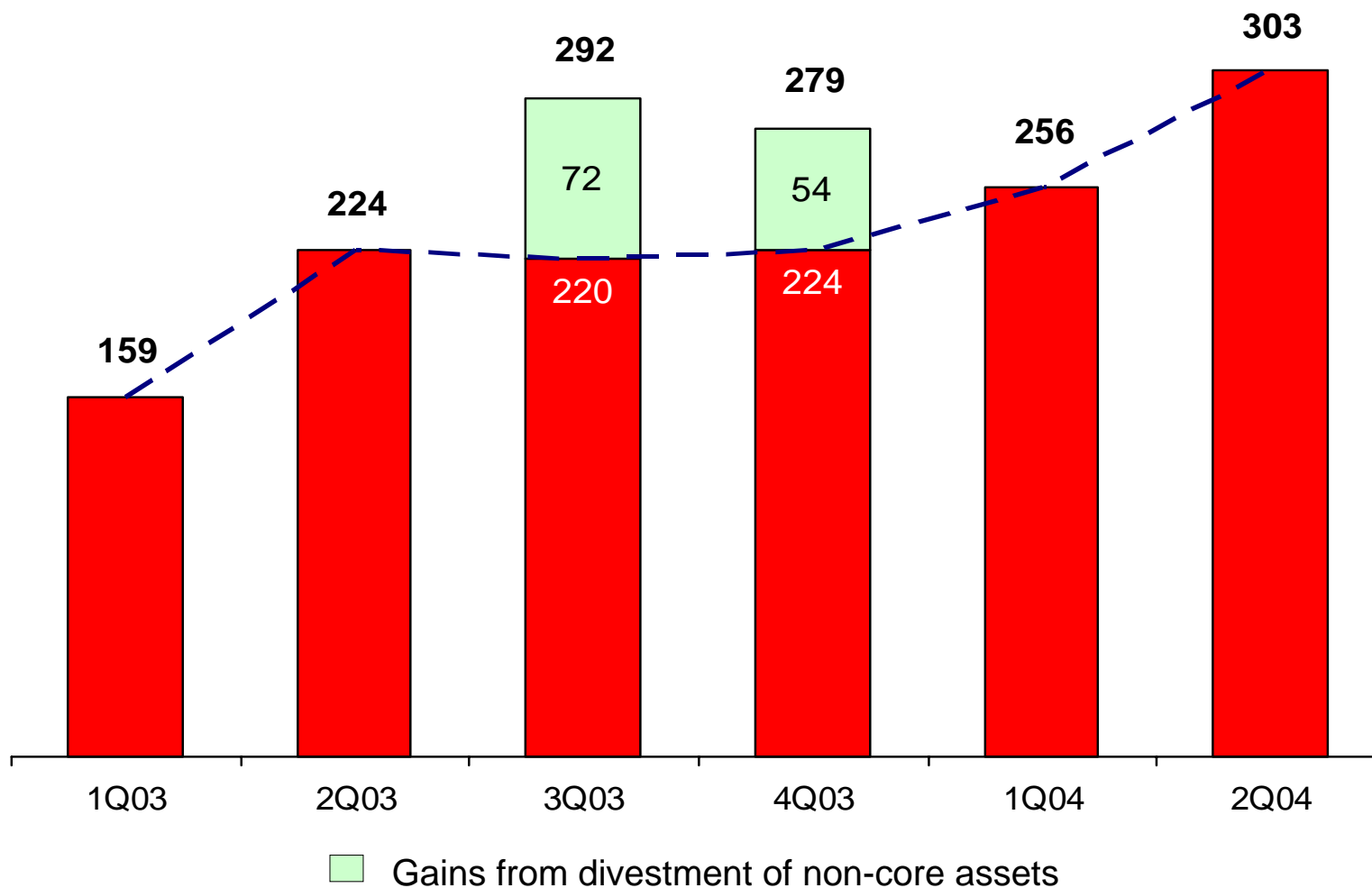
Provisions Remain Low

- Strengthening of credit processes and credit culture since 2nd half 2002 has contributed to lower provisions
- Measures include early problem recognition, early remedial action, active portfolio reviews, establishment of Special Asset Management unit and credit risk review function, and extensive credit training

