



Front cover image: Our role as banker to the community was affirmed when we introduced *NTUC-OCBC VISA Debit and Credit Cards* in September 2004. This landmark collaborative effort between NTUC and OCBC offers union members the convenience of cashless payments at over 22 million merchant locations globally. The cards also allow holders to earn LinkPoints more quickly as well as enjoy the rewards available through OCBC's Privileges Programme.

Our alliance with NTUC will deliver a wide range of financial products and services to over 440,000 union members, the first being the *NTUC-OCBC VISA Debit and Credit Cards*.

In order to show our support for the community, something both organisations value highly, we presented S\$250,000 to two children's charities in 2004. We will continue to donate 1% of the total spending on these cards, up to S\$250,000, to these charities over the next 4 years.



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Purpose

We help individuals and businesses across communities achieve their aspirations by providing innovative financial services that meet their needs.

Values

Customers

- >> We listen to our customers and understand their needs
- >> We build enduring relationships with them by delivering superior products and quality service

People

- >> We treat each other fairly and with respect
- >> We support our colleagues and invest in their development to help them realise their full potential
- >> We recognise and reward outstanding performance

Teamwork

- >> We, as team members, actively support each other across the organisation as we work towards our common purpose
- >> As individuals, we expect total responsibility from ourselves

Integrity

- >> Fair dealing is the basis of our business
- >> We assume everything we do is in full public view

Prudent risk taking

- >> We are prudent risk takers because our customers rely on us for safety and soundness

Effectiveness

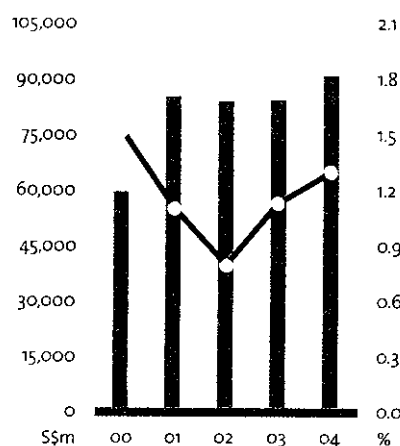
- >> We actively invest in infrastructure, process improvement and skills to lower our delivery costs
- >> We do the right things right the first time, on time, every time

Financial Highlights

Group Five-Year Financial Summary
Financial year ended 31 December

	2004	2003	2002	2001	2000
Income statement (\$ million)					
Income before operating expenses	2,643.1	2,193.0	2,221.6	2,213.6	1,726.9
Operating expenses	973.6	854.6	849.3	866.6	655.6
Operating profit	1,669.5	1,338.4	1,372.4	1,347.1	1,071.3
Amortisation of goodwill and intangibles	158.3	126.6	127.0	51.5	—
Provisions for assets	77.2	225.0	500.6	517.5	139.2
Profit before tax	1,554.6	1,221.7	905.6	976.5	1,152.9
Profit attributable to shareholders	1,162.4	954.1	666.7	778.0	840.0
Cash basis profit attributable to shareholders ⁽¹⁾	1,320.7	1,080.7	793.7	829.5	840.0
Balance sheet (\$ million)					
Non-bank customer loans (net of provisions)	52,962.5	50,155.1	47,367.2	49,609.4	32,936.0
Non-bank customer deposits	57,286.8	53,459.7	53,947.5	54,675.1	37,942.4
Total assets	119,881.7	84,497.4	84,051.4	85,417.0	59,709.6
Assets excluding life fund net assets	90,986.5	84,497.4	84,051.4	85,417.0	59,709.6
Total liabilities	108,639.7	74,438.5	74,827.2	76,584.8	51,554.4
Ordinary shareholders' equity	10,346.2	9,165.5	9,224.2	8,832.2	8,155.2
Total shareholders' equity	11,242.0	10,058.9	9,224.2	8,832.2	8,155.2
Per ordinary share (\$)					
Basic earnings	0.86	0.72	0.52	0.60	0.65
Cash earnings ⁽¹⁾	0.98	0.82	0.62	0.65	0.65
Gross dividend	0.38	0.87	0.20	0.18	0.40
Net asset value	7.86	7.16	7.15	6.86	6.34
Ratios (%)					
Return on average ordinary shareholders' equity	11.43	10.03	7.35	9.28	10.66
Return on average assets ⁽²⁾	1.30	1.13	0.80	1.11	1.53
Dividend cover (number of times) ⁽³⁾	2.78	1.06	3.31	4.34	2.18
Cost-to-income ratio ⁽¹⁾	36.84	38.97	38.23	39.15	37.97
Capital adequacy ratio ("CAR") ⁽⁴⁾					
Tier 1	12.6	12.8	11.5	10.3	20.3
Total	17.7	18.4	20.8	19.7	24.1

⁽¹⁾ Exclude amortisation of goodwill and intangibles.⁽²⁾ Return on average assets is calculated based on assets excluding life fund net assets attributable to policyholders.⁽³⁾ Dividend cover is the ratio of profit attributable to shareholders after preference dividends paid to net dividends (interim and proposed final dividends).⁽⁴⁾ 2004 CAR ratios are computed based on the revised capital framework (MAS Notice 637) issued by the Monetary Authority of Singapore on 28 May 2004. Other than the 2003 ratios which have been restated to the new basis, prior period ratios were computed using the Bank of International Settlements guidelines.



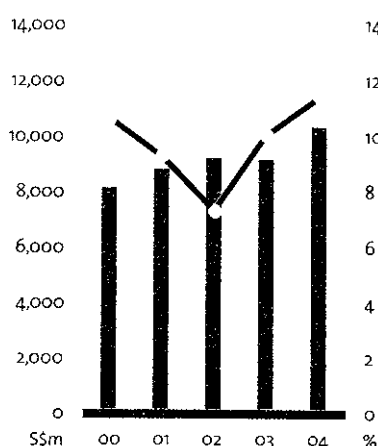
■ Assets (exclude life fund)
■ Return on average assets

Assets (exclude life fund)

2004: S\$90,986.5 million (+7.7%)
2003: S\$84,497.4 million

Return on average assets

2004: 1.30%
2003: 1.13%



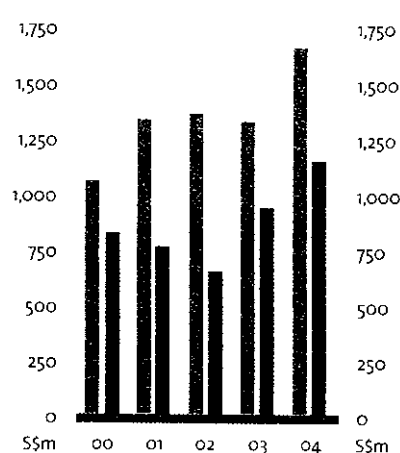
■ Ordinary shareholders' equity
■ Return on average ordinary shareholders' equity

Ordinary shareholders' equity

2004: S\$10,346.2 million (+12.9%)
2003: S\$9,165.5 million

Return on average ordinary shareholders' equity

2004: 11.43%
2003: 10.03%



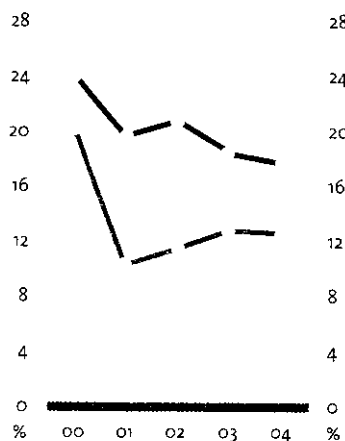
■ Operating profit
■ Profit attributable to shareholders

Operating profit

2004: S\$1,669.5 million (+24.7%)
2003: S\$1,338.4 million

Profit attributable to shareholders

2004: S\$1,162.4 million (+21.8%)
2003: S\$954.1 million



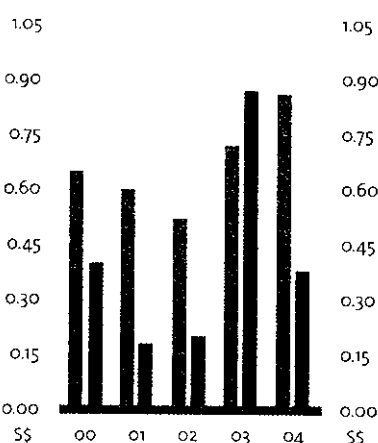
■ Tier 1 CAR
■ Total CAR

Tier 1 CAR

2004: 12.6%
2003: 12.8%

Total CAR

2004: 17.7%
2003: 18.4%



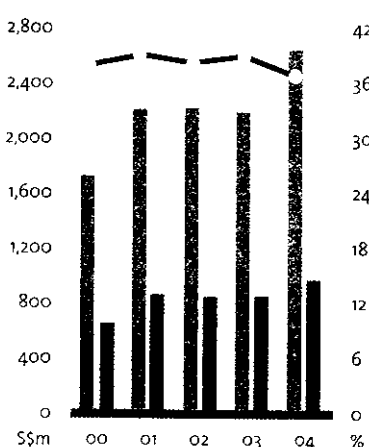
■ Basic earnings per share
■ Gross dividend per share

Basic earnings per share

2004: S\$0.86
2003: S\$0.72

Gross dividend per share

2004: S\$0.38
2003: S\$0.87



■ Income before operating expenses
■ Operating expenses
■ Cost-to-income ratio

Income before operating expenses

2004: S\$2,643.1 million (+20.5%)
2003: S\$2,193.0 million

Operating expenses

2004: S\$973.6 million (+13.9%)
2003: S\$854.6 million

Cost-to-income ratio

2004: 36.84%
2003: 38.97%

OCBC had an active and fruitful year in 2004. We made further progress towards achieving the goals set in our New Horizons strategy. We capitalised on the economic rebound to expand our customer base, deepen customer relationships, and invest further in systems, processes, products and people. At the same time, we executed several key strategic initiatives that will position OCBC for healthy growth in the future.

Record Earnings Our Group achieved another year of strong earnings growth. Net profit reached S\$1,162 million in 2004, an increase of 22% compared to S\$954 million in 2003. This is the first time in our history that earnings crossed the S\$1 billion mark. Return on equity also improved from 10.0% in 2003 to 11.4% in 2004.

More encouragingly, our earnings growth was driven by an increase in top-line revenue, in addition to lower provisions. Operating profit before provisions rose by 25% to S\$1,669 million, as our revenue grew 21%, outpacing the expenses growth of 14%.

Our net interest income increased by 6% to S\$1,518 million as we grew our customer loans by 5% and kept our net interest margin stable, in the face of very keen price competition in Singapore. Our fee and commission income showed a broad-based expansion of 24% to S\$464 million, with a particularly strong performance in sales of wealth management products including bancassurance, structured deposits and unit trusts. Provisions for loans and other assets fell from S\$225 million in 2003 to S\$77 million in 2004, reflecting our improved credit processes and asset quality, as well as the economic recovery.

In June 2004, we increased our shareholding in Great Eastern Holdings ("GEH") from 49% to 81% in a general offer. Consequently, GEH's results were consolidated as a subsidiary from June 2004, whereas previously GEH was equity accounted as an associated company. For 2004 as a whole, GEH's total contribution to our net profit was S\$189 million, up from S\$163 million in 2003.

We divested two non-core assets in 2004, namely, Raffles Investments and Whitesands Shopping Mall, reaping a total net gain of S\$97 million, as compared to divestment gains of S\$126 million in 2003. Excluding these gains, our core net profit showed even stronger growth of 29%, from S\$828 million in 2003 to S\$1,065 million in 2004.

We are pleased that our asset quality continues to show significant improvement, with our non-performing loans ratio declining from 6.9% to 4.9%, its lowest level since December 1997. Overall provision coverage of NPLs strengthened from 67% to 83%.

Our increased focus on our Malaysia operations is also beginning to pay off. OCBC Bank (Malaysia) Berhad achieved a 35% rise in net profit to RM276 million (S\$123 million), driven by higher non-interest income and Islamic Banking income, as well as lower provisions. Our Malaysia loans grew by a robust

14%. In addition, we were awarded Multi-media Super Corridor status for our processing subsidiary, e2 Power Sdn. Bhd., and we made good progress centralising the operations of our 25 branches throughout the country so as to realise significant productivity gains.

Much was accomplished on the capital management front over the past year. As part of the GEH transaction, we bought back and cancelled 6.3% of our share capital that was held by GEH, for a cash consideration of S\$991 million. We also announced a S\$500 million on-market share buyback programme in August 2004, and as of 31 January 2005 we have completed S\$394 million of the programme. The net result is that the issue of new OCBC shares for the GEH offer was largely offset by these share buybacks, such that our earnings per share grew 20% to 86 cents, slightly less than our net profit growth of 22%. In addition, as part of our continuing efforts to achieve a more efficient Tier 1 capital mix by utilising lower-cost capital, we successfully raised S\$400 million of hybrid Tier 1 preference shares in January 2005.

Higher Dividends The Board has recommended a final dividend of 19 cents per share for ordinary shareholders, bringing the total distribution for 2004 to 38 cents per share. This is a 65% increase over the 23 cents paid for 2003.

Following the reduction in the minimum Tier 1 capital requirement for Singapore banks announced in May 2004, we revised our target minimum dividend payout ratio from 25% to 35% of the Group's core earnings. Consistent with this policy, the estimated net dividends of S\$403 million for 2004 represent 38% of our core net profit of S\$1,065 million.

Strategic Initiatives We continued to make good progress in the second year of our New Horizons strategy. The full report card of our achievements in the respective areas of customers, products, risk management, productivity, people, shareholders and overseas expansion, can be found in the "New Horizons" section of this annual report. Here we wish to focus on three strategic initiatives accomplished last year which have profound and positive implications for OCBC's long term growth.

- **Closer Alliance with Great Eastern Holdings** Our most important corporate development in 2004 was the acquisition of an increased stake in our long-standing strategic partner GEH, the largest insurance group in Singapore and Malaysia. Through a general offer involving the exchange of 976 OCBC shares for every 1,000 GEH shares, we raised our stake in GEH from 49% to 81%, thereby making GEH a major subsidiary of OCBC.

This move transforms OCBC into a much bigger and stronger financial services group, boosting our total assets by 42% to S\$120 billion as at the end of 2004. More importantly, OCBC is now the largest financial institution in terms of assets in the combined Singapore and Malaysia markets, thereby fulfilling one of our key New Horizons objectives. Our combined bank and agency sales force of more than 20,000 is also the largest among financial institutions in the two countries, and our customer accounts have doubled to more than four million.

Beyond the benefits of increased size, we believe that forging a closer alliance with GEH makes strategic sense. It strengthens our wealth management franchise, and enables us to offer customers even more choices from a complete suite of financial products and services. By leveraging on our combined customer base and distribution channels, we can also increase cross-sell opportunities and reap revenue synergies. Overseas, we see opportunities to work together with GEH in pursuing regional expansion outside of Singapore and Malaysia.

The cross-sell potential has been validated by the encouraging results we have seen in two pilot projects in East Malaysia, which involved referrals by GEH agents of OCBC's credit cards and housing loan products to their policyholders. These pilots together with other initiatives with GEH accounted for one fifth of the 90% surge in our Malaysian credit card base in 2004. We are confident that closer collaboration with GEH will enhance our market positions in our two key markets of Singapore and Malaysia.

- **Expanding into Indonesia** We made significant headway last year in our stated goal of establishing a substantial presence in a third major market by 2005. In April 2004, we acquired a 22.5% stake in Bank NISP, the 12th largest bank by assets in Indonesia, for S\$119 million. This was followed in December 2004 by our proposed acquisition of an additional 28.5% stake, which will bring our shareholding to a majority stake of 51%. This increased shareholding is currently in the process of receiving requisite approvals from regulatory authorities and Bank NISP's shareholders. Upon its completion, OCBC will be required to make a tender offer for the remaining shares in Bank NISP, which we expect to complete by the first half of 2005.

We have chosen Indonesia as our third major market, and Bank NISP as our partner, after careful consideration. Indonesia is an attractive market for OCBC given its size, growth potential, proximity and economic links with Singapore, and just as importantly, its similarities with the Malaysian market where we have a significant presence and relevant experience. Bank NISP's business focus directly complements our strengths and target growth segments, as it has a successful SME franchise and is seeking to grow its consumer banking business. Bank NISP also has a strong management team, solid financials and a proven track record of profitability, having weathered the Asian financial crisis without any assistance from the government.

Our objective is to help build Bank NISP into one of the leading banks in Indonesia. Several joint initiatives are now underway to boost cooperation. In the consumer segment, we plan to leverage our proven abilities in sales distribution, customer relationship management and wealth management to strengthen Bank NISP's existing business. In the SME arena, we will work with Bank NISP to augment their product range, for example, in cash management, and to help improve their risk management and credit processes.

- **Collaboration with NTUC Link** Last September we signed an exclusive, collaborative agreement with NTUC Link to offer a broad range of financial services with greater benefits and rewards to more than 440,000 union members and the wider working community. This initiative reaffirms our role as a community bank, serving the mass consumer market. It ties in with our strategy to build a successful mass consumer business that will serve us well when we expand into regional markets like Indonesia and China.

The first initiative launched under this partnership with NTUC Link was the co-branded NTUC-OCBC VISA Credit and Debit Cards. These cards offer NTUC members greater payment convenience at a larger number of merchant outlets, access to OCBC's card privileges programme, and opportunities to redeem rewards at a faster rate. More than 40,000 card applications were received in the four months after the launch. We also achieved a good response rate to our time deposit promotion for NTUC members.

Looking Forward The general consensus is that the global economy should see moderate growth in 2005. The Government has projected Singapore's GDP growth to slow to 3 – 5% this year, from an estimated 8.1% in 2004. For Malaysia, most economists are projecting 5 – 6% growth, compared to an estimated 7.2% in 2004.

Given this benign outlook, and barring major upheavals, we expect to continue to deliver growth and to make further progress towards achieving our 12% ROE target. We will seek to achieve balanced growth, building our consumer and SME banking businesses, and growing both our interest and non-interest income. As always, managing the intense competition, margin and cost pressures in the mature Singapore market will pose challenges. We will have to be efficient in our operations and processes, innovative in our product offerings, better than our competitors in providing excellent customer service, and disciplined in controlling our costs. We will also have to look increasingly to Malaysia and other overseas markets for growth.

Following the investments we made last year in GEH and Bank NISP, we expect to be actively engaged in 2005 in seeking ways to leverage on these partnerships to deliver revenue synergies. For our collaboration with NTUC Link, we will be looking to launch more customised products to benefit union members.

Under regulatory guidelines, we are required to reduce the Group's shareholding in Straits Trading Company and Robinson and Company to below 10% by July 2006. We will continue to divest our other non-core assets at opportune times and at optimal prices, and reinvest the gains in core financial services businesses. Efficient capital management remains an important objective, and we will continue to evaluate our capital needs and options.

Acknowledgements Our appreciation goes to our fellow Board members for contributing their invaluable time and expertise to steer OCBC on the right course. Datuk Fong Weng Phak has stepped down from the Board in January 2005 after three years of service. We thank him for his contributions and wish him the best in his future endeavours. We welcome two new Board members, Mr Giam Chin Toon and Professor Neo Boon Siong, whose extensive knowledge and experience will further strengthen our Board.

We also want to thank the management team and all our colleagues for their dedication, commitment and teamwork in building OCBC into a high performance bank. Last but not least, we thank all our customers and shareholders for their continued support and confidence in OCBC.



CHEONG CHOONG KONG
Chairman

14 February 2005



DAVID CONNER
Chief Executive Officer

Board of Directors

Tan Sri Dr Tan Chin Tuan, former Deputy President

1 Dr Cheong Choong Kong

Chairman

Dr Cheong was first appointed to the Board on 1 July 1999 and last re-elected as a Director on 15 April 2004. On 1 July 2003, he was appointed Chairman, after having served as Vice Chairman from 26 March 2002 to 30 June 2003. Dr Cheong brings with him a wealth of experience gained in his extensive career, including 29 years at Singapore Airlines Ltd, where he last held the position of Deputy Chairman and Chief Executive Officer. He is now a Director of several companies, including Singapore Press Holdings Ltd, Great Eastern Holdings Ltd and United Eagle Airlines Co Ltd. Dr Cheong holds a Bachelor of Science with First Class Honours in Mathematics from the University of Adelaide and a Master of Science and a Ph.D. in Mathematics from the Australian National University. Age 63.

2 Mr Michael Wong Pakshong

Vice Chairman

Mr Wong Pakshong was first appointed to the Board on 21 April 1989 and last re-elected as a Director on 15 April 2004. On 26 March 2002, he was appointed Vice Chairman. He is presently Chairman of Great Eastern Holdings Ltd, Robinson & Company Ltd and Sime Singapore Ltd, and serves as a Director in several companies, including The Straits Trading Company Ltd, WBL Corporation Ltd, Bukit Sembawang Estates Ltd and Sime Darby Berhad. Mr Wong Pakshong holds a Bachelor of Arts with Honours and a Hon. LL.D. from the University of Bristol. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Institute of Certified Public Accountants of Singapore. Age 73.

3 Mr David Conner

Former Vice President

Mr Conner was first appointed to the Board on 15 April 2002 and last re-elected as a Director on 15 May 2002. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and, prior to that, was Country Corporate Officer for Citibank's Singapore operations. He is presently a Director of several companies, including Great Eastern Holdings Ltd, Bank of Singapore Ltd and OCBC Bank (Malaysia) Berhad. Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University. Age 56.

4 Mr Giam Chin Toon, Senior Counsel

Mr Giam was appointed to the Board on 1 January 2005. He is presently a Senior Partner of the law firm Wee Swee Teow & Co, a Director of several companies, including Guthrie GTS Limited, Pertama Holdings Limited and Raffles Holdings Limited. He is also the Singapore Ambassador (Non-Resident) to Peru and Singapore High Commissioner Designate (Non-Resident) to Ghana. He holds an LLB (Honours) and an LL.M. degree from the University of Singapore. Age 62.

5 Mr Lee Seng Wee

Mr Lee was first appointed to the Board on 25 February 1966 and last re-elected as a Director on 15 April 2004. He was Chairman of OCBC Bank from 1 August 1995 to 30 June 2003, and continues to serve on the Board Executive Committee and the Board Nominating Committee. He is presently a Director of several companies, including Great Eastern Holdings Ltd, GIC Real Estate Pte Ltd, Lee Rubber Group of Companies and Lee Foundation. Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario. Age 74.

6 Dr Lee Tih Shih

Dr Lee was first appointed to the Board on 4 April 2003 and last re-elected as a Director on 14 May 2003. He is a medical practitioner licensed in Singapore and the United States, and had also previously worked in senior executive positions at the Monetary Authority of Singapore and OCBC Bank. He is presently a Director of Fraser and Neave Ltd and several Lee Rubber Group companies, and a Commissioner of PT Bank NISP. Dr Lee graduated with a Master of Business Administration with Distinction from Imperial College, London, and a M.D. (Doctor of Medicine) from Yale University, where he now holds the appointment of Assistant Professor. Age 41.

7 Tan Sri Dato Nasruddin Bin Bahari

Tan Sri Dato Nasruddin was first appointed to the Board on 13 November 2000 and last re-elected as a Director on 14 May 2003. He is presently Chairman of OCBC Bank (Malaysia) Bhd, Affin Money Brokers Sendirian Berhad and Sumber Petroleum Cemerlang (SPC) Sendirian Berhad. He is also a Director of several companies, including Lingkaran Trans Kota Holdings Bhd (LITRAK) and The Pacific Insurance Berhad. Tan Sri Dato Nasruddin holds a Bachelor of Arts with Honours from the University of Malaya and a Master of Public Administration from the University of Pittsburgh. Age 67.

8 Professor Neo Boon Siong

Professor Neo was appointed to the Board on 1 January 2005. He is a Professor of Nanyang Business School, Nanyang Technological University, Singapore, and is presently a Director of several companies, including Great Eastern Holdings Limited, Keppel Offshore & Marine Ltd and Informatics Holdings Ltd. He holds a Bachelor of Accountancy with Honours from the National University of Singapore and a Master of Business Administration and Ph.D. from University of Pittsburgh. Age 47.

9 Dr Tsao Yuan (also known as Dr Lee Tsao Yuan)

Dr Tsao Yuan was first appointed to the Board on 3 April 2002 and last re-elected as a Director on 15 May 2002. She is presently a Director of several companies, including Keppel Corporation Limited, Pacific Internet Ltd and Skills Development Centre Private Limited. Dr Tsao Yuan holds a Bachelor of Economics and Statistics with First Class Honours from the University of Singapore and a Ph.D. in Economics from Harvard University. Age 49.

10 Col (Ret) David Wong Cheong Fook

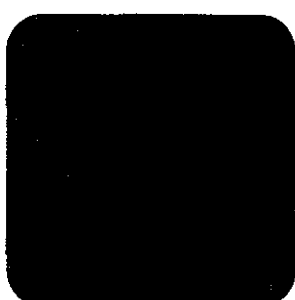
Col (Ret) Wong was first appointed to the Board on 1 August 1999 and last re-elected as a Director on 15 April 2004. He is presently Chairman of EM Services Pte Ltd and a Director of several companies, including Bank of Singapore Ltd, OCBC Bank (Malaysia) Berhad and Pacific Internet Ltd. Col (Ret) Wong holds a Bachelor of Arts with Honours in Economics and a Master of Arts from the University of Cambridge. He is also a Member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants in Singapore. Age 51.

11 Mr Wong Nang Jang

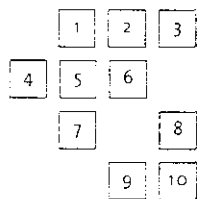
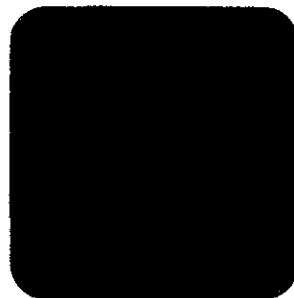
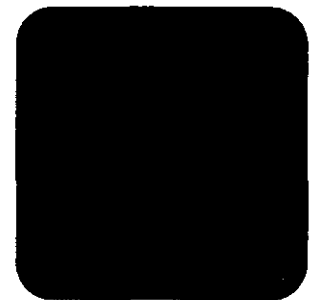
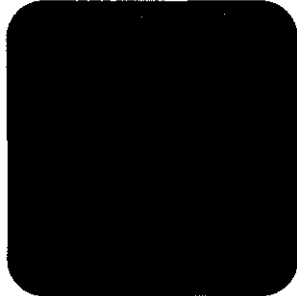
Mr Wong was first appointed to the Board on 1 August 1998 and last re-elected as a Director on 14 May 2003. He is presently Chairman of Banking Computer Services Pte Ltd and BCS Information Systems Pte Ltd, and a Director of Bank of Singapore Ltd, SIA Engineering Co Ltd, WBL Corporation Ltd and PacificMas Berhad. Mr Wong graduated as a Bachelor of Arts with Honours in Economics from the University of Singapore. Age 65.

12 Mr Patrick Yeoh Khwai Hoh

Mr Yeoh was first appointed to the Board on 9 July 2001 and last re-elected as a Director on 14 May 2003. He is presently Chairman of Tuan Sing Holdings Ltd and a Director of several companies, including Singapore Food Industries Ltd, MobileOne Ltd and Times Publishing Ltd. Mr Yeoh holds a Bachelor of Science with Honours from the University of Malaya. Age 67.



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Principal Officers

1 Mr David Conner
Chief Executive Officer

2 Mr Tan Ngiap Joo
Group Business Banking

Mr Tan was appointed Deputy President in December 2001. He joined the OCBC Group in 1990 and was Executive Director and CEO of Bank of Singapore (Australia) for six years. A veteran banker with 34 years of banking experience, Mr Tan currently oversees the Group's efforts in managing and growing both corporate and SME customers globally. Prior to joining the Group, he was with a foreign financial institution for 20 years. Mr Tan holds a Bachelor of Arts from the University of Western Australia. Age 59.

3 Dato Albert Yeoh
Director and CEO, OCBC Bank Malaysia

Dato Yeoh was appointed Senior Executive Vice President in January 2001. He joined the OCBC Group in March 1996, initially as Director and CEO of OCBC Bank Malaysia and subsequently as Head of Retail Banking, OCBC Bank. Dato Yeoh is also a Director of e2 Power Sdn Bhd. He has been heading the Group's Malaysian operations since January 1999, and is a seasoned banker with more than 24 years of banking experience. He holds a Bachelor of Economics (double major in Economics and Operations Research) from the Monash University of Australia, and a Master of Science in Management from the University of Salford, England. Age 55.

4 Mr Chin Yuen Yin
Group Consumer Financial Services

Mr Chin was appointed Executive Vice President in July 1999, and is responsible for the Group's efforts in managing and growing consumer customers globally. Prior to joining the OCBC Group, Mr Chin worked in Standard Chartered Bank and Hong Leong Bank, in Malaysia, serving in various capacities. He was also an Adviser to the President Director of a local bank in Indonesia. Mr Chin holds a Bachelor of Economics with Honours from the University of Malaya and a Master of Business Administration in Strategic Marketing from the University of Hull, UK, and is a Fellow of The Chartered Institute of Marketing. Age 57.

5 Mr Andrew Lee Kok Keng
Group Consumer Financial Services

Mr Lee was appointed Executive Vice President in November 2003, and is responsible for OCBC Bank's consumer finance business in Singapore. He is also a Director of e2 Power Pte Ltd. Mr Lee joined the OCBC Group in October 1999 as Head of Channel Management and was appointed Head of Consumer Financial Services, Singapore, in May 2003. Prior to joining the Group, Mr Lee was with Standard Chartered Bank for 20 years, where he held senior level executive positions. He holds a Bachelor of Social Science with Honours from the University of Singapore. Age 52.

6 Mr Ching Wei Hong
Group Transaction Banking

Mr Ching was appointed Senior Vice President in November 1999, and is responsible for the Group's corporate transaction-related services,

including cash management, trade finance, trustee and nominee services. He is also a Director of e2 Power Pte Ltd. Mr Ching has more than 20 years of experience in regional finance, corporate banking and cash management, having worked in Philips Electronics Asia Pacific Pte Ltd, Bank of America and Union Carbide Asia Pacific Inc. He holds a Bachelor of Business Administration from the National University of Singapore. Age 45.

7 Mr George Lee Lap Wah
Group Investment Banking

Mr Lee was appointed Senior Vice President in July 1999. Previously Head of Corporate and Institutional Banking and Head of Capital Markets, he currently oversees the Group's Investment Banking Division, which comprises the debt capital markets, corporate finance, merger and acquisition and mezzanine investment businesses. Mr Lee has more than 25 years of banking experience and has held senior level positions in Credit Suisse First Boston, Credit Suisse Singapore and Security Pacific National Bank. Mr Lee holds a Bachelor of Business Administration with Honours from the University of Singapore and is a Chartered Financial Analyst. Age 52.

8 Mr Linus Goh Ti Liang
International

Mr Goh was appointed Executive Vice President in April 2004, when he joined the OCBC Group. He currently heads the International division and is responsible for delivering growth across OCBC's international network. Mr Goh was with Citibank for over 17 years in various senior roles covering corporate banking, financial institutions and product management. His last position at Citibank was Managing Director and Group Head for Global Transaction Services. Mr Goh holds a Bachelor of Arts (Philosophy) with Honours from the National University of Singapore. Age 42.

9 Mr Na Wu Beng
International

Mr Na was appointed Executive Vice President in March 2001, and is currently responsible for spearheading OCBC Bank's presence in Indonesia. He is also a Commissioner of PT Bank NISP. He joined the OCBC Group in February 1990 and was General Manager of its Hong Kong branches for nine years, after which he was responsible for the Bank's operations in North Asia. Prior to that, Mr Na was at International Bank of Singapore for 11 years, where he was based in Taiwan for seven years. He holds a Bachelor of Arts (Economics) with Honours from Coventry (Lanchester) University, UK. Age 48.

10 Mr Tan Eng Huat
Group Treasury

Mr Tan was appointed Executive Vice President and Head of Group Treasury in April 2001. He oversees the Group's foreign exchange, fixed income, money market and derivatives businesses. Mr Tan has over 25 years of treasury experience in the financial services industry, and was previously General Manager and Managing Director of Dresdner Bank Group, Singapore, and Treasurer of Swiss Bank Corporation, Singapore. Mr Tan holds a Bachelor of Social Sciences (Honours) in Economics from the University of Singapore. Age 52.

Principal Officers

11 Mr Lawrence Wong

Group Asset Management

Mr Wong was appointed Senior Vice President in July 1999. He was formerly Head of Investment Banking for three years, and is now responsible for managing and growing the Group's fund management business. Prior to joining the OCBC Group, he was with the Schroder Group for 20 years, holding senior positions in corporate finance. Mr Wong holds a Bachelor of Business Administration from the University of Singapore. Age 50.

12 Mr Chong Meng

Group Audit

Mr Chong was appointed Executive Vice President in October 2000, and is responsible for formulating and administering a comprehensive programme of internal audit within the OCBC Group. Prior to that, he was Head of Group Risk Management for two years. A veteran banker with over 28 years of experience, Mr Chong has previously held senior level positions at Deutsche Bank AG, Singapore and Bankers Trust Company, Singapore. He holds a Bachelor of Business Administration with Honours from the University of Singapore. Age 55.

13 Mr John Dahlberg

Group Operations & Technology

Mr Dahlberg was appointed Executive Vice President in January 2003, and is responsible for the Group's back-office operations and Information Technology initiatives. He is also a Director of e2 Power Pte Ltd and e2 Power Sdn Bhd. Mr Dahlberg was formerly Head of Global Private Banking at the Development Bank of Singapore. Prior to that, he was with Citibank in Asia for 11 years in various IT and operations roles. He holds a Master of Science in Management from Stanford University, USA, and a Bachelor of Arts in International Affairs from Texas Christian University, USA. Age 46.

14 Mr Lai Teck Poh

Group Risk Management

Mr Lai was appointed Executive Vice President in January 1988. He currently oversees the management of credit, market and operational risks for the Bank and its financial subsidiaries. Prior to that, he had responsibilities for Corporate Banking, IT, Investment Management and Central Operations. Mr Lai has more than 35 years of banking experience, including 20 years in Citibank N.A., Singapore, with overseas assignments in Jakarta, New York and London. He holds a Bachelor of Arts with Honours from the University of Singapore. Age 60.

15 Mr Soon Tit Koon

Group Finance

Mr Soon was appointed Chief Financial Officer in September 2002, with responsibilities that include capital management, financial and management accounting, management information systems, legal and compliance, and investor relations. He was formerly the Chief Financial Officer of Wilmar Holdings Private Limited for about three years and was with Citicorp Investment Bank, Singapore, for 17 years. Mr Soon holds a Master of Business Administration from the University of Chicago and a Bachelor of Science with Honours from the University of Singapore. Age 53.

16 Mr Vincent Soh

Group Property Management

Mr Soh was appointed Senior Vice President and Head Group Property Management in June 2004, when he joined the OCBC Group. He brings

with him 25 years of experience in managing a broad portfolio of real estate properties. Mr Soh was most recently an Assistant Director at Far East Organization, where he was responsible for property management, hospitality support for service apartments, leasing of investment properties, and advertising & promotion of retail properties. He holds a Master of Science (Property & Maintenance Management) and Master of Public Policy, both from the National University of Singapore, and is a Member of the Royal Institution of Chartered Surveyors and the Singapore Institute of Surveyors and Valuers. Age 49.

17 Ms Cynthia Tan Guan Hiang

Group Human Resources

Ms Tan was appointed Senior Vice President and Head of Group Human Resources in September 2000. She has more than 20 years of experience in human resources as well as training and development, having held senior level positions in DFS Ventures, Mentor Graphics, Apple Computer and National Semiconductor. Ms Tan was also a former lecturer in Business Studies at Ngee Ann Polytechnic. She holds a Masters in Business Administration from the University of Hull, UK. Age 54.

18 Mrs Teng Soon Lang

Group Quality & Process Innovation

Mrs Teng was appointed Executive Vice President and Head of Group Quality and Process Innovation in January 2003. She is currently responsible for cross-functional process innovations and building a quality culture across the OCBC Group. Mrs Teng is also a Director of e2 Power Pte Ltd. She joined the Group in 1996 and was responsible for Group information technology management. Prior to that, she worked in DBS Bank and the Institute of System Science. Mrs Teng holds a Master of Computer Science and Information Systems, a Bachelor of Accounting with Honours from the National University of Singapore and a Post Graduate Qualification from the Institute of Cost and Management Accountants, UK. Age 54.

19 Mr Peter Yeoh Ban Aik

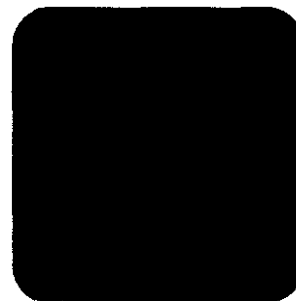
Group Secretariat

Mr Yeoh was appointed Senior Vice President in January 1997 and Company Secretary in August 2002. He joined the Group in January 1984 and has held responsibilities in finance, accounting and management information services. Mr Yeoh was previously with Price Waterhouse. He holds a Bachelor of Commerce from the University of Western Australia, and is an Associate Member of the Institute of Chartered Accountants in Australia and a Member of the Institute of Certified Public Accountants of Singapore. Age 50.

20 Ms Koh Ching Ching

Group Corporate Communications

Ms Koh was appointed Head of Group Corporate Communications on 1 November 2004, and leads the Group's communications initiatives with the media, employees, customers, shareholders and the general public. Prior to this appointment, she led the Group's franchise expansion efforts in the area of trade finance in Malaysia. Ms Koh has over 13 years of corporate banking experience, having held various senior customer and product positions. She also played a key role in the success of a cross-functional process improvement project within the Group. She graduated with First Class Honours in Business Administration from the National University of Singapore. Age 37.



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New Horizons >>

New Horizons is our three-year strategy, announced in February 2003, intended to deliver international growth and improved overall performance of OCBC Bank.

Seeking international growth:

We will strengthen our market position in our two existing core markets of Singapore and Malaysia, and use this as a platform to transfer successful business models and product solutions to other ASEAN countries and China. Our plan is to establish a presence in a third country in 2005, and be poised to add another country, by 2006

Building a high performance bank:

Customers

We intend to rapidly expand our customer base, and to become a Top 3 consumer and SME bank in the combined Singapore-Malaysia market by 2005

Products

We will build best-in-class products and target a 15% revenue contribution from new products annually. In the combined Singapore-Malaysia market, we will strive to be Top 3 in wealth management, transaction banking, treasury and investment banking

Risk management

We will build our consumer and business loan books prudently, and continually improve our credit processes to maintain a sound credit portfolio and a strong credit rating

Productivity

We will invest in cross functional process improvement to lower our unit costs and become an efficient, low cost service provider

People

We will actively invest in training and career development, and offer employees new share ownership schemes to encourage at least 30% of them to become shareholders by 2005

Shareholder value

We will strive to achieve 10% earnings per share growth annually, a minimum dividend payout of 35% of core earnings, and a 12% ROE by 2005. We will seek to swap non-core assets for core financial services growth opportunities, and to return excess capital to shareholders via share buyback programmes

Report card

Major accomplishments towards our New Horizons strategic goals increasingly differentiate OCBC Bank from our competitors.

Customers

- ✓ OCBC among Top 3 consumer banks in Singapore & Malaysia combined
- ✓ Customer analytics contributed 20% of wealth management sales
- ✓ Retained #1 bancassurance and HDB loans positions in Singapore
- ✓ Launched 5 new products with GEH
- ✓ Over 40,000 union members applied for NTUC-OCBC VISA Card
- ✓ 15% increase in revenues from large corporate business
- ✓ Launched Chinese version of *Velocity@ocbc*
- ✓ Introduced 9 SME lending programmes targeting industry segments
- ✓ Cross-sell ratio for SME business improved 33%

Products

- ✓ First in Asia to offer customised marketing messages on ATMs
- ✓ Launched 83 new products which contributed 11% of revenues
- ✓ Wealth management product sales grew 64%
- ✓ Won an award for Operational Efficiency for trade operations (latest cut-off times for same day turnaround) from Asian Bankers Association
- ✓ 2X growth in customer-related treasury revenue
- ✓ Ranked #1 for Singapore Dollar FRAs in AsiaRisk's 2004 interbank survey
- ✓ Regained #1 position in Singapore syndicated loans; Improved to 2nd place for SGD bonds

Risk management

- ✓ S&P rating upgraded to A+; maintained ratings of Aa3 by Moody's and A+ by Fitch
- ✓ Issued US\$500m Medium Term Notes and S\$950m ECP to boost liquidity
- ✓ NPL ratio improved from 6.9% to 4.9%
- ✓ Provision coverage ratio improved to 83%
- ✓ Began implementing internal ratings approach for BASEL II
- ✓ Conducted 70 credit risk reviews
- ✓ Over 100 staff trained in credit process concepts

Productivity

- ✓ Unit costs reduced by average 15% across 59 product lines
- ✓ Executed 6 process improvement projects; \$37m margin improvement expected
- ✓ Investment of S\$55m over 2 years to hub operations on track; subsidiary in Malaysia achieved MSC status
- ✓ Completed centralisation of Malaysia back-room operations
- ✓ Over 6,000 staff completed quality training

People

- ✓ Over 1,200 employees completed "Career Best" training; internal job placements up 26%
- ✓ Average training days per staff increased by 19%
- ✓ Percentage of performance-linked compensation grew 13%
- ✓ Employee shareholding grew to 12%
- ✓ Launched Employee Share Purchase Plan
- ✓ Introduced new incentive schemes aligned with best practices

Shareholders

- ✓ Core EPS grew 27%
- ✓ Total dividends increased 65% to 38 cents; payout ratio 38% of core earnings
- ✓ Achieved 11.4% ROE
- ✓ Realised S\$97m gain from non-core asset divestments
- ✓ Increased stake in GEH to 81%, and acquired 22.5% stake in Bank NISP (another 28.5% in progress)
- ✓ Tier 1 and total CAR of 12.6% and 17.7%
- ✓ Raised S\$400m of Hybrid Tier 1 preference shares (Jan'05)
- ✓ Launched S\$500m share buyback programme; completed S\$337m in 2004
- ✓ OCBC share price rose 12%, outperforming peers

Overseas expansion Malaysia

- ✓ Consumer sales force increased by 67%; started referral scheme with GEH agents in East Malaysia
- ✓ Bancassurance sales grew 107%; #1 and #2 in single and regular premium sales
- ✓ Home loans grew 20%
- ✓ Over 90% increase in credit cards issued
- ✓ Launched *Cash Financing-I*, and pioneered *Auto Zakat* Deduction service in the region

Indonesia

- ✓ ATM link up with Bank NISP underway
- ✓ Implementation of *Velocity@ocbc* in Bank NISP in progress
- ✓ Started discussions on GEH-Bank NISP bancassurance tie-up
- ✓ **China**
- ✓ On going discussions with potential partners



"Our customers come to us because they trust us to work hard to meet their needs. As the market leader in wealth management, we strive to help our customers achieve their increasingly sophisticated financial objectives, by offering dependable advice and innovative choices to help them make better informed decisions towards realising their dreams."

LIM WYSON
Wealth Management
Consumer Financial Services
OCBC Bank

EXPANDING OUR WEALTH MANAGEMENT CAPABILITIES With the completion of our offer for Great Eastern Holdings in 2004, we now have a comprehensive wealth management platform to deliver more investment alternatives to our customers. Our customers in Singapore and Malaysia can choose from a wide array of banking and insurance products and services such as bancassurance, unit trusts and structured deposits.

We are also constantly looking out for third party wealth management products that are unique, in order to meet our customers' needs. For example, customers who are looking for longer-term wealth accumulation with the comfort that their capital will be protected can invest in *The Accumulator*TM. This first-of-its-kind unit trust in Singapore allows customers to invest in a fund where the capital protected base continues to increase as the fund's unit value increases.

>> Listening to our Customers

Our financial planning and advisory process starts with profiling our customers, analysing their sensitivities to risk and understanding their financial aspirations. With an understanding of their requirements, we help them prioritise and plan for the future, and then we offer appropriate solutions to help them achieve their financial goals.





"We are excited to be working even more closely with Bank NISP. As our strategic partner, their local knowledge of the Indonesian market will be most valuable in our joint efforts to expand our businesses there."

CYNTHIA GOH
International Division
OCBC Bank



CAPTURING GROWTH OPPORTUNITIES IN INDONESIA In line with our New Horizons strategy to seek overseas growth opportunities outside our key markets of Singapore and Malaysia, we acquired a 22.5% stake in Bank NISP in April 2004 and subsequently announced our intention to purchase a further 28.5% in December 2004. Bank NISP is ranked the 12th largest Indonesian bank by assets and has a network of 160 branches and offices as well as over 7,000 shared ATMs nationwide. It has a strong franchise in serving small and medium enterprises (SMEs) in Indonesia and is building its consumer banking business.

We will help Bank NISP develop a suite of wealth management products for their consumer banking customers. We will also help them grow their SME business by introducing our award-winning online corporate cash and trade management system *Velocity@ocbc* to expand their product offering.

<< **Serving Customers in Indonesia**

Bank NISP, with 800,000 customer accounts, was named Best Emerging Market Bank in Indonesia in 2004 by *Global Finance* magazine.



"Our customers always take centre stage. In 2004, we added new card offerings to our portfolio, each tailored to meet the varied and sophisticated needs of the diverse range of customer segments we serve."

KELVIN GOH
Credit Card Centre
Consumer Financial Services
OCBC Bank

3 NEW CREDIT CARDS POSITIONED TO ENHANCE REWARDS FOR CARDHOLDERS With our new *NTUC-OCBC VISA Credit and Debit Cards*, union members can now enjoy more payment convenience as well as accumulate additional LinkPoints and redeem rewards at a faster rate.

Our *Titanium Card*, with its distinctive curved edges, is designed with a host of unique benefits and services suitable for fashionable, discerning and optimistic consumers.

The *OCBC Platinum Card* offers an exclusive suite of privileges to suit the needs of upwardly mobile and affluent individuals. Sophisticated consumers will be able to indulge in travel, golfing, dining and other offers that are designed to allow them to enjoy the finer things in life.

>> **Living Life to the Fullest**

Titanium, the new metal in town, gives privileged access to closed door horology events at The Hour Glass where cardholders will be educated on the art and trends in the making of fine time pieces. Trendy cardholders also have priority entry to the hottest clubs in town such as Zouk, Phuture and Velvet Underground.





Business@OCBC

Velocity@ocbc

English | 登录

资讯中心
金融市场分析
定期存款分析
汇率计算
市场动态

Velocity@ocbc 提供
促销活动
公告
讲稿日程表
产品最新动态

Velocity@ocbc
用户名: _____
密码: _____
验证码: _____

Local to you

Greater control over your
Cash flow management

Newly Improved
and Accessible in
CHINESE Interface.

Bank of China (Hong Kong) Limited
2004-2005 Annual Report
2004-2005 Annual Report
2004-2005 Annual Report

Security & privacy | Terms & conditions | Not a financial product | Personal contact numbers

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Internet Explorer

"It's quite simple, really. While our customers focus their resources on growing their businesses, we work hard to ensure that their banking experience with us is as convenient and worry-free as possible. With our ongoing efforts to develop innovative system upgrades, we help them to continuously improve their operational productivity."

CHRISTINA THIO
Group Transaction Banking
OCBC Bank



ENHANCING HIGH VELOCITY BUSINESS BANKING Our award-winning corporate internet banking platform *Velocity@ocbc* is currently used by over 30% of our corporate customers to manage their cash and trade functions. In 2004, we broke new ground by becoming the first bank in Singapore to offer a Chinese language on-line corporate banking system. Further, after customers gave us feedback on how we could improve *Velocity@ocbc*, we upgraded its product capabilities by giving customers access to trade finance services, including making available on-line applications for letters of credit, letters of credit amendments, banker's guarantees and standby letters of credit, as well as allowing on-line tracking of the status of trade transactions.

We also re-engineered our trade processes in order to give our customers a time advantage over their competitors. We extended our daily cut-off times for the receipt of their trade applications to 6:00 PM and committed to delivering same day turnaround such that our customers can now rest assured that there will be no delays when they deal with OCBC Bank.

We won the Operational Efficiency Award in the 2004 Asian Banking Awards for having the best cut-off times in the industry with same day processing for trade products.

<< Providing Customer Focused Solutions

To better support our Mandarin-speaking customers, we pioneered the launch of a Chinese version of *Velocity@ocbc*, so that they too can leverage on our state-of-the-art internet banking platform to gain efficiencies in their cash and trade management activities.

Operations Review

In 2004 we made significant progress towards achieving the goals set in our New Horizons strategy. Against the backdrop of an economic rebound in Singapore and the region, we further strengthened our market position in our main markets of Singapore and Malaysia, and our principal customer and product segments achieved healthy growth.

Major strategic milestones achieved during the year included forging a closer alliance with Great Eastern Holdings ("GEH") to enhance our wealth management platform, partnering with Bank NISP to expand our Indonesian presence, and securing a collaborative agreement with NTUC Link to provide credit and debit cards to union workers. Our achievements were also recognised by two prestigious financial services publications during the year. We were the first Singapore local bank to win *Lafferty Group's* Asia Pacific Retail Bank of the Year 2004 as well as South-East Asia Retail Bank of the Year 2004. We were also named Best Bank in Singapore 2004 by *Global Finance*.

Consumer Financial Services

Our initiatives towards improving overall customer experience gathered momentum in 2004. Despite intense price competition in the consumer business in Singapore and Malaysia, we continued to strengthen our position in Singapore and expand our presence in Malaysia by providing an increasingly varied set of solutions to meet the financial needs of our one and a half million customers.

In the area of wealth management sales, we retained our leadership position with record sales of S\$8.5 billion in Singapore and Malaysia, up 64% from S\$5.2 billion in 2003. We continue to be the leading distributor of bancassurance products in Singapore, having maintained our market share at more than 40% for several years. We launched *Maxlink*, an innovative regular premium investment-linked insurance plan that targets varied investor profiles. In Malaysia, we were number one in single premium bancassurance product sales and ranked second in regular premium sales, helped by the launch of new products such as *Annual Cashback Plan*, *MaxSave Enhanced* and *Capital Plus 2*.