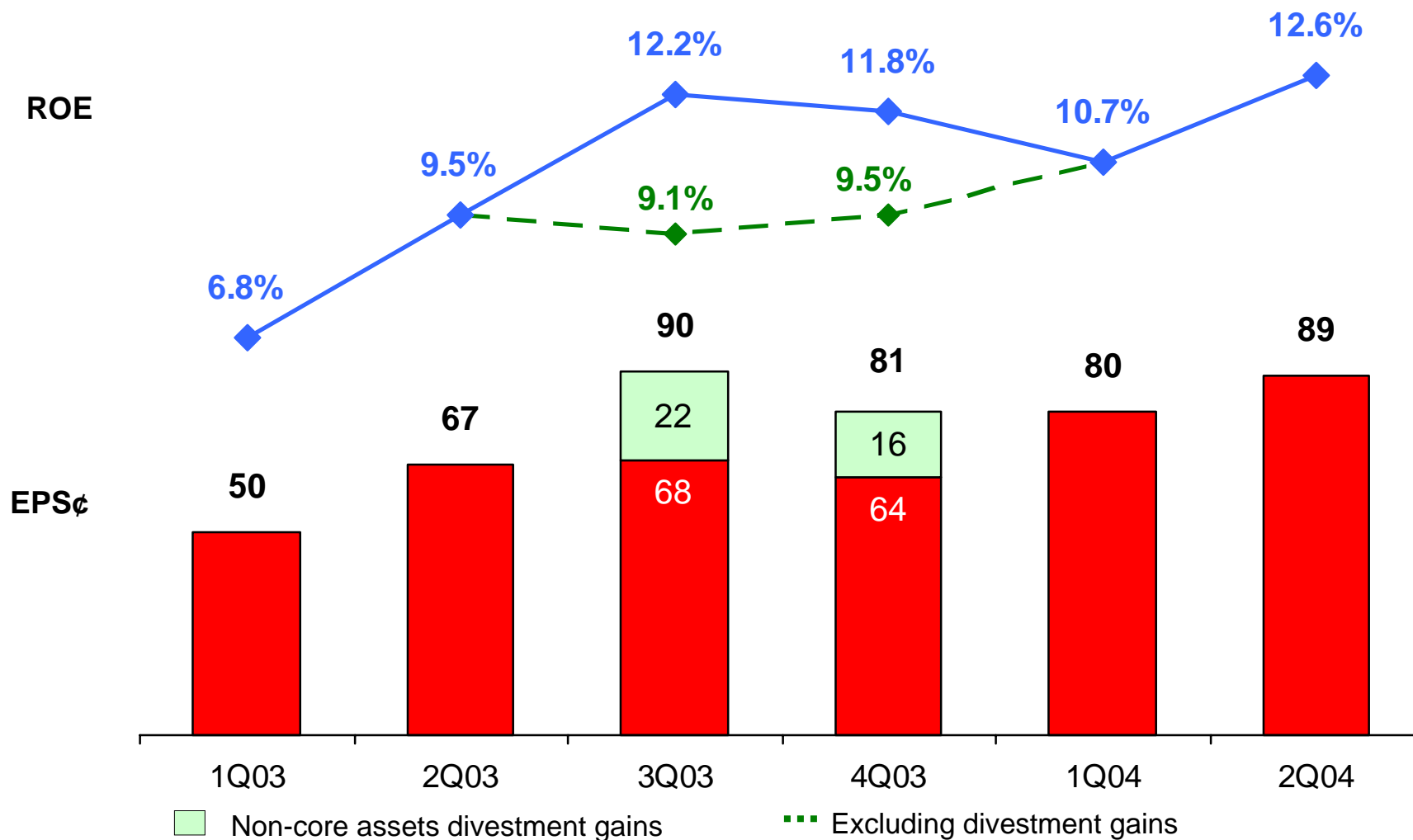


Continued Uptrend in Core Net Profit

Net Profit
(S\$m)