Demand for unit trusts in Singapore was less buoyant in 2004 but we continued to introduce innovative products to our customers. *The Accumulator* is a unique open-ended global balanced fund that combines the flexibility, liquidity and growth potential of equity funds with a capital preservation feature that increases as equity markets rise. This product was recognised in the Financial Innovation

Around the World: 2004 Review of New Retail Products and Services by the Council on Financial Competition. In Malaysia, the launch of two tranches of capital guaranteed funds and the *Pacific Dividend Fund* contributed to a 114% increase in our equity unit trust sales.

Treasury and structured products continued to be well received by customers, and total sales more than doubled compared to 2003. Domestic demand for interest rate-linked structured deposits was strong and we launched numerous products in regular, on-going tranches during the year. In Malaysia, we were also the first foreign bank to offer interest rate-linked structured deposits.

The lending market in Singapore continued to be intensely price competitive but we successfully defended our dominant positions in various segments. We retained our position as the market leader in the HDB housing loan market for a second consecutive year, with an estimated 45% market share based on caveats lodged, as we continued to leverage on our strong relationships with housing agents and industry-leading processing capability. We also retained our number one position in terms of total caveats for private and HDB housing loans. In vehicle financing, our strong relationships with key car distributors and superior customer service helped grow our vehicle financing portfolio by 14%.

Our home loan sales in Malaysia continued to grow at a rapid pace. Also, our efforts to gain market share in shophouse

financing, using a targeted approach and introducing new features to our shophouse financing package, resulted in a RM1 billion growth in our secured loan portfolio.

We applied considerable resources towards strengthening our card business in 2004, resulting in a 30% expansion of our card base in Singapore and Malaysia. We launched three new cards in Singapore during the year, targeted at different customer segments. The co-branded *NTUC-OCBC VISA Credit and Debit Cards* was the first initiative under a collaborative and exclusive agreement with NTUC Link to provide financial products and services to over 440,000 union members and the wider working community. These cards offer NTUC members greater payment convenience at a larger number of merchant outlets, access to OCBC's card privileges programme, and opportunities to accumulate additional LinkPoints and redeem rewards at a faster rate. More than 40,000 card applications were received in the four months after the launch. *Titanium*, with its breakthrough card design that incorporates unique curved edges, is targeted at financially confident and trendy individuals, while the *OCBC Platinum MasterCard* was made available by invitation to a select group of customers, with benefits tailored to their astute preferences.

In Malaysia, our credit card portfolio surged by 90% in 2004 to well above 100,000 cards, due in part to more intensive marketing and promotions, as well as our closer partnership with GEH. The OCBC-GEH tie-up for credit cards accounted for one fifth of the new cards we acquired in Malaysia.

Capitalising on the growth opportunities in Islamic Banking, we expanded our Islamic Banking offerings in Singapore and Malaysia. OCBC is currently the only bank in Singapore that offers Islamic depository products in the form of *Al-Wadiah Savings* and *Al-Wadiah Current Accounts* for individual and corporate customers. In 2004, we launched the *zakat* auto-deduction and computation service for all *Al-Wadiah* accounts to meet the needs of our Muslim customers. In Malaysia, we currently have an array of financing and depository Islamic products to cater to the differing needs of both consumer and corporate customers. In 2004, we launched *Cash Financing-I* in Malaysia, an innovative unsecured personal financing product based on the Islamic principle of sell and buy back (*Bai Inah*), which was well received by customers.

While we strive to provide best-in-class products and service excellence, effective channel management remains a key component of OCBC's consumer banking strategy. We were the first bank in Asia to deliver customised marketing messages on ATMs, and were awarded The Best Practice ATM Deployment Award in the ATMIA Industry Awards 2004. This ATM enhancement reduces transaction times through pre-set or customised transaction choices, and also enables OCBC customers to receive information about our product offerings which is tailored to suit each individual. During the year, our Internet Banking platform was also given a new look with more user-friendly features to enhance the online banking experience for our customers.

Business Banking

We continued to grow our Business Banking customer base in 2004, not only in our key markets of Singapore and Malaysia, but also overseas, in tandem with the regional expansion of our customers. The growth was across all segments, from small and medium enterprises ("SMEs") to large corporates. We also focused on deepening customer relationships by supporting their transactional, investment banking, risk management and investment needs such that we achieved strong fee income growth.

Since 2003, we have worked hard to re-engineer our SME business model and are now positioned to better serve the needs of the SME market. After conducting extensive SME market research, primarily around industry segments, we introduced nine new SME lending programmes and secured lending products. The programmes which enjoyed particularly strong market acceptance include our electronic-accounts-receivable financing, block-discounting for motor vehicles and commercial property financing programmes in Singapore, and equipment financing, distributor financing and business premises financing programmes in Malaysia. Our deployment of telesales teams in Singapore and mobile sales teams in Malaysia also boosted our customer base and contributed to revenue growth.

We achieved 25% growth in fee income from Business Banking customers during the year, primarily from Treasury, Transaction Banking and Investment Banking products and services. More than 30 deals were completed during the year jointly with Group Investment Banking, covering IPOs, syndicated loans, debt advisory and mezzanine financing both in Singapore and Malaysia. We launched the first

Chinese language transaction banking service as a major enhancement to *Velocity@ocbc*, and saw a 19% increase in active *Velocity@ocbc* users with a doubling of transaction throughput via this award winning web-based system. We were equally successful in supporting our customers' hedging needs through various Treasury products, which included interest rate and currency derivatives, structured deposits and foreign exchange.

We launched our Business Banking Commercial Service Centre in Malaysia in September 2004. This centre is modelled after our successful Singapore service centre which was launched four years ago. Through these customer service centres, we provide one-stop service for customer enquiries and transaction execution. The superior turnaround times and service levels provided by these service centres clearly differentiate us from most of our competitors.

Treasury

Group Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also works closely with Business Banking and Consumer Financial Services to structure products and financial solutions to meet customers' investment and hedging needs.

Our customer-related treasury business continued to grow in 2004 due to healthy demand for structured and investment products. Structured deposits sales volume doubled compared to 2003. An Islamic Banking Unit was established within Group Treasury to provide Syariah-approved Islamic investment products for our Muslim customers. During the year we launched the *OCBC Islamic Treasury Facility* (Singapore dollar-based) and *OCBC Ijarah Participating Facility* (foreign currency-based), becoming the first bank in Singapore to launch such products.

Our treasury product development and client advisory teams were re-aligned during the year to further strengthen teamwork and capabilities, enhance customer service and provide a comprehensive suite of investment and hedging products across multi-asset classes. We continued to build our capabilities, especially in the Asian market, by enhancing our talent pool, increasing our treasury headcount by 13%.

Our strength in Singapore Dollar treasury products earned us top five rankings in various categories in the AsiaRisk end-user survey and AsiaRisk interbank derivatives poll for 2004. In a poll conducted by the Monetary Authority of Singapore for the period of July 2003 to June 2004, OCBC also maintained its ranking among the top three primary dealers for outstanding performance in the Singapore Government Securities repo market.

Investment Banking

Group Investment Banking, which offers a suite of investment products and services to corporates, had an especially fruitful year in 2004.

Our Capital Markets team continued their strong record in the loan syndications market. OCBC was ranked the number one bookrunner for Singapore syndicated loans in 2004 by Thomson Financial Services, having arranged a total of 14 deals valued at US\$863 million. These included loans arranged for STT Communications, TECH Semiconductor, Millenia Tower, ECS Holdings, San Teh Cement, Singpu Chemicals, DL Properties and Kian Ho Bearings. We were also the sole arranger for a HK\$200 million financing to a Hong Kong-listed apparel manufacturer, U-Right International Holdings.

Equally active in the domestic bond market for both plain vanilla and structured transactions, we were ranked the number two bookrunner for Singapore dollar denominated bonds for domestic corporates, successfully executing three rated commercial mortgage-backed securities transactions totalling S\$1.1 billion. These transactions were for: CapitaRetail, the purchaser and owner of Bukit Panjang Plaza, Lot One Shoppers' Mall and Rivervale Mall; Winmall, the funding vehicle for the securitisation of Jurong Point; and Emerald Assets, the funding vehicle for Ascendas-REIT.

We were also active in the Malaysian capital markets, where we completed 14 transactions for US Dollar and Ringgit syndicated loans and Ringgit private debt securities. These include syndicated loans for Malayan Banking and AmInternational; a term loan and syndicated Islamic facility for the plantation company, Kulim; and a Serial Bond issue for Mid Valley Capital which was an innovative structured commercial asset-backed transaction for Megamall.

Our Corporate Finance team sponsored the initial public offerings (IPOs) of seven SMEs on the Singapore Exchange, raising a total of S\$182 million in equity funds. This placed OCBC among the top five positions in the Singapore IPO league table. The seven companies were: electronics components distributor, Excelpoint Technology; aluminium extrusion specialist, AEI Corporation; specialty chemicals manufacturer, Matex International; oil and gas consumables distributor, Aqua-Terra Supply; health and lifestyle company, Best World International; Malaysia-based mobile entertainment products manufacturer, Action Asia; and China-based keypad manufacturer, Memtech International.

Our Mezzanine Capital Unit, set up in 2003 to provide structured short- to medium-term financing to companies in Singapore and Malaysia, invested in a number of companies, including Memtech International, which we later brought to the IPO market.

Transaction Banking

Our Transaction Banking group offers cash management, trade finance, trustee and custody/nominees services to SMEs, large corporations, financial institutions and government entities in Singapore and Malaysia.

Our online cash management and trade platform, *Velocity@ocbc*, received yet another industry award in 2004. It clinched the Intelligent Enterprise Asia Award 2004, which recognises companies in the Asia-Pacific region that have successfully deployed technology in a strategic manner to add value to their business. We continued to innovate and upgrade the features of *Velocity@ocbc* in order to provide improved functionality to our customers. The user interface was simplified and greatly enhanced, bringing about faster display speed and greater ease of navigation. Regular educational seminars, post-implementation hands-on training and after-sales technical support were offered through our customer service call centre and technical support service team. We also launched the Chinese version of *Velocity@ocbc*, the first Chinese online corporate banking system in Singapore, to better cater to the Mandarin-speaking community and assist them in embracing technology to gain efficiency in their business processes. These efforts resulted in strong customer endorsements, broadening our customer base and significantly increasing our volumes in 2004. Our customer base increased by 19%, with more than 30% of

our corporate customers actively using *Velocity@ocbc* to manage their cash and trade transactions more efficiently. On-line transaction volumes jumped by more than 100%.

We also continued to channel significant resources to revamp and upgrade our trade finance processes and infrastructure. Customer feedback has been very positive and we now clearly have the best-in-class delivery and service standards in the industry. Cut-off times for submission of applications have been extended to 5 pm for all standard core trade finance products and our customers are assured of same day turnaround. In recognition of our product and service standards, OCBC was named Best Trade Finance Bank (Singapore) 2005 by *Global Finance* magazine.

Asset Management

OCBC Asset Management provides discretionary investment management and advisory services as well as an array of unit trust products to both institutional and retail clients, with core competencies in global fixed income and Asia-Pacific equities. Our product range includes pure equity, fixed income, money market and balanced portfolios with different risk-return characteristics, as well as absolute return-oriented offerings to provide for the various risk-return profiles of investors.

As at the end of 2004, total funds under management by OCBC Asset Management were S\$6.8 billion, an increase of 24% from S\$5.5 billion at end-2003. Of the total amount, S\$1.8 billion were unit trust funds. Investor appetite for Asian stocks resulted in strong inflows of funds into our Asian country funds, in particular the *OCBC Malaysia Fund*, *OCBC Thailand Fund*, *OCBC India Fund*, *OCBC Japan Fund* and *OCBC Japan Growth Fund*. During the year, we launched two new unit trust funds – the *Asia Star Opportunity Fund 1*, which adopts an active asset allocation strategy, aimed at giving investors capital appreciation by investing in high potential growth securities in Asia; and the *OCBC SGD Income Plus Fund* which seeks to provide regular quarterly distributions while maintaining medium to long-term capital stability.

Malaysia

OCBC has been operating in Malaysia for more than seven decades and is today one of the top three foreign banks in the country by assets, with a network of 25 branches and customer base of more than 400,000 individuals and businesses.

OCBC Malaysia turned in a commendable set of results in 2004, recording a net profit of RM276 million, an increase of 35% over the previous year. Earnings growth was contributed by higher non-interest income and Islamic Banking income, as well as lower provisions. OCBC Malaysia's total assets grew by 8% to RM27.6 billion while its customer loans increased by 14% to RM20 billion.

With the increased stake in GEH, collaboration was stepped up between OCBC Malaysia and Great Eastern Life Assurance (Malaysia). Leveraging on GEH's sizable sales force of more than 17,000 agents in Malaysia, we now have great potential to expand our distribution capability beyond our 25-branch network. In the second half of 2004, we implemented pilot programmes using GEH's agency force to promote OCBC's credit cards and housing loans to their policyholders in East Malaysia, and achieved encouraging results.

In April 2004, we relocated our Kuala Lumpur Jalan Hang Kasturi branch to Kepong in a strategic move to further expand our business in the Klang Valley. This relocation received positive response from the many new and existing customers located in the area. The new branch achieved a substantial customer base and loans and deposits volumes within a short period of time.

We continued with our efforts to promote Islamic Banking actively, participating in several major exhibitions and forums both in Malaysia and Singapore, including the annual Islamic Banking & Takaful Expo. As in the past nine years, OCBC again contributed *zakat* (alms) in line with the Syariah principle of providing for the poor and needy in society. A full-fledged Syariah Advisory Committee was also set up to better support our Islamic Banking operations.

International

Outside of Singapore and Malaysia, OCBC has an international network of 24 branches and representative offices in 12 countries across Greater China, ASEAN and selected OECD countries.

In 2004 we made significant headway towards our stated goal of establishing a substantial presence in a third major market after Singapore and Malaysia. In April 2004, we purchased a 22.5% stake in Bank NISP, the 12th largest bank by assets in Indonesia, for S\$119 million, making Bank NISP an associated company of OCBC. In December, we entered

into a conditional sale and purchase agreement to acquire an additional 28.5% stake in the bank. Upon completion of this transaction, OCBC will become the majority shareholder of Bank NISP with a 51% stake and will be required to make a tender offer for the remaining shares we do not own.

We believe Indonesia is an attractive growth market for OCBC, and Bank NISP has great potential to become one of the leading banks in the country. Several joint initiatives with Bank NISP are underway for increased cooperation. In the consumer segment, we plan to leverage our strengths in sales distribution, customer relationship management and wealth management, capabilities developed in Singapore and Malaysia, to strengthen Bank NISP's existing business. In the SME arena, we will work with Bank NISP to further augment their product range, for example, in cash management, and to help improve their risk management and credit processes.

In 2004 we continued to explore opportunities in China, in line with our intention to be ready to enter a fourth major market by the end of 2005. While no significant investments have been made, we are gearing ourselves up for the deregulation of the China financial industry in 2007 by enhancing the sales and service infrastructure of our China branches, to better position ourselves to compete when the consumer market opens up to foreign banks.

In addition, efforts are being made to expand our customer base and broaden the products offered across our international network. For example, we are focusing increasing resources towards developing our international trade business to tap into the intra-Asian trade flows. We are also exploring ways to leverage our partnership with GEH to build our wealth management offerings in the region, in light of the opportunities presented by emerging Asian wealth.

Operations and Technology

Group Operations and Technology ("O&T") provides operational support to our businesses and manages our IT systems. O&T's primary goal is to enhance OCBC's service quality and reliability to meet the high standards expected by our customers, and at the same time, ensure that we continue to improve productivity. We strive to achieve these goals through process improvement, and through

simplifying, standardising and integrating existing IT applications.

We successfully completed our Malaysia branch centralisation project in the second half of 2004, moving our back-room operations from the branches to centralised processing centres in Penang, Cyberjaya and Kuala Lumpur. This freed up more than 20% capacity for our Malaysia branches to reinvest in sales and service.

We also made significant progress in establishing cross-border processing hubs in Singapore and Malaysia for selected back-office operations, with a commitment to invest S\$55 million in this project over the next two years. Two wholly-owned service subsidiaries, e2 Power Sdn. Bhd. and e2 Power Pte. Ltd. were set up to facilitate cross-border hubbing and share the processing load between Malaysia and Singapore. e2 Power Sdn. Bhd. was granted Multimedia Super Corridor status which provides significant financial and other incentives. This move will boost our processing capacity and provide for future scalability in our operations, as well as support our business continuity plans. From January 2005, existing OCBC Bank employees in the selected back-office functions in both countries have been seconded to the e2 Power subsidiaries. Full completion of this project is expected by the first half of 2006.

We also stepped up our investments in various other capability-building initiatives in 2004. Major IT projects completed include the following:

- Replacement of our retail internet platforms for myocbc.com and finatiq.com, supporting rapid innovation while saving more than S\$3 million in annual running costs
- Automation of software distribution across our network, resulting in S\$3 million annual software installation cost savings
- Investment in customer analytics and new campaign management tools together with Asia's first one-to-one ATM solution to support personalised marketing
- Implementation of Siebel CRM (customer relationship management) sales and service capabilities across Malaysia
- Chinese language capability for *Velocity@ocbc*
- Implementation of a new foreign exchange margin

trading system and a new derivatives platform to support treasury product innovation

- Cross-border delivery included ATM linkages between Singapore and Malaysia; hubbing of SWIFT processing for 6 international countries into Singapore; and "one-bank" corporate internet banking for Singapore and Malaysia based on our *Velocity@ocbc* platform.

Quality & Process Innovation

One of our New Horizons goals is to improve quality and drive better business results through process innovation. We continued to step-up our quality training programmes and workshops to better equip employees with the requisite skills for process improvement initiatives. Since the Group Quality & Process Innovation division was set up in 2003, several cross-functional process improvement initiatives were launched, including:

- Improving the cut-off times for same day turnaround for all trade services
- Reducing processing defects and cycle time for mortgage loan applications in Singapore and Malaysia
- Shortening the approval time for launching new products
- Improving the speed and convenience to our customers using our Call Centre service, and offering more services via phone banking
- Redesigning our SME customer engagement process to improve efficiency and effectiveness for SME credit approvals.

Our redesigned letter of credit issuance process was named the winning entry in the Operational Efficiency category of the Asian Banking Awards 2004. We differentiated ourselves from the competition by being able to achieve same-day turnaround for letter of credit applications while offering the industry's latest cut-off time for submission of applications of 6pm.

Property Management

OCBC Group's properties, amounting to more than two million square feet of net lettable area, are proactively managed by our subsidiary OCBC Property Services to optimise rental incomes, yields and capital values. In 2004, our retail properties continued to achieve full occupancy, while our office and residential properties generally performed well despite the over-supply situation in the market. We completed building construction of Menara

OCBC, our 20-storey head office building in Malaysia, in November 2004.

In line with our objective to divest our non-core assets and reinvest the gains in core financial services growth opportunities, we sold the Whitesands Shopping Mall through a public tender for S\$161 million in September 2004, reaping a net gain of S\$43 million for our 55% stake. This partly covered our S\$119 million investment in Bank NISP.

Human Resources

As at the end of 2004, our Group staff strength was 10,582, including 2,315 staff from Great Eastern Holdings. Overall recruitment in 2004 was geared towards revenue-generating positions and functions that require critical specialist skills.

Talent attraction and retention remain our key areas of focus. We launched three programmes to recruit talent at various levels. The Trainee Bank Officer Programme aims to attract fresh graduates from local and foreign universities while the Management Associate Programme targets mid-career MBA graduates from prestigious universities. Our Career Transition Programme is targeted at mid-career talent pool from non-banking sectors.

We continued to invest in employee development through extensive training and career development programmes. Training expenditure as a percentage of payroll was 2% in 2004, while average training days per employee rose 19% from 5.3 to 6.9 days. We also increased the number of cross-border assignments, providing employees with greater exposure and learning opportunities.

Our compensation programmes remain market-driven and are designed towards rewarding our high performers through increasingly differentiated incentive compensation programmes.

In line with our objective of increasing share ownership among employees, we introduced the *OCBC Employee Share Purchase Plan*, a unique savings-based plan that offers all employees a convenient way to save for the purchase of OCBC shares. One out of three employees signed up for this Plan which we believe better aligns our employees' interests with those of our shareholders, and will also enable us to attract and retain talent. At the end of 2004, 12% of our employees own OCBC shares, up from 10% in 2003 and 6% in 2002.

In response to feedback from our 2003 Group-wide staff survey, we implemented several initiatives at both the corporate and divisional levels to improve workplace satisfaction. The *OCBC Flex Plan*, one key initiative, is a flexible benefits programme which gives employees more choices to manage their benefits. To help employees succeed in both their professional and personal lives, we also implemented several work-life balance programs, including paternity leave, flexible work arrangements and family bonding night.

Corporate Social Responsibility

As banker to the community, our intention to help individuals and businesses achieve their aspirations is enhanced by our social responsibility programme, centred on helping children realise their full potential.

To provide support to the cause of nurturing children and youth, we adopted the Singapore Children's Society ("SCS") as the principal partner for our involvement in the community. In 2004, we committed to contribute S\$2.5 million over 5 years to support the SCS. Established in 1952, SCS' mission is to champion and promote the welfare of children. Its broad range of programmes, primarily centred on education and nurturing, benefits 12,000 children, youths and families from disadvantaged backgrounds. Besides monetary contributions, OCBC employees also pledged to volunteer their time and skills to enrich the lives of the children under SCS' care, by participating in and complementing various SCS' initiatives, such as social outings and programmes to cultivate interest in reading and mathematics.

OCBC continues to encourage and support academic excellence by awarding book prizes and scholarships to outstanding students in tertiary educational institutions, with 12 scholarships awarded in 2004. We also contributed S\$200,000 as part of the commitment we made in 2003 to donate S\$1 million annually over five years to the Lee Kuan Yew School of Public Policy.

As a result of our partnership with NTUC Link to offer dedicated NTUC-OCBC cards to union members in September 2004, we donated S\$250,000 each to SCS and the Children's Cancer Foundation. For the next four years, we will continue to donate 1% of the total spending on these cards, subject to a maximum of S\$250,000, to

charities designated by NTUC. This 5-year commitment complements our existing Care Card programme, which continues to donate a percentage of card spending to eight selected charities.

OCBC has also been an active supporter of the local arts scene for the last 10 years, and was named Distinguished Patron of the Arts by the National Arts Council for the sixth consecutive year in 2004.

In response to the region-wide calamity brought about by the December 26, 2004 Asian tsunami disaster, we sought to help in any way we could to bring relief to the victims and their families. Besides donating S\$487,000 to the Singapore Red Cross Society (SRCS), the STAR Earthquake/Tsunami Relief Fund in Malaysia, and Metro TV's "Indonesia Menangis" relief fund, we also initiated activities to garner support for the international call for aid and relief. We opened up our banking channels and facilities to facilitate donations to the SRCS, and our customers responded generously by donating over S\$870,000. In addition to cash donations and other contributions, our staff also volunteered their services to help the SRCS assemble more than 50,000 food packets for families in crisis-hit areas.

Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Code of Corporate Governance (the "Code") adopted by the Singapore Exchange Securities Trading Limited ("SGX-ST") and with guidelines issued by the Monetary Authority of Singapore.

BOARD OF DIRECTORS

Board Composition and Independence

The Board comprises 12 Directors, of whom 10 are non-executive Directors. The non-executive Directors are: Mr Michael Wong Pakshong, Mr Giam Chin Toon, Mr Lee Seng Wee, Dr Lee Tih Shih, Tan Sri Dato Nasruddin Bin Bahari, Professor Neo Boon Siong, Dr Tsao Yuan (also known as Dr Lee Tsao Yuan), Col (Ret) David Wong, Mr Wong Nang Jang and Mr Patrick Yeoh.

The executive Directors on the Board are Dr Cheong Choong Kong, Chairman of the Board, and Mr David Conner, Chief Executive Officer ("CEO").

The roles of the Chairman and the CEO have been separated since 1998, which is consistent with the principle of the Code to institute an appropriate balance of power and authority. The Chairman's role in the Board includes scheduling meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations; preparing meeting agenda in consultation with the CEO; exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and assisting in ensuring compliance with guidelines on corporate governance. These pertain to only board proceedings and is not a comprehensive list of all the duties and responsibilities of the Chairman.

Based on the Guidance Notes of the Code, 7 non-executive Directors – namely, Mr Michael Wong Pakshong, Mr Giam Chin Toon, Tan Sri Dato Nasruddin Bin Bahari, Professor Neo Boon Siong, Dr Tsao Yuan, Col (Ret) David Wong and Mr Patrick Yeoh – are considered as independent Directors. Although Mr Lee Seng Wee and Mr Wong Nang Jang have relinquished their posts as executive Directors, they are considered non-independent under the Code. They were employed by the Bank until 30 June 2003 and 4 June 2002, respectively. Dr Lee Tih Shih is also considered non-independent under the Code as he is the son of Mr Lee Seng Wee. With 7 out of the 12

Directors deemed to be independent, the Board has a majority of independent directors.

The members of the Board as a group provide core competencies to ensure the effectiveness of the Board. The competencies include banking, insurance, accounting, finance, legal, strategic ability, business acumen, management experience and depth, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk analyses and control. Details of the Directors' professional qualifications and background can be found on pages 162 to 169.

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank's Articles of Association also provide for the retirement of Directors by rotation and, under MAS Notice to Banks 622, all appointment and re-appointment of Directors have to be approved by the Monetary Authority of Singapore.

The Directors have multiple board representations, but the Nominating Committee is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Bank, in addition to their multiple board representations.

Given the size of the Bank, its business complexity and the number of board committees, the Board considered that an appropriate Board size is between 12 and 14 members. The actual Board size currently is 12.

Board Conduct and Responsibilities

The Board is elected by the shareholders to supervise the management of the business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interest of the shareholders as a whole while taking into account the interests of other stakeholders.

Broadly, the responsibilities of the Board include but are not limited to the following:

- reviewing and approving overall business strategy developed and recommended by Management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring the Bank is operated to preserve its

financial integrity and in accordance with policies approved by the Board;

- providing oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Committee the quality of the risk management processes and systems; and
- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank.

In 2004, the Board and its Committees held a total of 38 meetings. Prior to each meeting, Members are provided with timely and complete information to enable Members to fulfill their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Board and its Committees have separate and independent access to the Bank's senior management and to the company secretary. The Directors, in addition, could take independent professional advice from legal firms at the Bank's expense. The role of the company secretary is defined. He attends all board meetings and ensures that board procedures and applicable regulations are complied with.

The Directors receive appropriate structured training. This includes introductory information, briefings by senior executives on their respective areas and attendance at relevant external courses. The Board as a whole also receives briefings on relevant new laws, risk management updates and changes in accounting standards.

Board Performance

The Board has implemented an annual performance evaluation process to assess the effectiveness of the Board, Board Committees and each Director's contribution. The purpose of the evaluation process is to increase the overall effectiveness of the Board. An independent consultant facilitates this process.

The Directors participate in the evaluation. Each Director evaluates the performance of the Board and Board Committees and conducts a self-assessment and a peer-assessment of the other Directors. The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively by the Nominating Committee to discuss improvements with the Board and to provide developmental feedback to individual Directors.

BOARD COMMITTEES

Executive Committee

The Executive Committee comprises Dr Cheong Choong Kong (Chairman), Mr David Conner, Mr Lee Seng Wee, Mr Wong Nang Jang and Mr Patrick Yeoh. The Committee has written terms of reference that describe the responsibilities of its members.

The Executive Committee oversees the management of the business and affairs of the Bank and the Group, within the parameters delegated by the Board. It reviews the Bank's policies, principles, strategies, values, objectives and performance targets. These include investment and divestment policies, and human resource policies. It also endorses such other matters and initiates any special reviews and actions as appropriate for the prudent management of the Bank.

Nominating Committee

The Nominating Committee comprises Mr Michael Wong Pakshong (Chairman), Dr Cheong Choong Kong, Mr Giam Chin Toon, Mr Lee Seng Wee and Col (Ret) David Wong. 3 of the 5 Committee members, Mr Wong Pakshong (the Chairman), Mr Giam and Col (Ret) Wong are independent Directors. The Committee has written terms of reference that describe the responsibilities of its members.

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank. It ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes review of all nominations for the appointment, re-appointment, election or re-election of Directors of the Bank and its wholly-owned subsidiary Bank of Singapore Limited, and members of the Executive Committee, Remuneration Committee, Audit Committee and Risk Committee of the Bank. The Nominating Committee is also charged with determining annually whether or not a Director is independent, or whether the Director is capable

of carrying out the relevant duties where the Director has multiple board representations. It also reviews nominations for senior management positions in the Bank and Bank of Singapore Limited, including the CEO, Deputy President, Chief Financial Officer and senior executives of Executive Vice President rank and above. The Nominating Committee makes recommendations to the Board on all such appointments.

Audit Committee

The Audit Committee comprises Mr Michael Wong Pakshong (Chairman), Professor Neo Boon Siong and Col (Ret) David Wong, all of whom are independent Directors. All Committee members have accounting or financial management expertise and experience. The Committee has written terms of reference that describe the responsibilities of its members.

The Audit Committee performs the functions specified in the Companies Act, the Code and the SGX-ST Listing Manual. Details of the duties and responsibilities of the Audit Committee are found in the Report of the Directors on page 71 and in the "Audit Function" section of this chapter on pages 35 to 36.

Remuneration Committee

The Remuneration Committee comprises Mr Michael Wong Pakshong (Chairman), Dr Cheong Choong Kong, Mr David Conner, Tan Sri Dato Nasruddin Bin Bahari and Dr Tsao Yuan. 3 of the 5 Committee members, Mr Wong Pakshong, Tan Sri Nasruddin and Dr Tsao Yuan are independent Directors. All the Committee members are well versed with executive

compensation matters, given their extensive experience in senior corporate positions and major appointments. The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee determines and recommends to the Board the remuneration and fees of non-executive Directors as well as the compensation of executive Directors. It is also empowered to review human resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries. In addition, it administers the various employee share ownership schemes.

Risk Committee

A Risk Committee was established on 31 August 2004 to support the Board in performing its risk oversight responsibilities. It comprises Mr Patrick Yeoh (Chairman), Dr Cheong Choong Kong, Mr David Conner, Professor Neo Boon Siong and Dr Tsao Yuan. The Committee has written terms of reference that describe the responsibilities of its members.

The Risk Committee reviews the overall risk management philosophy, guidelines and major policies for effective risk management, risk disclosure policy, risk management systems and risk capital allocation methodology. The Committee also reviews the scope, effectiveness and objectivity of Group Risk Management and the risk reports that monitor and control risk exposures.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2004

Name of Director	Number of Meetings Attended in 2004													
	Board		Executive Committee		Nominating Committee		Remuneration Committee		Audit Committee		Audit and Special Committee*		Risk Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Cheong Choong Kong	9	9	10	10	6	6	3	3	—	—	—	—	1	1
Michael Wong Pakshong	9	9	—	—	6	6	3	3	7	7	—	—	—	—
David Conner	9	9	10	10	—	—	3	3	—	—	—	—	1	1
Fong Weng Phak	9	7	—	—	6	5	—	—	7	7	—	—	—	—
Lee Seng Wee	9	9	10	10	6	6	—	—	—	—	—	—	—	—
Lee Tih Shih	9	8	—	—	—	—	—	—	—	—	—	—	—	—
Nasruddin Bin Bahari	9	8	—	—	—	—	3	3	—	—	—	—	—	—
Tsao Yuan	9	9	—	—	—	—	3	3	—	—	2	2	1	1
David Wong	9	9	—	—	6	5	—	—	7	6	2	2	—	—
Wong Nang Jang	9	9	10	9	—	—	—	—	—	—	—	—	—	—
Patrick Yeoh	9	9	10	10	—	—	—	—	—	—	2	1	1	1

* Joint Meetings of Audit Committee and Special Committee. The Special Committee was constituted solely for the purpose of assisting, advising and co-ordinating with the Audit Committee in the discharge of its responsibilities in connection with the pre-conditional voluntary offer by the Bank for Great Eastern Holdings Limited and the selective capital reduction of the Bank. The Special Committee comprised selected Directors who are not in the position of conflict of interest in the transactions.

The Bank's Articles of Association provide for Directors to participate in Board and Board Committee meetings by means of conference telephone, video conferencing or audio visual equipment.

AUDIT FUNCTION

Audit Committee

The Board approved the terms of reference of the Audit Committee. The Committee may meet at any time but no less than four times a year with the internal auditors and external auditors. It has full access to, and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy of the system of internal and accounting controls, risk management and compliance. The reviews include the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors. Where the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value for money services.

It meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a quarterly basis. The Board is updated on these reports.

The Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors are compatible with maintaining the independence of the external auditors.

In respect of the 2004 financial year, the Audit Committee

- (a) has reviewed the audited financial statements with management, including a discussion of the quality of the accounting principles applied and significant judgements affecting the financial statements;
- (b) has discussed with the external auditors the latter's judgement of the quality of the above principles and judgements;
- (c) has discussed among its own members, without the presence of management or the external auditors, the information disclosed in (a) and (b) above; and
- (d) believes that the financial statements are fairly presented in conformity with the relevant Singapore accounting standards in all material aspects, based on its review and discussions with management and the external auditors.

Internal Audit Function

The Audit Committee approved the terms of reference of internal audit (Group Audit). In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Banking Group's system of risk management, control, and governance processes, as designed and implemented by senior management, are adequate and effective. Group Audit reports on the adequacy of the systems of control to the Audit Committee and management, but does not form any part of those systems of control. Group Audit is also expected to meet or exceed the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit has implemented risk-based audit processes. Audit work is prioritised and scoped according to an assessment of potential exposure to risks. This includes not only financial risks, but operational and strategic risks as well. Computerised audit systems have been adopted so that the audit process is now automated and typically paperless. Group Audit also works closely with Group Risk Management to help review risk management processes as a whole.

The work undertaken by Group Audit includes the audit of the Group's system of internal control over its key operations (including overseas branches), review of security and access controls for the Group's key computer systems, review of control processes within and around new products and

system enhancements, and review of controls over the monitoring of market and credit risks. Group Audit also actively participates in major new systems developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing. Group Audit reports functionally to the Audit Committee and administratively to the CEO. Mr Chong Meng is the Head of Group Audit. He has more than 3 decades of working experience covering risk management and control, marketing, client-relationship, process engineering and general management. Currently, Group Audit has a team of some 109 staff in Singapore and Malaysia. The division is organised into departments that are aligned with the structure of the Bank.

Internal Controls

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Bank's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the company in its current business environment.

The system of internal control provides reasonable, but not absolute, assurance that the company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

REMUNERATION POLICY

Employees' Remuneration

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain quality staff.

The total compensation package for employees comprises basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. In determining the composition of the package, the nature of the role

performed and market practice are taken into consideration. To ensure that its remuneration package is competitive, the Bank regularly reviews its base salary ranges and benefits package based on market data provided by recognised surveys of comparative groups in the financial sector.

For executives, the Bank adopts a performance-driven approach to compensation, with rewards linked to individual, team and corporate performance. Executives' compensation is reviewed each year based on information from market surveys and advice from reputable management consultants. The compensation for senior executives is reviewed by the Remuneration Committee.

The remuneration practices for staff in bargainable positions are reviewed at least once every three years and are established through negotiation with the banks' unions.

Directors' Remuneration

The Remuneration Committee recommends the remuneration for executive Directors and the fees for non-executive Directors of the Bank. The fees for non-executive Directors are subject to shareholders' approval at the AGM.

Compensation of Non-Executive Directors

The Remuneration Committee has considered market practices for non-executive director compensation and on its recommendation, the Board has decided to maintain the following current fee structure to compute the fee for each non-executive Director:

- Annual retainer fee of S\$45,000;
- Annual committee chairperson fee of S\$20,000 for Audit Committee and S\$15,000 for other Committees; and
- Attendance fee of S\$1,200 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognise their commitment and time spent in attending each meeting.

In addition, on the Remuneration Committee's recommendation, the Board is proposing a grant of 2,000 new OCBC shares to each non-executive Director who has served a full annual term with the Board. This additional remuneration in shares will align the interest of non-executive Directors with the interest of shareholders. The resolution proposing these share grants will be presented to shareholders at the AGM/EGM on 30 March 2005.

Under the OCBC Share Option Scheme 2001, the Remuneration Committee also has the discretion to grant share options to non-executive Directors in recognition of their contributions. Executive Directors are not eligible to participate in any part of the compensation for non-executive Directors.

Compensation of Executive Directors

The compensation plan for the executive Directors is formulated and reviewed by the Remuneration Committee to ensure that it is market competitive and that the rewards are commensurate with their contributions. The compensation package comprises basic salary, benefits in kind, performance bonus, incentive bonus, share options, share awards and compensation in the event of early termination where service contracts are applicable. Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Executives' Share Option Scheme 1994 and OCBC Share Option Scheme 2001, the guidelines on granting of share options for executive Directors are similar to those for the executives of the Bank.

Remuneration of Directors' Immediate Family

During the financial year 2004, none of the Directors had immediate family members who were employees of the Bank and whose personal annual remuneration exceeded S\$150,000.

Remuneration of Top 5 Key Executives in 2004

The Code of Corporate Governance suggests the disclosure of the remuneration of the Bank's top five key executives. The Board of Directors considered this matter carefully and has decided against such disclosure for the time being. Given the wage disparities in the industry and the likely competitive pressures resulting from such disclosures, it was felt that the disadvantages of disclosure will outweigh the benefits.

SHARE OPTION SCHEMES

OCBC Executives' Share Option Scheme 1994

The Bank has a share option plan available for executives of the Bank and OCBC Bank (Malaysia) Berhad, viz. OCBC Executives' Share Option Scheme 1994 (the "1994 Scheme"). The objective is to enable officers of the rank of Assistant Manager and above as well as executive Directors of the Bank to participate in the equity of the Bank.

DIRECTOR'S REMUNERATION IN 2004

	Remuneration band (\$)	Salary and fees (a) (%)	Performance-based bonuses (b) (%)	Other benefits (c) (%)	Value of share options granted (d) (%)	Value of deferred shares granted (e) (%)	Value of share award (e) (%)	Total Remuneration (%)	Options Granted (No.)	Exercise Price (\$)	Exercise Period
Non-Executive Directors											
Mr Michael Wong Pakshong	Below 250,000	100	—	—	—	—	—	100	—	—	—
Datuk Fong Weng Phak	Below 250,000	100	—	—	—	—	—	100	—	—	—
Mr Lee Seng Wee	Below 250,000	100	—	—	—	—	—	100	—	—	—
Dr Lee Tih Shih	Below 250,000	100	—	—	—	—	—	100	—	—	—
Tan Sri Dato Nasruddin Bin Bahari	Below 250,000	100	—	—	—	—	—	100	—	—	—
Dr Tsao Yuan	Below 250,000	100	—	—	—	—	—	100	—	—	—
Col (Ret) David Wong	Below 250,000	100	—	—	—	—	—	100	—	—	—
Mr Wong Nang Jang	Below 250,000	100	—	—	—	—	—	100	—	—	—
Mr Patrick Yeoh	Below 250,000	100	—	—	—	—	—	100	—	—	—
Executive Directors											
Dr Cheong Choong Kong	1,250,000 to 1,499,999	63.0	18.5	2.5	12.5	3.5	0.0	100	48,000	12.34	16/03/2005 to 14/03/2014
Mr David Conner	4,500,000 to 4,749,999	23.8	33.9	3.6	23.2	9.4	6.1	100	330,000	12.34	16/03/2005 to 14/03/2014

(a) For non-executive Directors, refers to Directors' fees. For executive Directors, comprises basic salary, allowances and bonuses

(b) Represents performance-based bonuses paid during the year.

(c) Represents non-cash component and comprises club and car benefits and employer's contributions to CPF.

(d) Share options were valued as at the date of grant, using the Roll-Geske Model for American call options.

(e) Share grants and awards were valued at the actual price of shares purchased from the open market.

This 1994 Scheme, which has been replaced by OCBC Share Option Scheme 2001, was terminated on 3 August 2001. However, this will not affect the rights of the holders of outstanding options granted under the 1994 Scheme to subscribe for shares.

OCBC Share Option Scheme 2001

A new share option plan, OCBC Share Option Scheme 2001 (the "2001 Scheme"), was approved in 2001.

The 2001 Scheme seeks to inculcate in all participants a stronger and more lasting sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Assistant Manager and above and any Group Executive Director selected by the Remuneration Committee, as well as non-executive Directors of the Group, are eligible to participate in the 2001 Scheme.

The cumulative total number of shares to be issued by the Bank in respect of options granted under the 2001 Scheme cannot exceed 10% of the Bank's issued share capital.

The number of share options to be offered each year is determined by the Remuneration Committee which comprises Directors of the Bank who are duly authorised and appointed by the Board of Directors to administer the 2001 Scheme. The Committee takes into account criteria such as the individual's rank, job performance, years of service, potential for future development and his/her contribution to the success and development of the Group.

The subscription price for each share in respect of which the option is exercisable shall be determined by the Remuneration Committee to be a price equal to the average of the last dealt prices of the stock for the five consecutive trading days immediately prior to the offering date. No options were granted at a discount since the commencement of the 2001 Scheme.

The validity period of the options is subject to prevailing legislation applicable on the date of grant. Based on current legislation, options granted to Group Executives are exercisable up to 10 years, while options granted to non-executive Directors are exercisable up to 5 years. The options may be exercised after the first anniversary of the

date of the grant, in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant of the respective options. The Committee has adopted the following vesting schedule:

Vesting Schedule	Percentage of shares over which an option is exercisable
On or before the first anniversary of the date of grant	Nil
After the first anniversary but on or before the second anniversary of the date of grant	33%
After the second anniversary but on or before the third anniversary of the date of grant	33%
After the third anniversary but before the date of expiry of the exercise period	34%

These options will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death or where approved by the Remuneration Committee, in which case the Committee may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined by the Remuneration Committee.

OCBC Deferred Share Plan

The OCBC Deferred Share Plan aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. Group executives holding the rank or equivalent rank of Senior Officer and above, and any Group Executive Director selected by the Remuneration Committee are eligible to participate in the Plan. In 2004, the participants are executives of the Bank, selected overseas locations and subsidiaries.

The share awards are granted annually to eligible executives, the value of which is presently equal to 25% of their total variable performance bonus for the year. The OCBC shares granted are acquired from the market in accordance with guidelines established under the Plan. The share awards will vest with the executives at the end of 3 years. Prior to

the vesting date, the executives will not be accorded voting rights and dividends paid on the shares.

The awards will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

During the financial year, an aggregate of 468,954 ordinary shares of par value S\$1.00 each were granted to eligible executives of the Group pursuant to the OCBC Deferred Share Plan.

OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESPP") was implemented in 2004 for all employees of the Group, including Executive Directors. It was implemented to inculcate in all participants a stronger and more lasting sense of identification with the Group.

The ESPP is a saving-based share ownership plan to help employees own shares in the Bank through their monthly contributions via deductions from payroll and/or CPF funds. The employees have the option to convert the contributions to shares after 1 year or withdraw the contributions. As a further incentive to employees to enroll in the ESPP, the Bank pays interest on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share subscription price is fixed before the offering period based on average of the last traded prices over 5 consecutive trading days immediately preceding the price fixing date.

COMMUNICATION WITH SHAREHOLDERS

OCBC Bank recognises the importance of communicating regularly and effectively with its shareholders so that they can better understand its operations, strategies and directions. One of the key roles of the Group Corporate Communications and Investor Relations Unit is to keep the market and investors apprised of the Group's corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. In addition, shareholders and

the public can access the Group's media releases, financial results, presentation materials used at briefings and other corporate information on the Bank's website.

Shareholders are given the opportunity to participate actively at OCBC Bank's AGMs and EGMs, where they can ask questions and communicate their views. They are allowed to vote in person or by proxy. The Directors as well as the external auditors are present at these meetings to address any relevant queries raised by shareholders.

ETHICAL STANDARDS

The Bank has adopted the SGX-ST's Best Practices Guide with respect to dealings in securities and has a Code on Dealings in Securities for the guidance of directors and officers.

Risk Management

RISK EXPOSURE AND RISK MANAGEMENT PRACTICE

The main aim of OCBC Group's risk management practice is to protect the Group against extraordinary or exceptional losses that could arise from taking risks beyond its risk appetite. The Group's philosophy on risk management is that all risks must be properly understood, monitored, controlled and managed. In addition, risk management processes must be closely aligned to the Group's business strategy, to enable the Group to maximise its risk-adjusted return on capital.

The Group's primary business activity is commercial banking, which is essentially a customer-driven activity where the substantial risk is the credit risks of its corporate, institutional and retail customers. To a lesser extent, commercial banking activities also expose the Group to market risk arising from re-pricing, maturity and currency mismatches of assets and liabilities. These mismatches give rise to interest rate, liquidity and foreign exchange risks.

Trading and investment banking activities, which include sales and trading in money market, foreign exchange and other treasury products and the underwriting of equities and debt instruments as well as stockbroking and asset management, are relatively less significant. However, these activities also expose the Group to credit risks and market risks, including interest rate, currency and equity risks.

In the course of conducting its businesses, the Group handles a large number of financial transactions. It is inherently exposed to operational risks arising from failure of internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The provision of financial advisory services to customers for wealth management products, including the sale of unit trusts and life insurance, also exposes the Group to operational and fiduciary risks arising from the failure to meet the general standards expected of such financial advisory activities.

The Group, through its subsidiary, Great Eastern Holdings, is engaged in the insurance business and will incur risks inherent in its principal activities of providing financial advisory services and insurance protection such as mortality, morbidity, property and casualty. Insurers under Great Eastern Holdings are required to comply with insurance rules and regulations including investment limits.

RISK ORGANISATION

OCBC Group believes that risk management is most effective when it is a shared responsibility between risk takers and risk controllers, with the Board of Directors providing general oversight. The risk organisation is structured such that there is segregation of duties and reporting lines between risk-taking and risk-controlling units. These principles are applied across the major risk areas, including credit, market and operational risks.

In recent years, OCBC has been building its resources and capabilities in risk management so as to keep pace with business developments. Given that banking products invariably contain a varying mix of risks from different risk categories, the management of risk must be looked at holistically.

The Board Risk Committee is the principal committee that supports the Board in the oversight of credit, market, operational and fiduciary risks and any other category of risks as may be deemed necessary. It is responsible for ensuring effective risk oversight of the Bank and its subsidiaries.

Group Risk Management Division, in supporting the Board Risk Committee and the CEO is staffed with officers dedicated to risk policy setting, risk measurement methodology and model development, and the monitoring of the OCBC Group's risk profiles and concentrations. In the case of credit risk, dedicated officers are also involved in transaction approval and remedial loan management. Besides the Group Risk Management Division, other functions in the Bank that support the risk management framework include Legal and Compliance, Internal Audit, Operations, Finance and the respective business units where risks are taken or generated.

CREDIT RISK MANAGEMENT

The Credit Risk Management Committee ("CRMC") is the principal senior management committee that supports the CEO and the Board in credit risk management oversight. The CRMC reviews and recommends major credit risk policies for the approval of the CEO and/or the Board. It is also responsible for ensuring that sound credit risk methodologies and effective credit risk management processes are established.

The CRMC includes representatives from major business units, where credit risk is generated, as well as independent

credit risk controlling units. This joint effort in setting risk policy seeks to ensure understanding of and commitment to the credit risk management process. The CRMC is supported by the Credit Risk Management ("CRM") departments within Group Risk Management Division. Dedicated CRM units perform the roles of developing risk policies, guidelines and procedures and putting in place the monitoring, reporting and control systems.

Credit Approval Process

The foundation of the credit approval structure is a designation process that delegates lending authority to individual credit signers according to their individual credit skills, knowledge, experience, training and track record.

Credit extensions to corporate and institutional customers are generally required to meet pre-defined target markets and risk acceptance criteria. Individual credit signers from the business units make underwriting decisions jointly with those from the credit risk management units. This "co-grantor" approval approach is designed to ensure objectivity in credit extensions.

For the consumer and small business sectors where transactions are numerous and of smaller amounts, loans are underwritten under pre-approved credit programmes. These programmes focus on credit extensions to individual customers with similar characteristics and/or product needs.

The New Product Approval Committee ("NPAC") approves all new products including credit programmes and reviews existing programmes on a regular basis. The representation of key stakeholders from the business, support and risk management units in the membership of the NPAC ensures objectivity, independence, and injection of functional expertise into the decision-making process.

Credit Risk Review

Independent credit risk reviews are conducted across different business units to strengthen the risk oriented credit culture in OCBC. As of December 2004, the first cycle of reviews covering all auditable business banking units in Singapore, Malaysia and International has been completed.

Concurrently, a Consumer Credit Review function was launched in April 2004 and has since completed several audits.

Training programme on credit risk process aims to improve efficiency for the staff in business units. Focus areas in the 2-day workshop include SME lending, early warning recognition and remedial management. Over 600 bank officers in credit related jobs have participated in the workshop, which is repeated quarterly for new hires or in international locations.

Credit Portfolio Management

The Group is continuing to develop credit risk grading models to enable it to better differentiate risks in the various segments of its credit portfolio for better decision making and monitoring of risks. Increased attention has been placed on credit stress testing to assess the credit portfolio's vulnerability to "exceptional but plausible" adverse credit risk events and to measure the sensitivity of the Group's earnings and capital to the associated deterioration in credit quality under the stressed scenarios.

The Group is also continuing to develop a centralised credit risk database to store key credit risk data for the Group to more efficiently monitor its credit portfolios.

In addition, efforts have been intensified towards preparing for the New Basel Capital Accord ("Basel II"). Detailed implementation planning is taking place to ensure that Basel II project will be executed to meet regulatory timelines, scheduled to be effective in 2007.

Country Risk

A country risk framework is in place, covering the assessment and rating of countries, as well as the maximum cross-border transfer risk limit that can be granted to any one country based on its risk rating. Cross-border transfer risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time-bands and vary according to the risk rating of the country concerned and the political and economic outlook.

Credit Concentration

The Group seeks to spread its risk exposure amongst the growing economic sectors of the major markets in which it operates. Limits are set on specific customer, industry segments and country in order to avoid over-concentration of credit risks. Prudent limits have also been placed on exposures to single customer groups. Industry and country concentration limits are established in relation to the Group's capital.

Special Asset Management Unit

The Special Asset Management unit continues to manage all Non-Performing Loans ("NPLs") due from Business Banking customers within the Group. These NPLs are managed either directly by active account management, or where warranted, through the oversight and supervision of the relevant business units' management. The Special Asset Management unit is target driven, with the objective of efficient NPL reduction and maximising loan recovery. The unit maintains its focus through a systematic loan management process that formulates work plans to achieve timely NPL resolution, and its senior management team is actively involved in all stages of the process to ensure that the agreed plans for NPL resolution are achieved within agreed timeframes.

Loan Classification and Provisioning Policies

Loan classification

The Group classifies its loans in accordance with MAS Notice 612 and internal loan classification policies.

Performing loans are categorised as 'Passed' or 'Special Mention', while NPLs are categorised as 'Substandard', 'Doubtful' or 'Loss', based on the following guidelines:

- Passed – Interest and principal payments are fully up-to-date, and orderly repayment and/or timely settlement in the future is without doubt.
- Special Mention – Currently protected but potentially weak. Borrower exhibits some deteriorating trends which, if not addressed or corrected, could jeopardise the timely repayment of interest and principal.
- Substandard – Timely repayment and/or settlement is at risk. Well-defined weakness is evident.
- Doubtful – Full repayment and/or settlement is improbable.
- Loss – The outstanding debt is regarded as uncollectable.

Restructured loans

A restructured loan refers to one where the original contractual terms and conditions have been modified upon mutual agreement between the Bank and the borrower. Where a loan is restructured because a borrower is facing severe financial difficulties and where it is probable that the account will have to be downgraded to non-performing status without the restructuring, the restructured loan will be classified as NPL. Once classified as an NPL, a restructured loan can only be upgraded after a reasonable period (typically six months) of sustained performance under the restructured terms.

Provisioning policies

The provision for estimated losses in the loan book comprises a specific provision against each NPL and a general provision that cannot be specifically applied and reflects the potential risk embodied in the loan portfolio. In determining the level of general provisions, the Group takes into account country conditions, the composition of the portfolio, industry practices and MAS guidelines.

The specific provision against each NPL is based on the individual circumstances of each account after considering:

- (a) the underlying business and financial viability of the borrower;
- (b) the cash flow sources of the borrower;
- (c) the quality and realisable value of the collateral and guarantee supporting the loan; and
- (d) the existence of a valid and enforceable legal right of recourse against the borrower.

The specific provision against each NPL must comply with the following minimum amounts as prescribed by the MAS:

Substandard – 10% (on unsecured portion)

Doubtful – 50% (on unsecured portion)

Loss – 100% (on loan outstanding)

Where appropriate, the Group also makes additional specific provisions in excess of the MAS minimum requirements, taking into account the circumstances of each borrower, the collateral values and other relevant considerations.

Write-offs

Write-offs of debts are made when recovery action has been instituted and the loss can be reasonably determined. For unsecured consumer loan programmes, the general policy is to write-off overdue debts after 180 days after the first default.

Ceasing of interest accrual on loans

When a loan is classified "Substandard", "Doubtful" or "Loss", interest income ceases to be recognised in the income statement on an accrual basis. However, this non-accrual of interest does not preclude the Group's entitlement to the interest income as it merely reflects the uncertainty in the collectibility of such interest income.

Collateral held against NPLs

The major type of collateral backing for the Group's NPLs is real estate in Singapore. The realisable value of the real

estate collateral is used to determine the adequacy of the collateral coverage. Proceeds from the sale of collateral pledged for a particular loan cannot be applied to other classified loans unless the accounts are related and cross collateralisation of the facilities is provided for contractually.

Property Exposure

The Bank is in compliance with Section 35 of the Banking Act, which limits its exposure to real estate in Singapore to not more than 35% of its total eligible loan assets.

Information on credit exposures by geographical area, business line and industrial classification, and the breakdown of investment and dealing securities by issuer type, are disclosed in Notes 25, 27, 31, 38 and 40 of the Financial Statements and in the Management Discussion and Analysis chapter.

MARKET RISK MANAGEMENT

Market risk is defined as the uncertainty in the future values of the Group's exposures in financial instruments resulting from movements in market factors such as interest rates, equity prices, and foreign exchange rates.

The Market Risk Management Committee ("MRMC") is the principal senior executive group that supports the Board Risk Committee and the CEO in discharging their market risk management responsibilities. The MRMC includes senior representatives from both the business and support units, and is responsible for developing the bank's overall market risk management framework. This framework comprises key market risk principles and policies, and a comprehensive set of controls and monitoring processes to govern and manage the Group's market risk.

The MRMC is supported at the working level by the Market Risk Management Department ("MRMD"), a department within Group Risk Management Division. The MRMD is responsible for formulating policies and procedures pertaining to market risk as well as putting in place an effective system of monitoring, reporting and control mechanisms.

Market Risk Management Framework

The key elements in the market risk management framework are policies and procedures, risk limits and risk measures.

Policies & Procedures – Approved by the Board Risk Committee and the CEO, the policies and procedures provide guidance on the oversight and management of the Group's market risk, and facilitate a common market risk language in terms of definitions and methodologies adopted across the Group. Controls and clear communications are in place to ensure that all business activities conform to the Group's risk management policies.

Risk Limits – All trading risk positions are monitored on a daily basis against the authorised limits by support units independent of the businesses. Under the market risk corporate governance framework, limits are approved at various business activity levels, with clearly defined exception escalation procedures for each level. All exceptions are to be promptly reported to the relevant senior management for appropriate ratification. Only authorised trading activities may be undertaken by the various business units.

Risk Measures – The Value-at-Risk ("VaR") methodology is the primary market risk measure for the Group's trading activities. The Board Risk Committee agrees on a market risk appetite based on VaR. VaR is measured and monitored by risk types, namely interest rate risk, foreign exchange risk, equity risk, volatility risk and credit spread risk, as well as at the aggregate level. The Group adopts the historical simulation approach to measuring VaR, applied against a 10-day holding period at a 99% confidence level. The Group prefers historical simulation as it involves fewer assumptions on the distribution of trading losses compared to other approaches. For back-testing purposes, the Group also computes a VaR of 1-day holding period to ascertain the model's integrity.

Nevertheless, as VaR is a statistical measure based on historical market fluctuations, it might not accurately predict forward-looking market conditions. Furthermore, VaR only reflects the potential risk of loss arising from normal market conditions, based on recent market experience.

Stress Testing

To augment VaR, the Group performs Stress Testing and Scenario Analysis to better quantify potential losses arising from low probability but plausible extreme market conditions. Stress Tests and Scenario Analyses provide insights into the impact on the Group's portfolio as a result of abnormal market conditions. The stress scenarios are

continually reviewed and fine-tuned to ensure they stay relevant to the Group's risk profile and economic conditions. The main objective of these analyses is to determine if potential losses from such extreme markets are within the Group's risk tolerance.

Other Risk Metrics

As the Group's main market risk is to interest rate movements, Present Value of a Basis Point ("PV01"), which measures the change in value of interest rate sensitive exposures resulting from a 0.01% increase in interest rates, is an additional measure monitored on a daily basis. This is a sensitivity measure that identifies the parts of the yield curve where exposures are most vulnerable to interest rate changes, providing insights to the implementation of hedging strategies.

Other than VaR and PV01, the Group also utilises other risk metrics such as notional amounts and derivative greeks for specific exposure types, where appropriate to supplement its risk measurements.

The table on the right provides a summary of the Group's Trading VaR profile, by risk types for 2004.

VaR (10-DAY HOLDING PERIOD) BY RISK TYPE – TRADING PORTFOLIO

(S\$m)	2004				2003			
	Year end	Ave	Min	Max	Year end	Ave	Min	Max
Interest rate risk	14.99	8.46	2.88	22.23	8.42	11.44	2.88	27.92
Foreign exchange risk	1.05	0.90	0.06	4.29	0.28	4.61	0.02	15.81
Equity risk	0.31	0.13	0.00 ⁽¹⁾	0.59	0.23	0.69	0.03	5.54
Volatility risk ⁽¹⁾	0.27	0.64	0.17	1.97	0.83	NR ⁽⁴⁾	NR ⁽⁴⁾	NR ⁽⁴⁾
Credit Spread risk	0.23	0.34	0.01	2.04	1.08	NR ⁽⁴⁾	NR ⁽⁴⁾	NR ⁽⁴⁾
Diversification effect ⁽²⁾	-1.55	-2.34	NM ⁽⁵⁾	NM ⁽⁵⁾	-2.13	-6.56	NM ⁽⁵⁾	NM ⁽⁵⁾
Aggregate risk	15.30	8.13	2.90	20.69	8.71	11.46	3.57	27.22

(1) Volatility VaR includes risk related to option's volatility arising from all asset classes, i.e. interest rate, foreign exchange and equity.

(2) Year end and average aggregate VaR are not equal to the sum of the VaR of the respective risk type due to portfolio diversification.

(3) The minimum for equity VaR is zero due to the small size of the equity portfolio and the reporting of equity volatility risk under the volatility VaR.

(4) NR – not reported for FY 2003.

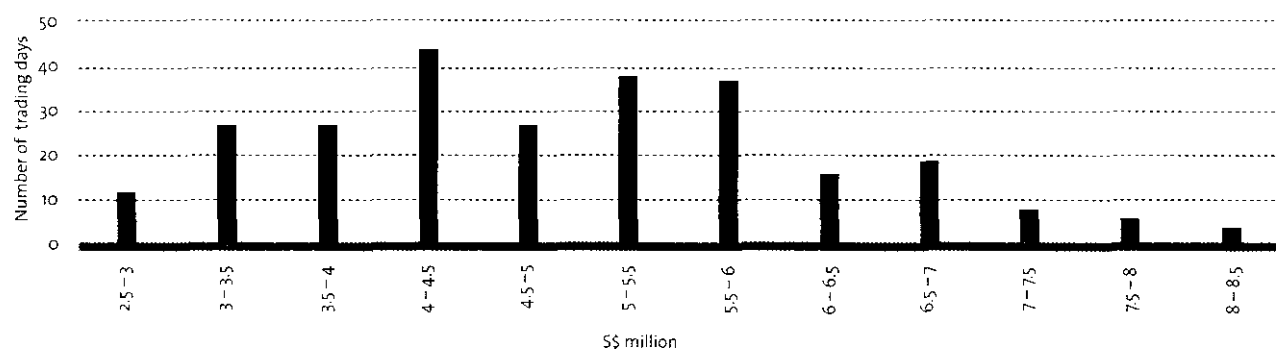
(5) NM – not meaningful as the minimum and maximum of the VaR for each risk type and the aggregate occurred on different days.

The Group has no significant trading exposure to Commodity price risk.

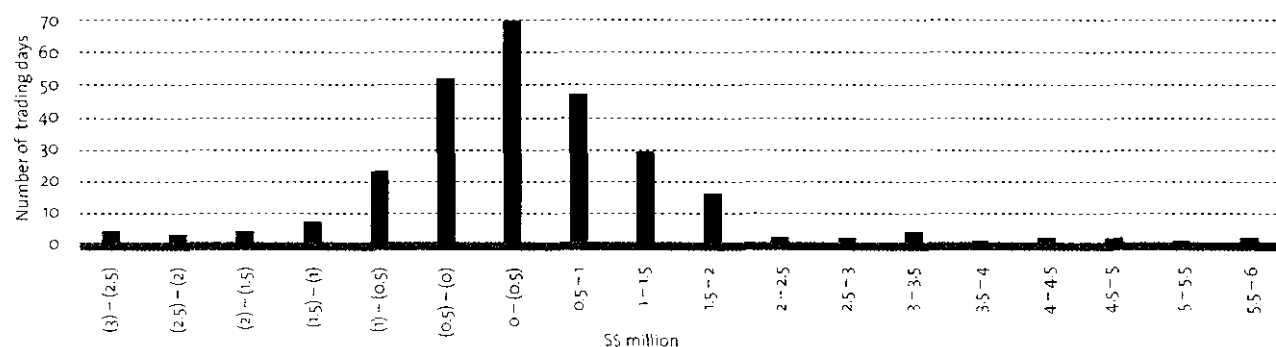
Back-testing

To ensure the continual integrity of the VaR model, the

Frequency Distribution of Trading Book Daily VaR (1-Day Holding Period) for FY 2004



Frequency Distribution of Trading Book Daily Revenue for FY 2004



Group conducts back-testing to confirm the consistency of actual daily trading profits and losses ("P&L") against the statistical assumptions of the model. To enhance the back-testing process, theoretical P&L are also computed by marking to market the same set of positions as used for the VaR calculations.

Asset Liability Management Framework

The Asset Liability Management Committee ("ALCO") is the senior management forum that is responsible for overseeing the Group's liquidity and balance sheet risks. The ALCO comprises the Chief Executive Officer, the Chief Financial Officer and other senior representatives from both the business and support units. The ALCO is supported by the Asset Liability Management Department within the Group Risk Management Division.

The Group's Asset Liability Management framework consists of 3 components:

- Interest Rate Risk Management
- Structural Foreign Exchange Risk Management
- Liquidity Management

Interest Rate Risk – The main market risk faced by the Group is the interest rate risks arising from the re-pricing mismatches of assets and liabilities arising from its banking business. These are monitored through tenor limits and net interest income changes.

A system is in place to measure the Group's re-pricing mismatch profile. In-depth analyses of current and projected balance sheet positions and the likely impact on the Group's net interest income are performed. Group Treasury actively manages the re-pricing mismatches with the aid of daily re-pricing gap and sensitivity reports, against defined sensitivity limits. The re-pricing gap reports allow for the analysis of the re-pricing profile for the Group's assets and liabilities. The sensitivity reports identify the parts of the yield curve where the Group is most vulnerable to changes in interest rates.

The funding mix varies across the Group. In Singapore, the lending portfolio is largely funded by demand, savings and fixed deposits. The major component of interest rate risks lies in the Bank's extension of commercial property loans, housing loans and automobile loans, which are generally

priced at fixed rates. The Group uses the interest rate swap market actively to ensure that these fixed rate exposures are managed within its risk appetite.

Structural Foreign Exchange Risk – The Group's structural foreign exchange exposure arises primarily from its equity investment in overseas subsidiaries and related companies; head office funds in overseas branches and investment in fixed assets and premises. The Group's policy is to protect its capital by ensuring that, where appropriate and practical, exposures arising from changes in exchange rates are minimised. The decision to hedge or otherwise is normally based on economic considerations rather than short term accounting impact.

Liquidity Risk – The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and regulatory financial obligations at all times. As a policy, the Group requires most of its individual subsidiaries and overseas branches to be self-sufficient and to fund their own operations. It is the responsibility of each local management team to ensure compliance with local regulatory and the Group's requirements on liquidity management. Liquidity is managed daily at each branch or subsidiary, taking into account the complexity of the individual balance sheet, as well as the depth and liquidity of the local market.

The Group's liquidity policy is to ensure that all contractual and behavioural commitments can be met by readily available sources of funding. In addition, a level of liquid assets is maintained in relation to cash flows to provide further sources of funding in the event of a crisis. The Group frequently accesses the wholesale financial markets to ensure the availability of funds.

The liquidity management process includes projecting cash flows by major currencies; monitoring liquidity ratios and depositor concentration to ensure an appropriate funding mix and avoid undue reliance on large individual depositors; and maintaining a contingency funding plan. Cash flow projections are also subject to stress tests to ensure that the Group has the ability to withstand sudden and heavy cash outflows. The stress tests are conducted on a regular basis to assess and measure liquidity risk under a bank-specific and general market crisis situation.

Pursuant to MAS regulations, banks are currently required to meet a statutory Minimum Liquid Assets ("MLA") requirement, comprising Singapore Government Securities, Singapore Government Securities held under overnight repurchase agreements with, among others, banks in Singapore, and commercial bills of exchange in Singapore dollars, accepted or endorsed by banks in Singapore. In addition, the Bank maintains a daily minimum cash balance with the MAS of at least 3% of its Singapore-dollar denominated liabilities. With the introduction of the new liquidity supervision framework under the revised MAS613 Notices to Banks in Singapore, the Group is now operating under the risk-determined and bank-specific MLA framework, whereby it qualifies for lower MLA requirements based on its liquidity risk profile and management capabilities.

OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss caused by a breakdown in internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The goal of operational risk management is to minimise unexpected and catastrophic losses and manage expected losses. This enables new business opportunities to be pursued in a risk controlled manner and increases risk adjusted profitability through calculated risk-and-reward decision making.

Operational risk management comes under the oversight of the Operational Risk Management and Information Security Committee ("ORISC"), which includes senior representatives from risk management, business units and relevant support functions. Business units are supported by the Operational Risk Management ("ORM") Department of Group Risk Management Division, which has established the operational risk framework, including policies and methodologies and provides independent oversight of operational risk monitoring and control. The operational risk management programmes are actively implemented through the Operational Risk Co-ordinators in the business units.

A comprehensive strategy has been formulated to provide a group-wide integrated solution encompassing the roll-out of qualitative and quantitative tools and methodologies which will position the Group to qualify for the more proactive risk management approaches recommended by the Basel committee.

A well-established and comprehensive loss event and incident reporting system that is aligned to both regulatory and industry standards, to monitor and manage operational losses is in place. An ongoing risk and control assessment programme has been implemented to reinforce our risk assessment and management capabilities. To strengthen our "early warning" system, a key indicator programme is being progressively rolled-out to identify potential operational risk exposures to minimise losses before they occur. Business continuity and crisis management programmes are in place as an integral part of the Group's strategy to mitigate risks and to manage the impact of unforeseen events. In addition, operational risk training programmes are conducted on an ongoing basis to cultivate a pro-active risk management culture within the Group.

FIDUCIARY RISK MANAGEMENT

In providing investment or wealth management products or services, it is critical to ensure that the business units perform at the appropriate standard relative to the Group's trust relationship with a client. Fiduciary risk is the possibility that the Group, may knowingly or unknowingly, in the course of, among other things, managing funds, exercise discretion, make decisions, or take actions which fail to satisfy the applicable standard of conduct appropriate for a trustee relationship.

The Group is putting in place a Fiduciary Risk Management Programme, focusing primarily on compliance to applicable corporate standards with regular identification, assessment, mitigation and monitoring of fiduciary risk exposures.

The Fiduciary Risk Management Committee ("FRMC") is currently being established to oversee fiduciary-related risks that may result in losses or reputational damage. The FRMC oversees the Group's fiduciary risk profile and co-ordinates the development and implementation of Fiduciary Risk Management principles and policies for the OCBC Group.

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Management Discussion and Analysis

OVERVIEW

	2004 S\$m	2003 S\$m	+ / (-) %
Selected profit and loss data:			
Net interest income	1,518	1,435	6
Fees and commissions	464	373	24
Dividends	87	75	16
Rental income	72	64	14
Income from insurance ⁽¹⁾	243	–	n.m.
Other income	260	247	5
Total income	2,643	2,193	21
Less : Operating expenses	974	855	14
Operating profit	1,669	1,338	25
Less : Amortisation of goodwill and intangibles	158	127	25
Less : Total provisions	77	225	(66)
Add : Share of associated companies' results	121	235	(49)
Profit before tax	1,555	1,222	27
Net profit attributable to shareholders	1,162	954	22
Cash basis net profit attributable to shareholders ⁽²⁾	1,321	1,081	22

Selected balance sheet data:

Total assets	119,882	84,497	42
Assets excluding life fund net assets	90,986	84,497	8
Loans to customers (net of provisions)	52,963	50,155	6
Deposits of non-bank customers	57,287	53,460	7
Ordinary shareholders' funds	10,346	9,163	13
Total (ordinary and preference) shareholders' funds	11,242	10,059	12

Key Indicators:

Return on ordinary shareholders' funds (% p.a.) ⁽³⁾	11.4	10.0	
Return on ordinary shareholders' funds (% p.a.) – Cash basis ⁽³⁾	13.0	11.4	
Return on total shareholders' funds (% p.a.)	10.8	9.8	
Return on total shareholders' funds (% p.a.) – Cash basis	12.3	11.1	
Return on assets (% p.a.) ⁽⁴⁾	1.30	1.13	
Return on assets (% p.a.) – Cash basis ⁽⁴⁾	1.48	1.28	
Basic earnings per ordinary share (S\$) ⁽⁵⁾	0.86	0.72	20
Cash earnings per ordinary share (S\$) ⁽⁵⁾	0.98	0.82	20
Net asset value per ordinary share (S\$)			
– Before valuation surplus	7.86	7.16	10
– After valuation surplus	11.14	9.95	12

⁽¹⁾ Comprise profit from life assurance and net earned premiums from general insurance.

⁽²⁾ Excluding goodwill and intangibles amortisation charge.

⁽³⁾ Calculated after deducting preference shares dividends paid and estimated to be due as at end of period from net profit attributable to shareholders.

⁽⁴⁾ Return on assets is calculated based on assets excluding life fund net assets attributable to policyholders.

⁽⁵⁾ Calculated after deducting declared and/or paid preference shares dividends from net profit attributable to shareholders.

⁽⁶⁾ Some of the figures may not add up to the relevant totals due to rounding.

⁽⁷⁾ n.m. – Not meaningful.

⁽⁸⁾ Certain comparative figures have been restated to conform with current year's presentation.

Management Discussion and Analysis

Group net profit for the financial year ended 31 December 2004 rose 22% to S\$1,162 million, from S\$954 million in 2003. The improved performance was largely driven by strong growth in fee income, higher net interest income, lower provisions and higher contribution from Great Eastern Holdings ("GEH"). Return on ordinary shareholders' funds ("ROE") improved from 10.0% in 2003 to 11.4% in 2004, while cash ROE increased from 11.4% to 13.0%.

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

Operating profit before provisions and goodwill amortisation rose 25% to S\$1,669 million, as revenue grew 21% to S\$2,643 million, outpacing the 14% increase in expenses to S\$974 million. Net interest income rose 6% to S\$1,518 million, as loans grew by 5% and net interest margin remained stable. Non-interest income increased by 48% to S\$1,126 million, with fee and commission income registering a broad-based expansion of 24% to S\$464 million, boosted in particular by strong wealth management sales.

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

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

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

CONSOLIDATION OF GREAT EASTERN HOLDINGS

The Group's shareholding in GEH increased from 48.9% to 81.1% following a voluntary unconditional offer launched in May 2004. The offer was made on the basis of 976 new OCBC shares in exchange for every 1,000 GEH shares. In total, 136.2 million new OCBC shares were issued arising from the offer. The Group's 2004 results included seven months' full consolidation of GEH's results as a subsidiary from June 2004. Prior to June 2004, the Group's 48.9% share of GEH's profit was reflected under the associates' contribution line.

GEH's results are prepared based on Financial Reporting Standard ("FRS") 39 on the Recognition and Measurement of Financial Instruments, but were consolidated on a "non-FRS 39" basis as OCBC Group will only be adopting FRS 39 with effect from 1 January 2005.

The consolidation of GEH contributed S\$304 million to the Group's total income in 2004 (of which S\$243 million was classified under insurance income) and S\$51 million to operating expenses. The full year net profit contribution from GEH was S\$189 million, comprising S\$121 million as a subsidiary (after taking into account goodwill amortisation and minority interests) and S\$68 million as an associate. In 2003, GEH's net profit contribution as an associate was S\$163 million. GEH's consolidation was the main reason for the 42% increase in the Group's total assets from S\$84 billion in December 2003 to S\$120 billion in December 2004.

Total goodwill and intangible assets arising from the acquisition of the additional stake in GEH was S\$1,085 million, comprising S\$295 million of goodwill and S\$790 million of intangible asset pertaining to the value of in-force business. This was computed based on the difference between the acquisition cost of S\$1,811 million and the Bank's additional share in the estimated fair value of GEH's net tangible assets of S\$726 million. Of the total goodwill and intangible assets, S\$32 million was amortised in June-December 2004. With the adoption of Financial Reporting Standard (FRS) 103 on Business Combinations in January 2005, the goodwill portion will no longer be amortised but will be subject to impairment testing. The intangible asset component will continue to be amortised over 20 years, translating to an estimated S\$40 million per annum.

Management Discussion and Analysis

NET INTEREST INCOME

Net interest income increased by 6% to S\$1,518 million in 2004, driven by growth in interest earning assets, primarily customer loans and fixed income securities. Net interest margin improved slightly from 1.90% in 2003 to 1.91% in 2004, as higher average yields on interest earning assets offset the increase in cost of funds in a rising interest rate environment.

Average Balance Sheet ⁽¹⁾

	Average Balance ⁽¹⁾ S\$m	2004 Interest S\$m	Average Rate %	Average Balance ⁽¹⁾ S\$m	2003 Interest S\$m	Average Rate %
Assets						
Loans and advances to non-bank customers	51,823	1,923	3.71	48,309	1,791	3.71
Placements with and loans to banks	13,305	296	2.22	14,526	267	1.84
Other interest earning assets ⁽²⁾	14,336	341	2.38	12,610	322	2.55
Total interest earning assets	79,464	2,560	3.22	75,445	2,381	3.16
Non-interest earning assets	24,950	—	—	8,873	—	—
Total assets	104,414	—	—	84,317	—	—
Liabilities						
Deposits of non-bank customers	56,625	717	1.27	55,452	681	1.23
Deposits and balances of banks	13,698	211	1.54	12,135	158	1.30
Other borrowings ⁽³⁾	4,758	114	2.40	4,175	106	2.54
Total interest bearing liabilities	75,081	1,043	1.39	71,763	946	1.32
Non-interest bearing liabilities	18,312	—	—	2,780	—	—
Total liabilities	93,392	—	—	74,543	—	—
Net interest income/margin		1,518	1.91		1,435	1.90

⁽¹⁾ Average balances are based on monthly averages.

⁽²⁾ Comprise debt securities, government securities and treasury bills.

⁽³⁾ Comprise debt securities issued (including Upper Tier 2 subordinated debt, Floating Rate Notes and Euro Commercial Papers) and bills payable.

The table below analyses the changes in net interest income due to changes in volume and changes in rate for 2004 compared to 2003.

Volume and Rate Analysis

	2004 over 2003 Incr/(Decr) due to change in		Net Change S\$m
	Volume S\$m	Rate S\$m	
Interest Income			
Loans and advances to non-bank customers	131	2	132
Placements with and loans to banks	(27)	56	29
Other interest earning assets	41	(22)	19
Total	144	35	180
Interest Expense			
Deposits of non-bank customers	15	21	36
Deposits and balances of banks	24	29	53
Other borrowings	14	(6)	8
Total	53	44	97
Net Interest Income	91	(9)	83

Management Discussion and Analysis

NON-INTEREST INCOME

	2004 S\$m	2003 S\$m	+ / (-) %
Fee and commission income			
Brokerage	53	62	(15)
Wealth management ⁽¹⁾	129	78	65
Fund management	42	19	119
Credit card	35	30	19
Loan-related	66	74	(10)
Trade and remittances ⁽²⁾	57	45	26
Guarantees	18	18	4
Investment banking	19	12	63
Service charges ⁽²⁾	36	31	16
Others	7	4	68
	464	373	24
Dividends	87	75	16
Rental income	72	64	14
Income from insurance ⁽³⁾	243	—	n.m.
Other income			
Dealing in foreign exchange	87	61	44
Dealing in securities and derivatives	(51)	(19)	n.m.
Disposal of investment securities	23	92	(76)
Disposal of associated companies	54	—	n.m.
Disposal of properties	79	47	67
Others	68	66	4
	260	247	5
Total non-interest income	1,126	758	48
Fees and Commissions/Total Income	17.5%	17.0%	
Non-Interest Income/Total Income	42.6%	34.6%	

⁽¹⁾ From sale of unit trusts, bancassurance products and structured deposits and notes.

⁽²⁾ 2003 figures have been restated to reflect the reclassification of remittance fee income from "service charges" to "trade and remittances".

⁽³⁾ Comprise profit from life assurance and net earned premiums from general insurance.

Total non-interest income jumped 48% to S\$1,126 million in 2004, boosted by stronger fee and commission income, and by the consolidation of GEH which contributed S\$285 million in non-interest income. Fees and commissions registered a broad-based expansion of 24% to S\$464 million, led by wealth management income which grew 65% to S\$129 million and fund management income which rose 119% to S\$42 million. Income from investment banking, trade and remittances, and credit cards also performed better, offsetting the decline in stockbroking income.

Foreign exchange dealing income registered strong growth of 44% to S\$87 million. Dealing in securities and derivatives recorded a net loss of S\$51 million in 2004, compared to S\$19 million loss in 2003, mainly due to losses on interest rate swaps sustained under difficult market conditions.

The divestment of non-core assets contributed S\$132 million to non-interest income in 2004, compared to S\$128 million in 2003. The gains in 2004 comprised S\$55 million from the sale of former associate Raffles Investments, and S\$77 million (S\$43 million after minority interests of 45%) from the sale of Whitesands Shopping Mall by a 55%-owned subsidiary.

Management Discussion and Analysis

OPERATING EXPENSES

	2004 S\$m	2003 S\$m	+ / (-) %
Staff costs	531	478	11
Premises and equipment			
Depreciation of fixed assets	62	81	(24)
Amortisation of computer software costs	24	20	19
Maintenance and hire of fixed assets	33	36	(9)
Rental expenses	18	18	1
Others	79	69	15
	216	225	(4)
Other operating expenses	227	152	49
Total operating expenses	974	855	14
Group staff strength – period end	10,582	7,424	43
Group staff strength – average	9,089	7,350	24
Cost-to-income ratio	36.8%	39.0%	

Total operating expenses in 2004 were S\$974 million, an increase of 14% over 2003 partly due to the consolidation of GEH expenses from June 2004, which amounted to S\$51 million. Excluding GEH expenses, operating expenses rose by 8%, mainly attributable to higher staff costs and business promotion expenses. Staff expenses increased due to higher headcount and sales commissions, while business promotion and professional expenses rose in tandem with new business initiatives launched during the year.

With stronger growth in revenue compared to expenses, the cost-to-income ratio in 2004 improved to 36.8% from 39% in 2003.

The Group's headcount was 10,582 at end December 2004, including 2,315 headcount from GEH. Excluding GEH, headcount increased by 11% since December 2003.

Management Discussion and Analysis

PROVISION CHARGES

	2004 S\$m	2003 S\$m	+ / (-) %
Specific provision for loan losses			
– Singapore	114	191	(40)
– Malaysia	40	55	(27)
– Other regional countries	(16)	(27)	41
– Others	5	(25)	n.m.
	143	194	(26)
General provision for loan losses			
– Five regional countries ⁽ⁱ⁾	(32)	(31)	n.m.
– Singapore & others	#	5	n.m.
	(32)	(26)	(27)
Specific provision for diminution in value of investment securities and other assets	(34)	57	n.m.
Total provision charge	77	225	(66)

(i) Five regional countries comprise Malaysia, Indonesia, Thailand, South Korea and the Philippines.

Amount under S\$500,000.

Total provisions in 2004 were S\$77 million, down 66% from S\$225 million in 2003. The decline was contributed by lower specific provisions for loans, and net reversals in general provisions and provisions for diminution in value of investment securities and other assets.

Specific provisions for loans fell from S\$194 million in 2003 to S\$143 million in 2004, reflecting the improvement in the Group's credit processes and stable economic conditions in Singapore and Malaysia.

The Group also reversed a net S\$32 million from its surplus general provisions in 2004, compared to S\$26 million reversed in 2003. The reversal in general provisions was used to offset a provision charge taken to write down the collateral values for long outstanding NPLs in Malaysia, following a special review of the Malaysia NPL portfolio in the fourth quarter.

A sustained improvement in the value of certain investment securities and properties held by the Group during the year resulted in a net reversal of S\$34 million in provisions for such assets, compared to a charge of S\$57 million in 2003.

LOANS AND ADVANCES

Gross loans to customers grew by 5% year-on-year to S\$55.22 billion as at 31 December 2004. Growth was led by housing loans which expanded by 12% to S\$17.29 billion, accounting for 31% of total loans. Loans to general commerce, manufacturing and professionals and individuals registered growth of 20%, 7% and 5% respectively.

	31 Dec 2004		31 Dec 2003	
	S\$m	%	S\$m	%
Loans By Industry				
Agriculture, mining & quarrying	718	1	519	1
Transport, storage and communication	1,568	3	1,525	3
Building and construction	7,123	13	7,302	14
Manufacturing	3,484	6	3,265	6
Financial institutions, investment and holding companies	8,478	15	8,924	17
General commerce	4,652	9	3,871	7
Professionals and individuals	8,575	16	8,129	15
Housing loans	17,287	31	15,382	29
Others	3,339	6	3,672	8
	55,224	100	52,589	100

Management Discussion and Analysis

NON-PERFORMING LOANS

By Grading, Security Coverage and Countries

	Total NPLs ⁽¹⁾ S\$m	Sub- Standard NPLs S\$m	Doubtful NPLs S\$m	Loss NPLs S\$m	Secured NPLs as % of total NPLs %	Non-bank NPLs as % of non-bank loans ⁽²⁾ %
Malaysia						
31 Dec 2004	902	580	230	93	64.8	9.0
31 Dec 2003	1,068	699	126	243	69.3	11.3
Other Four Regional Countries						
31 Dec 2004	98	3	76	19	15.5	13.0
31 Dec 2003	140	17	100	24	22.8	30.8
Total Regional Countries						
31 Dec 2004	1,001	582	307	112	59.9	9.3
31 Dec 2003	1,208	716	225	267	63.9	12.4
Singapore						
31 Dec 2004	1,735	1,082	436	217	60.7	4.4
31 Dec 2003	2,389	1,725	498	166	65.0	6.2
Others						
31 Dec 2004	131	54	75	2	43.2	2.0
31 Dec 2003	237	155	82	—	53.0	3.6
Group Total						
31 Dec 2004	2,866	1,718	817	331	59.6	4.9
31 Dec 2003	3,834	2,596	805	433	63.9	6.9

⁽¹⁾ Comprise non-bank loans, debt securities and contingent facilities.

⁽²⁾ Excluding debt securities.

Total NPLs declined by 25% from S\$3.83 billion at the end of 2003 to S\$2.87 billion as at the end of 2004. The decrease came mainly from Singapore NPLs, where the recoveries, upgrades and write-offs more than offset new NPLs classified during the year.

Singapore NPLs amounted to S\$1.74 billion and accounted for 61% of the Group's total NPLs, while Malaysia NPLs of S\$0.90 billion accounted for 31%. Of the total NPLs, 59.9% were in the substandard category while 59.6% were secured by collateral.

The Group's NPL ratio improved from 6.9% in December 2003 to 4.9% in December 2004. The Singapore NPL ratio improved from 6.2% to 4.4%, while the Malaysia NPL ratio improved from 11.3% to 9.0%.

Management Discussion and Analysis

	31 Dec 2004		31 Dec 2003	
	S\$m	%	S\$m	%
NPLs By Industry ⁽ⁱ⁾				
Agriculture, mining & quarrying	42	5.9	33	6.2
Transport, storage and communication	25	1.6	131	8.6
Building and construction	579	8.1	753	10.3
Manufacturing	416	11.9	497	15.2
Financial institutions, investment and holding companies	360	4.2	523	5.9
General commerce	440	9.5	620	16.0
Professionals and individuals	466	5.4	600	7.4
Housing loans	256	1.5	223	1.4
Others	131	3.9	246	6.7
Sub-total	2,715	4.9	3,626	6.9
Debt securities	151		208	
Total	2,866		3,834	

⁽ⁱ⁾ The percentages refer to the amount of NPLs over gross customer loans in each industry.

	31 Dec 2004		31 Dec 2003	
	S\$m	As % of Total NPLs	S\$m	As % of Total NPLs
NPLs By Period Overdue				
Over 180 days	1,668	58	2,223	58
Over 90 to 180 days	216	7	302	8
Over 30 to 90 days	187	7	242	6
Less than 30 days	106	4	136	4
No overdue	689	24	931	24
	2,866	100	3,834	100

Management Discussion and Analysis

CUMULATIVE PROVISIONS

	Total cumulative provisions ⁽¹⁾ S\$m	Specific provisions S\$m	General provisions S\$m	Specific provisions as % of total NPLs %	Cumulative provisions as % of total NPLs %	Cumulative provisions as % of unsecured NPLs %
Malaysia						
31 Dec 2004	721	362	359	40.2	79.9	226.9
31 Dec 2003	766	402	363	37.6	71.7	233.3
Other Four Regional Countries						
31 Dec 2004	319	106	213	107.6	324.4	384.0
31 Dec 2003	340	127	213	90.9	242.8	314.7
Total Regional Countries						
31 Dec 2004	1,040	468	572	46.8	103.9	259.4
31 Dec 2003	1,106	529	576	43.8	91.5	253.4
Singapore						
31 Dec 2004	1,152	680	472	39.2	66.4	168.9
31 Dec 2003	1,282	771	511	32.3	53.7	153.5
Others						
31 Dec 2004	183	82	102	62.5	140.1	246.6
31 Dec 2003	179	84	95	35.5	75.7	161.1
Group Total						
31 Dec 2004	2,375	1,230	1,145	42.9	82.9	205.2
31 Dec 2003	2,568	1,385	1,183	36.1	67.0	185.6

⁽¹⁾ Include provisions for classified debt securities.

Total cumulative specific and general provisions amounted to S\$2.4 billion as at 31 December 2004, representing 82.9% of NPLs, a significant improvement from the coverage of 67.0% at 31 December 2003. Cumulative specific provisions covered 106.3% of unsecured NPLs (December 2003: 100.1%). Cumulative general provisions were 2.1% (December 2003: 2.3%) of total non-bank loans (net of specific provisions).

Management Discussion and Analysis

EXPOSURE TO THE FIVE REGIONAL COUNTRIES, HONG KONG AND CHINA

	Loans and debt securities			Investments S\$m	Gross Exposure S\$m	Less: Loans to and investments in subsidiaries /branches S\$m	Net Exposure	
	Bank S\$m	Central Bank and Government S\$m	Non-Bank S\$m				Total S\$m	% of Group assets %
Malaysia								
31 Dec 2004	3,048	3,040	9,034	683	15,804	2,734	13,071	14.4
31 Dec 2003	2,954	3,210	8,164	579	14,907	2,494	12,413	14.7
Indonesia								
31 Dec 2004	60	198	489	185	932	77	856	0.9
31 Dec 2003	91	121	285	68	566	68	498	0.6
Thailand								
31 Dec 2004	109	38	121	6	274	50	224	0.2
31 Dec 2003	70	46	87	–	203	55	148	0.2
Korea								
31 Dec 2004	529	50	288	12	879	30	848	0.9
31 Dec 2003	387	34	111	–	532	26	505	0.6
Philippines								
31 Dec 2004	22	17	65	4	107	0	107	0.1
31 Dec 2003	35	16	38	1	90	1	89	0.1
Total Regional Countries								
31 Dec 2004	3,767	3,343	9,997	890	17,997	2,891	15,106	16.6
31 Dec 2003	3,536	3,428	8,686	648	16,298	2,646	13,652	16.2
Hong Kong								
31 Dec 2004	249	11	1,159	146	1,564	144	1,420	1.6
31 Dec 2003	473	28	1,274	103	1,878	145	1,733	2.1
China								
31 Dec 2004	764	79	1,227	5	2,076	473	1,602	1.8
31 Dec 2003	592	7	891	3	1,493	370	1,123	1.3
Total								
31 Dec 2004	4,780	3,433	12,382	1,042	21,637	3,508	18,129	19.9
31 Dec 2003	4,601	3,463	10,851	754	19,669	3,160	16,508	19.5

Note: The exposure table above excludes GEH's life fund assets.

The Group's net exposure (excluding the exposure under GEH's life fund) to the five regional countries – Malaysia, Indonesia, Thailand, South Korea and Philippines – increased 11% during the year to S\$15.11 billion as at 31 December 2004, representing 16.6% of Group assets excluding the life fund. The increase was derived mainly from Malaysia, which accounted for 14.4% of Group assets.

Management Discussion and Analysis

DEPOSITS

	31 Dec 2004 S\$m	31 Dec 2003 S\$m	+ / (-) %
Deposits of non-bank customers	57,287	53,460	7
Deposits and balances of banks	12,455	12,480	-
	69,742	65,940	6

Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	92.5%	93.8%
---	-------	-------

Compared to 31 December 2003, total deposits increased by 6% to S\$69.74 billion. Non-bank customer deposits, which accounted for 82.1% of total deposits, rose by 7% to S\$57.29 billion, mainly due to higher fixed deposits and current account balances.

Arising from the launch of the Bank's 3-year US Dollar floating rate notes in June 2004 and the Euro Commercial Paper ("ECP") programme in August 2004, outstanding senior debt and short-term commercial papers amounted to S\$1.77 billion as at 31 December 2004. These debt issues are part of the Group's strategy to tap into the offshore capital markets and the short-dated ECP market for alternative cost-effective funding.

The Group's loans-to-deposits ratio was 92.5% as at 31 December 2004, marginally lower than 93.8% as at end of 2003. Including the senior debt and commercial papers, the adjusted loans-to-deposits ratio was 89.7%.

	31 Dec 2004		31 Dec 2003	
	S\$m	%	S\$m	%
Non-Bank Deposits By Product				
Fixed deposits	36,270	63	34,273	64
Savings deposits	11,178	20	11,131	21
Current accounts	7,159	12	6,108	11
Others	2,680	5	1,948	4
	57,287	100	53,460	100

Management Discussion and Analysis

CAPITAL ADEQUACY RATIOS

	31 Dec 2004 S\$m	31 Dec 2003 S\$m
Tier 1 Capital		
Paid-up ordinary and preference shares	1,321	1,284
Disclosed reserves/others	10,409	8,791
Less: Goodwill/Others	3,088	2,089
	8,642	7,986
Tier 2 Capital		
Cumulative general provisions	859	777
Subordinated term notes	3,861	3,857
	4,720	4,634
Less: Capital investments in insurance subsidiary companies	1,042	—
Less: Others	179	1,167
Total Capital	12,141	11,453
Risk weighted assets including market risk	68,729	62,178
Tier 1 ratio	12.6%	12.8%
Total capital adequacy ratio	17.7%	18.4%

Note: Capital adequacy ratio is calculated in accordance with the MAS Notice 637 to Banks.

The total capital adequacy ratio of the Group, calculated in accordance with the revised capital framework as set out in the MAS Notice 637, remained strong at 17.7% as at 31 December 2004, while the Group's Tier 1 capital ratio was 12.6%.

A total of 136.2 million new OCBC ordinary shares were issued during the year in connection with the Bank's voluntary unconditional offer for GEH. This addition to share capital was partly offset by the cancellation of 80.2 million OCBC shares held by GEH, for a cash distribution of S\$991 million, under a selective capital reduction exercise.

The Group announced on 11 August 2004 that it would set aside S\$500 million for on-market buybacks of its ordinary shares. As at 31 December 2004, approximately 24.9 million ordinary shares have been purchased from the stock market for a total consideration of S\$337 million.

As part of on-going initiatives to enhance the efficiency of its capital structure, the Group launched its maiden offering of hybrid tier 1 preference shares in January 2005, raising S\$400 million of Tier 1 capital.

The Group's issued ordinary share capital as at the end of 2004 was 1,316.5 million shares, compared to 1,280.1 million shares as at end of 2003.

Management Discussion and Analysis

VALUATION SURPLUS

	31 Dec 2004			31 Dec 2003		
	Net book value S\$m	Market value S\$m	Surplus S\$m	Net book value S\$m	Market value S\$m	Surplus S\$m
Properties	1,169	2,552	1,382	1,274	2,664	1,390
Equity securities ⁽¹⁾	1,109	3,809	2,700	1,466	3,499	2,033
Debt securities ⁽²⁾	15,613	15,849	236	13,438	13,587	149
	17,891	22,210	4,318	16,178	19,750	3,572

⁽¹⁾ Includes investment in quoted subsidiary GEH.

⁽²⁾ Includes government treasury bills and securities.

The Group's unrealised valuation surplus amounted to S\$4.32 billion as at 31 December 2004, 21% higher when compared to 31 December 2003. The increase was attributable mainly to equity securities which accounted for S\$2.70 billion or 63% of the surplus, of which the surplus relating to GEH shares was S\$2.0 billion. The valuation surplus for properties was S\$1.38 billion, accounting for 32% of the total surplus.

Management Discussion and Analysis

FINANCIAL DERIVATIVES

In S\$'000	31 December 2004					
	Trading			Non-Trading		
	Contractual or principal notional amount	Fair value - assets	Fair value - liabilities	Contractual or principal notional amount	Fair value - assets	Fair value - liabilities
Foreign exchange derivatives						
Forwards	885,331	8,819	9,793	4,878,988	38,829	36,036
Swaps	56,024,270	939,812	816,175	5,238,366	434,371	293,225
OTC options – bought and sold	747,398	3,247	4,035	765,544	6,038	2,242
Sub-total	57,656,999	951,878	830,003	10,882,898	479,238	331,503
Interest rate derivatives						
Forwards	27,313,673	5,969	6,372	–	–	–
Swaps	156,014,193	747,721	818,332	13,777,676	454,239	142,954
OTC options – bought and sold	2,196,028	3,557	8,315	669,055	3,698	1,851
Exchange traded futures – bought and sold	1,146,569	39	543	–	–	–
Sub-total	186,670,463	757,286	833,562	14,446,731	457,937	144,805
Equity derivatives						
Options written	–	–	–	6,000	–	–
Options bought	–	–	–	24,957	13	70
Sub-total	–	–	–	30,957	13	70
Credit derivatives						
Credit default swaps	–	–	–	8,170	–	740
Other derivatives						
Gold forwards – bought and sold	–	–	–	16,011	606	1
Total	244,327,462	1,709,164	1,663,565	25,384,767	937,794	477,119
Fair value of trading derivatives included in other assets and other liabilities		1,709,164	1,663,565			

The above table analyses the contractual or underlying principal amounts of derivative financial instruments entered with third parties for trading and non-trading purposes as at 31 December 2004. In addition, they also set out the corresponding gross positive and negative fair values by instrument type. In the financial statements, trading and non-trading (excluding those non-trading derivative financial instruments which are held for hedging and are accounted for on an accrual basis) derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities".

Management Discussion and Analysis

PERFORMANCE BY BUSINESS SEGMENT

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

Net Profit by Business Segment

	2004 S\$m	2003 S\$m	+/(-) %
Consumer Banking	309	220	41
Business Banking	472	392	20
Global Treasury	200	141	41
Insurance	189	-	n.m.
Others*	134	150	(11)
	1,304	903	44
Amortisation of goodwill and intangibles	(158)	(127)	25
Share of associates' profits	89	180	(50)
Minority interests	(73)	(2)	n.m.
Group	1,162	954	22

* Includes gains from divestment of non-core assets (2004: S\$132 million before minority interests; 2003: S\$112 million net of tax).

Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, stock brokerage and wealth management products (unit trusts, bancassurance products and structured deposits).

Consumer Banking's net profit increased by 41% to S\$309 million in 2004 as a result of higher operating profit driven by loan growth and higher fee-based income.

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 enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, deposit accounts and fee-based services such as cash management, trustee and custodian services.

Business Banking's net profit increased by 20% to S\$472 million, mainly as a result of lower provisions as asset quality improved.

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.

Global Treasury recorded profit growth of 41% to S\$200 million due to higher income from foreign exchange dealing and structured products as well as higher contributions from managing the Group's government securities portfolio.

Insurance

Insurance business is carried out by subsidiaries of the Bank's 81%-owned Great Eastern Holdings Limited, which provide both life and general insurance products to its customers in Singapore and Malaysia.

The profit of S\$189 million from the insurance business represents GEH's contribution as a subsidiary since June 2004, before amortisation of goodwill and intangibles and minority interests. Profit contribution from GEH as an associate prior to June 2004 is reflected under the associates' contribution line.

Others

The "Others" segment include investment banking, asset management, property development and investment holding, support units, other investments and unallocated items including one-time divestment gains and provisions for diminution in value of investments and other assets.

Management Discussion and Analysis

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	2004		2003	
	S\$m	%	S\$m	%
Income before operating expenses				
Singapore	1,931	73	1,706	78
Malaysia	504	19	332	15
Other ASEAN	16	1	18	1
Asia Pacific	156	6	100	5
Rest of the world	36	1	37	1
	2,643	100	2,193	100
Profit before tax				
Singapore	1,076	69	983	80
Malaysia	327	21	150	13
Other ASEAN	20	1	12	1
Asia Pacific	108	7	51	4
Rest of the world	24	2	26	2
	1,555	100	1,222	100
	31 Dec 2004		31 Dec 2003	
	S\$m	%	S\$m	%
Total assets				
Singapore	89,664	75	65,267	77
Malaysia	21,426	18	11,579	14
Other ASEAN	631	0	347	0
Asia Pacific	5,719	5	4,729	6
Rest of the world	2,441	2	2,575	3
	119,882	100	84,497	100

The geographical segment analysis is based on the location where the assets or transactions are booked. In 2004, Singapore accounted for 69% of the Group's profit before tax while Malaysia accounted for 21%. Other contributions were mainly from Greater China operations.

The 118% jump in profit before tax for Malaysia to S\$327 million was due to the contribution from GEH's Malaysia operations following GEH's consolidation, as well as profit growth from OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"). In 2004, OCBC Malaysia's pretax profit rose 39% to RM 395 million (S\$175 million) while its net profit increased 35% to RM276 million (S\$123 million).

The increase in the pretax profit for Asia Pacific from S\$51 million to S\$108 million was largely due to the S\$55 million gain from the sale of Raffles Investments which was held under a Hong Kong-incorporated subsidiary.

With the consolidation of GEH, the share of Malaysia assets increased from 14% of total assets in December 2003 to 18% in December 2004.

Directors' Report

for the financial year ended 31 December 2004

The directors present their report to the members together with the audited consolidated financial statements of the Group and the income statement, balance sheet and statement of changes in equity of the Bank for the financial year ended 31 December 2004.

DIRECTORS

The directors of the Bank in office at the date of this report are:

Cheong Choong Kong	Chairman
Michael Wong Pakshong	Vice Chairman
David Philbrick Conner	Chief Executive Officer
Giam Chin Toon (appointed on 1 January 2005)	
Lee Seng Wee	
Lee Tih Shih	
Nasruddin Bin Bahari	
Neo Boon Siong (appointed on 1 January 2005)	
Tsao Yuan, also known as Lee Tsao Yuan	
David Wong Cheong Fook	
Wong Nang Jang	
Patrick Yeoh Khwai Hoh	

Mr David Conner, Dr Tsao Yuan and Mr Wong Nang Jang retire by rotation under Articles 107 and 108 of the Articles of Association of the Bank and, being eligible, offer themselves for re-election.

Mr Lee Seng Wee and Mr Michael Wong Pakshong retire pursuant to section 153 of the Companies Act, Cap. 50. Resolutions will be proposed for their reappointment under section 153(6) of the said Act to hold office until the next annual general meeting of the Bank.