Improving EPS and ROE

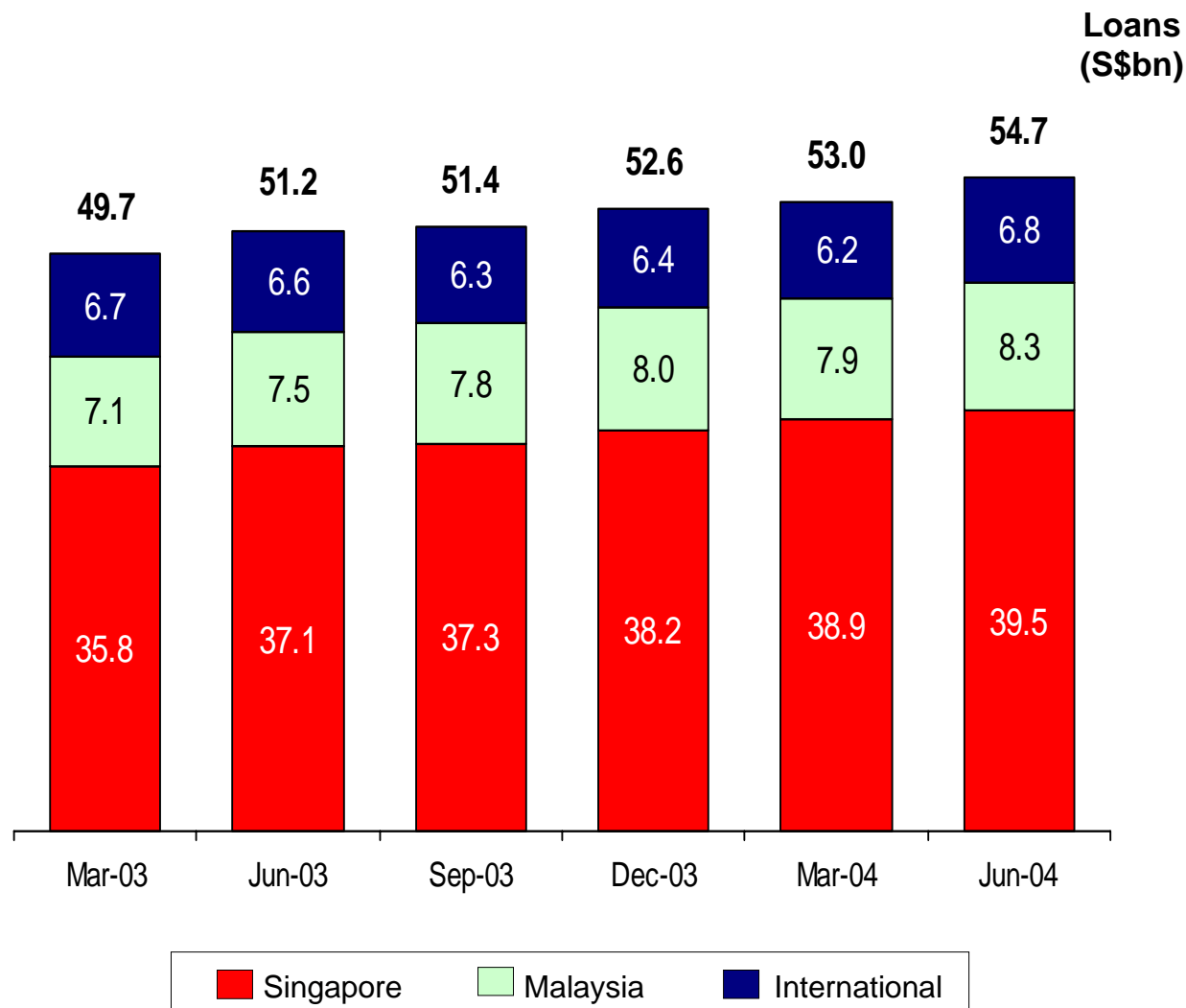


Note: Quarterly ROE and EPS are annualised; ROE refers to return on ordinary shareholders' funds