Mr Giam Chin Toon and Professor Neo Boon Siong, who were appointed to the Board under Article 111 of the Articles of Association of the Bank retire in accordance with the provisions of that Article and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than as disclosed in this report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, the directors holding office at the end of the financial year had interest in the share capital of the Bank as follows:

	Holdings registered in the name of directors or in which directors have a direct interest		Holdings in which directors are deemed to have an interest	
	At 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
Bank				
Ordinary stock units of \$1 each				
Cheong Choong Kong	30,923	30,923	13,569 ⁽¹⁾	—
Michael Wong Pakshong	45,053	45,053	22,958 ⁽⁴⁾	22,958 ⁽⁴⁾
David Conner	142,000	121,000	90,949 ⁽²⁾	70,526 ⁽³⁾
Fong Weng Phak	29,782	29,782	—	—
Lee Seng Wee	2,766,498	1,338,157	1,625,456 ⁽⁴⁾	1,185,710 ⁽⁴⁾
Lee Tih Shih	978,480	461,232	—	—
Nasruddin Bin Bahari	—	—	—	—
Tsao Yuan	—	—	390 ⁽⁴⁾	390 ⁽⁴⁾
David Wong Cheong Fook	3,000	3,000	—	—
Wong Nang Jang	103,108	76,432	60,551 ⁽⁴⁾	42,743 ⁽⁴⁾
Patrick Yeoh Khwai Hoh	—	—	—	—

Directors' Report

for the financial year ended 31 December 2004

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

	Holdings registered in the name of directors or in which directors have a direct interest		Holdings in which directors are deemed to have an interest	
	At 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
Bank				
4.2% Non-cumulative non-convertible Class G preference shares of \$0.01 each				
Cheong Choong Kong	15,000	15,000	—	—
Michael Wong Pakshong	22,000	22,000	—	—
David Conner	50,000	50,000	—	—
Fong Weng Phak	14,891	14,891	—	—
Lee Seng Wee	800,000	800,000	600,000 ⁽⁴⁾	600,000 ⁽⁴⁾
Lee Tih Shih	240,000	240,000	—	—
Nasruddin Bin Bahari	—	—	—	—
Tsao Yuan	—	—	7,000 ⁽⁴⁾	7,000 ⁽⁴⁾
David Wong Cheong Fook	—	—	—	—
Wong Nang Jang	38,216	38,216	21,372 ⁽⁴⁾	21,372 ⁽⁴⁾
Patrick Yeoh Khwai Hoh	—	—	—	—

(1) Comprises deemed interest arising from 4,000 ordinary stock units held by spouse; 3,629 ordinary stock units pursuant to an award granted under the OCBC Deferred Share Plan; and subscription rights of 5,940 ordinary shares arising from the participation in the OCBC Employee Share Purchase Plan.

(2) Comprises deemed interest over 64,009 ordinary stock units pursuant to awards granted under the OCBC Deferred Share Plan; subscription rights of 5,940 ordinary shares arising from the participation in the OCBC Employee Share Purchase Plan; and contractual entitlement of 21,000 ordinary stock units pursuant to employment contract. A total of 42,000 ordinary stock units (out of the contractual entitlement of 63,000 ordinary stock units) have already been vested.

(3) Comprises deemed interest over 28,526 ordinary stock units pursuant to an award granted under the OCBC Deferred Share Plan; and contractual entitlement of 42,000 ordinary stock units pursuant to employment contract.

(4) Ordinary stock units/preference shares held by spouse.

None of the directors have direct or deemed interest in the 4.5% non-cumulative non-convertible Class E preference shares of \$0.01 each.

(b) According to the register of directors' shareholdings, the directors holding office at the end of the financial year had interest in the share capital of its related corporation as follows:

	Holdings registered in the name of directors or in which directors have a direct interest		Holdings in which directors are deemed to have an interest	
	At 31.12.2004	At 28.5.2004 ⁽¹⁾	At 31.12.2004	At 28.5.2004 ⁽¹⁾
Great Eastern Holdings Limited				
Ordinary shares of \$0.50 each				
Cheong Choong Kong	—	—	—	—
Michael Wong Pakshong	75,160	72,160	36,000 ⁽²⁾	36,000 ⁽²⁾
David Conner	—	—	—	—
Fong Weng Phak	—	—	—	—
Lee Seng Wee	—	—	—	—
Lee Tih Shih	—	—	—	—
Nasruddin Bin Bahari	—	—	—	—
Tsao Yuan	—	—	—	—
David Wong Cheong Fook	—	—	—	—
Wong Nang Jang	—	—	—	8,000 ⁽²⁾
Patrick Yeoh Khwai Hoh	—	—	—	—

(1) Great Eastern Holdings Limited, a former associated company of the Bank, became a subsidiary of the Bank on 28 May 2004.

(2) Ordinary shares held by spouse.

Directors' Report

for the financial year ended 31 December 2004

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

On 24 February 2004, the Bank announced that it would make a voluntary offer (subject to the fulfilment of certain pre-conditions) for its associated company, Great Eastern Holdings Limited ("GEH") on the basis of 0.976 new ordinary shares of the Bank for one GEH shares ("GEH Offer") in addition to the conditional agreement which the Bank has entered to acquire 10,000,000 GEH shares from Singapore Investments (Pte) Limited ("Acquisition") in exchange for 9,760,000 new ordinary shares of the Bank. The Bank also announced, on the same day, the proposed selective capital reduction to cancel all of its 80,192,220 ordinary shares held by certain wholly-owned subsidiary companies of GEH, representing approximately 6.26% of the issued ordinary share capital of the Bank, for a cash consideration of \$12.3639 per OCBC ordinary share ("Selective Capital Reduction").

On 28 May 2004, the Group's aggregate holdings in GEH increased to approximately 65.97% arising from the completion of the Acquisition, the acceptances of GEH Offer by GEH shareholders and GEH option holders and the open market purchases of GEH shares by the Bank. Consequently, GEH became a subsidiary of the Bank. The Selective Capital Reduction was completed on the same day.

Upon completion of the GEH Offer on 30 June 2004, the Group achieved a shareholding of approximately 81.09% in the issued share capital of GEH.

- (c) According to the register of directors' shareholdings, certain of the directors holding office at the end of the financial year had interest in the options to subscribe for ordinary shares of the Bank pursuant to the OCBC Share Option Schemes as set out below and under the heading "Share Options" in this report:

	Number of unissued ordinary shares of \$1 each			
	Options held by directors in their own name		Options in which directors are deemed to have an interest	
	At 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
Cheong Choong Kong	48,000	—	—	—
David Conner	930,000	600,000	—	—
Wong Nang Jang	338,120	394,796	—	—

Save as aforesaid, the directors did not hold any interest in shares in, or debentures of, the Bank or any related corporation either at the beginning or end of the financial year.

The directors' interests in shares and share options in the Bank as at 21 January 2005 (except for Datuk Fong Weng Phak who has resigned on 1 January 2005) were the same as those as at 31 December 2004. Mr Giam Chin Toon and Professor Neo Boon Siong who were appointed on 1 January 2005 did not hold any interest in shares and share options in the Bank as at 21 January 2005.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive benefits save as disclosed in this report and in the financial statements.

SHARE OPTIONS

(a) OCBC Share Option Schemes

(i) OCBC Executives' Share Option Scheme 1994

The OCBC Executives' Share Option Scheme 1994 ("1994 Scheme") in respect of the grant of options to subscribe for ordinary shares of \$1 each in the Bank was approved at an extraordinary general meeting on 11 June 1994. Options were granted to executives of the Bank and OCBC Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, of the rank of Assistant Manager and above. The 1994 Scheme was terminated on 3 August 2001 and replaced by the OCBC Share Option Scheme 2001.

Outstanding options under the 1994 Scheme will remain valid until their respective dates of expiration of the options. Particulars of the 1995 Replacement Options, 1996 Replacement Options, 1997 Replacement Options, 1998 Replacement Options, 1999 Replacement Options, 2000 Options and 2001 Options were set out in the directors' reports for the financial years ended 31 December 1999 to 2001.

Directors' Report

for the financial year ended 31 December 2004

SHARE OPTIONS (continued)

(a) OCBC Share Option Schemes (continued)

(ii) OCBC Share Option Scheme 2001

The OCBC Share Option Scheme 2001 ("2001 Scheme") in respect of the grant of options to subscribe for ordinary shares of \$1 each in the Bank was approved at an extraordinary general meeting on 17 May 2001, to replace the 1994 Scheme. Executives of the Group of the rank of Assistant Manager and above, including executive directors, as well as non-executive directors, are eligible to participate in the 2001 Scheme.

Particulars of the 2002 Options, 2002A Options, 2002B Options and 2003 Options were set out in the directors' reports for the financial years ended 31 December 2002 to 2003.

The Schemes are administered by the Remuneration Committee and the members as at the date of this report are as follows:

- Michael Wong Pakshong (Chairman)
- Cheong Choong Kong
- David Conner
- Nasruddin Bin Bahari
- Tsao Yuan

Cheong Choong Kong and David Conner did not participate in any deliberation or decision in respect of options granted to them.

(b) Share options issued during the financial year

During the financial year, in consideration of the payment of \$1 for each option issued, options to subscribe for 4,503,033 ordinary shares of \$1 each were granted pursuant to the 2001 Scheme to 1,207 officers of the Group which included options granted to the following directors of the Bank:

Name	Designation at the time of granting the options	Number of options	Subscription price per share	Exercise period
Cheong Choong Kong	Chairman	48,000	\$ 12.34	16.3.2005 to 14.3.2014
David Conner	Chief Executive Officer	330,000	\$ 12.34	16.3.2005 to 14.3.2014

No options have been granted to controlling shareholders of the Bank or their associates.

No participant has received 5% or more of the total number of options available under the scheme during the financial year. No options were granted at a discount during the financial year.

Statutory and other information regarding the Options issued in 2004 are as follows:

- (i) Options issued on 15 March 2004 ("2004 Options") to Group executives (including executive directors) will expire on 14 March 2014. The exercise period is 16 March 2005 to 14 March 2014, both dates inclusive. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the subscription price, which is \$12.34 per ordinary share of \$1 each.
- (ii) Options issued on 19 August 2004 ("2004A Options") to an executive will expire on 18 August 2014. The exercise period is 20 August 2005 to 18 August 2014, both dates inclusive. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the subscription price, which is \$13.18 per ordinary share of \$1 each.
- (iii) Options issued on 22 November 2004 ("2004B Options") to an executive will expire on 21 November 2014. The exercise period is 23 November 2005 to 21 November 2014, both dates inclusive. The option may be exercised by notice in writing accompanied by a remittance for the full amount of the subscription price, which is \$13.60 per ordinary share of \$1 each.
- (iv) The subscription price was equal to the average of the last dealt price of the ordinary stock units of the Bank on the Singapore Exchange Securities Trading Limited over five consecutive trading days immediately prior to the date when an offer to grant an option was made to a grantee.
- (v) Based on the current rules of the 2001 Scheme, options granted to executives including executive directors are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant. Options granted to non-executive directors are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 5th anniversary of the respective dates of grant or, if applicable laws permit, on such later date as the Remuneration Committee may determine.

Directors' Report

for the financial year ended 31 December 2004

SHARE OPTIONS (continued)

(b) Share options issued during the financial year (continued)

- (vi) In accordance with the vesting schedule adopted by the Remuneration Committee, the percentage of shares over which an option is exercisable is as follows:
- | | |
|--|-----|
| On or before the 1st anniversary of the date of grant | Nil |
| After the 1st anniversary but on or before the 2nd anniversary of the date of grant | 33% |
| After the 2nd anniversary but on or before the 3rd anniversary of the date of grant | 33% |
| After the 3rd anniversary but on or before the date of expiry of the exercise period | 34% |
- (vii) Unexercised options will lapse by reason of Rule 7.3 of the 2001 Scheme relating to the cessation of employment of the grantee unless otherwise determined by the Remuneration Committee.
- (viii) The number of shares which may be acquired by a grantee or the subscription price or both are subject to adjustment, as confirmed by the auditors of the Bank that such adjustment is fair and reasonable, by reason of any variation in the issued ordinary share capital of the Bank (whether by way of rights issue or capitalisation of profits or reserves or otherwise) while an option remains unexercised.
- (ix) The persons to whom these options have been issued have no right to participate by virtue of these options in any share issue of any other company.

(c) Share options outstanding

During the financial year, changes in the number of unissued shares under options granted to directors were as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of Schemes to end of financial year	Aggregate options exercised since commencement of Schemes to end of financial year	Aggregate options outstanding as at end of financial year
Cheong Choong Kong	48,000 (2004 Options)	48,000	—	48,000
David Conner	330,000 (2004 Options)	930,000	—	930,000
Wong Nang Jang	—	454,171	116,051	338,120

Options on ordinary shares of the Bank outstanding at the end of financial year are as follows:

OCBC Share Options	At 31.12.2004	Subscription price per share	Exercise period
1995 Replacement Options	91,570	\$7.810	25.5.1999 to 1.2.2005
1996 Replacement Options	408,608	\$8.150	25.5.1999 to 29.1.2006
1997 Replacement Options	784,444	\$7.603	30.1.2000 to 29.1.2007
1998 Replacement Options	793,044	\$6.419	22.1.2001 to 21.1.2008
1999 Replacement Options	1,420,538	\$7.533	10.12.2001 to 9.12.2008
2000 Options	3,165,012	\$10.900	6.12.2002 to 5.12.2009
2001 Options	4,971,320	\$12.880	5.12.2003 to 4.12.2010
2002 Options	6,582,992	\$13.780	9.4.2003 to 8.4.2012
2002A Options	300,000	\$13.660	23.4.2003 to 22.4.2012
2002B Options	100,000	\$10.480	24.10.2003 to 23.10.2012
2003 Options	75,000	\$9.760	28.3.2004 to 26.3.2008
2003 Options	7,925,996	\$9.760	28.3.2004 to 26.3.2013
2004 Options	4,113,490	\$12.340	16.3.2005 to 14.3.2014
2004A Options	67,000	\$13.180	20.8.2005 to 18.8.2014
2004B Options	43,000	\$13.600	23.11.2005 to 21.11.2014
	30,842,014		

- (i) A total number of 63,250,980 (excluding original options to subscribe for 17,616,901 shares which had been exchanged for replacement options with a validity period of 10 years) options have been granted since the commencement of the 1994 and 2001 schemes to the end of the financial year under review.

Directors' Report

for the financial year ended 31 December 2004

ISSUE OF SHARES PURSUANT TO OPTION SCHEMES

During the financial year, the Bank issued the following ordinary shares of \$1 each fully paid up in cash and converted into ordinary stock pursuant to the Share Option Schemes upon the exercise of options:

- (i) 105,686 ordinary shares of \$1 each at a price of \$7.810 per share for the 1995 Replacement Options;
- (ii) 278,304 ordinary shares of \$1 each at a price of \$8.150 per share for the 1996 Replacement Options;
- (iii) 355,243 ordinary shares of \$1 each at a price of \$7.603 per share for the 1997 Replacement Options;
- (iv) 354,852 ordinary shares of \$1 each at a price of \$6.419 per share for the 1998 Replacement Options;
- (v) 658,902 ordinary shares of \$1 each at a price of \$7.533 per share for the 1999 Replacement Options;
- (vi) 1,355,477 ordinary shares of \$1 each at a price of \$10.900 per share for the 2000 Options;
- (vii) 521,701 ordinary shares of \$1 each at a price of \$12.880 per share for the 2001 Options;
- (viii) 64,607 ordinary shares of \$1 each at a price of \$13.780 per share for the 2002 Options; and
- (ix) 1,065,985 ordinary shares of \$1 each at a price of \$9.760 per share for the 2003 Options.

OCBC DEFERRED SHARE PLAN

The Bank has in 2003 implemented the OCBC Deferred Share Plan ("DSP"), a stock-based plan administered by the Remuneration Committee in accordance with the rules governing the DSP. The DSP is a discretionary incentive and retention award program extended to executives of the Group of the rank of Senior Officer and above (previously in 2003, DSP was extended to Vice President and above) at the absolute discretion of the Remuneration Committee. The awards are granted at no cost to the grantees, on a deferred basis as part of their performance bonus. Such awards shall lapse by reason of cessation of service but may be preserved at the absolute discretion of the Remuneration Committee. The DSP does not involve the issue of new shares. Instead, existing stock units will be purchased from the market for release to participants at the end of the respective vesting periods.

During the financial year, total awards of 468,954 ordinary shares (including an award of 39,112 ordinary shares granted to two executive directors of the Bank) were granted to eligible executives under the DSP.

OCBC EMPLOYEE SHARE PURCHASE PLAN

The OCBC Employee Share Purchase Plan ("ESP Plan") was approved at an extraordinary general meeting on 30 April 2004. All employees of the Group who have attained the age of 21 years and have been employees for a period of not less than six months are eligible to participate in the ESP Plan unless they are also controlling shareholders of the Bank or their associates ("participants"). The purpose of the ESP Plan is to provide participants with an opportunity to increase their personal equity interest in the Bank by subscribing for ordinary shares to be issued by the Bank. The ESP Plan is administered by the Remuneration Committee.

In June 2004, the Bank launched its first offering of subscription of ordinary shares to eligible employees under this share ownership scheme which allows the participants to subscribe for ordinary shares after the first anniversary of the two-year offering period commencing 1 July 2004 to 30 June 2006 at the subscription price of \$12.12 per ordinary share.

(a) Grant and enrolment of subscription rights for ordinary shares during the financial year

At the close of the launch on 11 June 2004, 2,229 employees, including the following executive directors, have enrolled to participate in the first offering to subscribe for 2,808,015 ordinary shares computed on the basis of monthly contributions for the entire offering period and divided by the subscription price of \$12.12 per ordinary share:

Name	Designation at the time of enrolment for subscription of shares	Number of shares entitled to subscribe	Subscription price per share	Offering period
Cheong Choong Kong	Chairman	5,940	\$ 12.12	1.7.2004 to 30.6.2006
David Conner	Chief Executive Officer	5,940	\$ 12.12	1.7.2004 to 30.6.2006

No participation by controlling shareholders of the Bank or their associates is allowed under the ESP Plan. No participant has been granted rights to subscribe for ordinary shares under the ESP Plan and option schemes, which in aggregate, represent 5% or more of the total number of ordinary shares available under the ESP Plan and option schemes.

Other Information regarding subscription rights of ESP Plan:

- (1) Each offering period consists of a 24-month period (or such other period not exceeding 10 years as the Remuneration Committee may prescribe), except that the commencement date of an offering period shall not fall during the period of 30 days immediately preceding the date of announcement of the Bank's financial results for its financial year or the period of 14 days immediately preceding the date of announcement of the Bank's financial results for the first three quarters of its financial year, and provided further that no offering period may commence on any date during which another offering period is outstanding.

Directors' Report

for the financial year ended 31 December 2004

OCBC EMPLOYEE SHARE PURCHASE PLAN (continued)

(a) Grant and enrolment of subscription rights for ordinary shares during the financial year (continued)

- (2) The subscription price was equal to the average of the last dealt price of the ordinary stock units of the Bank on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the price fixing date for the subscription price of the ordinary shares (as determined by the Remuneration Committee).
- (3) A participant may participate in the ESP Plan for an offering period by making contributions in cash by means of monthly deductions from his monthly base salary and/or his designated account; and/or by monthly debits from his CPF Ordinary Account to his ESP Plan account.
- (4) Termination of employment of a participant for any reason, including retirement and death and the bankruptcy of a participant, shall be treated as automatic withdrawal from the ESP Plan under Rule 8.4. However, the transfer of employment of a participant between companies within the Group shall not be treated as termination of employment.
- (5) Each participant who has elected to subscribe for ordinary shares shall be deemed to have elected to subscribe for the number of ordinary shares calculated by using the amount standing to the credit of the participant's ESP Plan account as at the last day of the relevant offering period or the amount specified in the participant's Subscription Form but shall not exceed \$72,000 (or such other amount as may be prescribed by the Remuneration Committee) divided by the subscription price and the resulting number of ordinary shares be rounded down to the nearest whole share. The balance of the cash or CPF contribution (together with accrued interest on the monthly contributions), if any, will be refunded to the participant.
- (6) Participants are allowed to subscribe for ordinary shares at the end of an offering period; or at any one time after the first anniversary of the first day of an offering period by completing and signing a Subscription Form.
- (7) For participants who have elected to subscribe for ordinary shares after the first anniversary of the offering period, he may specify an amount that exceeds the amount standing to the credit of his ESP Plan account as at the date of submission of his subscription form provided that:
 - (a) it does not exceed the amount (excluding any interest that would have accrued) that would otherwise have been standing to the credit of that participant's ESP Plan account as at the end of the offering period; and
 - (b) that participant at the same time pays into his ESP Plan account such additional amount (in such manner as the Remuneration Committee may allow) as may be necessary to make up the shortfall in his ESP Plan account. Any participant who elects to pay such additional amount shall be treated as having automatically withdrawn from the ESP Plan under Rule 8.4.
- (8) If a participant wishes to discontinue contributions and withdraw from the ESP Plan during an Offering Period, he may do so by completing and signing a Discontinuance Form. No partial withdrawals from a participant's ESP Plan account shall be permitted.

(b) Subscription rights outstanding

The particulars relating to subscription rights of the directors under the ESP Plan for the financial year under review were as follows:

Name	Rights to subscribe for shares during the financial year	Aggregate number of shares comprised in such rights since commencement of ESP Plan to end of financial year	Aggregate number of subscription rights exercised since commencement of ESP Plan to end of financial year	Aggregate number of shares comprised in such rights outstanding as at end of financial year
Cheong Choong Kong	5,940	5,940	—	5,940
David Conner	5,940	5,940	—	5,940

As at 31 December 2004, the number of shares entitled to be issued under the ESP Plan was 2,654,005 (including the participation of the two executive directors).

Directors' Report

for the financial year ended 31 December 2004

AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Michael Wong Pakshong, Chairman

Neo Boon Siong

David Wong Cheong Fook

The Audit Committee performs the functions specified in the Companies Act, Cap. 50. It meets with the Bank's external auditors and the internal auditors, and reviews the audit plans, the internal audit programme, the results of their examination and findings on their evaluation of the system of internal controls, the scope and results of the internal audit procedures and the response from the Bank's management and the assistance given by the officers of the Bank to the auditors. It also reviews interested person transactions and the Bank's relationship with the external auditors, including their independence and objectivity. The Audit Committee reviews the financial statements of the Bank and the consolidated financial statements of the Group and the auditors' report thereon and submits them to the Board of Directors. The Audit Committee has full access to and the cooperation of the management and has been given the resources required for it to discharge its functions. The Audit Committee has full discretion to invite any Director and executive officer to attend its meetings.

The Audit Committee has nominated PricewaterhouseCoopers for reappointment as auditors of the Bank at the Annual General Meeting.

AUDITORS

The auditors, PricewaterhouseCoopers have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

CHEONG CHOONG KONG

Director

DAVID PHILBRICK CONNER

Director

Singapore

11 February 2005

Statement by Directors

for the financial year ended 31 December 2004

In the opinion of the directors,

- (a) the financial statements of the Bank and the consolidated financial statements of the Group as set out on pages 74 to 153 are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group at 31 December 2004 and of the results of the business, changes in equity of the Bank and Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

CHEONG CHOONG KONG
Director

DAVID PHILBRICK CONNER
Director

Singapore
11 February 2005

Auditors' Report

to the members of Oversea-Chinese Banking Corporation Limited

We have audited the accompanying financial statements of Oversea-Chinese Banking Corporation Limited for the financial year ended 31 December 2004 set out on pages 74 to 153, comprising the income statement, balance sheet and statement of changes in equity of the Bank, and the consolidated financial statements of the Group. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the accompanying financial statements of the Bank and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2004, and the results, changes in equity of the Bank and of the Group, and of the cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers

Certified Public Accountants

Singapore

11 February 2005

Income Statements

for the financial year ended 31 December 2004

		Group		Bank	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest income		2,560,201	2,380,646	2,001,753	1,749,822
Less: Interest expense		1,042,642	945,650	791,265	674,518
Net interest income	3	1,517,559	1,434,996	1,210,488	1,075,304
Fees and commissions	4	463,553	372,827	296,896	236,512
Dividends	5	86,627	74,778	604,327	991,987
Rental income		72,490	63,539	15,835	9,899
Income from insurance	6	242,760	—	—	—
Other income	7	260,113	246,885	35,611	134,303
Non-interest income		1,125,543	758,029	952,669	1,372,701
Income before operating expenses		2,643,102	2,193,025	2,163,157	2,448,005
Less: Staff costs		531,499	477,850	376,678	338,382
Other operating expenses		442,136	376,778	290,531	264,555
Total operating expenses	8	973,635	854,628	667,209	602,937
Operating profit before provisions and amortisation of goodwill and intangibles		1,669,467	1,338,397	1,495,948	1,845,068
Less: Amortisation of goodwill and intangibles	37	158,294	126,644	120,979	99,592
Provisions for possible loan losses and diminution in value of other assets	9	77,216	224,959	38,746	102,520
Operating profit after provisions and amortisation of goodwill and intangibles		1,433,957	986,794	1,336,223	1,642,956
Share of profits less losses of associated companies		120,652	234,865	—	—
Profit before tax		1,554,609	1,221,659	1,336,223	1,642,956
Less: Tax	10	287,530	210,763	237,370	361,257
Share of tax of associated companies		31,382	55,137	—	—
		318,912	265,900	237,370	361,257
Profit after tax		1,235,697	955,759	1,098,853	1,281,699
Less: Minority interests		73,326	1,635	—	—
Profit attributable to shareholders		1,162,371	954,124	1,098,853	1,281,699
Earnings per ordinary share (cents)	11				
Basic		86	72		
Diluted		86	72		

The accompanying notes form an integral part of these financial statements.

Balance Sheets

as at 31 December 2004

		Group		Bank	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
SHAREHOLDERS' EQUITY					
Share Capital					
Authorised	13	3,014,205	2,010,838	3,014,205	2,010,838
Issued and fully paid	13	1,320,551	1,284,084	1,320,551	1,284,084
Reserves					
Capital reserves	14	3,135,695	2,329,076	2,987,009	2,205,333
Statutory reserves	15	1,934,114	1,854,303	1,583,700	1,528,700
Revenue reserves	16	4,851,675	4,591,450	3,379,281	3,177,056
Total shareholders' equity		11,242,035	10,058,913	9,270,541	8,195,173
MINORITY INTERESTS		489,158	19,879	—	—
LIABILITIES					
Deposits of non-bank customers	17, 39-5	57,286,806	53,459,680	48,334,854	45,673,695
Deposits and balances of banks	17, 39-5	12,454,814	12,480,794	12,073,890	11,910,339
Deposits of subsidiary companies		—	—	1,686,165	1,268,267
Deposits of associated companies		17,229	1,457,708	8,231	878,968
Bills payable		159,475	185,233	79,755	102,478
Current tax	18	425,112	327,667	300,161	292,216
Deferred tax	18	83,075	76,043	41,568	55,482
Other liabilities	19	3,133,520	2,421,286	2,487,567	1,796,542
Debt securities	20	5,695,245	4,010,223	5,668,495	3,882,473
		90,986,469	84,497,426	79,951,227	74,055,633
Life assurance fund	21	28,895,206	—	—	—
Total liabilities and shareholders' equity		119,881,675	84,497,426	79,951,227	74,055,633
ASSETS					
Cash and placements with central banks	22	3,616,603	4,035,863	2,590,974	2,604,863
Singapore government treasury bills and securities	23	6,439,775	6,151,111	6,150,703	6,002,069
Other government treasury bills and securities	24	1,837,697	1,054,618	613,698	203,599
Dealing securities	25	701,017	235,541	466,211	134,929
Placements with and loans to banks	26, 39-5	10,007,232	9,649,818	9,342,173	8,874,153
Bills receivable	27-30, 39-5	548,271	428,195	241,830	218,965
Loans to customers	27-30, 39-5	52,414,256	49,726,922	44,400,835	42,675,233
Investment securities	31	7,474,452	6,294,827	5,720,722	5,310,599
Deferred tax	18	49,951	53,670	—	—
Other assets	32	3,274,015	2,182,934	2,453,324	1,759,742
Associated companies	34	308,791	1,177,137	97,216	107,617
Subsidiary companies	35	—	—	5,276,539	3,427,270
Property, plant and equipment	36	1,315,837	1,434,736	729,826	748,439
Goodwill and intangible assets	37	2,998,572	2,072,054	1,867,176	1,988,155
		90,986,469	84,497,426	79,951,227	74,055,633
Life fund net assets attributable to policyholders	21	28,895,206	—	—	—
Total assets		119,881,675	84,497,426	79,951,227	74,055,633
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	41	—	—	—	—
Commitments	42	6,568,765	5,829,577	5,600,028	5,010,352
Financial derivatives	43	30,255,998	27,261,292	25,263,018	23,637,732
	44	269,712,229	191,246,606	264,207,017	189,829,605
		306,536,992	224,337,475	295,070,063	218,477,689

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity – Group

for the financial year ended 31 December 2004

	Share Capital \$'000	Capital Reserves \$'000	Statutory Reserves \$'000	Revenue Reserves \$'000	Total \$'000
Balance at 1 January 2004	1,284,084	2,329,076	1,854,303	4,591,450	10,058,913
Profit attributable to shareholders	–	–	–	1,162,371	1,162,371
Currency translation differences not recognised in the income statements	–	–	–	(46,582)	(46,582)
Total recognised gains for the financial year	–	–	–	1,115,789	1,115,789
Transfers	–	24,943	50,108	(75,051)	–
Reserves arising from					
acquisition of additional interests in GEH	–	–	29,703	48,433	78,136
Class E preference dividends paid	–	–	–	(22,562)	(22,562)
Class G preference dividends paid	–	–	–	(16,670)	(16,670)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Interim dividends paid to ordinary stockholders	–	–	–	(203,265)	(203,265)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Share buyback	(24,309)	24,309	–	(337,422)	(337,422)
Shares issued pursuant to voluntary unconditional offer	136,207	1,501,598	–	–	1,637,805
Shares issued under Share Option Schemes	4,761	41,065	–	–	45,826
Balance at 31 December 2004	1,320,551	3,135,695	1,934,114	4,851,675	11,242,035

Comprise:

Share of reserves of associated companies	–	1,375	–	37,215	38,590
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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
Currency translation differences not recognised in the income statements	–	–	–	8,555	8,555
Total recognised gains for the financial year	–	–	–	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 in lieu of special cash dividends	2,093	206,171	–	(208,264)	–
Class G preference shares issued for cash	1,865	184,877	–	–	186,742
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 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

Comprise:

Share of reserves of associated companies	–	20,691	–	1,021,463	1,042,154
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An analysis of the movements in each component within 'Share capital', 'Capital reserves', 'Statutory reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity – Bank

for the financial year ended 31 December 2004

	Share Capital \$'000	Capital Reserves \$'000	Statutory Reserves \$'000	Revenue Reserves \$'000	Total \$'000
Balance at 1 January 2004	1,284,084	2,205,333	1,528,700	3,177,056	8,195,173
Profit attributable to shareholders	–	–	–	1,098,853	1,098,853
Currency translation differences not recognised in the income statements	–	–	–	(12,682)	(12,682)
Total recognised gains for the financial year	–	–	–	1,086,171	1,086,171
Transfers	–	–	55,000	(55,000)	–
Class E preference dividends paid	–	–	–	(22,562)	(22,562)
Class G preference dividends paid	–	–	–	(16,670)	(16,670)
Final dividends paid to ordinary stockholders	–	–	–	(123,027)	(123,027)
Interim dividends paid to ordinary stockholders	–	–	–	(203,265)	(203,265)
Selective capital reduction	(80,192)	(785,296)	–	(126,000)	(991,488)
Share buyback	(24,309)	24,309	–	(337,422)	(337,422)
Shares issued pursuant to voluntary unconditional offer	136,207	1,501,598	–	–	1,637,805
Shares issued under Share Option Schemes	4,761	41,065	–	–	45,826
Balance at 31 December 2004	1,320,551	2,987,009	1,583,700	3,379,281	9,270,541
Balance at 1 January 2003	1,290,299	1,395,457	1,464,200	2,865,742	7,015,698
Profit attributable to shareholders	–	–	–	1,281,699	1,281,699
Currency translation differences not recognised in the income statements	–	–	–	25,764	25,764
Total recognised gains for the financial year	–	–	–	1,307,463	1,307,463
Transfers	–	–	64,500	(64,500)	–
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 in lieu of special cash dividends	2,093	206,171	–	(208,264)	–
Class G preference shares issued for cash	1,865	184,877	–	–	186,742
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 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	2,205,333	1,528,700	3,177,056	8,195,173

An analysis of the movements in each component within 'Share capital', 'Capital reserves', 'Statutory reserves' and 'Revenue reserves' is presented in Notes 12 to 16.

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
Cash flows from operating activities			
Operating profit before provisions and amortisation of goodwill and intangibles		1,669,467	1,338,397
Adjustments for non-cash items			
Amortisation of computer software costs		24,064	20,248
Depreciation of property, plant and equipment		61,607	81,421
Gains on disposal of associated companies		(54,067)	—
Gains on disposal of investment securities		(22,533)	(92,406)
Gains on disposal of property, plant and equipment		(79,368)	(45,883)
Operating profit before changes in operating assets and liabilities		1,599,170	1,301,777
Increase/(decrease) in operating liabilities			
Deposits of non-bank customers		2,386,647	(484,514)
Deposits and balances of banks		(25,980)	(140,355)
Bills payable and other liabilities		517,590	292,678
(Increase)/decrease in operating assets			
Dealing securities		(448,750)	(62,269)
Placements with and loans to banks		150,185	4,809,150
Loans to customers and bills receivable		(2,364,911)	(2,944,192)
Other assets		(734,106)	(140,762)
Cash provided by operating activities		1,079,845	2,631,513
Income tax paid		(352,826)	(246,041)
Net cash provided by operating activities		727,019	2,385,472
Cash flows from investing activities			
Acquisition of associated companies		(118,049)	—
Capital return from an associated company		1,000	1,000
Dividends from associated companies		62,425	51,170
Decrease in associated companies		7,713	5,727
Net cash outflow from acquisition of additional interests in subsidiary companies	35-3	(26,655)	(288)
Purchase of investment securities		(2,361,821)	(2,435,285)
Purchase of long-term Singapore government securities		—	(544,013)
Purchase of property, plant and equipment		(63,273)	(46,536)
Proceeds from disposal of associated companies		122,026	—
Proceeds from disposal of investment securities		2,157,323	1,526,826
Proceeds from disposal of property, plant and equipment		172,967	69,444
Net cash used in investing activities		(46,344)	(1,371,955)
Cash flows from financing activities			
Increase/(decrease) in debt securities		1,681,763	(5,250)
Dividends paid		(365,524)	(723,385)
Net proceeds from issue of preference shares		—	685,094
Proceeds from issue of ordinary shares		45,826	15,062
Selective capital reduction		(991,488)	(104,759)
Share buyback		(337,422)	—
Change in minority interests and dividends paid to minority interests		(16,164)	(535)
Net cash provided by/(used in) financing activities		16,991	(133,773)
Net currency translation adjustments		(46,582)	8,555
Net change in cash and cash equivalents		651,084	888,299
Cash and cash equivalents as at 1 January		10,697,579	9,809,280
Cash and cash equivalents as at 31 December	46	11,348,663	10,697,579

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2004

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

Oversea-Chinese Banking Corporation Limited ("The Bank") is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of its registered office is 65 Chulia Street #29-02/04, OCBC Centre, Singapore 049513.

The Bank is principally engaged in the business of banking including the operation of an Asian Currency Unit under the terms and conditions specified by the Monetary Authority of Singapore.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

- 2.1.1** These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain treasury instruments to market value.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

- 2.1.2** The Group has adopted FRS 39 on Financial Instruments: Recognition and Measurement from 1 January 2005. The adoption of FRS 39 resulted in certain changes in accounting policies relating to the recognition and measurement of its financial assets and liabilities, including the application of hedge accounting criteria and loan impairment requirements. The financial effects of these changes have been adjusted against the Group's shareholders' equity on 1 January 2005. GEH however, has adopted FRS 39 since 1 January 2002, and the effects of this have been considered on consolidation.

2.2 Recognition of income

2.2.1 Interest

Interest income is recognised on an accrual basis.

2.2.2 Fees and commissions

Fee income relating to loans and guarantees is recognised over the period during which the related service is provided or credit risk is undertaken. When a fee is charged in lieu of interest, such fee is amortised over the same period as the related interest income is recognised.

2.2.3 Dividends

Dividends from dealing securities are recognised when received. Dividends from investment securities are recognised when the right to receive dividends is established.

2.2.4 Rental

Rental income on tenanted areas of the buildings owned by the Group is recognised on an accrual basis in accordance with the substance of the relevant agreements.

2.2.5 Income from insurance

Profit from life assurance business is recognised when transferred to the income statements of the subsidiaries. Premium from general insurance business is recognised as revenue when due.

Notes to the Financial Statements

for the financial year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

2.3.1 Subsidiary companies

Subsidiary companies are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary company acquired is recorded as goodwill. Please refer to Note 2.8 for the accounting policy on goodwill.

Intercompany balances, transactions and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency with those of the Group.

2.3.2 Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising the Group's share of the results of associated companies in the consolidated income statement and the Group's share of post-acquisition movements in reserves in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of investment. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency with those of the Group. The results of associated companies are taken from audited financial statements or unaudited management accounts of the companies concerned, made up to dates not more than six months prior to the financial year end of the Group.

The Group's investments in associated companies are stated in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill identified on acquisition, net of accumulated amortisation. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has assumed obligations or guaranteed obligations in respect of the associated company.

2.3.3 Special purpose entities

Special Purpose Entities ("SPE") are consolidated when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE. Details of a SPE of the Group are disclosed in Note 35.2.

2.3.4 Life assurance companies

Certain subsidiaries of the Group engaged in long-term life assurance business, are structured into one or more long-term life assurance funds, and shareholders' funds. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related long-term life assurance fund. Any surplus, which is determined by the appointed Actuary after taking into account these items, may either be distributed between the shareholders and the policyholders according to a predetermined formula or retained within the long-term life assurance funds. To reflect the different nature of the shareholders' and policyholders' interests, the liabilities to policyholders and its net assets are shown under separate headings in the consolidated balance sheet.

2.3.5 Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

Notes to the Financial Statements

for the financial year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation

2.4.1 Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("the measurement currency"). The consolidated financial statements and the financial statements of the Bank are presented in Singapore dollars, which is the measurement currency of the Bank.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

Foreign currency monetary assets and liabilities are translated into Singapore dollars at exchange rates prevailing at the balance sheet date. Exchange differences arising from such translation are taken to income statements.

2.4.3 Consolidated accounts

The assets and liabilities of foreign branch operations and subsidiary companies are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date whilst the income and expense items are translated at the average exchange rates for the financial year. Exchange differences arising from such translation are taken directly to reserves. Similarly, the net assets of foreign associated companies are translated into Singapore dollar at the rates of exchange prevailing at the balance sheet date whilst the share of results of associated companies are translated at the average exchange rates for the financial year. Exchange differences arising from such translation are taken directly to reserves. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

2.5 Basis of valuation of assets

2.5.1 Loans

Loans are stated net of unearned interest and provision for loan losses. Provision for loan losses comprises specific provision against certain loans, interest-in-suspense and general provision. Specific provision and suspension of interest are based on the borrower's debt servicing ability and adequacy of security. Known bad debts are written off. In addition, an allowance of general provision is made in respect of possible losses which, although not specifically identified, is known from experience to be present in the portfolio of loans.

2.5.2 Government securities

Singapore government securities, other than those held as long-term investments, are stated at the lower of cost and market value on a portfolio basis. Long-term government securities are stated at cost adjusted for the amortisation of premium or discount less provision for diminution in value considered to be other than temporary on a line-by-line basis. Other government securities are stated at the lower of cost and market value on a portfolio basis.

2.5.3 Dealing securities

Dealing securities are stated at the lower of cost and market value on a portfolio basis.

2.5.4 Investment securities

Investment securities include equity and debt securities intended to be held for long term or to maturity. Equity securities are stated at cost and a provision is made for any diminution in value considered to be other than temporary on a line-by-line basis. Debt securities are stated at cost adjusted for the amortisation of premium or discount less provision for diminution in value considered to be other than temporary on a line-by-line basis.

2.5.5 Outstanding premiums

Outstanding premiums are stated at cost. Premiums of life assurance business which remained outstanding beyond the contractual date would automatically trigger premium loans which are taken against the cash value standing to the credit of the policy. Where the cash value is insufficient to activate a premium loan, the policy lapses and the contract between the life assurance company and the policyholder is deemed cancelled without further liabilities accruing from either party. Outstanding premiums from general insurance business which are outstanding for 90 days would lead to termination of cover and the entire amount would be written off to the income statements in the year in which the 90-day credit expires.

2.5.6 Other assets

Specific provisions are made against other assets not covered above so as to write them down to their estimated net recoverable amount.

Notes to the Financial Statements

for the financial year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Computer software costs

Computer software costs are capitalised and recognised as an asset when it is probable that the costs will generate economic benefits beyond one year and the costs are associated with identifiable software products controlled by the Group. Computer software costs are amortised on the straight-line basis over the estimated useful lives of the software ranging from 3 to 10 years. Where an indication of impairment exists, the carrying amount is assessed and written down to its recoverable amount.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When an indication of impairment exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

Property, plant and equipment are depreciated or amortised on the straight-line basis over their estimated useful lives. Freehold land and leasehold land, with leases of more than 100 years to expiry, are not depreciated. Other leasehold land are amortised over 50 years or the period of the lease, whichever is shorter. The estimated useful lives of property, plant and equipment are:

Leasehold land and buildings	– 50 years or less
Furniture and fixtures	– 5 to 10 years
Office equipment	– 5 to 10 years
Computer equipment	– 3 to 5 years
Renovation	– 3 to 5 years
Motor vehicles	– 5 years

Costs incurred in developing properties, including interest on borrowings to finance the development of such properties during the period of time that is required to complete and prepare each property for its intended use or sale, are capitalised and included in the carrying amount of the asset. All other borrowing costs are expensed.

Repair and maintenance are taken to the income statements during the financial year in which they are incurred. The costs of major renovation and restoration is included in the carrying amount of an asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the asset will flow to the Group, and depreciated over the remaining life of the asset.

On disposal of a property, plant and equipment, the difference between the net proceeds and its carrying amount is taken to the income statements.

2.8 Goodwill and intangible assets

Goodwill and intangible assets represents the excess of cost of acquisition over the fair value of the Group's share of identifiable net tangible assets of subsidiaries or associated companies at the date of acquisition. Goodwill on acquisitions of subsidiaries occurring on or after 1 January 2001 is included as intangible assets in the balance sheet. Goodwill on acquisition of associated companies on or after 1 January 2001 is included in investments in associated companies. Goodwill on acquisitions that occurred prior to 1 January 2001 was taken in full to offset against reserves.

Goodwill and intangible assets is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill and intangible assets is amortised on the straight-line basis over its estimated economic useful life up to a maximum of 20 years.

In the consolidated income statement, the gain or loss on disposal of a subsidiary or associated company is determined by comparing the net proceeds with the carrying value of net assets of the subsidiary or associated company disposed of. The carrying value includes the unamortised balance of goodwill relating to the subsidiary or associated company disposed.

At each balance sheet date, the Group assesses whether there is an indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of goodwill and intangibles is recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

2.9 Derivative financial instruments

Off-balance sheet financial derivatives including forwards, swaps, futures and options are valued at market prices if they are for trading purposes and the resultant gains and losses are taken to the income statements. Transactions entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the item being hedged.

Notes to the Financial Statements

for the financial year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and stated on a net basis on the balance sheet when there is a legally enforceable right to set off the amounts and an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, provisions for loan losses, provisions for pensions and other retirement benefits and tax losses carried forward; and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax bases. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiary companies and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.12 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received.

Provision is made for claims incurred but not reported for all classes of general insurance business written, using a mathematical method of estimation.

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave and long-service leave from services rendered by employees up to the balance sheet date.

These provisions do not include provisions for loan losses and diminution in value of other assets which, despite the use of the term "provisions", are in the nature of adjustments to the carrying value of assets.

2.13 Employee benefits

Compensation package for staff comprises basic salary, allowances, cash performance bonus, contractual entitlement of shares, share option schemes, deferred share plan and share purchase plan. Details of the share option schemes, deferred share plan and employee share purchase plan are disclosed in Notes 13.3, 13.4 and 13.5 respectively.

Under the OCBC Share Option Schemes 1994 and 2001, share options are granted to Group executives, of the rank of Assistant Manager and above, including executive directors and non-executive directors. Options granted generally vest in one-third increments over a three-year period and will expire between 5 and 10 years from the date of grant.

Under the OCBC Deferred Share Plan, shares of the Bank are granted to executive directors and officers of the rank of Senior Officer and above. A trust is set up to administer the shares purchased under the plan. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period. The remuneration expense is amortised and recognised in the income statements on the straight-line basis over the vesting period.

The OCBC Employee Share Purchase Plan ("ESP Plan") is a savings-based plan whereby all employees of the Group are eligible to participate by making monthly contributions to the Plan Account and interest will accrue at a preferential rate determined by the Remuneration Committee. The Remuneration Committee will fix the subscription price and the offering period for new ordinary shares to be issued under the Plan. The ESP Plan balances are included under non-bank customer savings deposits.

Notes to the Financial Statements

for the financial year ended 31 December 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Repurchase and reverse repurchase agreements ("Repos" and "reverse repos")

Repos are treated as collateralised borrowing and the balances included in deposits and balances of non-bank customers and banks. The securities sold under repos are treated as pledged assets and continue to be recognised as assets, included in Singapore government treasury bills and securities, other government treasury bills and securities, placements with and loans to banks and investment securities. Reverse repos are treated as collateralised lending and the balances included in placements with central banks, loans to banks and non-bank customers. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

2.15 Life assurance business

Profits from the non-linked life assurance business are allocated from the surplus determined from the result of the annual actuarial valuation (which also determines the liabilities relating to policyholders' benefits of the life assurance business). The amount of the distributable surplus allocated to shareholders is approved by the directors in accordance with the Insurance Regulations and the Articles of Association of the respective subsidiaries.

The whole of the valuation surplus or deficit in respect of the unit-linked business, as determined by the Appointed Actuary, is transferred to the income statement of the subsidiaries.

Full provision is made for the estimated cost of all life assurance claims notified but not settled at balance sheet date.

Policy benefits are recognised when policyholder exercises the option to deposit the survival benefits with subsidiary companies when the benefit falls due. Policy benefits are interest bearing at rates determined by the subsidiary life assurance companies from time to time.

2.16 Unexpired risk reserve

The Unexpired Risk Reserve ("URR") represents the portion of the net premiums of general insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the URR at balance sheet date, the method that most accurately reflects the actual unearned premium is used. URR is computed using the 1/24th method reduced by the corresponding percentage of accounted gross direct business, commissions and agency expenses not exceeding limits specified by regulators in the respective jurisdictions in which the Group operates.

2.17 Comparatives

Where necessary, certain comparative figures were adjusted to conform to current year's presentation of the financial statements.

3. NET INTEREST INCOME

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest income				
Loans to customers	1,923,423	1,791,417	1,518,164	1,295,270
Placements with and loans to banks	295,683	267,055	232,386	211,939
Other interest-earning assets	341,095	322,174	251,203	242,613
	2,560,201	2,380,646	2,001,753	1,749,822
Interest expense				
Deposits of non-bank customers	716,884	681,294	480,576	423,448
Deposits and balances of banks	211,356	158,330	196,187	145,644
Other borrowings	114,402	106,026	114,502	105,426
	1,042,642	945,650	791,265	674,518

Notes to the Financial Statements

for the financial year ended 31 December 2004

4. FEES & COMMISSIONS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Fee and commission income	498,612	414,049	303,072	240,476
Fee and commission expense	(35,059)	(41,222)	(6,176)	(3,964)
Net fees and commissions	463,553	372,827	296,896	236,512
Analysed by major sources:				
Credit card	35,363	29,603	28,092	24,027
Fund management	42,191	19,246	(325)	(167)
Futures broking and stockbroking	52,533	62,126	568	230
Guarantees	18,229	17,578	15,048	14,101
Investment banking	19,083	11,734	16,100	10,498
Loan-related	66,223	73,525	50,501	54,265
Service charges	36,287	31,282	31,891	28,395
Trade-related and remittances	57,093	45,215	42,364	37,047
Wealth management	129,445	78,277	109,234	67,128
Others	7,106	4,241	3,423	988
	463,553	372,827	296,896	236,512

5. DIVIDENDS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unquoted subsidiaries	—	—	507,656	895,225
Quoted associated companies	—	—	42,661	48,331
Unquoted associated companies	—	—	149	8,091
Other quoted investments	73,817	66,729	49,938	38,667
Other unquoted investments	12,810	8,049	3,923	1,673
	86,627	74,778	604,327	991,987

6. INCOME FROM INSURANCE

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit from life assurance (Note 21)	203,605	—	—	—
Net earned premium from general insurance	39,155	—	—	—
	242,760	—	—	—

Notes to the Financial Statements

for the financial year ended 31 December 2004

7. OTHER INCOME

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net gains/(losses) arising from:				
Dealing in securities and derivatives				
Net proceeds less cost	(51,394)	(19,175)	(58,965)	(36,674)
Writeback/(provisions) [Note 33]	62	(212)	17	153
	(51,332)	(19,387)	(58,948)	(36,521)
Dealing in foreign exchange	87,436	60,903	68,615	45,636
Disposal of investment securities	22,533	92,406	14,305	62,481
Disposal of associated companies	54,067	—	—	—
Disposal of plant and equipment	410	(1,314)	89	(1,041)
Disposal of property	78,958	47,197	523	46,147
Computer-related services income	33,448	30,733	—	—
Liquidation gain of subsidiary companies	—	—	3,628	3,673
Property-related income	13,495	14,524	397	1,091
Hotel-related income	3,338	3,050	—	—
Others	17,760	18,773	7,002	12,837
	260,113	246,885	35,611	134,303

8. STAFF COSTS AND OTHER OPERATING EXPENSES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
8.1 Staff costs				
Salaries and other costs	473,467	422,391	339,780	301,490
Provident fund contributions	47,093	45,904	31,855	32,040
	520,560	468,295	371,635	333,530
Directors' emoluments:				
– Remuneration of Bank's directors	4,442	4,337	4,382	4,227
– Remuneration of directors of subsidiaries	4,698	4,419	—	—
– Fees of Bank's directors	1,644	669	661	625
– Fees of directors of subsidiaries	155	130	—	—
	10,939	9,555	5,043	4,852
Total staff costs	531,499	477,850	376,678	338,382

Notes to the Financial Statements

for the financial year ended 31 December 2004

8. STAFF COSTS AND OTHER OPERATING EXPENSES (continued)

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
8.2 Other operating expenses				
Property, plant and equipment:				
Depreciation				
– Bank premises and other property	24,272	25,056	12,758	12,268
– Computer and office equipment, furniture and fixtures	37,335	56,365	18,798	30,809
	61,607	81,421	31,556	43,077
Amortisation of computer software costs	24,064	20,248	22,296	16,983
Maintenance and hire of property, plant and equipment	32,857	36,264	20,436	24,288
Rental expenses	18,450	18,229	30,039	29,535
Others	78,709	68,537	43,861	39,667
	215,687	224,699	148,188	153,550
Auditors' remuneration:				
– PwC@ Singapore	1,320	1,260	774	774
– Other member firms of PwC Global Organisation	987	976	736	545
– Non-PwC firms	392	6	1	6
	2,699	2,242	1,511	1,325
Other fees*:				
– PwC Singapore	469	136	450	91
– Other member firms of PwC Global Organisation	47	–	–	–
	516	136	450	91
General insurance claims	21,430	–	–	–
Others	201,804	149,701	140,382	109,589
Total other operating expenses	442,136	376,778	290,531	264,555
Staff costs and other operating expenses	973,635	854,628	667,209	602,937

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* Additionally, fees amounting to \$508,000 for computer security systems review were paid to PwC Singapore in 2004, which have been capitalised as property, plant and equipment.

	Group		Bank	
	2004	2003	2004	2003
8.3 Number of employees				
Average for the year	9,089	7,350	4,590	4,249
End of the year	10,582	7,424	4,863	4,440

Notes to the Financial Statements

for the financial year ended 31 December 2004

9. PROVISIONS FOR POSSIBLE LOAN LOSSES AND DIMINUTION IN VALUE OF OTHER ASSETS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Specific provision for loan losses (Note 29)	143,456	193,682	98,404	119,986
Writeback of general provision for loan losses (Note 30)	(32,453)	(25,603)	(31,402)	(29,780)
(Writeback)/specific provision for diminution in value of investment securities and other assets (Note 33)	(33,787)	56,880	(28,256)	12,314
Charge to income statements	77,216	224,959	38,746	102,520

10. TAX

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current tax (Note 18.1)	299,959	255,050	246,221	394,654
Deferred tax (Note 18.2)	(18,991)	(41,002)	(13,914)	(31,988)
	280,968	214,048	232,307	362,666
Under/(over) provision in prior years	6,562	(3,285)	5,063	(1,409)
Charge to income statements	287,530	210,763	237,370	361,257

On 27 February 2004, the Singapore Minister of Finance announced a reduction in the Singapore corporate tax rate from 22% to 20% with effect from Year of Assessment 2005. The tax on the operating profit differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating profit after provisions and amortisation of goodwill and intangibles	1,433,957	986,794	1,336,223	1,642,956
Prima facie tax calculated at tax rate of 20% (2003: 22%)	286,791	217,095	267,245	361,450
Effect of change in tax rate [Note 18.2]	(5,967)	–	(5,049)	–
Effect of different tax rates in other countries	28,420	6,457	13,123	15,835
Losses of subsidiaries and foreign branches not offset against taxable income of other entities	290	2,109	61	326
Income not assessable for tax	(39,908)	(24,593)	(41,150)	(17,565)
Income taxed at concessionary rate	(23,454)	(22,558)	(23,454)	(22,558)
Non-deductible expenses and provisions/ (non-taxable writeback):				
– Amortisation of goodwill and intangibles	31,659	27,862	24,196	21,910
– Non-deductible provisions/(non-taxable writeback)	(4,484)	8,088	(5,341)	2,722
– Others	7,621	(412)	2,676	546
	280,968	214,048	232,307	362,666

Notes to the Financial Statements

for the financial year ended 31 December 2004

11. EARNINGS PER ORDINARY SHARE

	Group	
	2004	2003
\$'000		
Profit attributable to shareholders	1,162,371	954,124
Less: Preference dividends paid	(39,232)	(27,338)
Profit attributable to shareholders after adjustment of preference dividends	1,123,139	926,786
Weighted average number of ordinary shares ('000)		
For basic earnings per ordinary share	1,305,720	1,287,986
Adjustment for assumed conversion of share options	4,054	2,138
For diluted earnings per ordinary share	1,309,774	1,290,124
Earnings per ordinary share (cents)		
– Basic	86	72
– Diluted	86	72

Basic earnings per ordinary share is calculated by dividing the profit attributable to shareholders after preference dividends by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the financial year). The difference between the number of ordinary shares to be issued at the exercise prices under the options and the number of ordinary shares that would have been issued at the fair value based on the assumed proceeds from the issue of these ordinary shares is treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per ordinary share.

Notes to the Financial Statements

for the financial year ended 31 December 2004

12. UNAPPROPRIATED PROFIT

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit attributable to shareholders	1,162,371	954,124	1,098,853	1,281,699
Add: Unappropriated profit				
At 1 January	3,243,269	3,059,474	2,251,933	1,966,383
Total amount available for appropriation	4,405,640	4,013,598	3,350,786	3,248,082
Dealt with as follows:				
In respect of the financial year ended 31 December 2002:				
- Final dividend of 15 cents for every \$1 ordinary stock unit less income tax at 22%	-	(151,081)	-	(151,081)
In respect of the financial year ended 31 December 2003:				
- Special dividend of 63.78 cents for every \$1 ordinary stock unit less income tax at 22%	-	(642,419)	-	(642,419)
- Interim dividend of 11 cents for every \$1 ordinary stock unit less income tax at 22%	-	(110,811)	-	(110,811)
- Final dividend of 12 cents for every \$1 ordinary stock unit less income tax at 20%	(123,027)	-	(123,027)	-
In respect of the financial year ended 31 December 2004*:				
- Interim dividend of 19 cents for every \$1 ordinary stock unit less income tax at 20%	(203,265)	-	(203,265)	-
Preference dividends paid (net of tax):				
- Class E dividends of 4.5 per cent per annum	(22,562)	(20,096)	(22,562)	(20,096)
- Class G dividends of 4.2 per cent per annum	(16,670)	(7,242)	(16,670)	(7,242)
Capitalisation as bonus shares pursuant to selective capital reduction [Note 13.2(a)]	(126,000)	-	(126,000)	-
Reserves arising from selective capital reduction	37,181	-	-	-
Share buyback [Note 13.2(c)]	(337,422)	-	(337,422)	-
Transfer from/(to):				
Capital reserves (Note 14)	(24,943)	(13,685)	-	-
Statutory reserves (Note 15)	(50,108)	81,941	(55,000)	(64,500)
General reserves (Note 16)	214,126	93,064	-	-
	(652,690)	(770,329)	(883,946)	(996,149)
At 31 December (Note 16)	3,752,950	3,243,269	2,466,840	2,251,933

* At the Annual General Meeting to be held, a final dividend of 19 cents per \$1 ordinary stock unit less Singapore income tax at 20% in respect of 2004, amounting to a total dividend of \$200.1 million will be proposed. These financial statements do not reflect these dividends payable, which will be accounted for in shareholders' equity as a distribution of unappropriated profit in the financial year ending 31 December 2005.

Notes to the Financial Statements

for the financial year ended 31 December 2004

13. SHARE CAPITAL OF OVERSEA-CHINESE BANKING CORPORATION LIMITED

13.1 Authorised share capital

	Group and Bank	
	2004 \$'000	2003 \$'000
3,000,000,000 (2003: 2,000,000,000) ordinary shares of \$1 each	3,000,000	2,000,000
1,402,500,000 preference shares comprising:		
– 12,500,000 Class A non-cumulative non-convertible of \$0.01 each	125	125
– 12,500,000 Class B non-cumulative non-convertible of \$0.01 each	125	125
– 12,500,000 Class C non-cumulative non-convertible of \$0.01 each	125	125
– 12,500,000 Class D non-cumulative non-convertible of US\$0.01 each	215	213
– 12,500,000 Class E non-cumulative non-convertible of \$0.01 each	125	125
– 12,500,000 Class F non-cumulative non-convertible of \$0.01 each	125	125
– 1,000,000,000 Class G non-cumulative non-convertible of \$0.01 each	10,000	10,000
– 300,000,000 Class H irredeemable non-cumulative convertible shares of \$0.01 each	3,000	–
– 15,000,000 Class I non-cumulative non-convertible of \$0.01 each	150	–
– 12,500,000 Class J non-cumulative non-convertible of US\$0.01 each	215	–
	3,014,205	2,010,838

On 30 April 2004, upon approval by members at extraordinary general meetings held on that day, the Bank increased its authorised share capital from \$2,010,625,000 and US\$125,000 to \$3,013,775,000 and US\$250,000 through the creation of:

- (a) 1,000,000,000 new ordinary shares of \$1 par value each;
- (b) 300,000,000 new Class H irredeemable non-cumulative convertible preference shares of \$0.01 par value each;
- (c) 15,000,000 new Class I non-cumulative non-convertible preference shares of \$0.01 par value each; and
- (d) 12,500,000 new Class J non-cumulative non-convertible preference shares of US\$0.01 par value each.

13.2 Issued share capital

	Group and Bank	
	2004 \$'000	2003 \$'000
Ordinary shares of \$1 each		
At 1 January	1,280,076	1,290,299
Selective capital reduction [Note 13.2(a)]	(80,192)	(12,139)
Shares issued pursuant to voluntary unconditional offer [Note 13.2(b)]	136,207	–
Shares cancelled arising from share buyback [Note 13.2(c)]	(24,309)	–
Shares issued under Share Option Schemes [Note 13.2(d)]	4,761	1,916
At 31 December	1,316,543	1,280,076
Preference shares		
5,000,000 (2003: 5,000,000) non-cumulative non-convertible		
Class E shares of \$0.01 par value and liquidation value of \$100 each	50	50
395,830,884 (2003: 395,830,884) non-cumulative non-convertible		
Class G shares of \$0.01 par value and liquidation value of \$1 each	3,958	3,958
	4,008	4,008
Total issued and paid-up capital	1,320,551	1,284,084

Notes to the Financial Statements

for the financial year ended 31 December 2004

13. SHARE CAPITAL OF OVERSEA-CHINESE BANKING CORPORATION LIMITED (continued)**13.2 Issued share capital (continued)**

	Number of shares	
	2004	2003
Shares held by associated companies of the Group		
Ordinary shares	76,856	85,701,610
Class E preference shares	2,500	752,500
Class G preference shares	–	29,092,653
	79,356	115,546,763

- (a) On 28 May 2004, pursuant to a selective capital reduction exercise proposal ("Selective Capital Reduction") approved at an extraordinary general meeting held on 30 April 2004, the Bank cancelled 80,192,220 ordinary shares of \$1 par value each held by three subsidiaries of Great Eastern Holdings Limited ("GEH subsidiaries") and made a cash distribution of \$991,488,589 or \$12.3639 per ordinary share.

In connection with the Selective Capital Reduction, part of the cash distribution was effected by way of a cancellation of bonus shares issued and allotted to the aforesaid GEH subsidiaries through the capitalisation of unappropriated profits amounting to \$126,000,000.

- (b) Pursuant to the voluntary unconditional offer to GEH shareholders and the acquisition agreement with Singapore Investments (Pte) Limited, the Bank has issued:

- 135,365,487 ordinary shares of \$1 each for 138,694,259 GEH shares amounting to \$1,627,677,726; and
- 841,716 ordinary shares of \$1 each for 4,267,350 GEH options amounting to \$10,128,162.

- (c) During the financial year ended, the Bank purchased, in aggregate, 24,868,032 ordinary shares by way of market acquisition at an average price of \$13.6 per share which amounted to a cash distribution of \$337,421,787. This was pursuant to the stock purchase mandate approved by shareholders at an extraordinary general meeting on 15 April 2004. The issued capital of the Bank was reduced by 24,309,032 ordinary shares upon cancellation of the shares acquired and the amount was transferred to the capital redemption reserve.

- (d) During the financial year ended 31 December 2004, pursuant to the Bank's Share Option Schemes, the Bank issued 4,760,757 (2003: 1,915,516) ordinary shares of \$1 each for cash amounting to \$45,825,514 (2003: \$15,061,984), upon the exercise of the options granted.

All issued shares are fully paid and newly issued shares rank pari passu in all respects with the previously issued shares, except for the preference shares' voting rights which are set out in the Articles of Association of the Bank.

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for the financial year ended 31 December 2004

13. SHARE CAPITAL OF OVERSEA-CHINESE BANKING CORPORATION LIMITED (continued)

13.3 Share option schemes

Movements in the number of options to subscribe for ordinary shares of \$1 each exercisable at any time up to their respective expiration dates were as follows:

2004	At 1 January	Granted	Exercised	(Lapsed)/ reinstatement	At 31 December	Subscription price per \$1 share	Date of expiration
1995 RO *	197,478	—	(105,686)	(222)	91,570	\$7.810	1 February 2005
1996 RO *	688,259	—	(278,304)	(1,347)	408,608	\$8.150	29 January 2006
1997 RO *	1,139,735	—	(355,243)	(48)	784,444	\$7.603	29 January 2007
1998 RO *	1,147,746	—	(354,852)	150	793,044	\$6.419	21 January 2008
1999 RO *	2,088,002	—	(658,902)	(8,562)	1,420,538	\$7.533	9 December 2008
2000 Options	4,563,789	—	(1,355,477)	(43,300)	3,165,012	\$10.900	5 December 2009
2001 Options	5,914,098	—	(521,701)	(421,077)	4,971,320	\$12.880	4 December 2010
2002 Options	7,493,700	—	(64,607)	(846,101)	6,582,992	\$13.780	8 April 2012
2002A Options	300,000	—	—	—	300,000	\$13.660	22 April 2012
2002B Options	100,000	—	—	—	100,000	\$10.480	23 October 2012
2003 Options	75,000	—	—	—	75,000	\$9.760	26 March 2008
2003 Options	9,817,167	—	(1,065,985)	(825,186)	7,925,996	\$9.760	26 March 2013
2004 Options	—	4,393,033	—	(279,543)	4,113,490	\$12.340	14 March 2014
2004A Options	—	67,000	—	—	67,000	\$13.180	18 August 2014
2004B Options	—	43,000	—	—	43,000	\$13.600	21 November 2014
	33,524,974	4,503,033	(4,760,757)	(2,425,236)	30,842,014		

2003	At 1 January	Granted	Exercised	(Lapsed)/ reinstatement	At 31 December	Subscription price per \$1 share	Date of expiration
1995 RO *	365,997	—	(150,872)	(17,647)	197,478	\$7.810	1 February 2005
1996 RO *	838,017	—	(119,707)	(30,051)	688,259	\$8.150	29 January 2006
1997 RO *	1,451,881	—	(305,233)	(6,913)	1,139,735	\$7.603	29 January 2007
1998 Options	33,700	—	(33,600)	(100)	—	\$6.419	21 January 2003
1998 RO *	1,543,458	—	(395,112)	(600)	1,147,746	\$6.419	21 January 2008
1999 Options	29,240	—	(11,600)	(17,640)	—	\$7.533	9 December 2003
1999 RO *	2,705,862	—	(611,031)	(6,829)	2,088,002	\$7.533	9 December 2008
2000 Options	5,170,450	—	(288,361)	(318,300)	4,563,789	\$10.900	5 December 2009
2001 Options	6,586,411	—	—	(672,313)	5,914,098	\$12.880	4 December 2010
2002 Options	8,211,433	—	—	(717,733)	7,493,700	\$13.780	8 April 2012
2002A Options	300,000	—	—	—	300,000	\$13.660	22 April 2012
2002B Options	100,000	—	—	—	100,000	\$10.480	23 October 2012
2003 Options	—	75,000	—	—	75,000	\$9.760	26 March 2008
2003 Options	—	10,348,167	—	(531,000)	9,817,167	\$9.760	26 March 2013
	27,336,449	10,423,167	(1,915,516)	(2,319,126)	33,524,974		

* Replacement Options

During the financial year ended 31 December 2004, the number of share options that was granted to two executive directors of the Bank was 378,000 (2003: 375,000). The share options were granted on the same terms and conditions as those offered to other employees of the Group. As at 31 December 2004, the aggregate outstanding number of share options granted to the directors of the Bank was 1,316,120 (2003: 994,796).

Notes to the Financial Statements

for the financial year ended 31 December 2004

13. SHARE CAPITAL OF OVERSEA-CHINESE BANKING CORPORATION LIMITED (continued)

13.4 Deferred share plan

During the financial year ended 31 December 2004, the number of deferred ordinary shares granted free to eligible staff as part of their performance bonus was 468,954 (2003: 466,777), of which 39,112 (2003: 28,526) were granted to two executive directors of the Bank. As at 31 December 2004, directors of the Bank have deemed interest of 67,638 (2003: 28,526) deferred ordinary shares.

13.5 Share purchase plan

The offering period for the ESP Plan commenced on 1 July 2004 and expires on 30 June 2006. The subscription price is \$12.12 for each new ordinary share to be issued. As at 31 December 2004, the number of ordinary shares that will be issued is 2,654,005, of which directors of the Bank have deemed interest of 11,880.

14. CAPITAL RESERVES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Share premium	2,918,149	2,160,782	2,918,149	2,160,782
Capital redemption reserve	28,030	3,721	28,030	3,721
Other capital reserves	189,516	164,573	40,830	40,830
	3,135,695	2,329,076	2,987,009	2,205,333

14.1 Share premium

	Group and Bank	
	2004 \$'000	2003 \$'000
At 1 January	2,160,782	1,350,906
Expenses relating to the issue of preference shares	—	(1,648)
Issue of Class E Preference Shares	—	499,950
Issue of Class G Preference Shares	—	391,048
Selective Capital Reduction [Note 13.2(a)]	(785,296)	(92,620)
Shares issued pursuant to voluntary unconditional offer [Note 13.2(b)]	1,501,598	—
Ordinary shares issued under Share Option Schemes [Note 13.2(d)]	41,065	13,146
At 31 December	2,918,149	2,160,782

14.2 Capital redemption reserves

	Group and Bank	
	2004 \$'000	2003 \$'000
At 1 January	3,721	3,721
Arising from share buyback [Note 13.2(c)]	24,309	—
At 31 December	28,030	3,721

14.3 Other capital reserves

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	164,573	150,888	40,830	40,830
Transfer from unappropriated profit (Note 12)	24,943	13,685	—	—
At 31 December	189,516	164,573	40,830	40,830

Notes to the Financial Statements

for the financial year ended 31 December 2004

15. STATUTORY RESERVES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	1,854,303	1,936,244	1,528,700	1,464,200
Arising from acquisition of additional interests in GEH	29,703	—	—	—
Transfer from/(to) unappropriated profit (Note 12)	50,108	(81,941)	55,000	64,500
At 31 December	1,934,114	1,854,303	1,583,700	1,528,700

The statutory reserves represent reserves, which are required by laws and regulations to be set aside by the banking, insurance and stockbroking corporations within the Group. These reserves are non-distributable.

16. REVENUE RESERVES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unappropriated profit (Note 12)	3,752,950	3,243,269	2,466,840	2,251,933
General reserves	1,376,841	1,579,715	976,000	976,000
Currency translation reserves	(278,116)	(231,534)	(63,559)	(50,877)
	4,851,675	4,591,450	3,379,281	3,177,056

16.1 General reserves

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	1,579,715	1,672,779	976,000	976,000
Arising from acquisition of additional interests in GEH	11,252	—	—	—
Transfer to unappropriated profit (Note 12)	(214,126)	(93,064)	—	—
At 31 December	1,376,841	1,579,715	976,000	976,000

16.2 Currency translation reserves

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	(231,534)	(240,089)	(50,877)	(76,641)
Net adjustments for the year	(46,582)	8,555	(12,682)	25,764
At 31 December	(278,116)	(231,534)	(63,559)	(50,877)

The currency translation reserves relate to translation differences arising from the use of exchange rates as at balance sheet date versus historical rates in translating the net assets of overseas branches, subsidiaries and associated companies.

Notes to the Financial Statements

for the financial year ended 31 December 2004

17. DEPOSITS AND BALANCES OF NON-BANK CUSTOMERS AND BANKS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deposits of non-bank customers				
Current accounts	7,158,647	6,108,421	6,117,848	5,214,109
Savings deposits	11,178,403	11,131,117	10,466,231	10,425,679
Term deposits	36,269,584	34,272,427	30,488,447	28,987,562
Certificate of deposits issued	1,050,945	392,099	663,878	378,447
Other deposits	1,629,227	1,555,616	598,450	667,898
	57,286,806	53,459,680	48,334,854	45,673,695
Deposits and balances of banks	12,454,814	12,480,794	12,073,890	11,910,339
	69,741,620	65,940,474	60,408,744	57,584,034

Analysed by currency

17.1 Deposits of non-bank customers

Singapore dollar	35,302,170	33,981,763	35,222,814	33,901,387
US dollar	8,234,084	7,441,154	8,032,788	7,310,414
Malaysian ringgit	8,527,719	7,495,563	—	—
Japanese yen	245,666	77,175	244,687	75,764
Hong Kong dollar	255,691	309,063	255,691	309,063
British pound	1,138,476	1,082,474	1,125,451	1,077,343
Australian dollar	2,077,682	1,923,499	2,062,002	1,906,649
Euro	579,350	512,242	561,064	510,941
Others	925,968	636,747	830,357	582,134
	57,286,806	53,459,680	48,334,854	45,673,695

17.2 Deposits and balances of banks

Singapore dollar	3,841,343	2,846,247	3,838,535	2,837,242
US dollar	5,253,107	6,691,858	5,051,754	6,445,965
Malaysian ringgit	170,297	293,222	—	—
Japanese yen	415,820	160,926	415,820	160,713
Hong Kong dollar	826,063	528,156	826,063	528,156
British pound	651,549	378,944	650,922	377,690
Australian dollar	144,797	681,451	144,242	680,692
Euro	843,273	368,812	842,616	368,812
Others	308,565	531,178	303,938	511,069
	12,454,814	12,480,794	12,073,890	11,910,339

Notes to the Financial Statements

for the financial year ended 31 December 2004

18. CURRENT TAX AND DEFERRED TAX

18.1 Current tax

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	327,667	321,765	292,216	244,671
Currency translation adjustments	(2,731)	(522)	(20)	825
Arising from new subsidiary companies	165,882	—	—	—
Arising from scheme with subsidiaries	—	—	—	28,078
Charge on life assurance profits	(18,663)	—	—	—
Charge to income statements (Note 10)	299,959	255,050	246,221	394,654
Income tax paid	(352,826)	(246,041)	(243,319)	(374,603)
Under/(over) provision in prior years	7,916	(3,285)	5,063	(1,409)
Transfer (to)/from deferred tax	(2,092)	700	—	—
At 31 December	425,112	327,667	300,161	292,216

18.2 Deferred tax

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	22,373	63,082	55,482	106,206
Currency translation adjustments	1,848	993	—	—
Arising from new subsidiaries	27,156	—	—	—
Arising from scheme with subsidiaries	—	—	—	(18,736)
Credit to income statements	(13,024)	(41,002)	(8,865)	(31,988)
Effects of change in tax rate (Note 10)	(5,967)	—	(5,049)	—
Total credit to income statements (Note 10)	(18,991)	(41,002)	(13,914)	(31,988)
Over provision in prior years	(1,354)	—	—	—
Transfer from/(to) current tax	2,092	(700)	—	—
At 31 December	33,124	22,373	41,568	55,482

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets. The deferred tax assets and liabilities are to be recovered and settled after one year.

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deferred tax liabilities	83,075	76,043	41,568	55,482
Deferred tax assets	(49,951)	(53,670)	—	—
	33,124	22,373	41,568	55,482

Notes to the Financial Statements

for the financial year ended 31 December 2004

18. CURRENT TAX AND DEFERRED TAX (continued)

18.3 Analysis of deferred tax balance

The movements in deferred tax assets and liabilities (prior to offsetting within the same tax jurisdiction) are attributable to the following items:

GROUP (\$'000) – Deferred tax liabilities	Accelerated tax depreciation	Others	Total
At 1 January 2004	116,360	3,500	119,860
Currency translation adjustments	(52)	9	(43)
Arising from new subsidiary companies	19,607	8,811	28,418
Credit to income statements	(4,767)	(3,216)	(7,983)
Effects of change in tax rates	(10,163)	(184)	(10,347)
Total credit to income statements	(14,930)	(3,400)	(18,330)
Transfer from/(to) current tax	160	80	240
Reclassification	(253)	260	7
At 31 December 2004	120,892	9,260	130,152

GROUP (\$'000) – Deferred tax assets	Provisions for assets	Pension and other retirement benefits	Tax losses	Total
At 1 January 2004	(97,379)	(49)	(59)	(97,487)
Currency translation adjustments	1,888	3	–	1,891
Arising from new subsidiary companies	(1,045)	–	(217)	(1,262)
(Credit)/charge to income statements	(5,337)	–	296	(5,041)
Effects of change in tax rates	3,933	–	447	4,380
Total (credit)/charge to income statements	(1,404)	–	743	(661)
Under provision in prior years	3,496	–	(4,850)	(1,354)
Transfer from current tax	1,852	–	–	1,852
Reclassification	–	–	(7)	(7)
At 31 December 2004	(92,592)	(46)	(4,390)	(97,028)

BANK (\$'000)	Deferred tax liabilities	Deferred tax assets		Total
	Accelerated tax depreciation	Provisions for assets	Others	
At 1 January 2004	96,178	(40,385)	(311)	(40,696)
(Credit)/charge to income statements	(1,893)	(7,262)	290	(6,972)
Effects of change in tax rates	(8,743)	3,671	23	3,694
At 31 December 2004	85,542	(43,976)	2	(43,974)

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. As at 31 December 2004, unutilised tax losses carried forward for which no deferred income tax has been recognised amounted to \$139.8 million (2003: \$161.9 million) and \$117.6 million (2003: \$139.7 million) for the Group and Bank respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2004

19. OTHER LIABILITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial derivatives at fair value (Note 44)	1,663,565	1,101,163	1,655,504	1,101,968
Interest payable	354,351	351,199	307,094	301,958
Sundry creditors	761,329	719,242	265,875	159,000
Others	354,275	249,682	259,094	233,616
	3,133,520	2,421,286	2,487,567	1,796,542

20. DEBT SECURITIES

		Group		Bank	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Subordinated term notes (unsecured)	20.1	3,860,732	3,857,473	3,885,732	3,882,473
Floating rate notes (unsecured)	20.2	816,497	—	816,497	—
Euro commercial papers (unsecured)	20.3	949,926	—	949,926	—
Structured notes (unsecured)	20.4	16,340	—	16,340	—
Collateralised notes (secured)	20.5	51,750	152,750	—	—
		5,695,245	4,010,223	5,668,495	3,882,473

20.1 Subordinated term notes (unsecured)

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Subordinated notes				
EUR 400 million 7.25% fixed rate note 2011	615,711	615,070	615,711	615,070
SGD 975 million (Bank: SGD 1 billion) 5% fixed rate note 2011	970,624	969,968	995,624	994,968
USD 1.25 billion 7.75% fixed rate note 2011	2,274,397	2,272,435	2,274,397	2,272,435
	3,860,732	3,857,473	3,885,732	3,882,473

The subordinated fixed rate term notes are long-term debts that have a lower priority claim over the Group's assets in the event of default or liquidation. These notes were issued on 6 July 2001 and mature on 6 September 2011. Interest is payable semi-annually in arrears at the fixed interest rates for the SGD and USD notes and annually in arrears at the fixed interest rate for the EUR notes. These notes are included as Tier 2 capital for capital adequacy ratio computation.

As at 31 December 2004, included in the Bank's SGD subordinated term notes is a nominal amount of \$25 million (2003: \$25 million) owing to a subsidiary of the Bank. The Bank has entered into interest rate and currency swaps to manage the interest rate and exchange rate risks of the subordinated term notes. The average interest rate for the notes incorporating the effects of these derivative instruments was 2.67% (2003: 2.68%).

20.2 Floating rate notes (unsecured)

The US\$500 million unsecured floating rate notes were issued by the Bank on 18 June 2004 and mature on 18 June 2007. The proceeds are used for general corporate purpose. Interest is payable quarterly in arrears, determined at the 3-month LIBOR plus a margin of 0.10%. The average interest rate of the floating rate notes for the year was 1.86%.

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for the financial year ended 31 December 2004

20. DEBT SECURITIES (continued)

20.3 Euro commercial papers (unsecured)

On 30 August 2004, the Bank announced the establishment of a US\$2 billion Euro Commercial Paper ("ECP") programme to tap the short-dated ECP capital market. Details of the zero coupon ECPs issued are as follows:

Nominal value	Issue date	Maturity date	Interest rate	Amount \$'000
USD 25 million	23/09/2004	22/09/2005	2.250%	40,191
USD 25 million	06/10/2004	04/04/2005	2.110%	40,630
USD 10 million	22/11/2004	24/01/2005	2.190%	16,317
USD 10 million	06/12/2004	07/03/2005	2.370%	16,270
USD 12 million	07/12/2004	07/01/2005	2.280%	19,601
USD 24 million	15/12/2004	20/01/2005	2.350%	39,167
USD 50 million	17/12/2004	19/01/2005	2.350%	81,604
USD 150 million	21/12/2004	21/01/2005	2.365%	244,780
USD 8 million	22/12/2004	24/01/2005	2.360%	13,052
USD 20 million	23/12/2004	24/01/2005	2.360%	32,631
USD 11 million	28/12/2004	28/01/2005	2.350%	17,942
USD 22.5 million	29/12/2004	31/01/2005	2.360%	36,693
USD 20 million	31/12/2004	31/01/2005	2.360%	32,616
AUD 50 million	20/12/2004	20/01/2005	5.266%	63,497
EUR 25 million	04/10/2004	04/04/2005	2.110%	55,309
EUR 50 million	13/12/2004	11/03/2005	2.150%	110,762
EUR 20 million	21/12/2004	20/01/2005	2.160%	44,438
EUR 20 million	24/12/2004	24/01/2005	2.160%	44,426
				949,926

20.4 Structured notes (unsecured)

The callable range accrual notes were issued by the Bank on 19 October 2004 and mature on 19 October 2014. The notes have a fixed interest rate of 7.5% for years 1 to 5 and 12.5% for years 6 to 10. Interest is payable quarterly in arrears, with the interest payout depending on both the 30-years and 10-years USD swap rate. No interest will be paid if the 30-years USD swap rate is lower than the 10-years USD swap rate. The Bank has the right to call the notes at par on any interest payment date, commencing 19 October 2005.

20.5 Collateralised notes (secured)

The collateralised notes are short-dated fixed rate notes issued by Pioneer Funding Limited, a special purpose entity (Note 35.2). Details of the short-dated fixed rate notes issued are:

GROUP	Issue date	Maturity date	Interest rate	Amount \$'000
2004				
Premium series 1 notes	08/12/2004	08/03/2005	1.480%	14,500
Premium series 3 notes	27/12/2004	28/03/2005	1.780%	15,750
	27/12/2004	27/01/2005	1.650%	6,250
Premium series 6 notes	27/12/2004	28/03/2005	1.780%	15,250
				51,750

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for the financial year ended 31 December 2004

20. DEBT SECURITIES (continued)

20.5 Collateralised notes (secured) (continued)

GROUP	Issue date	Maturity date	Interest rate	Amount \$'000
2003				
Commercial mortgaged backed series 1 notes	24/11/2003	23/02/2004	1.300%	42,750
	01/12/2003	23/02/2004	1.300%	11,750
	22/12/2003	26/01/2004	1.100%	23,250
Commercial mortgaged backed series 2 notes	26/11/2003	25/02/2004	1.300%	21,000
Premium series 1 notes	08/12/2003	08/03/2004	0.875%	13,750
Premium series 3 notes	29/12/2003	29/03/2004	1.250%	15,750
	29/12/2003	27/01/2004	1.100%	9,250
Premium series 6 notes	29/12/2003	29/03/2004	1.250%	15,250
				152,750

21. LIFE ASSURANCE FUND

GROUP	2004 \$'million
The net assets attributable to the policyholders in the life assurance fund comprise:	
Securities	22,669.6
Cash and placements with banks and financial institutions	3,969.9
Loans	2,614.8
Associated companies	126.4
Property, plant and equipment *	1,404.0
Other assets	163.7
Total assets	30,948.4
Less: Liabilities	
Policy benefits	1,207.3
Current and deferred tax	147.6
Other liabilities	698.3
	2,053.2
Net assets	28,895.2

* Included in property, plant and equipment above are fees amounting to \$212,000 for computer security systems review paid to PwC Singapore in 2004.

Two of the subsidiary companies of Great Eastern Holdings Limited ("GEH"), were issued a protective tax assessment by the Inland Revenue Authority of Singapore ("IRAS") in respect of Year of Assessment ("YA") 1998, as it would become time barred after 31 December 2004. The protective assessment has disallowed the deduction of the cost of bonus for income tax computation, whereas the deduction was granted in previous years. In the event that the cost of bonus is not allowed as an expense for tax purpose, the subsidiary companies of GEH would be liable for additional tax payment of approximately \$283.5 million, from the open assessment from 1998 to 2005. These tax charges would be borne out of Singapore Life Assurance Fund, and not Shareholders' Fund.

GEH has considered the matter and since its subsidiary companies are still in discussion with IRAS, is of the view that it is premature to make any provision at this juncture.

Notes to the Financial Statements

for the financial year ended 31 December 2004

21. LIFE ASSURANCE FUND (continued)

The life assurance revenue statement of Great Eastern Holdings Limited ("GEH") for the financial year ended 31 December 2004 is as follows:

	2004 \$'million
Premium income (net)	5,175.2
Investment income	2,354.4
Provision for impairment of assets	(7.4)
Total income	7,522.2
Claims, surrenders and annuities less recoveries	2,829.8
Depreciation and amortisation	30.5
Commission and other expenses	564.7
Income tax	140.6
Total expenses	3,565.6
Share of results of associated companies	29.2
Excess of income over expenses	3,985.8
Less: Amount transferred to Life Assurance Fund	3,602.9
Profit from life assurance transferred to income statement	382.9
Less: Amount relating to the 5-month period ended 31 May 2004 whereby GEH's results was equity accounted for as an associated company of the Group	179.3
Profit from life assurance included in the income statement of the Group (Note 6)	203.6

22. CASH AND PLACEMENTS WITH CENTRAL BANKS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash in hand	260,786	250,798	234,374	212,045
Balances with central banks	2,154,653	1,533,762	1,594,380	1,162,580
Money market placements and reverse repos	1,201,164	2,251,303	762,220	1,230,238
	3,616,603	4,035,863	2,590,974	2,604,863

Balances with central banks include mandatory reserve deposits of \$1,300.4 million (2003: \$1,277.6 million) and \$993.0 million (2003: \$1,011.4 million) for the Group and Bank respectively, which are not available to finance day-to-day operations.

23. SINGAPORE GOVERNMENT TREASURY BILLS AND SECURITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At cost, adjusted for premium and discount:				
Long-term investments	545,412	544,013	396,305	394,972
Others	5,894,363	5,607,098	5,754,398	5,607,097
	6,439,775	6,151,111	6,150,703	6,002,069
Market value:				
Long-term investments	567,159	508,125	400,734	358,950
Others	5,905,552	5,644,256	5,762,823	5,644,256
	6,472,711	6,152,381	6,163,557	6,003,206

Notes to the Financial Statements

for the financial year ended 31 December 2004

24. OTHER GOVERNMENT TREASURY BILLS AND SECURITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cost, adjusted for premium and discount	1,838,045	1,054,697	614,046	203,678
Less: Provision for diminution in value (Note 33)	(348)	(79)	(348)	(79)
Net book value	1,837,697	1,054,618	613,698	203,599
Market value	1,863,110	1,071,319	621,999	215,833

25. DEALING SECURITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Equity	8,694	14,728	3,900	2,740
Debt	692,435	220,969	462,423	132,301
	701,129	235,697	466,323	135,041
Less: Provision for diminution in value (Note 33)	(112)	(156)	(112)	(112)
Net book value	701,017	235,541	466,211	134,929
Market value	704,362	237,572	467,245	136,202
Analysed by issuer				
Public sector	36,742	35,530	36,280	35,530
Banks	378,989	26,652	371,312	26,652
Corporations	285,398	173,515	58,731	72,859
	701,129	235,697	466,323	135,041

Dealing securities comprise securities listed on stock exchanges and those quoted over the counter.

26. PLACEMENTS WITH AND LOANS TO BANKS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Placements with and loans to banks	8,581,264	7,994,386	8,264,261	7,649,820
Negotiable certificates of deposit purchased	1,100,745	1,338,304	765,345	1,107,790
Market bills purchased	151,222	200,831	138,566	246
Reverse repos	174,001	116,297	174,001	116,297
	10,007,232	9,649,818	9,342,173	8,874,153
Analysed by currency				
Singapore dollar	1,792,468	2,357,453	1,660,750	2,342,945
US dollar	4,870,760	3,723,622	4,780,225	3,674,030
Malaysian ringgit	423,498	667,995	258	140
Japanese yen	356,828	621,212	346,662	605,936
Hong Kong dollar	355,583	116,176	354,837	105,200
British pound	812,886	898,264	812,845	898,018
Australian dollar	255,875	346,272	254,531	339,619
Euro	749,393	321,581	748,699	318,519
Others	389,941	597,243	383,366	589,746
	10,007,232	9,649,818	9,342,173	8,874,153

Notes to the Financial Statements

for the financial year ended 31 December 2004

27. LOANS TO AND BILLS RECEIVABLE FROM CUSTOMERS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Gross loans	55,223,524	52,588,876	46,488,531	44,886,775
Less: Specific provision (Note 29)	(1,115,892)	(1,250,762)	(840,866)	(955,667)
General provision (Note 30)	(1,145,105)	(1,182,997)	(1,005,000)	(1,036,910)
Net loans	52,962,527	50,155,117	44,642,665	42,894,198
Net loans comprise:				
Bills receivable	548,271	428,195	241,830	218,965
Loans	52,414,256	49,726,922	44,400,835	42,675,233
	52,962,527	50,155,117	44,642,665	42,894,198

Included in loans is an amount of \$1.13 billion (2003: \$1.17 billion) pledged as collateral for credit default swaps where the Bank acts as the protection seller. The obligations arising from such credit default swaps are included in Note 42.

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
27.1 Analysed by currency				
Singapore dollar	35,561,045	34,575,493	35,075,644	34,365,583
US dollar	8,366,187	7,489,594	7,148,293	6,445,819
Malaysian ringgit	6,788,097	6,248,176	17	27
Japanese yen	691,656	793,046	559,721	653,547
Hong Kong dollar	739,726	776,815	738,690	774,984
British pound	656,293	601,924	651,476	601,458
Australian dollar	1,491,523	1,504,247	1,463,719	1,478,389
Euro	405,480	264,944	379,511	243,198
Others	523,517	334,637	471,460	323,770
	55,223,524	52,588,876	46,488,531	44,886,775
27.2 Analysed by industry				
Agriculture, mining and quarrying	717,780	519,058	204,688	150,317
Manufacturing	3,483,580	3,264,701	1,992,491	1,963,463
Building and construction	7,123,142	7,302,389	6,220,209	6,516,386
Housing	17,286,543	15,382,054	14,894,895	13,299,913
General commerce	4,652,052	3,870,846	4,153,667	3,336,300
Transport, storage and communication	1,568,218	1,525,285	1,387,158	1,271,074
Financial institutions, investment and holding companies	8,478,248	8,923,914	7,510,819	8,427,179
Professionals and individuals	8,575,146	8,128,668	7,983,832	7,561,311
Others	3,338,815	3,671,961	2,140,772	2,360,832
	55,223,524	52,588,876	46,488,531	44,886,775

Notes to the Financial Statements

for the financial year ended 31 December 2004

27. LOANS TO AND BILLS RECEIVABLE FROM CUSTOMERS (continued)

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
27.3 Analysed by product				
Overdrafts	4,532,748	5,685,842	3,053,109	4,028,539
Short term loans	3,426,619	3,497,612	3,426,601	3,496,113
Revolving credit	3,691,213	3,584,424	3,087,970	2,969,412
Long term loans	13,456,268	12,817,987	10,771,264	10,393,354
Housing loans	17,193,013	15,278,244	14,893,947	13,257,121
Commercial property loans	1,785,196	2,365,971	1,785,196	2,365,971
Car loans	3,372,258	2,955,112	3,372,258	2,955,112
Syndicated loans	3,083,647	2,543,065	2,800,700	2,372,691
Transferable loan certificates	962,649	977,851	962,649	977,851
Trade finance	1,236,095	830,780	854,353	571,325
Credit card receivables	484,199	401,318	370,339	320,024
Loans under government loan schemes	169,909	191,882	158,021	167,493
Block discounting, leasing and factoring receivables	237,041	223,760	226,234	212,903
Hire purchase loans (exclude car loans)	132,025	70,533	11,766	15,239
Share margin financing	166,041	203,724	—	—
Staff loans	96,176	102,809	45,388	54,648
Others	1,198,427	857,962	668,736	728,979
	55,223,524	52,588,876	46,488,531	44,886,775
27.4 Analysed by geographical sector				
Singapore	39,255,089	38,243,682	38,730,476	38,012,998
Malaysia	8,548,025	7,978,457	536,506	608,160
Other ASEAN	757,777	398,628	631,132	297,568
Greater China	2,168,328	1,881,821	2,156,311	1,881,761
Other Asia Pacific	1,441,836	1,118,293	1,428,449	1,118,293
North America	1,598,837	1,747,334	1,593,938	1,747,334
Rest of the World	1,453,632	1,220,661	1,411,719	1,220,661
	55,223,524	52,588,876	46,488,531	44,886,775

Loans to and bills receivable from customers by geographical sector risk concentration are determined based on where the credit risk resides regardless of where the transactions are booked.

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for the financial year ended 31 December 2004

27. LOANS TO AND BILLS RECEIVABLE FROM CUSTOMERS (continued)

27.5 Analysed by interest rate sensitivity

	2004		2003	
	Fixed \$'000	Variable \$'000	Fixed \$'000	Variable \$'000
GROUP				
Singapore	12,574,934	29,708,151	16,067,115	24,189,371
Malaysia	791,866	7,752,205	686,921	7,139,230
Other ASEAN	3,385	217,315	696	166,285
Greater China	646	1,416,026	725	1,466,419
Other Asia Pacific	35,017	1,300,835	84,804	1,327,144
North America	124,923	602,876	—	882,170
Rest of the World	3,366	691,979	2,863	575,133
	13,534,137	41,689,387	16,843,124	35,745,752
BANK				
Singapore	12,572,182	29,104,825	16,065,549	23,928,311
Malaysia	17	540,111	27	487,612
Other ASEAN	2,942	92,786	378	65,640
Greater China	646	1,416,026	725	1,466,419
Other Asia Pacific	35,017	1,300,835	84,804	1,327,144
North America	124,923	602,876	—	882,170
Rest of the World	3,366	691,979	2,863	575,133
	12,739,093	33,749,438	16,154,346	28,732,429

The analysis by interest rate sensitivity is based on where the loans and bills receivable are booked.

28. NON-PERFORMING LOANS ("NPLS") AND DEBT SECURITIES

Non-performing loans and debt securities are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612.

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Total classified loans to customers				
Substandard	1,650,664	2,502,030	1,146,634	1,912,451
Doubtful	750,816	728,627	603,918	697,356
Loss	314,108	395,460	229,199	168,784
	2,715,588	3,626,117	1,979,751	2,778,591
Total classified debt securities				
Substandard	67,726	94,118	51,495	76,486
Doubtful	66,503	76,752	66,503	76,752
Loss	16,576	37,485	—	—
	150,805	208,355	117,998	153,238
Total classified assets	2,866,393	3,834,472	2,097,749	2,931,829
Specific provision made for classified assets				
Substandard	179,841	240,591	148,769	223,651
Doubtful	735,140	724,784	590,393	692,920
Loss	290,184	387,063	181,330	119,101
	1,205,165	1,352,438	920,492	1,035,672

Notes to the Financial Statements

for the financial year ended 31 December 2004

28. NON-PERFORMING LOANS ("NPLS") AND DEBT SECURITIES (continued)

	Group		Bank	
	2004 \$ million	2003 \$ million	2004 \$ million	2003 \$ million
28.1 Analysed by period overdue				
Over 180 days	1,668	2,223	1,253	1,680
Over 90 days to 180 days	216	302	187	263
30 days to 90 days	187	242	118	188
Less than 30 days	106	136	103	132
No overdue	689	931	437	669
	2,866	3,834	2,098	2,932
28.2 Analysed by collateral type				
Property				
– Residential	434	553	362	460
– Commercial/Industrial	917	1,258	587	828
– Hotel	71	204	37	155
– Budget Hotel/Boarding School	15	14	15	14
	1,437	2,029	1,001	1,457
Fixed deposit				
– In same currency as loan	2	18	2	18
– In different currency	–	5	–	5
	2	23	2	23
Stock and shares	158	188	128	168
Motor vehicles	27	70	27	70
Others	85	141	63	116
Unsecured				
– Clean	718	763	438	478
– Corporate and other guarantees	439	620	439	620
	1,157	1,383	877	1,098
	2,866	3,834	2,098	2,932
28.3 Analysed by industry				
Agriculture, mining and quarrying	42	33	2	14
Manufacturing	419	517	247	312
Building and construction	594	772	434	584
Housing	256	223	224	193
General commerce	440	620	282	448
Transport, storage and communication	27	133	17	121
Financial institutions, investment and holding companies	491	684	389	579
Professionals and individuals	467	600	428	575
Others	130	252	75	106
	2,866	3,834	2,098	2,932

Notes to the Financial Statements

for the financial year ended 31 December 2004

28. NON-PERFORMING LOANS ("NPLs") AND DEBT SECURITIES (continued)

28.4 Analysed by geographical sector

GROUP \$ million	Singapore	Malaysia	Other ASEAN	Greater China	Rest of the World	Total
2004						
Substandard	1,082	579	3	33	21	1,718
Doubtful	436	230	76	72	3	817
Loss	218	93	19	—	1	331
	1,736	902	98	105	25	2,866
Specific provisions	(676)	(359)	(89)	(74)	(7)	(1,205)
	1,060	543	9	31	18	1,661
2003						
Substandard	1,725	699	17	50	105	2,596
Doubtful	498	126	100	70	11	805
Loss	166	243	24	—	—	433
	2,389	1,068	141	120	116	3,834
Specific provisions	(767)	(397)	(110)	(70)	(8)	(1,352)
	1,622	671	31	50	108	2,482

Non-performing loans ("NPLs") and debt securities by geographical sector risk concentration are determined based on where the credit risk resides regardless of where the transactions are booked.

28.5 Restructured loans

The table below is an analysis of restructured loans into loan classification and the related specific provisions. The restructured NPLs as a percentage of total NPLs is 25.2% (2003: 20.5%) and 29.1% (2003: 22.3%) for the Group and the Bank respectively.

	2004		2003	
	Amount \$ million	Provision \$ million	Amount \$ million	Provision \$ million
GROUP				
Substandard	484	62	509	40
Doubtful	232	212	274	207
Loss	7	5	2	1
	723	279	785	248
BANK				
Substandard	386	47	438	39
Doubtful	219	200	214	187
Loss	5	3	2	1
	610	250	654	227

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for the financial year ended 31 December 2004

29. SPECIFIC PROVISION FOR LOAN LOSSES AND INTEREST-IN-SUSPENSE

Movements in specific provision for loan losses and interest-in-suspense are as follows:

	Specific provision \$'000	2004 Interest-in- suspense \$'000	Total \$'000	Specific provision \$'000	2003 Interest-in- suspense \$'000	Total \$'000
GROUP						
At 1 January	1,087,556	163,206	1,250,762	1,131,721	174,555	1,306,276
Currency translation adjustments	(22,820)	(2,327)	(25,147)	(4,044)	(1,259)	(5,303)
Bad debts written off	(231,817)	(55,932)	(287,749)	(230,497)	(78,619)	(309,116)
Recovery of amounts previously provided	(37,157)	—	(37,157)	(38,983)	—	(38,983)
Provision made	180,613	—	180,613	232,665	—	232,665
Net charge to income statements (Note 9)	143,456	—	143,456	193,682	—	193,682
Net interest suspended	—	35,623	35,623	—	65,590	65,590
Transfer from/(to):						
– Other assets	133	(144)	(11)	8,461	2,939	11,400
– General provisions (Note 30)	(466)	—	(466)	25	—	25
– Provision for diminution in value of investment securities and other assets (Note 33)	(576)	—	(576)	(11,792)	—	(11,792)
At 31 December (Note 27)	975,466	140,426	1,115,892	1,087,556	163,206	1,250,762
BANK						
At 1 January	831,754	123,913	955,667	827,234	113,149	940,383
Currency translation adjustments	(12,130)	15	(12,115)	1,593	(14)	1,579
Bad debts written off	(185,655)	(45,347)	(231,002)	(157,877)	(40,915)	(198,792)
Recovery of amounts previously provided	(28,508)	—	(28,508)	(26,920)	—	(26,920)
Provision made	126,912	—	126,912	146,906	—	146,906
Net charge to income statements (Note 9)	98,404	—	98,404	119,986	—	119,986
Net interest suspended	—	27,331	27,331	—	37,531	37,531
Transfer from/(to):						
– Other assets	133	(151)	(18)	8,461	—	8,461
– General provisions (Note 30)	80	—	80	25	—	25
– Provision for diminution in value of investment securities and other assets (Note 33)	—	—	—	(11,420)	—	(11,420)
– Subsidiary company	2,519	—	2,519	—	—	—
Arising from scheme with subsidiaries	—	—	—	43,752	14,162	57,914
At 31 December (Note 27)	735,105	105,761	840,866	831,754	123,913	955,667

Notes to the Financial Statements

for the financial year ended 31 December 2004

30. GENERAL PROVISIONS

Movements in general provisions including provisions for possible loan losses and other banking risks are as follows:

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 January	1,182,997	1,210,542	1,036,910	923,854
Currency translation adjustments	(5,919)	(2,085)	(442)	664
Writeback to income statements (Note 9)	(32,453)	(25,603)	(31,402)	(29,780)
Transfer from/(to):				
– Specific provision for loan losses (Note 29)	466	(25)	(80)	(25)
– Other provisions	14	168	14	168
Arising from scheme with subsidiaries	–	–	–	142,029
At 31 December (Note 27)	1,145,105	1,182,997	1,005,000	1,036,910

31. INVESTMENT SECURITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Quoted debt securities:				
Cost, adjusted for premium and discount	4,263,524	3,438,900	3,344,493	2,567,507
Less: Provision for diminution in value	–	(103)	–	(103)
Net book value	4,263,524	3,438,797	3,344,493	2,567,404
Quoted equity securities:				
Cost	714,528	322,884	247,723	249,344
Less: Provision for diminution in value	(53,355)	(76,496)	(48,254)	(73,578)
Net book value	661,173	246,388	199,469	175,766
Unquoted debt securities:				
Cost, adjusted for premium and discount	2,493,424	2,706,459	2,240,503	2,636,228
Less: Provision for diminution in value	(114,234)	(133,669)	(82,778)	(87,967)
Net book value	2,379,190	2,572,790	2,157,725	2,548,261
Unquoted equity securities:				
Cost	235,179	120,038	35,325	37,569
Less: Provision for diminution in value	(64,614)	(83,186)	(16,290)	(18,401)
Net book value	170,565	36,852	19,035	19,168
Total investment securities				
Cost or cost, adjusted for premium and discount	7,706,655	6,588,281	5,868,044	5,490,648
Less: Provision for diminution in value (Note 33)	(232,203)	(293,454)	(147,322)	(180,049)
Net book value	7,474,452	6,294,827	5,720,722	5,310,599
Market value of quoted securities				
Debt securities	4,371,321	3,499,804	3,413,915	2,640,014
Equity securities	1,281,602	691,694	596,130	535,204
	5,652,923	4,191,498	4,010,045	3,175,218

Notes to the Financial Statements

for the financial year ended 31 December 2004

31. INVESTMENT SECURITIES (continued)

Included in unquoted debt securities is an amount of \$0.64 billion (2003: \$0.60 billion) relating to credit linked notes pledged as collateral for credit default swaps where the Bank acts as the protection seller. The obligations under the credit default swaps are included in Note 42.