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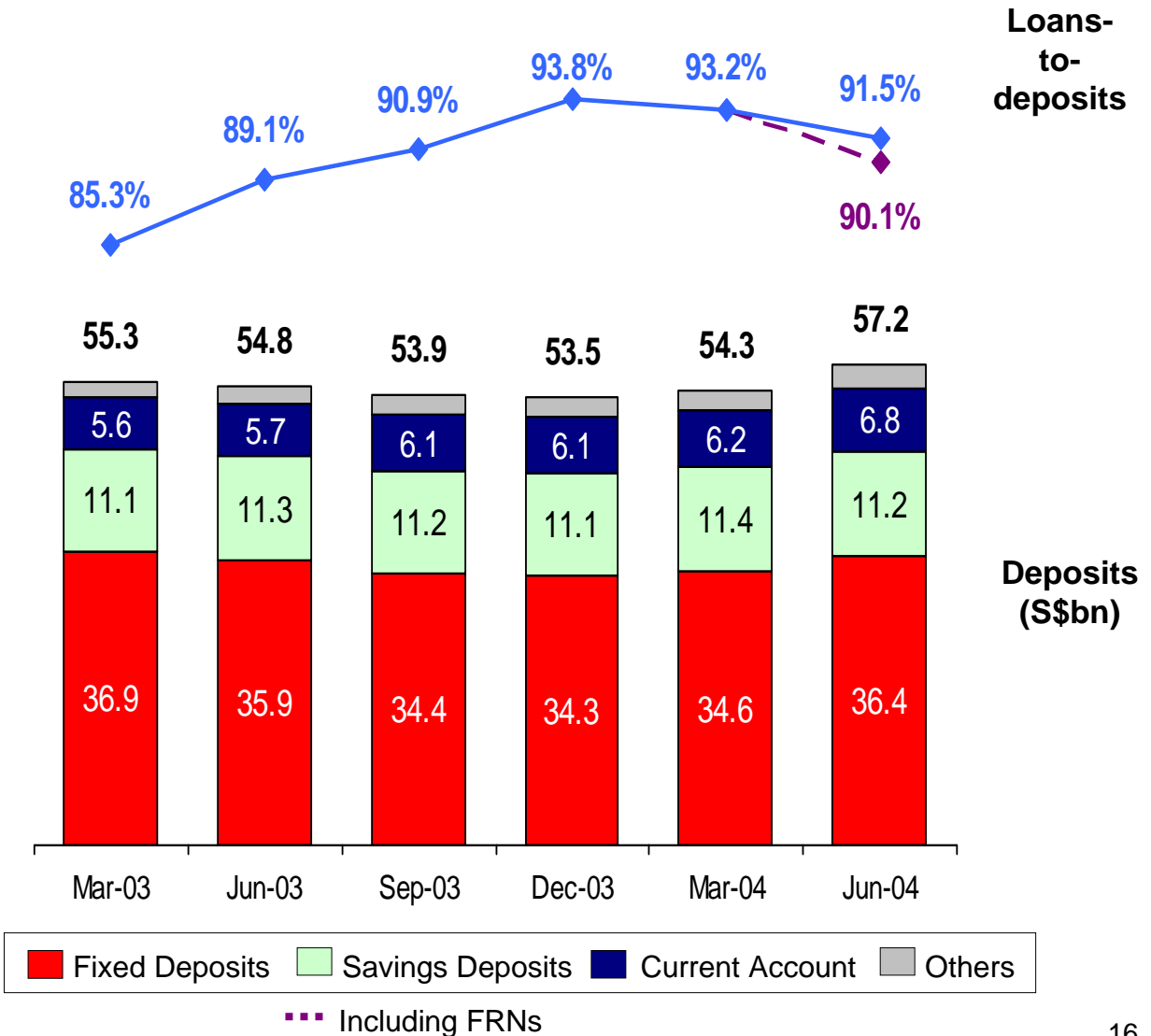
Loan Growth Driven by Consumer Loans and Malaysia Loans

- Group loans up 4% over Dec 03, led by housing loans (+7% to S\$16.5bn), as well as loans to general commerce, transport & communication, and financial institutions / investment holding companies
- OCBC Malaysia loans up 6% from Dec 03 to RM18.6bn, led by loans to housing, financial & business services, transport & communication, and agriculture sectors



Growth in Deposits, Lower Loans-to-Deposits Ratio

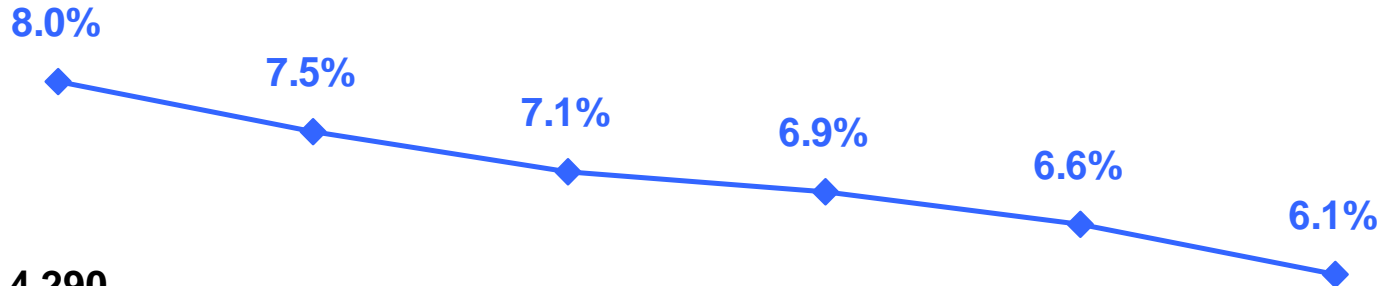
- Customer deposits grew 7% from Dec 03, due to higher fixed deposit and current account balances
- Loans-to deposits ratio declined from 93.8% in Dec 03 to 91.5%
- Issued US\$500m 3-year Floating Rate Notes in June as part of our efforts to diversify funding sources