Included in quoted debt securities is an amount of \$54.7 million (2003: \$153.4 million) relating to Pioneer Funding Limited, a special purpose entity (Note 35.2). These investment securities are pledged as collaterals for the notes issued by Pioneer Funding Limited (Note 20.5).

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
31.1 Analysed by issuer				
Public sector	199,812	173,096	175,303	159,461
Banks	1,415,312	1,140,639	1,233,983	1,140,639
Corporations	5,920,871	5,274,546	4,458,758	4,190,548
Others	170,660	—	—	—
	7,706,655	6,588,281	5,868,044	5,490,648
31.2 Analysed by industry				
Agriculture, mining and quarrying	30,036	16,145	8,170	15,309
Manufacturing	721,289	539,348	556,126	536,255
Building and construction	618,162	559,544	354,469	330,538
General commerce	68,738	34,045	42,229	18,242
Transport, storage and communication	709,790	594,992	538,998	458,453
Financial institutions, investment and holding companies	4,039,420	3,533,583	3,308,276	2,998,090
Others	1,519,220	1,310,624	1,059,776	1,133,761
	7,706,655	6,588,281	5,868,044	5,490,648
31.3 Analysed by geographical sector				
Singapore	2,435,783	2,218,554	1,911,888	1,983,150
Malaysia	1,354,022	1,210,613	534,621	411,378
Other ASEAN	32,192	27,146	21,626	27,073
Greater China	411,775	222,153	341,903	221,906
Other Asia Pacific	995,951	764,926	902,803	764,926
North America	1,164,908	834,626	1,117,244	801,799
Rest of the World	1,312,024	1,310,263	1,037,959	1,280,416
	7,706,655	6,588,281	5,868,044	5,490,648

32. OTHER ASSETS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial derivatives at fair value (Note 44)	1,709,164	1,114,806	1,698,900	1,113,341
Interest receivable (net of interest-in-suspense)	434,084	377,835	380,053	344,264
Sundry debtors (net)	704,646	415,684	10,080	63,717
Others	426,121	274,609	364,291	238,420
	3,274,015	2,182,934	2,453,324	1,759,742

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33. PROVISIONS FOR DIMINUTION IN VALUE OF DEALING AND INVESTMENT SECURITIES AND OTHER ASSETS

Movements in provisions for diminution in value of dealing and investment securities and other assets are as follows:

GROUP	Other government securities \$'000	Dealing securities \$'000	Investment securities \$'000	Property, plant & equipment \$'000	Other assets \$'000	Total \$'000
2004						
At 1 January	79	156	293,454	179,004	29,540	502,233
Currency translation adjustments	(9)	2	(5,395)	(271)	(367)	(6,040)
Amounts written off	-	-	(26,472)	(4)	(9,964)	(36,440)
Balance arising from new subsidiaries	-	16	2,886	-	2,783	5,685
Writeback for dealing securities (Note 7)	-	(62)	-	-	-	(62)
(Writeback)/provisions charged to income statements (Note 9)	278	-	(32,846)	345	(1,564)	(33,787)
Transfers from specific provision for loan losses (Note 29)	-	-	576	-	-	576
At 31 December	348	112	232,203	179,074	20,428	432,165
	(Note 24)	(Note 25)	(Note 31)	(Note 36)		
2003						
At 1 January	95	6,563	382,598	132,882	22,488	544,626
Currency translation adjustments	-	41	(2,079)	7	(124)	(2,155)
Amounts written off	-	(6,464)	(103,189)	(2,939)	(1,838)	(114,430)
Provisions for dealing securities (Note 7)	-	212	-	-	-	212
(Writeback)/provisions charged to income statements (Note 9)	(16)	-	684	49,054	7,158	56,880
Transfers from specific provisions for loan losses (Note 29)	-	-	11,792	-	-	11,792
Transfers from other assets	-	-	3,452	-	1,856	5,308
Transfers	-	(196)	196	-	-	-
At 31 December	79	156	293,454	179,004	29,540	502,233
	(Note 24)	(Note 25)	(Note 31)	(Note 36)		

Notes to the Financial Statements

for the financial year ended 31 December 2004

33. PROVISIONS FOR DIMINUTION IN VALUE OF DEALING AND INVESTMENT SECURITIES AND OTHER ASSETS (continued)

BANK	Other government securities \$'000	Dealing securities \$'000	Investment securities \$'000	Associated companies \$'000	Subsidiary companies \$'000	Property, plant & equipment \$'000	Other assets \$'000	Total \$'000
2004								
At 1 January	79	112	180,049	6,494	88,107	141,637	39,492	455,970
Currency translation adjustments	(9)	17	(2,902)	—	—	(37)	—	(2,931)
Amounts written off	—	—	(3,505)	—	(156)	(4)	(430)	(4,095)
Writeback for dealing securities (Note 7)	—	(17)	—	—	—	—	—	(17)
(Writeback)/provisions charged to income statements (Note 9)	278	—	(26,320)	30	(8)	(2,955)	719	(28,256)
At 31 December	348	112	147,322	6,524	87,943	138,641	39,781	420,671
	(Note 24)	(Note 25)	(Note 31)	(Note 34)	(Note 35)	(Note 36)		
2003								
At 1 January	95	6,687	227,959	37,298	107,789	102,316	39,535	521,679
Currency translation adjustments	—	42	(622)	—	—	106	—	(474)
Amounts written off	—	(6,464)	(63,193)	(22,285)	(18)	—	(805)	(92,765)
Writeback for dealing securities (Note 7)	—	(153)	—	—	—	—	—	(153)
(Writeback)/provisions charged to income statements (Note 9)	(16)	—	837	(8,519)	(19,664)	38,914	762	12,314
Transfers from specific provisions for loan losses (Note 29)	—	—	11,420	—	—	—	—	11,420
Transfers from other assets	—	—	3,452	—	—	—	—	3,452
Arising from scheme with subsidiaries	—	—	196	—	—	301	—	497
At 31 December	79	112	180,049	6,494	88,107	141,637	39,492	455,970
	(Note 24)	(Note 25)	(Note 31)	(Note 34)	(Note 35)	(Note 36)		

34. ASSOCIATED COMPANIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Quoted equity securities, at cost	204,582	97,429	85,556	94,843
Unquoted equity securities, at cost	25,980	28,757	18,184	19,268
	230,562	126,186	103,740	114,111
Less: Provision for diminution in value (Note 33)	—	—	(6,524)	(6,494)
Net book value	230,562	126,186	97,216	107,617
Share of post-acquisition reserves	38,590	1,042,154	—	—
	269,152	1,168,340	97,216	107,617
Amount due from associated companies	39,639	8,797	—	—
	308,791	1,177,137	97,216	107,617
Market value of quoted associated companies	284,946	2,599,547	132,861	2,469,728

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for the financial year ended 31 December 2004

34. ASSOCIATED COMPANIES (continued)

34.1 List of associated companies

The principal activities of associated companies of the Group, their places of incorporation and the extent of the Group's interest in the associated companies are as follows:

			Group's interest		Cost of Group's investment		
Principal activities			2004 %	2003 %	2004 \$'000	2003 \$'000	
Country/ Place of incorporation							
Quoted							
1.	British and Malayan Trustees Limited	Trustee services	Singapore	43	43	591	591
2.	Great Eastern Holdings Limited [Note 34.2(a)]	Financial holding	Singapore	—	49	—	9,774
3.	PacificMas Berhad	Investment holding	Malaysia	28	28	86,994	87,064
4.	PT. Bank NISP Tbk [Note 34.2(b)]	Banking	Indonesia	23	—	116,997	—
						204,582	97,429
Unquoted							
5.	Ace Net Financial Services Pte Ltd	Marketing and management services	Singapore	50	50	2,841	2,841
6.	Asfinco Singapore Ltd	Investment holding	Singapore	26	26	5,100	5,100
7.	Central China International Leasing Company Limited	Leasing	People's Republic of China	25	25	2,648	2,648
8.	Clearing & Payment Services Pte Ltd [Note 34.4]	Utility services	Singapore	33	33	3,040	4,040
9.	Payment Systems & Processing Private Limited (formerly IQB Pte Ltd)	Application service provider	Singapore	49	49	5,000	5,000
10.	Malaysian Trustees Berhad	Trustee services	Malaysia	20	20	148	148
11.	Network For Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfers	Singapore	33	33	5,718	5,718
12.	OCBC-Perdana Futures Sendirian Berhad [Note 34.3(b)]	Futures and options broking	Malaysia	—	49	—	2,107
13.	OCBC Wearnes & Walden Management (S) Pte Ltd	Venture capital fund management	Singapore	25	25	45	45
14.	Raffles Investments Limited [Note 34.3(a)]	Investment holding	Singapore	—	50	—	638
15.	Singapore Consortium Investment Management Limited	Unit trust fund management	Singapore	33	33	388	388
16.	Specialists' Services (Private) Limited [Note 34.2(a)]	Management services	Singapore	—	40	—	84
17.	Straits Eastern Square Private Limited [Note 34.2(a)]	Property development and investment	Singapore	49	—	—	—
18.	Symphony BCSIS Sdn Bhd	Transaction processing	Malaysia	49	—	1,052	—
						25,980	28,757
At 31 December						230,562	126,186

Notes:

The cost of investment in Straits Eastern Square Private Limited is held by The Great Eastern Life Assurance Company Limited under Life Fund and included in the net assets attributable to policyholders (See Note 21).

* Newly incorporated associated company

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for the financial year ended 31 December 2004

34. ASSOCIATED COMPANIES (continued)

34.2 Acquisition of associated companies

- (a) With the acquisition of additional interests in Great Eastern Holdings Limited ("GEH") pursuant to the voluntary unconditional offer to GEH shareholders (see Note 35.3), Straits Eastern Square Private Limited became an associated company of the Group and Specialists' Services (Private) Limited became a subsidiary company of the Group.
- (b) On 28 April 2004, OCBC Overseas Investments Pte. Ltd. (formerly known as OCF Nominees Pte. Ltd.), a subsidiary of the Bank, acquired 930,145,370 ordinary shares of par value IDR125 or 22.5% of the issued and paid up capital of PT. Bank NISP Tbk ("Bank NISP") for a cash consideration of IDR602 billion or \$116,997,191. The excess of the consideration over the Group's share of fair value net assets of \$82,032,000 is amortised over a period of 20 years and the amortisation charge is netted against the share of profits of associated companies in the consolidated income statement. As at 31 December 2004, the unamortised goodwill included in the carrying amount of Bank NISP is \$79.3 million.

34.3 Disposal of associated companies

- (a) On 12 July 2004, Select Securities Limited, a wholly-owned subsidiary company of the Bank, disposed off 49.8% equity stake or 2,354,500 ordinary shares in Raffles Investments Limited ("RIL") for a cash consideration of \$121.7 million. The sale is part of the Bank's on-going initiatives to divest its non-core investments. Upon disposal, RIL ceased to be an associated company of the Group. A gain of \$54.7 million was recorded at the Group from the disposal of RIL.
- (b) On 12 October 2004, OCBC Holdings Private Limited, a wholly-owned subsidiary company of the Bank, disposed off 49.0% equity stake or 3,185,000 ordinary shares in OCBC-Perdana Futures Sdn. Bhd. ("OCBC-Perdana") for a cash consideration of RM\$678,653. Upon disposal, OCBC-Perdana ceased to be an associated company of the Group. The disposal of OCBC-Perdana has no material impact on the Group's consolidated financial statements.

- 34.4 On 1 October 2004, Clearing & Payment Services Pte Ltd ("CLS") gave notice to the Bank for the redemption of 10,000 Redeemable Preference Shares ("RPS") of \$100 each held by the Bank in CLS. Subsequent to the redemption of RPS, the Bank's investment in CLS was reduced by \$1,000,000 to \$3,040,000.

35. SUBSIDIARY COMPANIES

	Bank	
	2004 \$'000	2003 \$'000
Quoted equity securities, at cost	1,820,341	—
Unquoted equity securities, at cost	1,967,166	1,991,733
	3,787,507	1,991,733
Less: Provision for diminution in value (Note 33)	(87,943)	(88,107)
Net book value	3,699,564	1,903,626
Amount due from subsidiary companies	1,576,975	1,523,644
	5,276,539	3,427,270
Market value of quoted subsidiary	4,853,691	—

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35. SUBSIDIARY COMPANIES (continued)

35.1 List of subsidiary companies

The principal activities of subsidiaries of the Group, their places of incorporation and the extent of the Group's interest in the subsidiaries are as follows:

			Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
Principal activities			Country/ Place of incorporation	2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000
Quoted									
# 1.	Great Eastern Holdings Limited	Financial holding [Note 35.3]	Singapore	79	—	2	—	1,820,341	—
Unquoted									
# 2.	Alpha Financial Advisers Private Limited	Financial advisory	Singapore	—	—	100 ⁽¹⁾	—	—	—
3.	Asia Commercial Investment (Private) Limited	Investment Holding	Singapore	67	67	33	33	2,000	2,000
4.	Asia Commercial Realty Co. Pte. Ltd.	Property holding	Singapore	100	100	—	—	1,383	1,383
5.	Associated Investments & Securities Private Limited	Dissolved [Note 35.4(b)]	Singapore	— —	100 100 ^(Pref)	— —	— —	— —	— —
6.	Bank of Singapore Limited	e-financial services	Singapore	98	98	2	2	93,287	93,287
7.	Bank of Singapore Nominees Private Limited	Nominee services	Singapore	100	100	—	—	10	10
8.	Banking Computer Services Private Limited	Computer banking services [Note 35.4(a)]	Singapore	100 —	100 100 ^(Pref)	— —	— —	5,160 —	5,160 4,000
+ 9.	Bathurst Enterprises Limited	Investment holding	Hong Kong SAR, China	—	—	100	100	—	—
10.	BCS Information Systems Pte Ltd	Computer consultancy services [Note 35.4(a)]	Singapore Malaysia #	100 —	100 —	— 100 ^(Pref)	— —	105 —	105 —
11.	BOS Venture Management Pte Ltd	Dissolved [Note 35.4(b)]	Singapore	—	—	—	100	—	—
12.	BOSA Limited	Dissolved [Note 35.4(b)]	Australia	—	100	—	—	—	3,283
@ 13.	Bukit Investments Limited (In voluntary liquidation)	Dormant	Hong Kong SAR, China	—	—	100	100	—	—
14.	Church Street Properties Private Limited	Property development	Singapore	— —	— —	100 100 ^(Pref)	100 100 ^(Pref)	— —	— —
15.	e2 Power Pte. Ltd.	Transaction processing	Singapore	100 ⁽²⁾	—	—	—	*	—
16.	e2 Power Sdn. Bhd.	Transaction processing	Malaysia	— —	— —	100 ⁽²⁾ 100 ^(Pref)	— —	— —	— —

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for the financial year ended 31 December 2004

35. SUBSIDIARY COMPANIES (continued)

35.1 List of subsidiary companies (continued)

		Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment	
				2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000
17.	Eastern Developers Private Limited	Property development and rental	Singapore	—	—	100	100	—	—
				—	—	100(Pref)	100(Pref)	—	—
+	18.	Eastern Holdings Limited	Investment holding	100	100	—	—	72,315	75,399
			Hong Kong SAR, China						
	19.	Eastern Realty Company Limited	Investment holding and property development	100	100	—	—	27,704	27,704
			Singapore Malaysia #						
	20.	Excel Holdings Private Limited	Investment holding and property rental	100	100	—	—	200	200
			Singapore						
##	21.	Fairfield Straits Lion Asset Management Limited	Asset management and advisory	—	—	65 ⁽¹⁾	—	—	—
			Singapore						
	22.	Federal Securities Private Limited	Investment holding	100	100	—	—	9,000	9,000
			Singapore						
@	23.	Focal Nominees Private Limited (In voluntary liquidation)	Dormant	—	—	100	100	—	—
			Singapore						
+	24.	Four Seas Nominees (Hong Kong) Limited	Nominee services	—	—	100	100	—	—
			Hong Kong SAR, China						
	25.	Four Seas Nominees Private Limited	Nominee services	100	100	—	—	10	10
			Singapore						
@	26.	FSB Holdings Limited	Dormant	100	100	—	—	—	—
			Singapore						
##	27.	GEL Capital (Malaysia) Berhad	Investment holding	—	—	100 ⁽¹⁾	—	—	—
			Malaysia						
##	28.	Great Eastern Life Assurance (Malaysia) Berhad	Life assurance	—	—	100 ⁽¹⁾	—	—	—
			Malaysia						
##	29.	Great Eastern International Private Limited	Investment holding	—	—	100 ⁽¹⁾	—	—	—
			Singapore						
++	30.	Guangzhou Yangyi Property Technology Co Ltd	Dormant [Note 35.4(c)]	—	—	—	60	—	—
			People's Republic of China						
	31.	Hotel Phoenix Singapore Private Limited	Hotel	—	—	100	100	—	—
			Singapore						
@	32.	iPropertyNet Pte Ltd (In voluntary liquidation)	Dormant	—	—	57	57	—	—
			Singapore						
##	33.	Island Securities Private Limited	Dormant	—	—	100 ⁽¹⁾	—	—	—
			Singapore						
	34.	KAC Holdings Limited	Investment holding	100	100	—	—	19,028	19,028
			Singapore						
	35.	KB Nominees Pte Ltd	Nominee services	100	100	—	—	*	*
			Singapore						

Notes to the Financial Statements

for the financial year ended 31 December 2004

35. SUBSIDIARY COMPANIES (continued)

35.1 List of subsidiary companies (continued)

35.1 List of subsidiary companies (continued)				Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
		Principal activities	Country/ Place of incorporation	2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
@	36.	KBF Pte Ltd (In voluntary liquidation)	Dormant	Singapore	—	—	100	100	—	—
	37.	KCH Limited (formerly Keppel Capital Holdings Ltd)	Investment holding	Singapore	100	100	—	—	319,877	319,877
@	38.	Keppel Factors Pte Ltd (In voluntary liquidation)	Dormant	Singapore	—	—	100	100	—	—
+	39.	Keppel Securities Hong Kong Ltd	Dormant	Hong Kong SAR, China	—	—	100	100	—	—
	40.	Keppel Securities Nominees Pte Ltd	Dissolved [Note 35.4(b)]	Singapore	—	—	—	100	—	—
	41.	KF Nominees Pte Ltd	Nominee services	Singapore	—	—	100	100	—	—
	42.	KIM Limited	Investment holding	Singapore	—	—	100	100	—	—
	43.	Kim Seng Properties Private Limited	Property development	Singapore	—	—	100 100(Pref)	100 100(Pref)	—	—
@	44.	Kismis Properties Private Limited (In voluntary liquidation)	Dormant	Singapore	—	—	100 100(Pref)	100 100(Pref)	—	—
@	45.	KS Pte Ltd (In voluntary liquidation)	Dormant	Singapore	—	—	100	100	—	—
@	46.	KTB Limited	Dormant	Singapore	100	100	—	—	—	—
	47.	KTF Limited	Investment holding	Singapore	100	100	—	—	199,989	199,989
+	48.	Malaysia Nominees (Asing) Sendirian Berhad	Nominee services	Malaysia	—	—	100	100	—	—
+	49.	Malaysia Nominees (Tempatan) Sendirian Berhad	Nominee services	Malaysia	—	—	100	100	—	—
@	50.	Mount Emily Properties Private Limited (In voluntary liquidation)	Dormant	Singapore	—	—	100 100(Pref)	100 100(Pref)	—	—
	51.	OCBC Asset Management Limited	Investment management	Singapore	—	—	100	100	—	—
+	52.	OCBC Bank (Malaysia) Berhad	Banking	Malaysia	100	100	—	—	427,730	427,730
@	53.	OCBC Bullion & Futures Limited (In voluntary liquidation)	Dormant	Singapore	100	100	—	—	—	—
	54.	OCBC Capital Investment Private Limited	Investment holding	Singapore	—	—	100	100	—	—

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for the financial year ended 31 December 2004

35. SUBSIDIARY COMPANIES (continued)

35.1 List of subsidiary companies (continued)

		Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment	
				2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000
55.	OCBC Capital Investment I Pte. Ltd. (formerly OCBC eVenture Fund I Pte Ltd)	Investment holding	Singapore	—	—	100	100	—	—
@ 56.	OCBC Capital Management Singapore Private Limited (In voluntary liquidation)	Dormant	Singapore	—	—	100	100	—	—
57.	OCBC Centre Private Limited	Investment holding and property rental	Singapore	100 100(Pref)	100 100(Pref)	— —	— —	20,000 40,000	20,000 40,000
+ 58.	OCBC Credit Berhad	Leasing company	Malaysia	—	—	100	100	—	—
59.	OCBC eVenture Fund II Pte Ltd	Investment holding	Singapore	—	—	100	100	—	—
60.	OCBC Investment Research Private Limited	Securities and financial advisors and consultants	Singapore	—	—	100 ⁽¹⁾	—	—	—
61.	OCBC Overseas Investments Pte. Ltd. (formerly OCF Nominees Pte. Ltd.)	Investment holding	Singapore	— —	— —	100 100(Pref)	100 100(Pref)	— —	— —
62.	OCBC Holdings Private Limited	Investment holding	Singapore	100	100	—	—	3,000	3,000
63.	OCBC Land Private Limited	Investment holding	Singapore	—	—	100	100	—	—
64.	OCBC Management Services Private Limited	Management services	Singapore	100	100	—	—	200	200
+ 65.	OCBC Nominees (Australia) Pty. Limited	Nominee services	Australia	100	100	—	—	*	*
+ 66.	OCBC Nominees (Hong Kong) Limited	Nominee services	Hong Kong SAR, China	100	100	—	—	2	2
+ 67.	OCBC Nominees (London) Limited	Nominee services	United Kingdom	100	100	—	—	3	3
68.	OCBC Nominees Singapore Private Limited	Nominee services	Singapore	100	100	—	—	10	10
69.	OCBC Properties Private Limited	Investment holding	Singapore	100 100(Pref)	100 100(Pref)	— —	— —	71,000 15,000	71,000 15,000
70.	OCBC Property Services Private Limited	Property management	Singapore	100	100	—	—	50	50
+ 71.	OCBC Provident (Australia) Pty. Limited	Trustee	Australia	100	100	—	—	*	*

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for the financial year ended 31 December 2004

35. SUBSIDIARY COMPANIES (continued)

35.1 List of subsidiary companies (continued)

		Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment	
				2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000
72.	OCBC Realty Private Limited	Investment holding	Singapore	100 100(Pref)	100 100(Pref)	— —	— —	124,993 60,000	124,993 60,000
+	73. OCBC Securities (Hong Kong) Limited	Dormant (ceased business on 9 February 2004)	Hong Kong SAR, China	—	—	100	100	—	—
+	74. OCBC Securities Philippines, Inc.	Dormant	Philippines	—	—	100	100	—	—
	75. OCBC Securities Private Limited	Futures broking & stockbroking	Singapore	—	—	100	100	—	—
+	76. OCBC Securities Research Sendirian Berhad	Dormant	Malaysia	—	—	100	100	—	—
	77. OCBC Square Private Limited	Real estate owners and property rental	Singapore	100 100(Pref) 69 (Series 2 Pref)	100 100(Pref) 69 (Series 2 Pref)	— — 31 (Series 2 Pref)	— — 31 (Series 2 Pref)	20,000 10,000 59,100	20,000 10,000 59,100
	78. OCBC Trustee Limited	Trustee Services	Singapore Malaysia #	20	20	80	80	184	184
	79. OCF Investments Limited	Investment holding	Singapore	1	15	99	85	19	19
	80. OCF Limited	Investment holding	Singapore	100	100	—	—	14,726	14,726
	81. Orient Holdings Private Limited	Investment holding	Singapore	100 100(Pref)	100 100(Pref)	— —	— —	3,400 132,000	3,400 132,000
+	82. OSPL Holdings Sendirian Berhad	Investment holding	Malaysia	—	—	100	100	—	—
	83. OSPL Nominees Private Limited	Nominee services	Singapore	—	—	100	100	—	—
##	84. Overseas Assurance Corporation (Holdings) Berhad	Investment holding	Malaysia	—	—	100 ⁽¹⁾	—	—	—
##	85. Overseas Assurance Corporation (Malaysia) Berhad	General insurance	Malaysia	—	—	100 ⁽¹⁾	—	—	—
	86. Oversea-Chinese Bank Nominees Private Limited	Nominee services	Singapore	100	100	—	—	10	10
##	87. PT. Asuransi Jiwa Asih Great Eastern	Life insurance	Indonesia	—	—	88 ⁽¹⁾	—	—	—
+	88. PT Bank OCBC Indonesia	Banking	Indonesia	99	99	—	—	87,123	87,123
@	89. PT OCBC Sikap Securities (In voluntary liquidation)	Dormant	Indonesia	—	—	70	70	—	—
	90. Pasir Ris Properties Private Limited	Real estate owners and property rental	Singapore	— —	— —	55 55(Pref)	55 55(Pref)	— —	— —

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for the financial year ended 31 December 2004

35. SUBSIDIARY COMPANIES (continued)

35.1 List of subsidiary companies (continued)

List of subsidiary companies (continued)				Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment		
Principal activities			Country/ Place of incorporation	2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000	
@	91.	Phoenix Holdings Limited (in voluntary liquidation)	Dormant	Hong Kong SAR, China	—	—	100	100	—	—
	92.	Premier Investment Private Limited	Investment dealing	Singapore	100	100	—	—	9,243	9,243
	93.	Provident Securities Private Limited	Investment holding	Singapore	100	100	—	—	72,350	72,350
+	94.	Select Securities Limited	Investment holding	Hong Kong SAR, China	100	100	—	—	421	438
	95.	Seletar Properties Private Limited	Property development	Singapore	—	—	100	100	—	—
	96.	Singapore Building Corporation Limited	Investment holding and property rental	Singapore	100	100	—	—	19,384	19,384
	97.	Specialists' Centre Private Limited	Investment holding and property rental	Singapore	— —	— —	100 100 ^(Pref)	100 100 ^(Pref)	— —	— —
	98.	Specialists' Services (Private) Limited	Management services	Singapore	40	—	27 ⁽¹⁾	—	84	—
##	99.	Straits Lion Asset Management Limited	Asset management	Singapore	—	—	80 ⁽¹⁾	—	—	—
##	100.	Straits Lion Management (Malaysia) Sendirian Berhad	Dormant	Malaysia	—	—	100 ⁽¹⁾	—	—	—
	101.	Tanjong Rhu Properties Private Limited	Property development and rental	Singapore	— —	— —	100 100 ^(Pref)	100 100 ^(Pref)	— —	— —
	102.	Tat Lee Property Development Pte Ltd	Property investment and development	Singapore	100	100	—	—	13,648	13,648
	103.	Tat Lee Securities Pte Ltd	Dissolved [Note 35.4(b)]	Singapore	—	—	—	100	—	—
	104.	Tat Lee Thomson Development Pte. Ltd.	Property investment and development	Singapore	100	100	—	—	12,599	12,599
	105.	Tat Lee Warehousing Pte Ltd	Property investment	Singapore	—	—	100	100	—	—
##	106.	The Great Eastern General Insurance Company Sendirian Berhad	Dormant	Malaysia	—	—	100 ⁽¹⁾	—	—	—
##	107.	The Great Eastern Life Assurance Company Limited	Life assurance	Singapore	—	—	100 ⁽¹⁾	—	—	—

Notes to the Financial Statements

for the financial year ended 31 December 2004

35. SUBSIDIARY COMPANIES (continued)

35.1 List of subsidiary companies (continued)

		Principal activities	Country/ Place of incorporation	Bank's Interest		Subsidiaries' Interest		Cost of Bank's Investment	
				2004 %	2003 %	2004 %	2003 %	2004 \$'000	2003 \$'000
## 108.	The Great Eastern Trust Private Limited	Investment holding	Singapore	—	—	100 ⁽¹⁾	—	—	—
## 109.	The Overseas Assurance Corporation Limited	Composite insurance	Singapore	—	—	100 ⁽¹⁾	—	—	—
110.	TL Nominees Pte Ltd	Dissolved [Note 35.4(b)]	Singapore	—	100	—	—	—	667
111.	TL Provident Ltd	Dissolved [Note 35.4(b)]	Singapore	—	100	—	—	—	13,600
++ 112.	Walden Malaysia Co II Ltd	Investment holding	British Virgin Islands	73	73	—	—	819	819
Sub-total								1,967,166	1,991,733
At 31 December								3,787,507	1,991,733

Notes:

- (1) New subsidiary companies with the acquisition of additional interests in Great Eastern Holdings Limited
- (2) Newly incorporated subsidiary companies
- * Amounts under \$500
- # Country/place of business in addition to the company's country/place of incorporation
- ## Audited by other firms
- + Audited by other member firms of the PwC Global Organisation
- ++ Not required to be audited by law in country of incorporation
- @ Not required to be audited as the companies are in voluntary liquidation or exempted under Section 205 of the Companies Act
- Pref Preference shares

35.2 Special purpose entities

The Group consolidated the financial statements of a special purpose entity, Pioneer Funding Limited ("PFL"). PFL was incorporated as a special purpose company which issues notes and purchases designated assets and enters into agreements and other arrangements relating to the issuance of such notes and purchase of such assets. PFL is owned by a charitable trust.

The Bank acts as an Arranger, Dealer and Manager to certain transactions carried out by PFL. Consequently, the assets and liabilities of PFL are included in the consolidated financial statements in accordance with the Interpretation of Financial Reporting Standard ("INT FRS") 12: Consolidation – Special Purpose Entities. The assets and liabilities of PFL included in the consolidated balance sheet are as follows:

	2004 \$'000	2003 \$'000
Assets		
Investment securities	54,670	153,398
Other assets	434	831
Liabilities		
Secured notes issued	51,750	152,750
Other liabilities	511	729

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for the financial year ended 31 December 2004

35. SUBSIDIARY COMPANIES (continued)

35.3 Acquisition of subsidiary companies

On 24 February 2004, the Bank announced that it would make a voluntary offer to the shareholders of Great Eastern Holdings Limited ("GEH") on a share exchange ratio basis of 0.976 new OCBC shares for each GEH ordinary share. At the close of the offer on 30 June 2004, the Bank accepted and acquired 138,694,259 GEH ordinary shares and 4,267,350 GEH options of \$0.50 each.

The Bank also acquired 14,162,000 GEH ordinary shares from open market purchases at an average price of \$12.0 per share for a total cash consideration of \$170,013,651. The aggregate cost of acquisition, including the new ordinary shares issued for valid acceptances of GEH shares and GEH options, amounted to \$1,811,054,090. The fair value of assets and liabilities of GEH acquired during the financial year are as follows:

	2004 \$'000
Government, trading and investment securities	1,074,094
Cash and bank balances and non-bank customer loans and placements	1,075,017
Property, plant and equipment	4,272
Other assets	365,831
Other liabilities	(344,438)
	2,174,776
Less: Net assets accounted for under equity accounting	1,034,005
Less: Minority interests	414,529
	726,242
Adjusted net attributable assets	726,242
Goodwill and intangibles arising (Note 37)	1,084,812
	1,811,054
Less: Cash and cash equivalents	136,680
Less: Non-cash consideration (includes cost of investment of original stake)	1,647,719
Net cash outflow from the acquisition of approximately 32.2% additional stake	26,655

35.4 Disposal and dissolution of subsidiary companies

- (a) On 11 May 2004, Banking Computer Services Private Limited ("BCS"), a wholly-owned subsidiary company of the Bank, gave notice to the Bank for the redemption of 4,000,000 Redeemable Preference Shares ("RPS") of \$0.01 par value and premium of \$0.99 each held by the Bank in BCS. Subsequent to the redemption of RPS, the Bank's investment in BCS was reduced from \$9,160,000 to \$5,160,000.

On the same day, BCS Information Systems Pte Ltd, a wholly-owned subsidiary company of the Bank, issued 4,000,000 RPS of \$0.01 each for cash at a premium of \$0.99 each, amounting to \$4,000,000 proceeds, to Singapore Building Corporation Limited, also a wholly-owned subsidiary company of the Bank.

- (b) During the financial year ended 31 December 2004, the following companies were dissolved:

Subsidiaries	Date of dissolution
Keppel Securities Nominees Pte Ltd	16 February 2004
Tat Lee Securities Pte Ltd	16 February 2004
Associated Investments & Securities Private Limited	31 March 2004
TL Nominees Pte Ltd	18 May 2004
TL Provident Ltd	18 May 2004
BOS Venture Management Pte Ltd	22 September 2004
BOSA Limited	18 November 2004

- (c) iPropertyNet Pte Ltd ("iProp"), a subsidiary of the Bank, has been in voluntary liquidation since 27 March 2002. By an Order of Court dated 20 September 2004, the High Court of the Republic of Singapore, granted, amongst other things, leave to the liquidator of iProp to disclaim its shareholdings in its subsidiary, Guangzhou YangYi Property Co. Ltd. ("YangYi"). The disclaimer effective upon notice issued on 28 September 2004 and dispatched to YangYi and Guangzhou Sanshan Technology Development Co. Ltd, in accordance with the said Order of Court. Accordingly, YangYi ceased to be a subsidiary of iProp on 28 September 2004.

Notes to the Financial Statements

for the financial year ended 31 December 2004

36. PROPERTY, PLANT AND EQUIPMENT

GROUP	Property \$'000	2004 Others \$'000	Total \$'000	Property \$'000	2003 Others \$'000	Total \$'000
Cost						
At 1 January	1,680,719	551,696	2,232,415	1,704,501	555,424	2,259,925
Currency translation adjustments	(7,466)	(4,681)	(12,147)	(1,809)	(1,128)	(2,937)
Additions, at cost	15,480	47,793	63,273	7,586	38,950	46,536
Balance arising from new subsidiaries	835	14,370	15,205	—	—	—
Disposals, at cost	(113,423)	(71,301)	(184,724)	(29,396)	(41,713)	(71,109)
Transfers	29	(29)	—	(163)	163	—
At 31 December	1,576,174	537,848	2,114,022	1,680,719	551,696	2,232,415
Accumulated depreciation						
At 1 January	(227,682)	(390,993)	(618,675)	(211,711)	(343,686)	(555,397)
Currency translation adjustments	717	4,175	4,892	214	987	1,201
Balance arising from new subsidiaries	(129)	(10,649)	(10,778)	—	—	—
Disposals	22,342	68,779	91,121	8,744	28,446	37,190
Depreciation charge (Note 8)	(24,272)	(61,399)	(85,671)	(25,056)	(76,613)	(101,669)
Transfers	—	—	—	127	(127)	—
At 31 December	(229,024)	(390,087)	(619,111)	(227,682)	(390,993)	(618,675)
Provision for diminution in value						
At 1 January	(179,004)	—	(179,004)	(132,882)	—	(132,882)
Currency translation adjustments	231	40	271	(7)	—	(7)
Amount written off upon disposal	4	—	4	2,939	—	2,939
Writeback/(provisions) charged to income statements	907	(1,252)	(345)	(49,054)	—	(49,054)
At 31 December (Note 33)	(177,862)	(1,212)	(179,074)	(179,004)	—	(179,004)
Net book value, at 31 December	1,169,288	146,549	1,315,837	1,274,033	160,703	1,434,736
Net book value						
Freehold property	413,064			413,232		
Leasehold property	756,224			860,801		
	1,169,288			1,274,033		
Current valuation of property	2,551,659			2,663,641		

Notes to the Financial Statements

for the financial year ended 31 December 2004

36. PROPERTY, PLANT AND EQUIPMENT (continued)

BANK	Property \$'000	2004 Others \$'000	Total \$'000	Property \$'000	2003 Others \$'000	Total \$'000
Cost						
At 1 January	846,011	303,052	1,149,063	839,412	304,455	1,143,867
Currency translation adjustments	(1,451)	(265)	(1,716)	167	795	962
Additions, at cost	209	34,855	35,064	7,134	30,281	37,415
Disposals, at cost	(226)	(32,064)	(32,290)	(4,670)	(32,906)	(37,576)
Arising from scheme with subsidiaries	—	—	—	3,968	427	4,395
At 31 December	844,543	305,578	1,150,121	846,011	303,052	1,149,063
Accumulated depreciation						
At 1 January	(67,420)	(191,567)	(258,987)	(54,189)	(164,309)	(218,498)
Currency translation adjustments	281	253	534	51	(694)	(643)
Disposals	14	30,637	30,651	—	21,579	21,579
Depreciation charge (Note 8)	(12,758)	(41,094)	(53,852)	(12,268)	(47,792)	(60,060)
Arising from scheme with subsidiaries	—	—	—	(1,014)	(351)	(1,365)
At 31 December	(79,883)	(201,771)	(281,654)	(67,420)	(191,567)	(258,987)
Provision for diminution in value						
At 1 January	(141,637)	—	(141,637)	(102,316)	—	(102,316)
Currency translation adjustments	37	—	37	(106)	—	(106)
Amount written off upon disposal	4	—	4	—	—	—
Writeback/(provisions)						
charged to income statements	2,955	—	2,955	(38,914)	—	(38,914)
Arising from scheme with subsidiaries	—	—	—	(301)	—	(301)
At 31 December (Note 33)	(138,641)	—	(138,641)	(141,637)	—	(141,637)
Net book value, at 31 December	626,019	103,807	729,826	636,954	111,485	748,439
Net book value						
Freehold property	106,793			107,129		
Leasehold property	519,226			529,825		
	626,019			636,954		
Current valuation of property	971,271			964,046		

As at 31 December 2004, included in property are investment property with net book value of \$791.7 million (2003: \$928.5 million) and \$386.0 million (2003: \$390.3 million) for the Group and Bank respectively. Based on valuations carried out by independent professional valuers, the market values of these investment property as at 31 December 2004 were \$1,537.9 million (2003: \$1,725.6 million) and \$612.7 million (2003: \$602.8 million) for the Group and Bank respectively. The excess of the market value over the net book value of property was not recognised in the financial statements.

Notes to the Financial Statements

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37. GOODWILL AND INTANGIBLE ASSETS

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cost				
At 1 January	2,377,179	2,377,164	2,168,002	1,855,392
Acquisition of additional interests in GEH [Note 35.3]	1,084,812	15	-	-
Arising from scheme with a subsidiary company	-	-	-	312,610
At 31 December	3,461,991	2,377,179	2,168,002	2,168,002
Accumulated amortisation				
At 1 January	(305,125)	(178,481)	(179,847)	(80,255)
Amortisation charged to income statements	(158,294)	(126,644)	(120,979)	(99,592)
At 31 December	(463,419)	(305,125)	(300,826)	(179,847)
Net book value, at 31 December	2,998,572	2,072,054	1,867,176	1,988,155

The acquisition of an additional stake of 32.2% in Great Eastern Holdings Limited ("GEH") gave rise to an amount of \$1,084.8 million of an intangible asset and goodwill.

The intangible asset is the value of In-Force Business of the life assurance business acquired amounting to \$790.0 million and is amortised over an economic life of 20 years. The value of In-Force Business represents an estimate of the economic value of adjusted distributable profits and after-tax cash flows less increases in statutory reserve and solvency margins from the In-Force Business at acquisition date.

The residual of \$294.8 million is goodwill, being the difference between the acquisition cost less the fair value of net tangible and intangible assets, which represents the discounted value of future after-tax distributable profits associated with new business that GEH can expect to write based on the quality of its structure and its future business prospects. The goodwill of GEH is amortised over an economic life of 20 years.

Notes to the Financial Statements

for the financial year ended 31 December 2004

38. SEGMENTAL INFORMATION

38.1 Business segments

\$ million	Consumer Banking	Business Banking	Global Treasury	Insurance	Others	Group
Financial year ended 31 December 2004						
Segment income before operating expenses	973	862	316	304	270	2,725
Elimination						(82)
Income before operating expenses						2,643
Profit before tax	390	590	247	253	112	1,592
Less: Tax	(81)	(118)	(47)	(64)	22	(288)
Net profit before amortisation of goodwill and intangibles	309	472	200	189	134	1,304
Less: Amortisation of goodwill and intangibles						(158)
Profit after tax						1,146
Add: Share of profits of associated companies (net of tax)						89
Less: Minority interests						(73)
Profit attributable to shareholders						1,162
31 December 2004						
Segment assets	28,199	33,648	21,011	31,484	6,003	120,345
Associated companies' assets						38
Unallocated assets						3,049
Elimination						(3,550)
Total assets						119,882
Segment liabilities	30,106	26,952	17,929	29,050	7,155	111,192
Unallocated liabilities						508
Elimination						(3,550)
Total liabilities						108,150
Other information						
Loans	26,574	27,052	—	391	1,207	55,224
Investment securities:						
– Debt	38	5,133	368	432	786	6,757
– Equity	4	20	—	540	386	950
	42	5,153	368	972	1,172	7,707
NPLs and debt securities:						
– Substandard	393	1,325	—	—	—	1,718
– Doubtful	124	693	—	—	—	817
– Loss	218	113	—	—	—	331
	735	2,131	—	—	—	2,866
Cumulative specific provision	(261)	(944)	—	—	—	(1,205)
	474	1,187	—	—	—	1,661
Financial year ended 31 December 2004						
Capital expenditure	9	3	—	1	50	63
Depreciation of property, plant and equipment	7	6	—	1	48	62
Amortisation of software	7	1	—	—	16	24

Notes to the Financial Statements

for the financial year ended 31 December 2004

38. SEGMENTAL INFORMATION (continued)

38.1 Business segments (continued)

\$ million	Consumer Banking	Business Banking	Global Treasury	Insurance	Others	Group
Financial year ended 31 December 2003						
Segment income before operating expenses	807	848	242	—	384	2,281
Elimination						(88)
Income before operating expenses						2,193
Profit before tax	281	496	187	—	150	1,114
Less: Tax	(61)	(104)	(46)	—	—	(211)
Net profit before amortisation of goodwill and intangibles	220	392	141	—	150	903
Less: Amortisation of goodwill and intangibles						(127)
Profit after tax						776
Add: Share of profits of associated companies (net of tax)						180
Less: Minority interests						(2)
Profit attributable to shareholders						954
31 December 2003						
Segment assets	25,686	32,552	19,015	—	7,198	84,451
Associated companies' assets						1,042
Unallocated assets						2,124
Elimination						(3,120)
Total assets						84,497
Segment liabilities	30,086	25,749	16,336	—	4,964	77,135
Unallocated liabilities						404
Elimination						(3,120)
Total liabilities						74,419
Other information						
Loans	24,400	26,861	—	—	1,328	52,589
Investment securities:						
– Debt	6	4,742	454	—	943	6,145
– Equity	6	28	—	—	409	443
	12	4,770	454	—	1,352	6,588
NPLs and debt securities:						
– Substandard	543	2,053	—	—	—	2,596
– Doubtful	168	637	—	—	—	805
– Loss	171	239	—	—	23	433
	882	2,929	—	—	23	3,834
Cumulative specific provision	(274)	(1,078)	—	—	—	(1,352)
	608	1,851	—	—	23	2,482
Financial year ended 31 December 2003						
Capital expenditure	12	3	—	—	32	47
Depreciation of property, plant and equipment	12	9	1	—	59	81
Amortisation of software	5	1	—	—	14	20

Notes to the Financial Statements

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38. SEGMENTAL INFORMATION (continued)

38.1 Business segments (continued)

OCBC Group is organised along four groupings covering customers, products, support functions and geography. Customer, product and support function heads have global responsibility for their respective areas, while geographic heads have stewardship responsibility.

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

Consumer Banking

– Consumer Banking comprises the full range of products and services offered to individuals, including deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, stock brokerage and wealth management products (such as unit trusts, bancassurance products and structured deposits).

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 enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management, trustee and custodian services.

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.

Insurance

– Insurance business is carried out by the Bank's subsidiary, Great Eastern Holdings Limited ("GEH"), a market leader in the insurance industry in Singapore and Malaysia providing both life and general insurance products to its customers.

Others

– The "Others" segment include corporate finance, capital markets, asset management, property development and investment holding, support units, other investments and unallocated items including one-time divestment gains and provisions for diminution in value of investments and other assets.

The business segment information is prepared based on internal management reports, which are used by senior management for decision-making and performance management.

The following management reporting methodologies are adopted:

- (a) revenues and expenses are attributable to each segment based on the internal management reporting policies,
- (b) in determining the segment results, balance sheet items are internally transfer priced, and
- (c) transactions between business segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability.

There are no material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet and excluding items such as corporate tax and borrowings.

Capital expenditure comprises additions to property, plant and equipment.

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for the financial year ended 31 December 2004

38. SEGMENTAL INFORMATION (continued)

38.2 Geographical segments

\$ million	Income before operating expenses	Profit before tax	Capital expenditure	Total assets	Total liabilities
2004					
Singapore	1,931	1,076	42	89,664	82,118
Malaysia	504	327	20	21,426	18,458
Other ASEAN	16	20	—	631	472
Greater China	120	84	1	3,915	3,131
Other Asia Pacific	36	24	—	1,805	1,028
North America	17	12	—	888	656
Rest of the World	19	12	—	1,553	2,287
	2,643	1,555	63	119,882	108,150
2003					
Singapore	1,706	983	43	65,267	58,723
Malaysia	332	150	4	11,579	8,921
Other ASEAN	18	12	—	347	160
Greater China	70	35	—	2,954	2,733
Other Asia Pacific	30	16	—	1,775	1,227
North America	19	14	—	961	777
Rest of the World	18	12	—	1,614	1,878
	2,193	1,222	47	84,497	74,419

The Group's operations are in six main geographical areas:

- (a) Singapore, the home country of the Bank where the primary business segments are located.
- (b) Malaysia, mainly comprise the operations of the Group's banking subsidiary, OCBC Bank (Malaysia) Berhad and the operations of the Group's insurance subsidiaries, Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Berhad.
- (c) Other ASEAN, include business activities of branches and subsidiaries in Indonesia, the Philippines, Thailand and Vietnam.
- (d) Greater China, include business activities of branches and subsidiaries in Hong Kong, China and Taiwan.
- (e) Other Asia Pacific, includes business activities of branches and subsidiaries in Australia, Japan, Korea and India.
- (f) North America, comprise branch operations in United States.
- (g) Rest of the World, comprise mainly branch operations in United Kingdom.

With the exception of Singapore and Malaysia, no other individual country contributed more than 10% of consolidated income before operating expenses and total assets.

The geographical information is prepared based on the country in which the transactions are booked. It would not be materially different if it is based on the country in which the counterparty or assets are located.

Income before operating expenses, profit before tax, total assets and total liabilities are stated after elimination of intra-group transactions and balances.

Notes to the Financial Statements

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39. RISK MANAGEMENT INFORMATION

39.1 Strategy in using financial instruments

Managing risks is central to the Group's business strategy. The Group's activities involve the extensive use of financial instruments including derivatives, which expose the Group to the risk of loss due to change in the values of these financial instruments.

The Group adopts a comprehensive approach to risk management that seeks to manage its risk profile within pre-defined limits and to protect the Group against severe losses from unlikely but plausible stress events. Various risk management committees have been set up to manage specific areas of risks as outlined in the sections below.

39.2 Credit risk management

Credit risk is the risk of loss due to borrower or counterparty default on payment. Such risk arises from lending, underwriting, trading and other activities undertaken by the Group.

The Credit Risk Management Committee ("CRMC") is the principal senior management committee that supports the Chief Executive Officer ("CEO") and the Board in general credit risk management oversight. The CRMC reviews and recommends major credit risk policies for the approval by the CEO and/or the Board. It is also responsible for ensuring that sound credit risk methodologies and effective credit risk management processes are established and adhered to.

The CRMC includes representatives from major business units, where credit risk is generated, as well as independent credit risk controlling units. This joint effort in setting risk policy seeks to ensure understanding of, and commitment to, the credit risk management process.

The CRMC is supported by the Credit Risk Management ("CRM") departments within Group Risk Management Division. Dedicated CRM units perform the roles of developing risk policies, guidelines and procedures and putting in place the monitoring, reporting and control systems.

New Product Approval

The New Product Approving Committee ("NPAC"), consisting of senior representatives from the Bank's business, support and risk management units, reviews and approves all new products including credit programmes. The representation of key stakeholders in the membership of the NPAC is to ensure objectivity and independence in, and to inject functional expertise into, the decision-making process. The NPAC is also reviewing existing programmes on a regular basis.

Country risk

A country risk framework is in place, covering the assessment and rating of countries, as well as the maximum cross-border transfer risk limit that can be granted to any one country based on its risk rating. Cross-border transfer risk covers all cross-border transactions including onshore non-local currency transactions. Limits are allocated into maturity time-bands and vary according to the risk rating of the country concerned and the political and economic outlook.

Credit concentration

Limits are set on specific customer or industry segments to avoid over-concentration of credit risks. Prudent limits have also been placed on exposures to single customer groups.

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39. RISK MANAGEMENT INFORMATION (continued)

39.2 Credit risk management (continued)

Problem loans

(a) Loan classification

The Group classifies its loans in accordance with MAS Notice 612 and internal loan classification policies. Performing loans are categorised as 'Passed' or 'Special Mention', while non-performing loans are categorised as 'Substandard', 'Doubtful' or 'Loss' based on the following guidelines:

- Passed – Interest and principal payments are fully up-to-date, and orderly repayment and/or timely settlement in the future is without doubt.
- Special Mention – Currently protected but potentially weak. Borrower exhibits some deteriorating trends which, if not addressed or corrected, could jeopardise the timely repayment of interest and principal.
- Substandard – Timely repayment and/or settlement is at risk. Well-defined weakness is evident.
- Doubtful – Full repayment and/or settlement is improbable.
- Loss – The outstanding debt is regarded as uncollectable.

(b) Restructured loans

A restructured loan refers to one where the original contractual terms and conditions have been modified upon mutual agreement between the Group and the borrower. Where a loan is restructured because a borrower is facing severe financial difficulties and where it is probable that the account will have to be downgraded to non-performing status without the restructuring, the restructured loan will be classified as NPL. Once classified as an NPL, a restructured loan can only be upgraded after a reasonable period (typically six months) of sustained performance under the restructured terms.

(c) Provisioning policies

Provision for estimated loan losses in the loan book is made up of two parts which are a specific provision against each NPL and a general provision that cannot be specifically applied and reflects the potential risk embodied in the loan portfolio. In determining the level of general provision, reference is made to country conditions, the composition of the portfolio and industry practices.

The specific provision against each NPL is based on the individual circumstances of each account after considering:

- The underlying business and financial viability of the borrower
- The cash flow sources of the borrower
- The quality and realisable value of the collateral and guarantee supporting the loan
- The existence of a valid and enforceable legal right of recourse against the borrower

(d) Write-offs

Write-offs of debts are made when recovery action has been instituted and the loss can be reasonably determined. For unsecured consumer loan programmes, the general policy is to write-off overdue debts after 180 days after the first default.

(e) Interest accrual on non-performing loans

Interest accrual on non-performing loans is not recognised as income in the income statements until received. It is reported as interest-in-suspense and is netted against interest receivable under other assets (Note 32) for all loans except for overdrafts where interest is capitalised due to the nature of the product.

(f) Value and nature of collateral held against NPLs

The major type of collateral backing for the Group's NPLs is real estate in Singapore. The realisable value of the real estate collateral is used to evaluate the adequacy of the collateral coverage. Proceeds from sale of collateral pledged for a particular loan cannot be applied to other classified loans unless the accounts are related and cross-collateralisation of the facilities is contractually provided for.

Credit risk information

Credit risk-related information is set out in the following notes:

- Note 27 Loans to and bills receivable from customers
- Note 28 Non-performing loans and debt securities
- Note 29 Specific provision for loan losses and interest-in-suspense
- Note 31 Investment securities
- Note 38 Segmental information
- Note 40 Country risk

Notes to the Financial Statements

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39. RISK MANAGEMENT INFORMATION (continued)

39.3 Market risk management

Market risk refers to the risk arising from uncertainty in the future values of financial instruments, resulting from movements in factors such as interest rates, foreign exchange rates, and equity prices. The Group's primary exposure to market risk is associated with the maturity and re-pricing mismatches of assets and liabilities arising from its core banking business. Trading activities, involving both derivative and non-derivative instruments, are used to complement the banking business. To manage the market risk from its trading activities, a framework of market risk policies and operational limits is in place. A Value-at-Risk ("VaR") methodology is adopted to quantify the risk arising from the trading activities. VaR measures the potential losses that could arise from adverse movements in interest rates, foreign exchange rates, equity prices and rate/price volatilities that could affect the value of the financial instruments over a specified holding period within a specified confidence interval. In addition to VaR limits, factor sensitivity measures, such as present value per basis point and option Greeks, are used as risk monitoring mechanism on a daily basis. To manage abnormal market behaviour and supplement VaR, stress tests and scenario analyses are performed to quantify the market risk arising from low probability, stressed market events.

The Market Risk Management Committee ("MRMC") is the principal senior management group that supports the Board and Chief Executive Officer in market risk oversight. The committee comprises senior managers from both the business and support units.

39.4 Operational risk management

Operational risk is the potential risk arising from a breakdown in internal processes and systems, deficiencies in people and management, or operational failure arising from external events. The objective of managing operational risk is to minimise unexpected and catastrophic losses and manage expected losses. This enables new business opportunities to be pursued in a risk controlled manner.

The Bank has an overall framework with the required environment and organisational components for managing operational risk in a structured, systematic and consistent manner.

A comprehensive strategy has been formulated to provide a group-wide integrated solution encompassing the roll-out of qualitative and quantitative tools and methodologies which will position the Group to qualify for the more proactive risk management approaches recommended by the Basel Committee.

39.5 Asset and liability management

Asset and liability management involves managing funding liquidity, interest rate and foreign exchange rate risks arising from the core banking business. The Group's policy is to manage the earnings volatility arising from the effects of movements in interest rates and foreign exchange rates which are inherent in the Group's non-trading activities, while maintaining a prudent level of liquidity to meet financial obligations at all times. A senior management forum, the Asset and Liability Management Committee ("ALCO"), reviews these risks on a monthly basis.

Interest rate risk

The Group's main market risk is the interest rate risks arising from the maturity and re-pricing mismatches of its assets and liabilities from its banking business. The Group's lending activities are funded largely by demand, savings and fixed deposits, resulting in natural mismatch positions. A system is in place to manage the interest rate mismatches arising from these activities. The mismatches are monitored against defined sensitivity limits and net interest income changes.

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39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate re-pricing risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

31 December 2004 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Non-interest sensitive	Total
Assets								
Cash and placement with central banks	422	453	604	585	-	-	1,553	3,617
Singapore government treasury bills and securities	6	584	1,586	1,557	1,413	1,294	-	6,440
Other government treasury bills and securities	41	6	454	279	646	412	-	1,838
Dealing securities	217	39	79	349	1	10	6	701
Placement with and loans to banks	1,900	2,018	1,956	4,057	45	16	15	10,007
Loans to customers ⁽¹⁾	18,532	11,880	6,908	9,956	3,667	3,164	(1,145)	52,962
Investment securities	11	425	845	1,462	1,799	2,084	848	7,474
Deferred tax	-	-	-	-	-	-	50	50
Other assets	-	-	-	-	-	-	3,274	3,274
Associated companies	6	10	-	24	-	-	269	309
Property, plant and equipment	-	-	-	-	-	-	1,316	1,316
Goodwill and intangible assets	-	-	-	-	-	-	2,999	2,999
	21,135	15,415	12,432	18,269	7,571	6,980	9,185	90,987
Life fund net assets								28,895
Total assets								119,882
Liabilities								
Deposits of non-bank customers	22,730	13,304	7,237	7,594	642	284	5,496	57,287
Deposits and balances of banks	3,797	3,889	3,300	1,462	7	-	-	12,455
Deposits of associated companies	8	3	1	5	-	-	-	17
Bills payable	-	-	-	-	-	-	159	159
Current tax	-	-	-	-	-	-	425	425
Deferred tax	-	-	-	-	-	-	83	83
Other liabilities	-	-	-	-	-	-	3,135	3,135
Debt securities	20	673	62	247	816	3,877	-	5,695
	26,555	17,869	10,600	9,308	1,465	4,161	9,298	79,256
Minority interests	-	-	-	-	-	-	489	489
Equity	-	-	-	-	-	-	11,242	11,242
	26,555	17,869	10,600	9,308	1,465	4,161	21,029	90,987
Life assurance fund								28,895
Total liabilities and equity								119,882
On-balance sheet								
interest sensitivity gap	(5,420)	(2,454)	1,832	8,961	6,106	2,819	(11,844)	-
Off-balance sheet								
interest sensitivity gap	1,999	(68)	942	(1,079)	(3,471)	1,677	-	-
Net interest sensitivity gap	(3,421)	(2,522)	2,774	7,882	2,635	4,496	(11,844)	-

⁽¹⁾ The negative balance represents mainly general provisions for possible loan losses.

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39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Interest rate risk (continued)

31 December 2003 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Non-interest sensitive	Total
Assets								
Cash and placement with central banks	824	941	314	432	—	—	1,525	4,036
Singapore government treasury bills and securities	159	784	1,828	1,486	564	1,330	—	6,151
Other government treasury bills and securities	96	—	84	310	314	251	—	1,055
Dealing securities	87	—	—	16	24	93	15	235
Placement with and loans to banks	2,078	1,955	3,491	2,046	60	—	20	9,650
Loans to customers ⁽¹⁾	13,806	10,337	6,690	9,080	8,454	2,964	(1,176)	50,155
Investment securities	70	500	1,401	453	1,818	1,817	236	6,295
Deferred tax	—	—	—	—	—	—	54	54
Other assets	—	—	—	—	—	—	2,182	2,182
Associated companies	—	9	—	—	—	—	1,168	1,177
Property, plant and equipment	—	—	—	—	—	—	1,435	1,435
Goodwill and intangible assets	—	—	—	—	—	—	2,072	2,072
Total assets	17,120	14,526	13,808	13,823	11,234	6,455	7,531	84,497
Liabilities								
Deposits of non-bank customers	21,339	14,306	5,796	7,704	601	312	3,402	53,460
Deposits and balances of banks	3,897	3,434	3,638	1,496	16	—	—	12,481
Deposits of associated companies	419	406	197	220	85	—	131	1,458
Bills payable	—	—	—	—	—	—	185	185
Current tax	—	—	—	—	—	—	327	327
Deferred tax	—	—	—	—	—	—	76	76
Other liabilities	—	—	—	—	—	—	2,421	2,421
Debt securities	—	33	120	—	—	3,857	—	4,010
	25,655	18,179	9,751	9,420	702	4,169	6,542	74,418
Minority interests	—	—	—	—	—	—	20	20
Equity	—	—	—	—	—	—	10,059	10,059
Total liabilities and equity	25,655	18,179	9,751	9,420	702	4,169	16,621	84,497
On-balance sheet interest sensitivity gap								
	(8,535)	(3,653)	4,057	4,403	10,532	2,286	(9,090)	—
Off-balance sheet interest sensitivity gap								
	355	(519)	3,664	(848)	(3,970)	1,318	—	—
Net interest sensitivity gap	(8,180)	(4,172)	7,721	3,555	6,562	3,604	(9,090)	—

⁽¹⁾ The negative balance represents mainly general provisions for possible loan losses.

Notes to the Financial Statements

for the financial year ended 31 December 2004

39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Interest rate risk (continued)

The table below summarises the effective average interest rate by major currencies for financial assets and liabilities:

	SGD %	USD %	MYR %
31 December 2004			
Assets			
Placement with central banks	1.24	0.16	2.78
Placement with and loans to banks	1.35	2.54	2.77
Loans to customers	3.15	3.30	6.03
Securities and other interest-earning assets	2.00	4.03	3.46
Liabilities			
Deposits and balances of banks	1.31	2.17	2.72
Deposits and other accounts of non-bank customers	0.82	1.89	2.75
Debt securities	2.66	2.54	—
31 December 2003			
Assets			
Placement with central banks	0.77	0.01	2.87
Placement with and loans to banks	0.71	1.27	2.96
Loans to customers	3.23	2.14	5.78
Securities and other interest-earning assets	1.52	4.04	3.76
Liabilities			
Deposits and balances of banks	0.60	1.17	2.89
Deposits and other accounts of non-bank customers	0.55	0.80	2.85
Debt securities	2.68	—	—

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for the financial year ended 31 December 2004

39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Liquidity risk

The Group's policy of liquidity management is to ensure that there are sufficient funds to meet the Group's financial obligations as they become due.

Liquidity risk is managed through a combination of static financial ratios, cash flow projections and stress tests. Static ratios monitor and ensure adequate diversification in the Group's funding sources. This restricts the dependency on particular sources of funds and exposure to any particular group of lenders. Projections for each of the next 30 days are closely monitored based on the contractual and actuarial patterns of the cash flow. The movements are analysed under both a business-as-usual and stressed scenarios and monitored against a set of cumulative maximum outflow limits. Stress tests assumptions are applied to ensure that the Group has the ability to withstand sudden and heavy cash outflows.

The table below analyses assets and liabilities of the Group into maturity time bands based on the remaining time to contractual maturity as at balance sheet date.

31 December 2004 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Total
Assets							
Cash and placement with central banks	1,676	453	604	585	—	299	3,617
Singapore government treasury bills and securities	6	584	1,586	1,557	1,413	1,294	6,440
Other government treasury bills and securities	41	6	454	279	646	412	1,838
Dealing securities	225	—	—	1	364	111	701
Placement with and loans to banks	1,918	1,950	1,865	4,022	236	16	10,007
Loans to customers	6,237	3,665	3,455	6,220	8,686	24,699	52,962
Investment securities	34	36	541	1,517	2,322	3,024	7,474
Deferred tax	—	—	—	—	50	—	50
Other assets	220	2,392	225	106	167	164	3,274
Associated companies	6	10	—	24	1	268	309
Property, plant and equipment	—	—	—	—	—	1,316	1,316
Goodwill and intangible assets	—	—	—	—	—	2,999	2,999
	10,363	9,096	8,730	14,311	13,885	34,602	90,987
Life fund net assets							28,895
Total assets							119,882
Liabilities							
Deposits of non-bank customers	28,048	13,253	6,633	6,720	789	1,844	57,287
Deposits and balances of banks	3,797	3,889	3,300	1,462	7	—	12,455
Deposits of associated companies	8	3	1	5	—	—	17
Bills payable	100	59	—	—	—	—	159
Current tax	1	2	4	418	—	—	425
Deferred tax	—	—	—	—	66	17	83
Other liabilities	401	2,304	114	214	96	6	3,135
Debt securities	20	673	62	247	816	3,877	5,695
	32,375	20,183	10,114	9,066	1,774	5,744	79,256
Minority interests	—	—	—	—	—	489	489
Equity	—	—	—	—	—	11,242	11,242
	32,375	20,183	10,114	9,066	1,774	17,475	90,987
Life assurance fund							28,895
Total liabilities and equity							119,882
Net liquidity gap	(22,012)	(11,087)	(1,384)	5,245	12,111	17,127	—

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for the financial year ended 31 December 2004

39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Liquidity risk (continued)

31 December 2003 (\$ million)	Less than 7 days	1 week to 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year to 3 years	Over 3 years	Total
Assets							
Cash and placement with central banks	2,088	941	314	432	—	261	4,036
Singapore government treasury bills and securities	159	784	1,828	1,486	564	1,330	6,151
Other government treasury bills and securities	96	—	84	310	314	251	1,055
Dealing securities	102	—	—	16	24	93	235
Placement with and loans to banks	2,095	1,941	3,386	2,077	151	—	9,650
Loans to customers	7,015	3,037	3,128	5,245	9,686	22,044	50,155
Investment securities	12	20	432	514	2,897	2,420	6,295
Deferred tax	—	—	—	—	54	—	54
Other assets	1,463	518	51	125	22	3	2,182
Associated companies	—	9	—	—	—	1,168	1,177
Property, plant and equipment	—	—	—	—	—	1,435	1,435
Goodwill and intangible assets	—	—	—	—	—	2,072	2,072
Total assets	13,030	7,250	9,223	10,205	13,712	31,077	84,497
Liabilities							
Deposits of non-bank customers	24,591	14,460	5,793	7,590	601	425	53,460
Deposits and balances of banks	3,900	3,438	3,627	1,500	16	—	12,481
Deposits of associated companies	550	406	197	220	85	—	1,458
Bills payable	123	62	—	—	—	—	185
Current tax	1	4	—	320	2	—	327
Deferred tax	—	—	—	—	76	—	76
Other liabilities	1,592	550	36	127	110	6	2,421
Debt securities	—	33	120	—	—	3,857	4,010
	30,757	18,953	9,773	9,757	890	4,288	74,418
Minority interests	—	—	—	—	—	20	20
Equity	—	—	—	—	—	10,059	10,059
Total liabilities and equity	30,757	18,953	9,773	9,757	890	14,367	84,497
Net liquidity gap	(17,727)	(11,703)	(550)	448	12,822	16,710	—

Notes to the Financial Statements

for the financial year ended 31 December 2004

39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Currency risk

The banking activities of providing financial products and services to corporate and retail customers expose the Group to foreign exchange risk. Foreign exchange risk is centrally managed by Group Treasury against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group by major currencies, which are mainly in the Singapore dollar, the US dollar and the Malaysian ringgit. The "Others" foreign exchange risks include mainly exposure to Australian dollar, Euro, Japanese yen, Sterling pound and Hong Kong dollar.

31 December 2004 (\$ million)	SGD	USD	MYR	Others	Total
Assets					
Cash and placement with central banks	1,966	19	893	739	3,617
Singapore government treasury bills and securities	6,440	—	—	—	6,440
Other government treasury bills and securities	—	99	1,584	155	1,838
Dealing securities	104	354	220	23	701
Placement with and loans to banks	1,792	4,871	423	2,921	10,007
Loans to customers	33,889	8,197	6,426	4,450	52,962
Investment securities	2,119	3,166	855	1,334	7,474
Deferred tax	7	—	43	—	50
Other assets	2,191	778	228	77	3,274
Associated companies	68	—	121	120	309
Property, plant and equipment	1,090	—	89	137	1,316
Goodwill and intangible assets	2,999	—	—	—	2,999
	52,665	17,484	10,882	9,956	90,987
Life fund net assets					28,895
Total assets					119,882
Liabilities					
Deposits of non-bank customers	35,302	8,234	8,528	5,223	57,287
Deposits and balances of banks	3,841	5,253	170	3,191	12,455
Deposits of associated companies	6	—	9	2	17
Bills payable	74	5	79	1	159
Current tax	387	1	31	6	425
Deferred tax	83	—	—	—	83
Other liabilities	1,371	1,506	173	85	3,135
Debt securities	3,912	1,465	—	318	5,695
	44,976	16,464	8,990	8,826	79,256
Minority interests	488	—	—	1	489
Equity	11,242	—	—	—	11,242
	56,706	16,464	8,990	8,827	90,987
Life assurance fund					28,895
Total liabilities and equity					119,882
On-balance sheet position	(4,041)	1,020	1,892	1,129	—
Off-balance sheet position	1,443	(1,094)	(431)	82	—
Net position	(2,598)	(74)	1,461	1,211	—
Of which:					
Net investments in overseas operations	—	171	821	1,042	2,034

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39. RISK MANAGEMENT INFORMATION (continued)

39.5 Asset and liability management (continued)

Currency risk (continued)

31 December 2003 (\$ million)	SGD	USD	MYR	Others	Total
Assets					
Cash and placement with central banks	2,445	8	1,321	262	4,036
Singapore government treasury bills and securities	6,151	—	—	—	6,151
Other government treasury bills and securities	—	86	851	118	1,055
Dealing securities	85	61	89	—	235
Placement with and loans to banks	2,358	3,724	668	2,900	9,650
Loans to customers	32,851	7,257	5,869	4,178	50,155
Investment securities	1,852	2,729	787	927	6,295
Deferred tax	5	—	49	—	54
Other assets	1,625	422	54	81	2,182
Associated companies	1,063	—	114	—	1,177
Property, plant and equipment	1,210	—	83	142	1,435
Goodwill and intangible assets	2,072	—	—	—	2,072
Total assets	51,717	14,287	9,885	8,608	84,497
Liabilities					
Deposits of non-bank customers	33,983	7,441	7,496	4,540	53,460
Deposits and balances of banks	2,847	6,692	293	2,649	12,481
Deposits of associated companies	776	32	567	83	1,458
Bills payable	97	5	82	1	185
Current tax	313	1	9	4	327
Deferred tax	76	—	—	—	76
Other liabilities	1,277	908	98	138	2,421
Debt securities	4,010	—	—	—	4,010
	43,379	15,079	8,545	7,415	74,418
Minority interests	19	—	—	1	20
Equity	10,059	—	—	—	10,059
Total liabilities and equity	53,457	15,079	8,545	7,416	84,497
On-balance sheet position	(1,740)	(792)	1,340	1,192	—
Off-balance sheet position	(159)	948	(441)	(348)	—
Net position	(1,899)	156	899	844	—
Of which:					
Net investments in overseas operations	—	129	905	823	1,857

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39. RISK MANAGEMENT INFORMATION (continued)

39.6 Fair values of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's financial instruments, including loans and advances to customers, where such market prices are not available, various methodologies are used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's financial instruments, including loans and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group could realise in a sales transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group as a going concern.

Fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of Financial Reporting Standard 32 ("FRS 32") which requires fair value information to be disclosed. These include property, plant and equipment, intangibles such as long-term relationships with depositors and insurance contracts.

Except for loans to and bills receivable from customers, the following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair values. In respect of loans to and bills receivable from customers, the Group has computed the fair values taking into account the relevant market interest rates and credit spread and noted that the total fair value is not materially different from the total carrying amount at year end.

\$ million	2004		2003	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Assets for which fair value approximates carrying value	16,897	16,897	15,868	15,868
Dealing securities	701	704	236	238
Government securities	8,278	8,336	7,206	7,224
Investment securities	7,474	8,301	6,295	6,911
Financial liabilities				
Liabilities for which fair value approximates carrying value	36,156	36,156	35,668	35,668
Non-bank customer term deposits	36,269	36,275	34,273	34,272
Debt securities issued and other borrowed funds	6,746	7,403	4,402	5,032

Note:

The fair value is determined without deducting the transaction costs that would be incurred to exchange or settle the underlying financial instrument. The costs are expected to be insignificant and will not have any material impact on the fair value.

The fair values are based on the following methodologies and assumptions:

Assets for which fair value approximates carrying value

Fair value of certain financial assets carried at cost, including cash and placements with central banks, placements with and loans to banks, interest and other short term receivables are expected to approximate their carrying value due to their short tenor.

Loans and advances to non-bank customers

The carrying value of loans and advances is the principal outstanding net of specific and other provisions for impairment. Fair value of loans and advances are computed after taking into account the relevant market interest rates and credit spread by product types as at balance sheet date.

Notes to the Financial Statements

for the financial year ended 31 December 2004

39. RISK MANAGEMENT INFORMATION (continued)

39.6 Fair values of financial assets and liabilities (continued)

Securities

Fair value of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair value of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flow analysis. These securities may be subjected to restrictions, for example, consent of other investors that, may limit the Group's ability to realise the estimated fair value. Accordingly, current estimates of fair value and the ultimate realisation of these instruments may differ.

Liabilities for which fair value approximates carrying value

Fair value of certain financial liabilities, which include mainly customer deposits with no stated maturity, interbank borrowings and borrowings under repurchase agreements, are expected to approximate their carrying value due to their short tenor.

Non-bank customer term deposits

For non-bank customer deposits with maturities of less than three months, the carrying amount is a reasonable estimate of their fair value. For deposits with maturities of three months or more, fair values are estimated using discounted cash flows based on market rates.

Debt securities issued and other borrowed funds

The aggregate fair values of the Bank's fixed rate subordinated term notes are based on quoted market prices. The difference between the fair value and the carrying amount of the subordinated term notes will be largely offset by the corresponding fair value of the hedging interest rate and currency swaps entered into by the Bank. Fair values of other borrowed funds are obtained from independent broker offer prices.

40. COUNTRY RISK

At 31 December 2004, the countries where OCBC's cross-border transfer risk exceeded 1% of assets were Malaysia, Hong Kong SAR, United Kingdom, China and United States and consisted mainly of placements with banks due within one year. Cross-border transfer risk covers all cross-border transactions including onshore non-local currency transactions. In this context, assets (excluding life fund net assets) amounted to \$90,986 million (2003: \$84,497 million) as shown in the consolidated balance sheet at 31 December 2004.

Cross-border transfer risk exposure exceeding 1% of assets:

	Banks \$ million	Government and official institutions \$ million	Financial institutions, private sector and individuals \$ million	Total \$ million	As % of total assets %
2004					
Malaysia	3,248	1,022	1,342	5,612	6.17
Hong Kong SAR	1,371	—	900	2,271	2.50
United Kingdom	1,281	—	119	1,400	1.54
China	893	—	483	1,376	1.51
United States	256	27	950	1,233	1.36
Indonesia	273	27	793	1,093	1.20
Cayman Islands	—	—	994	994	1.09
South Korea	665	44	270	979	1.08
Taiwan	728	—	185	913	1.00
2003					
Malaysia	3,034	615	1,095	4,744	5.61
Hong Kong SAR	1,099	—	753	1,852	2.19
United Kingdom	1,312	—	55	1,367	1.62
Cayman Islands	—	—	1,090	1,090	1.29
China	644	—	360	1,004	1.19
Japan	927	—	19	946	1.12

Notes to the Financial Statements

for the financial year ended 31 December 2004

41. OFF-BALANCE SHEET ITEMS

Off-balance sheet items comprise contingent liabilities, commitments and financial derivative instruments which are matched by corresponding obligations of counter-parties that are banks and other financial institutions and customers.

42. CONTINGENT LIABILITIES

The banking and finance corporations in the Group conduct businesses involving acceptances, guarantees, documentary credits and other similar transactions. Acceptances are undertakings by the Group to pay on bills of exchange drawn on customers. Guarantees are issued by the Group to guarantee the performance of customers to third parties. Documentary credits commit the Group to make payments to third parties on production of documents.

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Acceptances and endorsements	699,978	544,211	103,862	56,450
Guarantees and standby letters of credit	5,044,902	4,724,914	4,860,211	4,520,851
Documentary credits and other short term trade-related transactions	774,205	505,923	635,955	433,051
Others	49,680	54,529	—	—
	6,568,765	5,829,577	5,600,028	5,010,352

Included in guarantees and standby letters of credit is an amount of \$1.13 billion (2003: \$1.17 billion) relating to credit default swaps entered into by the Bank which are collateralised on long-term loans granted by the Bank of an equivalent amount (Note 27) and an amount of \$0.64 billion (2003: \$0.60 billion) relating to credit default swaps entered into by the Bank which are collateralised on credit linked notes held by the Bank of an equivalent amount (Note 31).

42.1 Analysed by geographical sector

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Singapore	4,993,737	4,503,965	5,063,796	4,567,257
Malaysia	1,249,936	1,054,941	236,693	174,241
Other ASEAN	42,427	14,760	9,884	5,022
Greater China	106,562	124,794	113,354	132,502
Other Asia Pacific	62,432	25,314	62,432	25,314
North America	32,874	41,507	33,072	41,720
Rest of the World	80,797	64,296	80,797	64,296
	6,568,765	5,829,577	5,600,028	5,010,352

42.2 Analysed by industry

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Agriculture, mining and quarrying	30,226	25,049	863	213
Manufacturing	864,563	751,404	372,832	321,862
Building and construction	1,133,568	835,420	1,173,333	898,693
General commerce	943,227	608,143	786,415	488,611
Transport, storage and communication	261,225	211,368	223,686	196,123
Financial institutions, investment and holding companies	2,260,446	2,343,431	2,257,714	2,339,452
Professionals and individuals	97,205	89,914	96,497	89,777
Others	978,305	964,848	688,688	675,621
	6,568,765	5,829,577	5,600,028	5,010,352

Notes to the Financial Statements

for the financial year ended 31 December 2004

43. COMMITMENTS

Commitments comprise mainly agreements to provide credit facilities to customers. Such commitments can either be made for a fixed period, or have no specific maturity but are cancellable by the Group, subject to notice requirements.

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
43.1 Credit commitments				
Undrawn credit facilities:				
– Original term to maturity of one year or less	22,009,489	20,146,688	19,658,667	18,114,455
– Original term to maturity of more than one year	7,302,190	5,705,254	4,753,127	4,229,772
	29,311,679	25,851,942	24,411,794	22,344,227
Undrawn note issuance and revolving underwriting facilities	110,060	270,070	42,550	191,740
Forward asset purchases/sales	746,261	1,065,179	746,261	1,065,179
	30,168,000	27,187,191	25,200,605	23,601,146
43.2 Other commitments				
Operating lease commitments:				
– Within 1 year	17,375	13,528	15,176	12,370
– After 1 year but within 5 years	17,843	13,980	15,068	13,801
– Over 5 years	230	813	230	813
	35,448	28,321	30,474	26,984
Capital expenditure authorised and contracted	52,550	45,780	31,939	9,602
	87,998	74,101	62,413	36,586
43.3 Total commitments	30,255,998	27,261,292	25,263,018	23,637,732
43.4 Analysed by geographical sector				
Singapore	23,476,003	21,496,521	23,476,792	21,904,793
Malaysia	5,413,503	4,412,789	462,235	404,326
Other ASEAN	123,936	120,898	75,043	73,495
Greater China	445,655	447,370	451,953	471,076
Other Asia Pacific	335,354	275,553	335,448	275,881
North America	383,527	382,951	383,527	382,951
Rest of the World	78,020	125,210	78,020	125,210
	30,255,998	27,261,292	25,263,018	23,637,732

As at 31 December 2004, total commitments under life assurance funds of the Group, not included in the above tables, are as follows:

	\$'000
Operating lease commitments	
– Within 1 year	1,129
– After 1 year but within 5 years	1,139
– Over 5 years	–
	2,268
Capital commitment authorised and contracted	220,120
	222,388

Notes to the Financial Statements

for the financial year ended 31 December 2004

44. FINANCIAL DERIVATIVES

Financial derivatives are off-balance sheet financial instruments, which include forward contracts for the purchase and sale of foreign currencies, interest rate and currency swaps, financial futures and option contracts. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks. The following outlines the nature and terms of the most common types of derivatives used:

Foreign exchange derivatives are exchange rate related contracts, mainly forward foreign exchange contracts, currency swaps and currency options.

Forward foreign exchange contracts are agreements to exchange a specified amount of one currency for another on a future date at an agreed rate.

Currency swaps are agreements that involve the exchange or notional exchange of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options are contracts that give the purchaser the right, but not the obligation, to buy or sell an underlying currency at a certain price on or before an agreed future date. As the seller (option writer) has a duty to buy or sell at the agreed price should the purchaser exercise his right, he generally receives a premium payable at the start of the option period. Some currency options purchased from customers are usually embedded in deposits for an enhanced yield return.

Interest rate derivatives are interest rate related contracts undertaken by the Group, which include interest rate swaps, forward rate agreement ("FRA"), caps, floors, collars, futures and swaptions.

An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract.

In a forward rate agreement, two parties agree to fix the interest rate on a specified notional principal amount for a defined period commencing at a specified date in the future. The buyer of a FRA is the party wishing to protect itself against a future rise in the relevant interest rate. The seller is the party wishing to protect itself against a future fall in the relevant interest rate.

Caps, floors and collars are different types of interest rate options transactions designed to hedge interest rate exposures. A cap is a contract whereby the seller agrees to pay to the purchaser, in return for an upfront premium or a series of annuity payments, the difference between a reference rate and an agreed strike rate when the reference rate exceeds the strike rate. A floor is a contract whereby the seller agrees to pay to the purchaser, in return for an upfront premium, the difference between a reference rate and an agreed strike rate should the strike rate exceed the reference rate. A collar is the simultaneous purchase of an out-of-the-money cap and sale of an out-of-the-money floor. The seller of the collar agrees to limit the buyer's floating interest rate to a band limited by a specified cap rate and floor rate.

A futures contract is an agreement to buy or sell a standard quantity of a specific financial instrument at a pre-determined future date and at a price agreed between the parties on an organised exchange.

Swaptions are over-the-counter options on swap contracts, which give the buyer the right, but not the obligation, to enter into an interest rate swap as either the payer or receiver of the fixed side of the swap. An interest rate call swaption gives the purchaser the right to receive a specified fixed rate, the strike rate, in a swap and to pay the floating rate for a stated time period. An interest rate put swaption gives the buyer the right to pay a specific fixed interest rate in a swap, and to receive the floating rate for a stated time period.

Equity derivatives comprise mainly equity convertible deposits whereby an equity option is embedded in deposits placed with the Bank. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

Credit derivatives are contracts between a holder of an asset (the buyer of protection) and a third party called the seller of credit. It is an arrangement whereby the reference credit, credit risk of a risky asset (the reference asset, could be a loan or bond issued by a company) is transferred from the buyer to the seller of protection. The term credit risk refers to the failure of the borrower to perform his part of the contract, which can arise due to a variety of reasons ranging from bankruptcy, losses, distress or other events.

The financial derivatives shown in the following tables are held for both trading and hedging purposes. The contractual or underlying principal amounts of these financial derivatives and their corresponding gross positive (assets) and negative (liabilities) fair values at balance sheet date are analysed below. Changes in fair values of futures contracts below which are exchange traded are subject to daily settlement and the margins relating to these futures contracts are included in balances with banks and other financial institutions.

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for the financial year ended 31 December 2004

44. FINANCIAL DERIVATIVES (continued)

GROUP (\$'000)	Contractual or principal notional amount	Fair value – assets	Fair value – liabilities
2004			
Foreign exchange derivatives			
Forwards	5,764,319	47,648	45,829
Swaps	61,262,636	1,374,183	1,109,400
OTC options – bought and sold	1,512,942	9,285	6,277
	68,539,897	1,431,116	1,161,506
Interest rate derivatives			
Forwards	27,313,673	5,969	6,372
Swaps	169,791,869	1,201,960	961,286
OTC options – bought and sold	2,865,083	7,255	10,166
Exchange traded futures – bought and sold	1,146,569	39	543
	201,117,194	1,215,223	978,367
Equity derivatives			
Options written	6,000	–	–
Options bought	24,957	13	70
	30,957	13	70
Credit derivatives			
Credit default swaps	8,170	–	740
Other derivatives			
Gold forwards – bought and sold	16,011	606	1
Total	269,712,229	2,646,958	2,140,684
Fair value of trading derivatives included in other assets and other liabilities		1,709,164	1,663,565
		(Note 32)	(Note 19)

Notes to the Financial Statements

for the financial year ended 31 December 2004

44. FINANCIAL DERIVATIVES (continued)

GROUP (\$'000)	Contractual or principal notional amount	Fair value – assets	Fair value – liabilities
2003			
Foreign exchange derivatives			
Forwards	3,206,356	34,054	25,595
Swaps	53,374,342	709,772	596,079
OTC options – bought and sold	759,216	3,065	6,462
	57,339,914	746,891	628,136
Interest rate derivatives			
Forwards	18,703,100	6,419	6,085
Swaps	107,645,204	966,529	763,192
OTC options – bought and sold	1,985,168	2,793	6,397
Exchange traded futures – bought and sold	5,534,326	1,532	2,036
	133,867,798	977,273	777,710
Equity derivatives			
Futures	218	–	4
Options bought	10,785	1	81
	11,003	1	85
Credit derivatives			
Credit default swaps	8,505	–	1,234
Other derivatives			
Gold forwards – bought and sold	19,105	28	274
Silver forwards – bought and sold	281	9	10
	19,386	37	284
Total	191,246,606	1,724,202	1,407,449
Fair value of trading derivatives included in other assets and other liabilities		1,114,806	1,101,163
		(Note 32)	(Note 19)

Notes to the Financial Statements

for the financial year ended 31 December 2004

44. FINANCIAL DERIVATIVES (continued)

BANK (\$'000)	Contractual or principal notional amount	Fair value – assets	Fair value – liabilities
2004			
Foreign exchange derivatives			
Forwards	3,041,416	31,272	28,629
Swaps	58,508,797	1,370,544	1,108,525
OTC options – bought and sold	1,437,055	8,886	6,054
	62,987,268	1,410,702	1,143,208
Interest rate derivatives			
Forwards	27,313,673	5,969	6,372
Swaps	169,840,120	1,212,004	959,557
OTC options – bought and sold	2,865,083	7,218	10,166
Exchange traded futures – bought and sold	1,146,569	39	543
	201,165,445	1,225,230	976,638
Equity derivatives			
Options written	6,000	–	–
Options bought	24,957	13	70
	30,957	13	70
Credit derivatives			
Credit default swaps	8,170	–	740
Other derivatives			
Gold forwards – bought and sold	15,177	579	1
Total	264,207,017	2,636,524	2,120,657
Fair value of trading derivatives included in other assets and other liabilities		1,698,900	1,655,504

(Note 32)

(Note 19)

Notes to the Financial Statements

for the financial year ended 31 December 2004

44. FINANCIAL DERIVATIVES (continued)

BANK (\$'000)	Contractual or principal notional amount	Fair value – assets	Fair value – liabilities
2003			
Foreign exchange derivatives			
Forwards	2,238,855	26,077	15,386
Swaps	52,596,517	708,458	596,875
OTC options – bought and sold	759,216	3,065	6,462
	55,594,588	737,600	618,723
Interest rate derivatives			
Forwards	18,703,100	6,419	6,085
Swaps	107,986,006	977,131	763,241
OTC options – bought and sold	1,985,168	2,793	6,397
Exchange traded futures – bought and sold	5,534,326	1,532	2,036
	134,208,600	987,875	777,759
Equity derivatives			
Options bought	10,785	1	81
Credit derivatives			
Credit default swaps	8,505	–	1,234
Other derivatives			
Gold forwards – bought and sold	7,025	–	–
Silver forwards – bought and sold	102	–	–
	7,127	–	–
Total	189,829,605	1,725,476	1,397,797
Fair value of trading derivatives included in other assets and other liabilities		1,113,341	1,101,968
		(Note 32)	(Note 19)

As noted in the above tables, the notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instrument and, therefore, do not indicate the Group's exposure to credit or price risks. The fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable and unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

As at 31 December 2004, the life assurance funds of the Group have entered into financial derivative contracts with notional amount of \$2,768.2 million, fair value assets of \$53.9 million and fair value liabilities of \$65.5 million, which are not included in the above tables.

Notes to the Financial Statements

for the financial year ended 31 December 2004

45. ASSETS PLEDGED

The assets that have been mortgaged or pledged to secure for borrowings are as follows:

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Singapore government treasury bills and securities	232,027	150,658	232,027	150,658
Other government treasury bills and securities	577,054	272,709	3,777	3,862
Investment securities	181,635	345,497	—	—
Total securities pledged	990,716	768,864	235,804	154,520
Others	363,636	387,920	71,536	145,171
	1,354,352	1,156,784	307,340	299,691

46. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated cash flow statement, cash equivalents are liquid assets readily convertible into cash.

	Group	
	2004 \$'000	2003 \$'000
Cash and placements with central banks	3,616,603	4,035,863
Singapore government securities excluding long-term investments (Note 23)	5,894,363	5,607,098
Other government securities	1,837,697	1,054,618
	11,348,663	10,697,579

47. MINIMUM LEASE RENTAL RECEIPTS

The future minimum lease rental receipts under non-cancellable operating leases by remaining period to lease expiry are as follows:

	Group	
	2004 \$'000	2003 \$'000
Less than 1 year	33,468	44,083
Over 1 year to 5 years	36,371	45,685
Over 5 years	71	3,876
	69,910	93,644

As at 31 December 2004, under the life assurance funds of the Group, future minimum lease rental receipts under non-cancellable operating leases amounted to \$46.9 million.

Notes to the Financial Statements

for the financial year ended 31 December 2004

48. CURRENT ASSETS AND LIABILITIES

	Group		Bank	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current assets				
Cash and placements with central banks	3,616,603	4,035,863	2,590,974	2,604,863
Singapore government treasury bills and securities	3,732,525	4,257,739	3,690,624	4,257,739
Other government treasury bills and securities	780,090	490,017	529,976	86,424
Dealing securities	701,017	235,541	466,211	134,929
Placements with and loans to banks	9,754,552	9,499,071	9,089,493	8,723,406
Loans to and bills receivable from customers	19,578,065	18,425,319	15,964,482	15,359,378
Investment securities	2,127,886	978,047	1,525,085	781,176
Other assets	2,943,017	2,157,499	2,441,383	1,757,988
Loans to associated companies	39,639	8,799	—	—
Loans to subsidiary companies	—	—	1,576,975	1,353,544
	43,273,394	40,087,895	37,875,203	35,059,447
Current liabilities				
Deposits of non-bank customers	54,654,517	52,434,245	46,203,561	45,162,854
Deposits and balances of banks	12,447,953	12,464,856	12,073,890	11,910,339
Deposits of associated companies	17,229	1,372,440	8,231	878,968
Deposits of subsidiary companies	—	—	1,686,165	1,268,267
Bills payable	159,475	185,233	79,755	102,478
Current tax	425,112	327,667	300,161	292,216
Other liabilities	3,031,818	2,305,308	2,415,500	1,699,097
Debt securities	1,001,676	152,750	949,926	—
	71,737,780	69,242,499	63,717,189	61,314,219
Net current liabilities	28,464,386	29,154,604	25,841,986	26,254,772

49. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the financial statements, the related party balances as at year end and transactions during the financial year are as follows:

	2004 \$ million	2003 \$ million
(a) Loans and advances		
– Associated companies engaged in financial activities	16	9
– Associated companies engaged in non-financial activities	24	#
– Director-related parties	1,961	2,240
(b) Deposits		
– Associated companies engaged in financial activities	13	1,417
– Associated companies engaged in non-financial activities	4	41
– Director-related parties	1,193	910
– Life assurance funds	919	—
(c) Off-balance sheet credit facilities ⁽ⁱ⁾		
– Associated companies engaged in financial activities	1	1
– Associated companies engaged in non-financial activities	—	—
– Director-related parties	416	340
(d) Interest income		
– Associated companies engaged in financial activities	#	#
– Associated companies engaged in non-financial activities	#	—
– Director-related parties	36	51

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49. RELATED PARTY TRANSACTIONS (continued)

	2004 \$ million	2003 \$ million
(e) Interest expense		
– Associated companies engaged in financial activities	11	12
– Associated companies engaged in non-financial activities	#	#
– Director-related parties	9	4
– Life assurance funds	7	–
(f) Rental income		
– Associated companies engaged in financial activities	#	#
– Associated companies engaged in non-financial activities	#	#
– Director-related parties	4	4
(g) Fee and commission income and other income		
– Associated companies engaged in financial activities	19	26
– Associated companies engaged in non-financial activities	#	#
– Director-related parties	6	3
– Life assurance funds	27	–

(1) Off-balance sheet credit facilities refer to transaction-related and trade-related contingencies.

(2) # refers to amount less than \$500,000.

Related parties included in this note are:

- (a) Associated companies in which the Group holds interest of between 20% and 50% in the entities and includes subsidiary companies of these entities.
- (b) Director-related parties:
 - (i) Immediate family members of the Bank's directors, being individuals who may be influenced by or be influenced by the directors of the Bank in their dealings with the Group;
 - (ii) Companies that are majority-owned by the Director or family members;
 - (iii) Companies in which the Director or family members control the composition of the board of directors;
 - (iv) Associated companies of the Director;
 - (v) Any individual, company or firm guaranteed by the Director; and
 - (vi) Companies, other than group-related companies, in which the Bank's directors serve as directors.
- (c) Life assurance funds of the Group. The transactions entered into with these long-term life assurance funds, cannot be eliminated in the consolidated financial statements due to the basis of accounting used for the life assurance businesses.

All transactions with related parties are conducted on an arm's length basis. Loans to and deposits from related parties are not treated any differently from loans to and deposits from other customers of the Bank and Group. Credit facilities granted are subject to the same credit evaluation, approval, monitoring and reporting processes. Credit exceptions, if any, pertaining to the conduct of related parties' accounts are reported to the Board of Directors at regular intervals.

Notes to the Financial Statements

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50. SUBSEQUENT EVENTS

- (a) On 29 January 2005, iPropertyNet Pte Ltd ("iPropertyNet"), which is 13% owned by OCBC Capital Investment I Pte. Ltd. ("OCI") and 44% owned by OCBC eVenture Fund II Pte Ltd ("OEF"), was dissolved. The Bank is the ultimate holding company of both OCI and OEF. Hence, iPropertyNet ceased to be a subsidiary of the Bank on the same day.
- (b) On 2 February 2005, OCBC Capital Corporation ("OCC"), a wholly-owned subsidiary of the Bank, incorporated in the Cayman Islands, issued 4,000,000 non-cumulative non-convertible guaranteed preference shares of S\$0.01 each ("OCBC OCC-A Preference Shares") at a subscription price of S\$100 per share. The total proceeds raised from the OCBC OCC-A Preference Shares was on-lent to the Bank in exchange for a subordinated note issued by the Bank. In turn, the Bank guarantees, on a subordinated basis, all payment obligations in respect of the OCBC OCC-A Preference Shares, and the net proceeds from the issue of the subordinated note was used for general funding purpose.

These shares were listed on the Singapore Exchange Securities Trading Limited under the trading name of "OCBCCap3.93%Pref2500" on 3 February 2005.

- (c) Subsequent to 31 December 2004 and up to the date of issue of these financial statements, the Bank has purchased, in aggregate, 4,090,576 ordinary shares by way of market acquisition amounting to S\$6,432,349. This was pursuant to the stock purchase mandate approved by shareholders at an extraordinary general meeting on 15 April 2004.

51. AUTHORISATION OF FINANCIAL STATEMENTS

The Board of Directors of Oversea-Chinese Banking Corporation Limited authorised these financial statements for issue on 11 February 2005.

Group's Major Properties

as at 31 December 2004

Properties	Purpose	Net book value S\$'000	Market ⁽¹⁾ value S\$'000	Effective stake (%)	Gross floor area (sq ft)
Singapore					
OCBC Centre, 65 Chulia Street	Office	35,475	435,000	100	993,089
OCBC Centre East, 63 Chulia Street	Office	113,279	175,000	100	242,385
OCBC Centre South, 18 Church Street	Office	70,000	70,000	100	118,909
		218,754	680,000		1,354,383
63 Market Street	Office	237,000	237,000	100	248,906
11 Tampines Central 1	Office	63,000	63,000	100	115,782
31 Tampines Finance Park Avenue 4	Office	49,000	49,000	100	97,537
105 Cecil Street, #01-00, #02-01 to 04, #04-01 to 04, #14-01 to 04, #15-01 to 04, #17-01 to 04 The Octagon Building	Office	33,500	33,500	100	34,550
260 Tanjong Pagar Road	Office	6,310	18,500	100	44,940
101 Cecil Street #01-01/02 Tong Eng Building	Office	2,341	13,800	100	15,984
110 Robinson Road	Office	4,970	8,750	100	22,120
460 North Bridge Road	Office	3,481	8,900	100	26,576
277 Orchard Road, comprising Specialists' Shopping Centre & Hotel Phoenix (392 guest rooms)	Retail/Hotel	8,370	264,650	100	443,689
The Waterside, Block 9 & 13 Tanjong Rhu Road	Residential	45,428	120,550	100	251,889
Somerset Compass, 2 Mt Elizabeth Link	Residential	27,244	105,000	100	104,377
The Compass at Chancery, 6, 6A to H, J to N, P to U Chancery Hill Road	Residential	15,766	34,000	100	54,739
Valley Lodge, #02-00 to #10-00, 257 River Valley Road	Residential	3,129	8,500	100	24,421
Land at Kim Seng Road, Lot 830L, Lot 99391A & 1041K, Town subdivision 21	Land for development	58,058	200,500	100	159,075 ⁽²⁾
Development at Telok Ayer Street, Lot 36-2, Town subdivision 1	Land for development	27,372	65,700	100	7,525 ⁽²⁾
Land at Bassein Road, Lot 45L, Town subdivision 29	Land for development	105	12,000	100	17,203 ⁽²⁾
		803,828	1,923,350		
Malaysia					
Lot 129, Jalan Tun Perak, Kuala Lumpur 20-storey OCBC Bank (Malaysia) Berhad Head Office	Office	38,564	38,700	100	243,240
		38,564	38,700		
Other properties located in					
Singapore		174,386	291,440		
Malaysia		34,678	93,779		
Other ASEAN		6,023	7,191		
Other Asia Pacific		109,099	188,398		
Rest of the World		2,710	8,801		
		326,896	589,609		
Total		1,169,288	2,551,659		

⁽¹⁾ Valuations as at 31 December 2004 were made by independent firms of professional valuers.⁽²⁾ Refers to land area.

Group's Major Quoted Equity Securities

as at 31 December 2004

	Effective stake %	Number of ordinary shares held	Cost of investment S\$'000	Market value S\$'000
Investment Securities				
Asia Pacific Breweries Limited	4.02	10,671,448	10,941	81,103
Fraser and Neave Limited	7.13	18,283,692	90,167	298,024
Raffles Holdings Limited	6.95	156,634,997	36,462	74,402
Robinson and Company Limited	19.99	17,808,933	8,528	109,525
The Straits Trading Company Limited	15.33	56,387,232	28,880	119,541
United Overseas Bank Limited	0.23	3,555,524	40,777	49,075
WBL Corporation Limited	7.85	13,952,100	22,431	44,926
			238,186	776,596
Other quoted equity holdings			476,342	505,006
Total quoted equity holdings			714,528	1,281,602
Associated Companies				
British and Malayan Trustees Limited	43.05	235,620	591	13,218
PacificMas Berhad	28.14	48,125,642	86,994	144,856
P.T. Bank NISP Tbk	22.50	930,145,370	116,997	126,872
			204,582	284,946
Subsidiary Company				
Great Eastern Holdings Limited	81.01	383,420,069	1,820,828	4,984,461

Stockholding/Preference Shareholding Statistics

as at 15 February 2005

CLASS OF SHARES

Ordinary Shares of S\$1.00 each converted into stock units transferable in amounts and multiples of S\$1.00 each.

NUMBER OF STOCKHOLDERS

The number of stockholders of the Bank as at 15 February 2005 is 35,671.