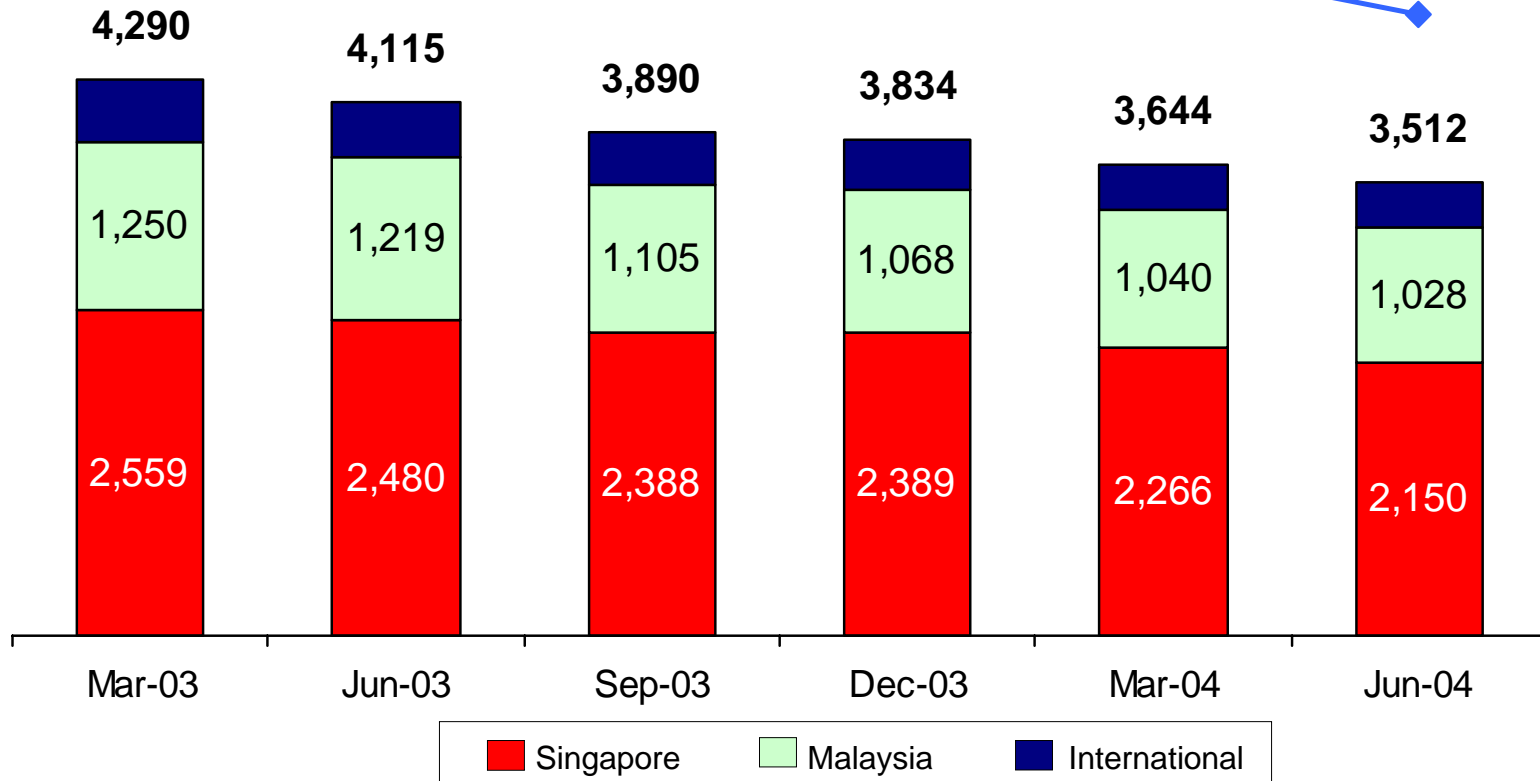
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Sustained Improvement in Asset Quality