VOTING RIGHTS

The Articles of Association provide for:

(a) on a show of hands: 1 vote

(b) on a poll: 1 vote for each ordinary stock unit held

DISTRIBUTION OF STOCKHOLDERS

Size of Holdings	Number of Stockholders	%	Ordinary Stock Held S\$	%
1 - 999	6,615	18.54	1,801,467	0.13
1,000 - 10,000	23,904	67.01	70,166,067	5.35
10,001 - 1,000,000	5,075	14.23	252,415,358	19.24
1,000,001 and above	77	0.22	987,872,842	75.28
Total	35,671	100.00	1,312,255,734	100.00

TWENTY LARGEST STOCKHOLDERS

Stockholders	Amount of Ordinary Stock Held S\$	%
1. DBS Nominees (Pte) Ltd	182,216,462	13.89
2. Selat (Pte) Limited	145,398,946	11.08
3. Raffles Nominees (Pte) Ltd	109,798,783	8.37
4. Citibank Nominees Singapore Pte Ltd	90,068,886	6.86
5. HSBC (Singapore) Nominees Pte Ltd	77,938,105	5.94
6. Singapore Investments (Pte) Limited	46,722,817	3.56
7. Lee Foundation	46,160,018	3.52
8. Lee Rubber Company (Pte) Limited	38,641,295	2.94
9. United Overseas Bank Nominees (Pte) Ltd	31,752,925	2.42
10. Lee Latex Pte Limited	17,837,256	1.36
11. PSA Corporation Limited	17,788,707	1.36
12. Kallang Development (Pte) Limited	12,004,515	0.91
13. DB Nominees (S) Pte Ltd	8,792,847	0.67
14. Kew Estate Limited	8,291,520	0.63
15. Lee Pineapple Company (Pte) Limited	8,059,450	0.61
16. Lee Brothers (Wee Kee) Pte Ltd	6,563,536	0.50
17. Tropical Produce Company Pte Ltd	6,083,192	0.46
18. Kota Trading Company Sendirian Berhad	6,052,990	0.46
19. BMT A/c Estate of Lim Yew Teok Deceased	6,034,000	0.46
20. Island Investment Company (Private) Limited	5,985,525	0.46
Total	872,191,775	66.46

Approximately 73.49% of the issued stock are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

Stockholding/Preference Shareholding Statistics

as at 15 February 2005

SUBSTANTIAL STOCKHOLDERS

According to the register required to be kept under section 88 of the Companies Act, Cap. 50, the following are the only substantial stockholders of the Bank having an interest of 5 per cent or more of the aggregate of the nominal amount of all the voting stock in the Bank as at 15 February 2005:

Substantial stockholders	Stockholdings registered in the name of the substantial stockholders	Stockholdings in which the substantial stockholders are deemed to be interested	Total	Percentage of issued stock
	S\$	S\$	S\$	
Lee Foundation	46,160,018	200,927,580 ⁽¹⁾	247,087,598	18.83%
Lee Foundation, States of Malaya	—	154,936,020 ⁽²⁾	154,936,020	11.81%
Selat (Pte) Limited	145,398,946	6,463,173 ⁽³⁾	151,862,119	11.57%

(1) This represents Lee Foundation's deemed interest in (a) the S\$8,059,450 stock held by Lee Pineapple Company (Pte) Limited, (b) the S\$145,398,946 stock held by Selat (Pte) Limited, (c) the S\$46,722,817 stock held by Singapore Investments (Pte) Limited and (d) the S\$746,367 stock held by Peninsula Plantations Sendirian Berhad.

(2) This represents Lee Foundation, States of Malaya's deemed interest in (a) the S\$8,059,450 stock held by Lee Pineapple Company (Pte) Limited, (b) the S\$145,398,946 stock held by Selat (Pte) Limited, (c) the S\$731,257 stock held by Peninsula Investment Company, Sdn. Berhad and (d) the S\$746,367 stock held by Peninsula Plantations Sendirian Berhad.

(3) This represents Selat (Pte) Limited's deemed interest in (a) the S\$477,648 stock held by South Asia Shipping Company Private Limited and (b) the S\$5,985,525 stock held by Island Investment Company (Private) Limited.

Stockholding/Preference Shareholding Statistics

as at 15 February 2005

CLASS OF SHARES

Non-Cumulative Non-Convertible Class E Preference Shares of S\$0.01 each.

NUMBER OF CLASS E PREFERENCE SHAREHOLDERS

The number of Class E Preference Shareholders of the Bank as at 15 February 2005 is 1,353.

VOTING RIGHTS

Except as provided below, the Class E Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class E Preference Shareholders shall be entitled to attend a class meeting of the Class E Preference Shareholders. Every Class E Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class E Preference Share of which he is the holder.

If dividends with respect to the Class E Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class E Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class E Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class E Preference Shareholders). Every Class E Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class E Preference Share of which he is the holder.

DISTRIBUTION OF CLASS E PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Preference Shareholders	%	Number of Preference Shares Held	%
1 – 999	738	54.55	225,900	4.52
1,000 – 10,000	568	41.98	1,607,340	32.15
10,001 – 1,000,000	47	3.47	3,166,760	63.33
1,000,001 and above	—	—	—	—
Total	1,353	100.00	5,000,000	100.00

TWENTY LARGEST CLASS E PREFERENCE SHAREHOLDERS

Class E Preference Shareholders	Class E Preference Shares Held Number	%
1. Raffles Nominees (Pte) Ltd	588,200	11.76
2. Citibank Nominees Singapore Pte Ltd	344,500	6.89
3. DBS Nominees (Pte) Ltd	314,460	6.29
4. HSBC (Singapore) Nominees Pte Ltd	256,400	5.13
5. United Overseas Bank Nominees (Pte) Ltd	229,300	4.59
6. Pan-United Investments Pte Ltd	183,000	3.66
7. Infocomm Investments Pte Ltd	143,000	2.86
8. E M Services Pte Ltd	137,800	2.76
9. National Council of Social Service	80,000	1.60
10. Ventrade (Asia) Pte Ltd	50,000	1.00
11. Tan Chee Jin	48,000	0.96
12. Seapac Investment Pte Ltd	42,500	0.85
13. Archer I Limited	40,000	0.80
14. Phillip Securities Pte Ltd	31,900	0.64
15. Chua Hong Thuan	31,000	0.62
16. Auric Pacific Enterprise Pte Ltd	30,000	0.60
17. AXA Insurance Singapore Pte Ltd	30,000	0.60
18. ComfortDelgro Corporation Limited	30,000	0.60
19. Hobee Print Pte Ltd	30,000	0.60
20. Lim Siew Feng	30,000	0.60
Total	2,670,060	53.41

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap. 50 in relation to the Class E Preference Shares.

Stockholding/Preference Shareholding Statistics

as at 15 February 2005

CLASS OF SHARES

Non-Cumulative Non-Convertible Class G Preference Shares of \$50.01 each.

NUMBER OF CLASS G PREFERENCE SHAREHOLDERS

The number of Class G Preference Shareholders of the Bank as at 15 February 2005 is 6,165.

VOTING RIGHTS

Except as provided below, the Class G Preference Shareholders shall not be entitled to attend and vote at general meetings of the Bank.

The Class G Preference Shareholders shall be entitled to attend a class meeting of the Class G Preference Shareholders. Every Class G Preference Shareholder who is present in person at such class meeting shall have on a show of hands one vote and on a poll one vote for every Class G Preference Share of which he is the holder.

If dividends with respect to the Class G Preference Shares in respect of such number of consecutive dividend periods as shall be equal to or exceed 12 calendar months have not been paid in full when due, then the Class G Preference Shareholders shall have the right to receive notice of, attend, speak and vote at general meetings of the Bank on all matters, including the winding-up of the Bank, and such right shall continue until after the next following dividend date on which a dividend in respect of the Class G Preference Shares is paid in full (or an amount equivalent to the dividend to be paid in respect of the next dividend period has been paid or irrevocably set aside in a separately designated trust account for payment to the Class G Preference Shareholders). Every Class G Preference Shareholder who is present in person at such general meetings shall have on a show of hands one vote and on a poll one vote for every Class G Preference Share of which he is the holder.

DISTRIBUTION OF CLASS G PREFERENCE SHAREHOLDERS

Size of Holdings	Number of Preference Shareholders	%	Number of Preference Shares Held	%
1 - 999	674	10.93	299,415	0.08
1,000 - 10,000	3,662	59.40	14,423,976	3.64
10,001 - 1,000,000	1,802	29.23	128,520,537	32.47
1,000,001 and above	27	0.44	252,586,956	63.81
Total	6,165	100.00	395,830,884	100.00

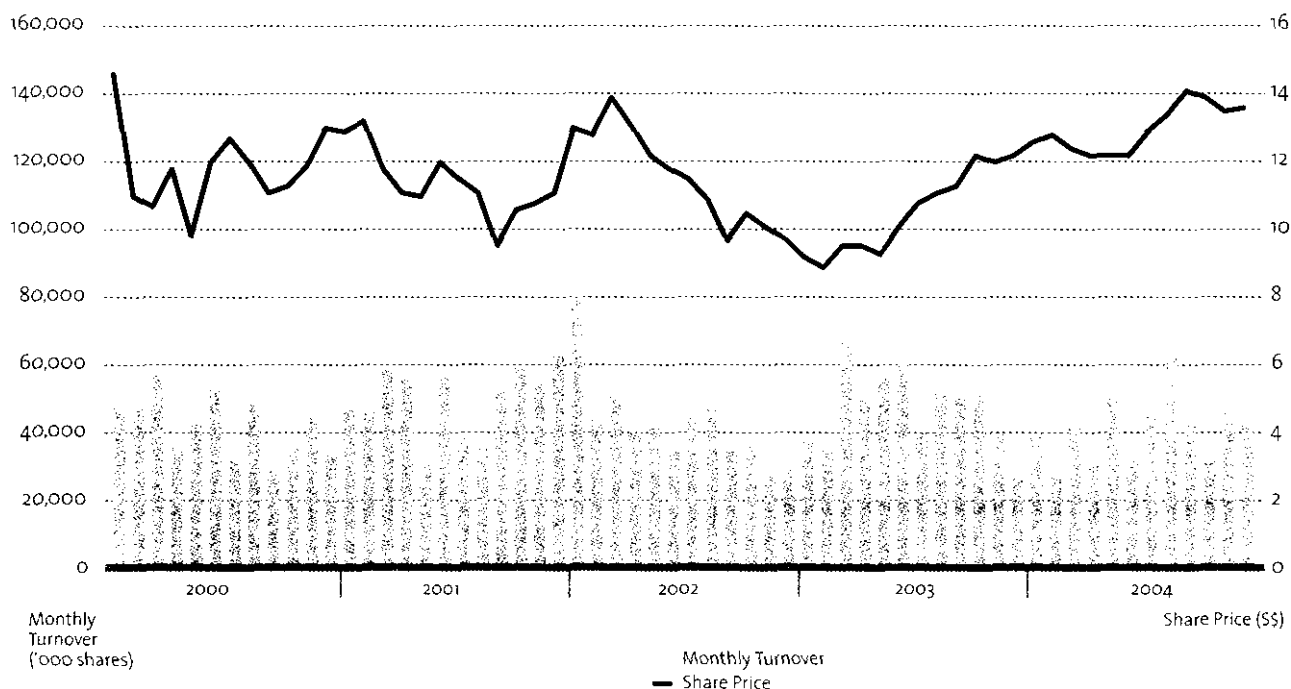
TWENTY LARGEST CLASS G PREFERENCE SHAREHOLDERS

Class G Preference Shareholders	Class G Preference Shares Held Number	%
1. Raffles Nominees (Pte) Ltd	77,437,156	19.56
2. Selat (Pte) Limited	53,879,531	13.61
3. Lee Rubber Company (Pte) Limited	18,564,085	4.69
4. Lee Foundation, States of Malaya	16,000,000	4.04
5. DBS Nominees (Pte) Ltd	12,350,491	3.12
6. Singapore Investments (Pte) Limited	10,642,763	2.69
7. Archer I Limited	9,500,000	2.40
8. Lee Latex Pte Limited	8,609,432	2.18
9. Lee Foundation	7,080,009	1.79
10. Fraser & Neave Ltd	6,069,458	1.53
11. Pan-United Investments Pte Ltd	4,675,000	1.18
12. Raffles Investments (Singapore) Pte Limited	2,716,267	0.69
13. United Overseas Bank Nominees (Pte) Ltd	2,484,053	0.63
14. Lee Plantations Pte Limited	2,323,572	0.59
15. Island Investment Company (Private) Limited	2,301,287	0.58
16. Tan Chin Tuan Pte Ltd	2,038,000	0.51
17. Auric Pacific Enterprise Pte Ltd	2,000,000	0.51
18. Y.S. Fu Holdings (2002) Pte Ltd	1,700,000	0.43
19. Kota Trading Company Sendirian Berhad	1,680,093	0.42
20. Citibank Nominees Singapore Pte Ltd	1,668,131	0.42
Total	243,719,328	61.57

Note: The Bank is not required to maintain a register of substantial shareholders under section 88 of the Companies Act, Cap. 50 in relation to the Class G Preference Shares.

Investor Reference

FIVE-YEAR SHARE PRICE AND TURNOVER



	2000	2001	2002	2003	2004
Share Price (\$)					
Highest	15.80	13.50	13.90	12.50	14.20
Lowest	9.45	8.80	9.45	8.20	11.60
Average	11.81	11.21	11.62	10.41	12.81
Last Done	12.90	11.00	9.65	12.10	13.50
Per ordinary share (\$)					
Basic Earnings	0.65	0.60	0.52	0.72	0.86
Gross Dividend	0.40	0.18	0.20	0.87	0.38
Net Asset Value (NAV)	6.34	6.86	7.15	7.16	7.86
Ratios					
Price-Earnings Ratio*	18.18	18.69	22.35	14.46	14.90
Gross Dividend Yield (%)	3.39	1.61	1.72	8.34	2.97
Dividend Cover (number of times)*	2.18	4.34	3.31	1.06	2.78
Price/NAV (number of times)*	1.86	1.63	1.63	1.45	1.63

* Average share prices are used in the computation of price-earnings ratio, gross dividend yield and price/NAV.

Ratio of profit attributable to shareholders after preference dividends paid to net dividends.

Investor Reference

FIVE-YEAR ORDINARY SHARE CAPITAL HISTORY

Year	Source of Increase/(Decrease)	Ordinary Share Capital (S\$'000)	
		Changes in the year	At Year End
2000	Share buyback	(1,180)	1,285,968
	Exercise of employees' share options	2,630	
2001	Share buyback	(2,541)	1,286,606
	Exercise of employees' share options	3,179	
2002	Exercise of employees' share options	3,693	1,290,299
2003	Selective capital reduction	(12,139)	1,280,076
	Exercise of employees' share options	1,916	
2004	Selective capital reduction	(80,192)	1,316,543
	Share buyback	(24,309)	
	Issue of shares pursuant to voluntary unconditional offer for GEH	136,207	
	Exercise of employees' share options	4,761	

FIVE-YEAR DIVIDEND HISTORY (ORDINARY STOCKHOLDERS)

Dividend and Financial Year	Payment Date	Cents Per Share
Interim 2000	4 September 2000	5
Special Interim 2000	4 September 2000	12
Final 2000	13 June 2001	13
Special Final 2000	13 June 2001	10
Interim 2001	4 September 2001	5
Final 2001	13 June 2002	13
Interim 2002	3 September 2002	5
Final 2002	16 June 2003	15
Special 2003 [#]	14 July 2003	63.78
Interim 2003	3 September 2003	11
Final 2003	12 May 2004	12
Interim 2004	13 September 2004	19
Final 2004	April/May 2005	19

[#] Special dividend of 63.78 cents (49.75 cents net) for every S\$1 ordinary stock unit with an option to elect to receive OCBC Class G 4.2% non-convertible non-cumulative preference shares, at an issue price of S\$0.995 per preference share.

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

DR CHEONG CHOONG KONG

Current Directorships (and Appointments)

1. Great Eastern Holdings Ltd	Director
2. OCBC Management Services Pte Ltd	Director
3. The Great Eastern Life Assurance Co Ltd	Director
4. The Overseas Assurance Corporation Ltd	Director
5. Singapore Press Holdings Ltd	Director
6. United Eagle Airlines Co Ltd	Director

Directorships (and Appointments) for the past 3 years

1. National University of Singapore Council	Chairman
2. Singapore Airlines Ltd	Deputy Chairman and CEO
3. SIA Engineering Co Ltd	Chairman
4. Singapore Airport Terminal Services Ltd	Chairman
5. Air New Zealand Limited	Director
6. Ansett Holdings Ltd	Director
7. Virgin Atlantic Airways Ltd	Director
8. Virgin Atlantic Ltd	Director
9. Virgin Travel Group Ltd	Director
10. Institute of Defence & Strategic Studies	Governor
11. Singapore International Foundation	Governor
12. Asia-Australia Institute	Advisory Council Member
13. Keppel Capital Holdings Ltd	Director
14. Keppel TatLee Bank Limited	Director

Academic and Professional Qualifications

Bachelor of Science (First Class Honours in Mathematics),
University of Adelaide
Master of Science and Ph.D. in Mathematics,
Australian National University, Canberra

OCBC Board Committees Served On

Chairman, Executive Committee
Member, Nominating Committee
Member, Remuneration Committee
Member, Risk Committee

Date of First Appointment as a Director of OCBC

Director since 1 July 1999
Vice Chairman from 26 March 2002 to 30 June 2003
Chairman since 1 July 2003

Date of Last Re-election as a Director of OCBC

15 April 2004

Independent Status

(as defined in the Code of Corporate Governance)
Executive Director

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

MR MICHAEL WONG PAKSHONG

Current Directorships (and Appointments)

1. Great Eastern Holdings Ltd	Chairman
2. Robinson and Company, Limited	Chairman
3. Sime Singapore Ltd	Chairman
4. Bukit Sembawang Estates Ltd	Director
5. OCBC Management Services Pte Ltd	Director
6. Sime Darby Berhad	Director
7. The Great Eastern Life Assurance Co Ltd	Director
8. The Overseas Assurance Corporation Ltd	Director
9. The Straits Trading Company Ltd	Director
10. WBL Corporation Ltd	Director
11. Dover Park Hospice Endowment Fund	Trustee

Directorships (and Appointments) for the past 3 years

1. The Esplanade Company Ltd	Chairman
2. Keppel Capital Holdings Ltd	Director
3. Keppel TatLee Bank Limited	Director

Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Bristol
 Hon. L.L.D, University of Bristol
 Fellow of the Institute of Chartered Accountants in England and Wales
 Member of the Institute of Certified Public Accountants of Singapore

Date of First Appointment as a Director of OCBC

Director since 21 April 1989
 Vice Chairman since 26 March 2002

Date of Last Re-appointment as a Director of OCBC

15 April 2004

Independent Status

(as defined in the Code of Corporate Governance)
 Independent Director

OCBC Board Committees Served On

Chairman, Audit Committee
 Chairman, Nominating Committee
 Chairman, Remuneration Committee

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

MR DAVID CONNER

Current Directorships (and Appointments)

1. Bank of Singapore Ltd	Chairman
2. Asean Finance Corporation Ltd	Director
3. Asean Supreme Fund Ltd (in voluntary liquidation)	Director
4. Asian Pacific Bankers Club	Director
5. Dr Goh Keng Swee Scholarship Fund	Director
6. Great Eastern Holdings Ltd	Director
7. KTB Ltd	Director
8. OCBC Bank (Malaysia) Berhad	Director
9. OCBC Overseas Investments Pte. Ltd.	Director
10. The Great Eastern Life Assurance Co Ltd	Director
11. The Overseas Assurance Corporation Ltd	Director
12. Association of Banks in Singapore	Council Member
13. Advisory Council of The American Chamber of Commerce in Singapore	Member
14. Advisory Board of Lee Kong Chian School of Business	Member
15. International Advisory Council for Asia, Washington University in St Louis	Member
16. The f-Next Council of Institute of Banking & Finance	Member

Directorships (and Appointments) for the past 3 years

1. Singapore Business Federation	Council Member
2. Financial Sector Development Fund Advisory Committee	Member

Academic and Professional Qualifications

Bachelor of Arts, Washington University, St. Louis, Missouri
Master in Business Administration, Columbia University, New York

OCBC Board Committees Served On

Member, Executive Committee
Member, Remuneration Committee
Member, Risk Committee

Date of First Appointment as a Director of OCBC

Director since 15 April 2002

Date of Last Re-election as a Director of OCBC

15 May 2002

Independent Status

(as defined in the Code of Corporate Governance)
Executive Director

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

MR GIAM CHIN TOON, S.C.

Current Directorships (and Appointments)

1. John Wiley & Sons (Asia) Pte Ltd	Director
2. Guthrie GTS Limited	Director
3. Singapore Mediation Centre	Director
4. Singapore Institute of Directors	Director
5. Raffles Holdings Ltd	Director
6. Pertama Holdings Ltd	Director
7. Wee Swee Teow & Co	Senior Partner
8. Inquiry Panel of the Law Society of Singapore	Chairman
9. Board of Legal Education	Member
10. Senate of the Academy of Law	Member
11. Panel of Legal Assessors to the Singapore Medical Council	Member
12. Panel of Accredited Arbitrators of the Singapore International Arbitration Centre	Member
13. Hawaii Panel of Centre for International Commercial Dispute Resolution	Member
14. Panel of The Korean Commercial Arbitration Board	Member
15. Panel of Mediators at Singapore Mediation Centre	Member
16. Energy Market Authority	Member
17. Health Sciences Authority	Member
18. Security Industry Council	Member
19. Singapore Ambassador (Non-Resident) to Peru	
20. Singapore High Commissioner Designate (Non-Resident) to Ghana	

Directorships (and Appointments) for the past 3 years

1. Asia Quest Associates Pte Ltd (in voluntary liquidation)	Director
2. SembCorp Marine Ltd	Director

Academic and Professional Qualifications

LLB (Honours) and LL.M., University of Singapore

Date of Last Re-election as a Director of OCBC

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OCBC Board Committees Served On

Member, Nominating Committee

Independent Status

(as defined in the Code of Corporate Governance)

Independent Director

Date of First Appointment as a Director of OCBC

Director since 1 January 2005

MR LEE SENG WEE

Current Directorships (and Appointments)

1. GIC Real Estate Pte Ltd	Director
2. Great Eastern Holdings Ltd	Director
3. The Great Eastern Life Assurance Co Ltd	Director
4. The Overseas Assurance Corporation Ltd	Director
5. Lee Foundation	Director
6. Lee Rubber Group of Companies	Director

Directorships (and Appointments) for the past 3 years

1. Government of Singapore Investment Corporation Pte Ltd	Director
2. Lee Kuan Yew Exchange Fellowship	Director
3. OCBC Management Services Pte Ltd	Director
4. Keppel Capital Holdings Ltd	Chairman

Academic and Professional Qualifications

Bachelor of Applied Science (Engineering), University of Toronto
Master of Business Administration, University of Western Ontario

Date of Last Re-appointment as a Director of OCBC

15 April 2004

Independent Status

(as defined in the Code of Corporate Governance)

Non-independent Director

(Although Mr Lee Seng Wee relinquished his post as an Executive Director on 1 July 2003, he is considered as a non-independent and non-executive Director of the Bank for the following three years, according to the Code of Corporate Governance)

OCBC Board Committees Served On

Member, Executive Committee

Member, Nominating Committee

Date of First Appointment as a Director of OCBC

Director since 25 February 1966

Chairman from 1 August 1995 to 30 June 2003

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

DR LEE TIH SHIH**Current Directorships (and Appointments)**

1. Fraser & Neave Ltd	Director
2. Lee Foundation, Singapore	Director
3. Lee Rubber Co Pte Ltd	Director
4. Selat Pte Ltd	Director
5. Singapore Investments Pte Ltd	Director
6. PT Bank NISP Tbk	Commissioner

Directorships (and Appointments) for the past 3 years

1. United Medicorp Pte Ltd	Director
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Academic and Professional Qualifications

MBA with Distinction, Imperial College, London
 Diplomate, National Board of Medical Examiners, USA
 Doctor of Medicine, Yale University, New Haven
 Bachelor of Science in Medicine (Honors Program), Northwestern University, Evanston

Date of First Appointment as a Director of OCBC

Director since 4 April 2003

Date of Last Re-election as a Director of OCBC

14 May 2003

Independent Status

(as defined in the Code of Corporate Governance)

Non-independent Director

(Dr Lee Tih Shih is the son of Mr Lee Seng Wee who is considered a non-independent director)

OCBC Board Committees Served On

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TAN SRI DATO NASRUDDIN BIN BAHARI**Current Directorships (and Appointments)**

1. OCBC Bank (Malaysia) Berhad	Chairman
2. OCBC Credit Berhad	Chairman
3. Affin Money Brokers Sendirian Berhad	Chairman
4. Sumber Petroleum Cemerlang (SPC) Sendirian Berhad	Chairman
5. Lingkaran Trans Kota Holdings Bhd (LITRAK)	Director
6. Malaysia & Nippon Insurans Berhad	Director
7. Road Builder (M) Holdings Berhad	Director
8. Tan Sri Chua Family Foundation	Director
9. The Pacific Insurance Berhad	Director

Directorships (and Appointments) for the past 3 years

1. Binalagamaya Sendirian Berhad	Chairman
2. Besraya (M) Sendirian Berhad	Director
3. PacificMas Fidelity Sendirian Berhad	Director
4. Keppel Capital Holdings Ltd	Director
5. Keppel TatLee Bank Limited	Director

Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Malaya (Singapore)
 Masters in Public Administration, University of Pittsburgh, USA

Date of Last Re-election as a Director of OCBC

14 May 2003

Independent Status

(as defined in the Code of Corporate Governance)

Independent Director

OCBC Board Committees Served On

Member, Remuneration Committee

Date of First Appointment as a Director of OCBC

Director since 13 November 2000

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

PROFESSOR NEO BOON SIONG

Current Directorships (and Appointments)

1. Great Eastern Holdings Ltd	Director
2. Informatics Holdings Ltd	Director
3. Keppel Offshore & Marine Ltd	Director
4. The Great Eastern Life Assurance Co Ltd	Director
5. The Overseas Assurance Corporation Ltd	Director
6. National Community Leadership Institute	Board Member
7. Securities Industry Council	Member
8. Education Services Accreditation Council	Member
9. Goods and Services Tax Board of Review	Member
10. Income Tax Board of Review	Member
11. Institute of Defence & Strategic Studies	Governor

Directorships (and Appointments) for the past 3 years

1. K1 Ebiz Holdings Pte Ltd	Director
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Academic and Professional Qualifications

Bachelor of Accountancy (Honours),
National University of Singapore
Master of Business Administration and Ph.D.,
University of Pittsburgh

Date of First Appointment as a Director of OCBC

Director since 1 January 2005

Date of Last Re-election as a Director of OCBC

—

OCBC Board Committees Served On

Member, Audit Committee
Member, Risk Committee

Independent Status

(as defined in the Code of Corporate Governance)
Independent Director

DR TSAO YUAN

Current Directorships (and Appointments)

1. CDC Consulting Sdn Bhd	Director
2. CDC Management Development Sdn Bhd	Director
3. Keppel Corporation Limited	Director
4. Pacfusion Ltd	Director
5. Pacific Internet Ltd	Director
6. Skills Development Centre Pte Ltd	Director
7. Skills Development Centre (North China) Pte Ltd	Director

Directorships (and Appointments) for the past 3 years

1. International Trade Institute of Singapore Pte Ltd	Chairman
2. Keppel FELS Energy and Infrastructure Ltd (now known as Keppel Offshore & Marine Ltd)	Director
3. Land Transport Authority of Singapore	Director
4. Singapore International Foundation	Governor
5. United World College of South East Asia	Governor

Academic and Professional Qualifications

Bachelor of Economics and Statistics (First Class Honours),
University of Singapore
Ph.D. (Economics), Harvard University

Date of First Appointment as a Director of OCBC

Director since 3 April 2002

Date of Last Re-election as a Director of OCBC

15 May 2002

OCBC Board Committees Served On

Member, Remuneration Committee
Member, Risk Committee

Independent Status

(as defined in the Code of Corporate Governance)
Independent Director

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

COL (RET) DAVID WONG CHEONG FOOK

Current Directorships (and Appointments)

1. EM Services Pte Ltd	Chairman
2. Ascendas-MGM Funds Management Ltd	Director
3. Bank of Singapore Ltd	Director
4. Banking Computer Services Pte Ltd	Director
5. BCS Information Systems Pte Ltd	Director
6. Civil Service College	Director
7. Jurong International Holdings Pte Ltd (formerly known as Jurong Consultancy Holdings Pte Ltd)	Director
8. LMA International NV	Director
9. OCBC Bank (Malaysia) Berhad	Director
10. Pacific Internet Ltd	Director
11. Pan-United Marine Limited	Director
12. Teva Pharmaceutical Investments Singapore Pte Ltd	Director
13. Housing & Development Board	Member
14. Public Transport Council	Member

Directorships (and Appointments) for the past 3 years

1. MFS Technology Ltd	Chairman
2. I-Comm Technology Ltd	Director
3. Jurong Town Corporation	Director
4. Wearnes Technology (Pte) Ltd	Director
5. National Council of Social Service	Vice President
6. Defence Science & Technology Agency	Member
7. Keppel Capital Holdings Ltd	Director
8. Keppel TatLee Bank Limited	Director

Academic and Professional Qualifications

Bachelor of Arts (Honours) in Economics, University of Cambridge
 Master of Arts, University of Cambridge
 Member of the Institute of Chartered Accountants in England and Wales
 Member of the Institute of Certified Public Accountants in Singapore

OCBC Board Committees Served On

Member, Nominating Committee
 Member, Audit Committee

Date of First Appointment as a Director of OCBC

Director since 1 August 1999

Date of Last Re-election as a Director of OCBC

15 April 2004

Independent Status

(as defined in the Code of Corporate Governance)
 Independent Director

Further Information on Directors

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

MR WONG NANG JANG

Current Directorships (and Appointments)

1. Banking Computer Services Pte Ltd	Chairman
2. BCS Information Systems Pte Ltd	Chairman
3. Bank of Singapore Ltd	Director
4. The PacificMas Berhad	Director
5. WBL Corporation Ltd	Director
6. SIA Engineering Co Ltd	Director
7. Singapore Symphonia Co Ltd	Director

Directorships (and Appointments) for the past 3 years

1. Institute of Southeast Asian Studies	Trustee
2. Keppel Capital Holdings Ltd	Director
3. Keppel TatLee Bank Limited	Director
4. Global Investment Holdings Ltd	Director

Academic and Professional Qualifications

Bachelor of Arts in Economics (Honours), University of Singapore

Date of Last Re-election as a Director of OCBC

14 May 2003

OCBC Board Committees Served On

Member, Executive Committee

Independent Status

(as defined in the Code of Corporate Governance)

Non-independent Director

Date of First Appointment as a Director of OCBC

Director since 1 August 1998

(Although Mr Wong Nang Jang relinquished his post as an Executive Director on 5 June 2002, he is considered as a non-independent and non-executive director of the Bank for the following three years, according to the Code of Corporate Governance)

MR PATRICK YEOH

Current Directorships (and Appointments)

1. Tuan Sing Holdings Ltd	Chairman
2. GITI Tire Company Ltd	Director
3. MobileOne Ltd	Director
4. Singapore Food Industries Ltd	Director
5. Accuron Technologies Pte Ltd (formerly known as Singapore Precision Industries 2000 Pte Ltd)	Director
6. Times Publishing Ltd	Director
7. Three on the Bund Ltd	Director
8. Economic Development Board Entrepreneur Development Fund Loans Committee	Member
9. Nuri Holdings (S) Pte Ltd	Advisor
10. The EDB Society	Advisor

Directorships (and Appointments) for the past 3 years

1. Gul Technologies Singapore Ltd	Chairman
2. Inchcape Motors Ltd	Director
3. Singapore Aerospace Manufacturing Pte Ltd	Director
4. Keppel Capital Holdings Ltd	Director
5. Keppel TatLee Bank Limited	Director

Academic and Professional Qualifications

Bachelor of Science (Honours), University of Malaya (Singapore)

Date of First Appointment as a Director of OCBC

Director since 9 July 2001

OCBC Board Committees Served On

Chairman, Risk Committee

Member, Executive Committee

Date of Last Re-election as a Director of OCBC

14 May 2003

Independent Status

(as defined in the Code of Corporate Governance)

Independent Director

Additional Information Required Under The SGX Listing Manual

1. INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year under review conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	2004 S\$'000	2004 S\$'000
Lee Rubber Company (Pte) Limited		
– lease of premises at OCBC Centre	226	–
Singapore United Estates Private Limited		
– lease of premises at OCBC Centre	527	–
John Little Private Limited		
– lease of premises at Specialists' Shopping Centre	6,958	–
Straits Development Pte Ltd		
– lease of premises at Straits Trading Building by OCBC Property Services Private Limited	167	–
Great Eastern Holdings Limited (GEH)		
– Selective capital reduction of 80,192,220 ordinary stock units of S\$1 each in the capital of OCBC Bank held by three subsidiaries of GEH at S\$12.3639 for each OCBC stock unit cancelled	991,489	–
Singapore Investments (Pte) Limited		
– Sale of 10,000,000 GEH shares to OCBC Bank, pursuant to an agreement dated 24 February 2004 entered into between Singapore Investments (Pte) Limited and OCBC Bank (GEH Acquisition Agreement), on the basis of share exchange ratio of 0.976 new OCBC ordinary shares for each GEH share	12,034 ⁽²⁾	–
Lee Seng Wee		–
Vicky Lee		–
Lee Chien Shih		–
Lee Tih Shih		–
Lee Seng Gee		–
Lee Seng Tee		–
Lee Seok Keng		–
Island Investment Company (Private) Limited		–
Kota Trading Company Sdn. Berhad		–
Lee Latex (Pte) Limited		–
Lee Rubber Company (Pte) Limited		–
Selat (Pte) Limited		–
Singapore Investments (Pte) Limited⁽¹⁾		–
– Aggregate of 65,545,814 GEH shares tendered for 63,972,705 new OCBC ordinary shares pursuant to the voluntary unconditional offer for GEH shares based on the share exchange ratio of 0.976 new OCBC shares for each GEH share	788,783 ⁽²⁾	–
Bukit Sembawang Estates Limited		
– 91,680 GEH shares tendered for 89,479 new OCBC ordinary shares pursuant to the voluntary unconditional offer for GEH shares based on the share exchange ratio of 0.976 new OCBC share for each GEH share	1,103 ⁽²⁾	–

(1) This excludes the 10,000,000 GEH shares that were purchased by OCBC Bank from Singapore Investment (Pte) Limited pursuant to the GEH Acquisition Agreement.

(2) This was calculated based on taking the volume-weighted average of the transacted price of OCBC stock units of S\$12.33 per OCBC stock unit on SGX-ST as of 20 February 2004, being the last full trading day of OCBC stock units on Singapore Exchange Securities Trading Limited prior to the announcement by OCBC of its intention to make the voluntary unconditional offer for GEH.

2. MATERIAL CONTRACTS

Save for the acquisition of GEH shares by OCBC Bank pursuant to or in connection with the voluntary unconditional offer by OCBC Bank for GEH and the selective capital reduction of all OCBC stock units held by three subsidiaries of GEH, particulars of which have been set out under "Interested Person Transactions", no material contract involving the interest of any Director or controlling shareholder of OCBC Bank has been entered into by OCBC Bank or any of its subsidiary companies since the end of the previous financial year and no such contract subsisted as at 31 December 2004.

Principal Network

BANKING OVERSEA-CHINESE BANKING CORPORATION LIMITED

Singapore (Head Office)

65 Chulia Street
OCBC Centre
Singapore 049513
Tel: (65) 6318 7222
Fax: (65) 6533 7955

Australia Sydney

Level 2, 75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9223 5703

Melbourne

Level 3, 565 Bourke Street
Melbourne VIC 3000
Australia
Tel: (61) 3 9612 7588
Fax: (61) 3 9614 2286

Greater China Chengdu

19 Ren Min Nan Road
Section 4
Unit 7A-H Western China
Business Tower
Sichuan 610041
People's Republic of China
Tel: (86) 28 8663 9888
Fax: (86) 28 8526 8538

Pudong, Shanghai

710 Dong Fang Road
Unit 102 Tomson
Commercial Building
Pudong, Shanghai 200122
People's Republic of China
Tel: (86) 21 5058 3336
Fax: (86) 21 5830 0657

Puxi, Shanghai

120 Jiujiang Road
Shanghai 200002
People's Republic of China
Tel: (86) 21 6323 3888
Fax: (86) 21 6329 0888

Tianjin

75 Nanjing Road
Unit 511
Tianjin International Building
Tianjin 300050
People's Republic of China
Tel: (86) 22 2339 2911
Fax: (86) 22 2339 9611

Xiamen

8 Lu Jiang Dao
23E International Plaza
Xiamen 361001
People's Republic of China
Tel: (86) 592 202 2653
Fax: (86) 592 203 5182

China Regional Office

710 Dong Fang Road
Unit 102 Tomson
Commercial Building
Pudong, Shanghai 200122
People's Republic of China
Tel: (86) 21 5058 3336
Fax: (86) 21 6876 6793

Beijing Representative Office

7 Jian Guo Men Nei Avenue
Unit 920, Tower 2
Bright China Changan Building
Beijing 100005
People's Republic of China
Tel: (86) 10 6510 1920
Fax: (86) 10 6510 1923

Qingdao Representative Office

9 Nanhai Road
Unit 700
Huiquan Dynasty Hotel
Qingdao, Shandong 266003
People's Republic of China
Tel: (86) 532 296 2398
Fax: (86) 532 296 1092

Hong Kong SAR

Hong Kong Main Branch
9/F Nine Queen's Road Central
Hong Kong SAR
Tel: (852) 2868 2086
Fax: (852) 2845 3439

Kowloon

Unit G3-5, Ground Floor
East Ocean Centre
No. 98 Granville Road
Kowloon, Hong Kong SAR
Tel: (852) 2723 9080
Fax: (852) 2721 8522

Taipei

Bank Tower, Suite 403, 4th Floor
205 Tun Hwa North Road
Taipei 105, Taiwan
Republic of China
Tel: (886) 2 2718 8819
Fax: (886) 2 2718 0138

Indonesia

PT Bank OCBC Indonesia
Wisma CKBI Suite 2201
Jalan Jendral Sudirman No. 28
Jakarta 10210
Indonesia
Tel: (62) 21 574 0222
Fax: (62) 21 574 2666

Surabaya

Mandiri Tower Suite Z09
(01-03A)
Jl. Basuki Rakhmad 2-6
Surabaya 60262
Indonesia
Tel: (62) 31 532 6736
Fax: (62) 31 532 6697

Medan

Wisma Bank International
Indonesia
6th Floor Suite 602
Jl. Diponegoro No. 18
Medan 20152
Indonesia
Tel: (62) 61 415 8779
Fax: (62) 61 415 5990

Bandung

Graha Bumi Putera
3rd Floor Suite 302
Jl. Asia Afrika No. 141-149
Bandung 40112 Java Barat
Indonesia
Tel: (62) 22 420 2132/420 2133
Fax: (62) 22 420 2455

Japan

Akasaka Twin Tower
Main Building
15th Floor
17-22 Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan
Tel: (81) 3 5570 3421
Fax: (81) 3 5570 3426

Malaysia

OCBC Bank (Malaysia) Berhad
Kuala Lumpur (Head Office)
Wisma Lee Rubber
Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel: (60) 3 2692 0344
Fax: (60) 3 2698 4363, 2692 6518

Online Banking:
<http://ecafe.ocbc.com.my>
OCBC Call Centre:
1-300-88-5000
OCBC Business Banking
Commercial Service Centre:
1-300-88-7000

Labuan

Level 8 (C), Main Office Tower
Financial Park Labuan
Jalan Merdeka, 87000 Labuan
Federal Territory
Malaysia
Tel: (087) 42 3381/82
Fax: (087) 42 3390

Myanmar

Yangon Representative Office
Sakura Tower
Unit 1202, 12th Floor
339 Bogyoke Aung San Road
Kyauktada Township
Yangon
Union of Myanmar
Tel: (95) 1 25 5409
Fax: (95) 1 25 5410

South Korea

Ace Tower 20th Floor
1-170 Soonhwa-dong
Chung-ku, Seoul
Republic of Korea
Tel: (82) 2 754 4355
Fax: (82) 2 754 2343

Principal Network

Thailand

2nd Floor, Charn Issara Tower
942/80 Rama IV Road
Suriwongse, Bangrak
Bangkok 10500
Thailand
Tel: (66) 2 236 6730
Fax: (66) 2 237 7390

United Kingdom

London Stonehouse
111 Cannon Street
London EC4N 5AS
United Kingdom
Tel: (44) 20 7337 8800
Fax: (44) 20 7626 1756

United States of America

Los Angeles
1000 Wilshire Boulevard
Suite 1940
Los Angeles CA 90017
United States of America
Tel: (1) 213 624 1189
Fax: (1) 213 624 1386

New York

1700 Broadway 18/F
New York NY 10019
United States of America
Tel: (1) 212 586 6222
Fax: (1) 212 586 0636

Vietnam

Unit 1, Floor 11
Harbour View Tower
35 Nguyen Hue Street
District 1
Ho Chi Minh City
Vietnam
Tel: (84) 88 214 120
Fax: (84) 88 214 121

BANK OF SINGAPORE LIMITED

Registered Address:
65 Chulia Street
#29-02/04 OCBC Centre
Singapore 049513

Business Address:
18 Church Street
#01-00 OCBC Centre South
Singapore 049479
Tel: (65) 6586 3200
Fax: (65) 6438 0339

INSURANCE

Great Eastern Holdings Limited

1 Pickering Street
#13-01 Great Eastern Centre
Singapore 048659
Tel: (65) 6248 2000
Fax: (65) 6532 2214

ASSET MANAGEMENT

Singapore
OCBC Asset Management Limited
63 Chulia Street
#05-01 OCBC Centre East
Singapore 049514
Tel: (65) 6318 7222
Fax: (65) 6534 1985

NOMINEES

Singapore
Oversea-Chinese Bank
Nominees Private Limited
63 Chulia Street
#03-01 OCBC Centre East
Singapore 049514
Tel: (65) 6530 1235
Fax: (65) 6533 3770

Australia

OCBC Nominees
(Australia) Pty Limited
Level 2, 75 Castlereagh Street
Sydney NSW 2000
Australia
Tel: (61) 2 9235 2022
Fax: (61) 2 9221 4360

Hong Kong SAR

OCBC Nominees
(Hong Kong) Limited
9/F Nine Queen's Road Central
Hong Kong SAR
Tel: (852) 2840 6247
Fax: (852) 2845 3439

Malaysia

Malaysia Nominees
(Asing) Sendirian Berhad
Malaysia Nominees
(Tempatan) Sendirian Berhad
14th Floor Wisma Lee Rubber
Jalan Melaka
50100 Kuala Lumpur
Malaysia
Tel: (60) 3 2692 0344
Fax: (60) 3 2698 4420, 2694 3691

PROPERTY MANAGEMENT

Singapore
OCBC Property Services
Private Limited
9 Battery Road
#07-00 Straits Trading Building
Singapore 049910
Tel: (65) 6533 0818
Fax: (65) 6536 5532

STOCKBROKING

Singapore
OCBC Securities Private Limited
18 Church Street
#01-00 OCBC Centre South
Singapore 049479
Tel: (65) 6535 2882
Fax: (65) 6534 5262

TRUSTEE

Singapore
OCBC Trustee Limited
63 Chulia Street
#03-01 OCBC Centre East
Singapore 049514
Tel: (65) 6530 1786
Fax: (65) 6538 6916

Financial Calendar

Announcement of annual results for 2004	14 February 2005
Annual General Meeting	30 March 2005
Payment of 2004 final dividend on ordinary stock (subject to approval of shareholders at AGM)	April/May 2005
Announcement of first quarter results for 2005	May 2005
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 June 2005
Announcement of second quarter results for 2005	August 2005
Payment of 2005 interim dividend (subject to approval of the Board)	September 2005
Announcement of third quarter results for 2005	November 2005
Payment of semi-annual dividend on preference shares (subject to approval of the Board)	20 December 2005



Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Co. Registration No. 193200032W

Notice is hereby given that the Sixty-Eighth Annual General Meeting of Oversea-Chinese Banking Corporation Limited ("the Bank") will be held at 65 Chulia Street, #50-00 OCBC Centre, Singapore 049513, on Wednesday, 30 March 2005 at 10.30 a.m. to transact the following business:

- 1 To receive and consider the audited Accounts for the year ended 31 December 2004 and the reports of the Directors and Auditors thereon.
- 2 (a) To re-appoint the following Directors, each of whom will retire under section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting:
 - (i) Mr Lee Seng Wee
 - (ii) Mr Michael Wong Pakshong(b) To elect Directors retiring by rotation:
 - (i) Mr David Conner
 - (ii) Dr Tsao Yuan
 - (iii) Mr Wong Nang Jang(c) To elect Directors retiring under Article 111 of the Bank's Articles of Association:
 - (i) Mr Giam Chin Toon
 - (ii) Professor Neo Boon Siong
- 3 To approve a final dividend of 19 cents per S\$1.00 ordinary stock unit, less Singapore income tax, in respect of the year ended 31 December 2004.
- 4 To approve Directors' Fees of S\$661,000 for 2004 (2003 - S\$625,000).
- 5 To appoint Auditors and fix their remuneration.
- 6 As Special Business

To consider and, if thought fit, to pass the following Resolutions with or without amendments as ordinary resolutions:

Ordinary Resolutions

(a) That authority be and is hereby given to the Directors of the Bank to:

- (i) issue ordinary shares in the capital of the Bank ("ordinary shares") whether by way of rights, bonus or otherwise, and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require ordinary shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into ordinary shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (ii) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue ordinary shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of ordinary shares to be issued pursuant to this Resolution (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the issued ordinary share capital of the Bank (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of ordinary shares to be issued other than on a *pro rata* basis to stockholders of the Bank (including ordinary shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the issued ordinary share capital of the Bank (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of ordinary shares that may be issued under sub-paragraph (1) above, the percentage of issued ordinary share capital shall be based on the issued ordinary share capital of the Bank at the time this Resolution is passed, after adjusting for:
 - (i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent consolidation or subdivision of ordinary shares;
- (3) in exercising the authority conferred by this Resolution, the Bank shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Bank; and

Notice of Annual General Meeting

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Co. Registration No. 193200032W

- (4) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.
- (b) That the Directors of the Bank be and are hereby authorised, pursuant to section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of the options under the OCBC Executives' Share Option Scheme 1994, approved by Ordinary Resolution No. 1 passed at the Extraordinary General Meeting of the Bank on 11 June 1994 (the "1994 Scheme"), PROVIDED ALWAYS that the aggregate number of ordinary shares to be issued pursuant to the 1994 Scheme shall not exceed five per cent. of the total issued ordinary share capital of the Bank from time to time and that the aggregate number of ordinary shares to be issued to any Executive under the 1994 Scheme shall not, subject to such adjustments as may be made in accordance with the 1994 Scheme, exceed twenty-five per cent. of the aggregate number of ordinary shares which may be issued by the Bank (including any ordinary shares which may be issued pursuant to adjustments, if any, made under the 1994 Scheme) pursuant to the exercise of options under the 1994 Scheme.
- (c) That the Directors of the Bank be and are hereby authorised, pursuant to section 161 of the Companies Act, Cap. 50, to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001, approved by Ordinary Resolution passed at the Extraordinary General Meeting of the Bank on 17 May 2001 (the "2001 Scheme"), and to allot and issue from time to time such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of the options under the 2001 Scheme, PROVIDED ALWAYS that the aggregate number of ordinary shares to be issued pursuant to the 2001 Scheme shall not exceed ten per cent. of the total issued ordinary share capital of the Bank from time to time.
- (d) That the Directors of the Bank be and are hereby authorised, pursuant to section 161 of the Companies Act, Cap. 50, to grant in accordance with the provisions of the OCBC Employee Share Purchase Plan, approved by Ordinary Resolution passed at the Extraordinary General Meeting of the Bank on 30 April 2004 (the "Plan"), and to allot and issue from time to time such number of ordinary shares in the capital of the Bank as may be required to be issued pursuant to the exercise of, rights to subscribe for ordinary shares under the Plan, provided that the aggregate number of ordinary shares to be issued pursuant to the Plan, when aggregated with the aggregate number of ordinary shares to be issued pursuant to the 1994 Scheme and 2001 Scheme, shall not exceed 15 per cent. of the total issued ordinary share capital of the Bank from time to time.
- (e) That contingent upon any of the ordinary shares in the Bank being issued and being credited as fully paid, the same be and shall hereby be converted into stock units transferable in amounts and multiples of S\$1.00 each.
- (f) That:
- (i) authority be and is hereby given to the Directors of the Bank to:
- (i) issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7I and 7J of the Articles of Association of the Bank, other preference shares or non-voting shares in the capital of the Bank whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options that might or would require preference shares referred to in sub-paragraph (i) above or non-voting shares to be issued, not being ordinary shares to which the authority referred to in Resolution 6(a) above relates; at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue preference shares referred to in sub-paragraph (i) above or non-voting shares in pursuance of any offers, agreements or options made or granted by the Directors while this Resolution was in force; and
- (ii) (unless revoked or varied by the Bank in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Bank or the date by which the next Annual General Meeting of the Bank is required by law to be held, whichever is the earlier.

7 To transact any other ordinary business.

By order of the Board,

Peter Yeoh
Secretary

Singapore
14 March 2005

Notes: A member of the Bank entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Bank. The instrument appointing a proxy must be deposited at the Bank's registered office not less than 48 hours before the time set for holding the Meeting.



Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)
Co. Registration No. 193200032W

Dear Members

We set out below a statement regarding the effect of the resolutions under the heading "Special Business" in the Notice of the forthcoming Annual General Meeting, namely –

The Ordinary Resolution set out as Item 6(a) authorises the Directors of the Bank from the date of that meeting until the next annual general meeting to issue ordinary shares in the capital of the Bank and to make or grant instruments (such as warrants or debentures) convertible into ordinary shares, and to issue ordinary shares in pursuance of such instruments, up to an amount not exceeding fifty per cent. (50%) of the issued ordinary share capital of the Bank, with a sub-limit of twenty per cent. (20%) for issues other than on a *pro rata* basis to Stockholders. For the purpose of determining the aggregate number of ordinary shares that may be issued, the percentage of issued ordinary share capital shall be based on the Bank's issued ordinary share capital at the time this proposed Ordinary Resolution is passed, after adjusting for (i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this proposed Ordinary Resolution is passed and, (ii) any subsequent consolidation or subdivision of ordinary shares. The Directors will only issue ordinary shares under this Resolution if they consider it necessary and in the interests of the Bank.

The Ordinary Resolution set out as Item 6(b) authorises the