NPL Ratio

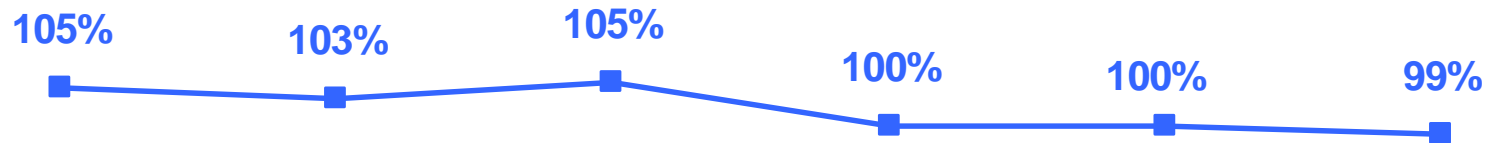


NPLs (S\$m)



Provision Coverage Remains Strong

SPs / Unsecured NPLs



(SPs+GPs) / NPLs



SPs / NPLs



Mar-03

Jun-03

Sep-03

Dec-03

Mar-04

Jun-04

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Impact of GEH Consolidation

- Shareholding in GEH rose from 48.9% to 81.1% in 2Q04. GEH equity-accounted as associate at 48.9% for April & May 04, and consolidated as subsidiary for June 04 at 70.1% (shareholding as at end-May)
- Incremental S\$1m boost to 2Q04 net profit after minorities and goodwill; full consolidation at 81.1% for the entire quarter would have lifted net profit to approx. S\$312m
- GEH is consolidated on “non-FRS 39” basis, different from its published results

	OCBC Group 2Q04	OCBC Adjusted ^{1/} 2Q04	OCBC Group 2Q03	Adjusted 2Q04 / 2Q03
	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	380	378	356	6
Non-Interest Income	267	231	174	33
- Income from insurance	26	-	-	<i>n.m.</i>
Total Income	647	609	530	15
Operating Expenses	236	231	223	4
Operating Profit	411	378	307	23
Goodwill	36	32	32	-
Provisions	22	22	70	(69)
Associates	48	64	78	(18)
Minority Interests	8	0.4	0.4	-
Net Profit	303	302	224	35

^{1/} Assuming GEH was equity-accounted as a 49%-owned associated company for all of 2Q04

GEH shares acquired	152.9m
<u>Acquisition cost of increased stake</u>	<u>S\$m</u>
• Acceptances of 138.7m GEH shares	1,628 ⁽¹⁾
• Acceptances of GEH options	10
• Open market purchase of 14.2m GEH shares	170
• Total acquisition cost - [A]	1,808
Estimated fair value of GEH's net tangible assets from the additional stake - [B]	732
Estimated goodwill arising from the acquisition - [A-B]	1,076

⁽¹⁾ Computed based on the number of OCBC shares allotted (at share exchange ratio of 0.976 per GEH share) times the market price of OCBC shares on date of allotment (averaging S\$12.03).

Note: In total, 136.2m new OCBC shares were issued arising from the Offer, while 80.2m OCBC shares held by GEH were cancelled for a cash distribution of S\$991m under the Selective Capital Reduction

- From June – December 2004, total goodwill of S\$1,076 million to be amortised over a period of 20 years:

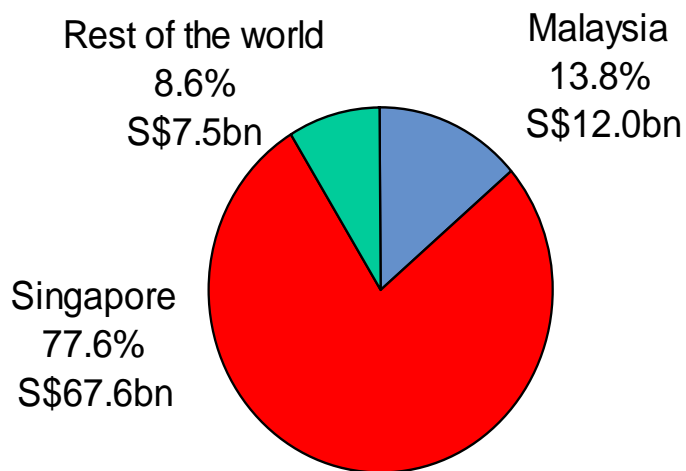
2Q04 (1 month)	S\$4.5m
3Q04	S\$13.5m est.
4Q04	S\$13.5m est.

- Commencing January 2005,
 - o Adoption of Financial Reporting Standard 103 on Business Combinations
 - o Value of in-force business to be treated as an intangible asset, and amortised over 20 years
 - o The balance of the difference between acquisition cost and fair value NTA will be subject to impairment test

Asset and Revenue Composition Transformed with the Addition of GEH

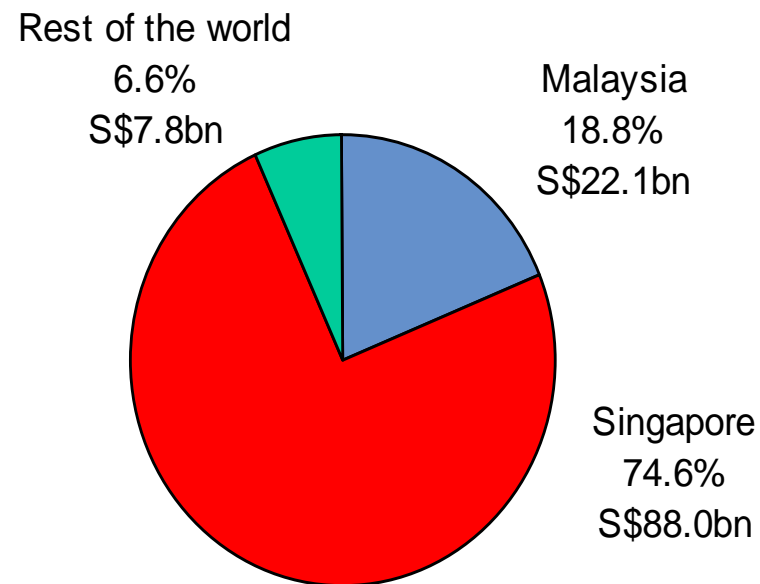
- Total assets jumped 35% from S\$87 billion in March 04 to S\$118 billion in June 04, with S\$30bn from GEH. Malaysia assets rose from 14% to 19% of total assets
- Non-interest income contribution rises from 35% in 2003 to approximately 48% in 2Q04 based on full consolidation

Assets as at 31 March 2004



Total Assets: S\$87.1bn

Assets as at 30 June 2004



Total Assets: S\$118.0bn

- Offer for GEH is driven by revenue synergies, not cost savings. GEH will retain its own brand name and continue to be managed separately
- We will review relevant business areas where incremental revenues can be generated from closer partnership, e.g. in product development, marketing and distribution, and customer services
- GEH's 17,000 agents in Malaysia can boost our distribution capability in Malaysia significantly, beyond our 25-branch network
- We will work more closely together in expanding our regional presence, e.g. in China and Indonesia. GEH has established an insurance joint venture in Chongqing, China, while OCBC has acquired 22.5% stake in Bank NISP in Indonesia

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Further Capital Management Initiatives

- We are setting aside S\$500m for share buybacks. This comes on top of the S\$1.7bn excess capital we have returned to shareholders over the past year, including two selective capital reductions which cancelled 7.2% of our share capital
- We have also raised our interim dividend from 11 cents to 19 cents, in line with our revised minimum 35% dividend payout policy

	Completion	Excess Capital Returned (net)
Special dividend @ 63.8 cents gross (with option to elect for Class G preference shares)	July 03	S\$642m
Selective capital reduction of 12.1m OCBC shares (0.94%) held by F&N	Sept 03	S\$105m
Selective capital reduction of 80.2m OCBC shares (6.26%) held by GEH	May 04	S\$991m
Total		S\$1,738m

- **Steady improvement in our core businesses since the first quarter of 2003**
- **Strong operating results driven by top line growth**
- **Pro-active capital management initiatives will continue. Group Tier 1 and Total CAR remain strong at 12.6% and 17.7% respectively under MAS revised capital framework**
- **We are well positioned for growth, and on track to achieve our target of 12% ROE by end-2005**

First Half 2004 Results

Thank You

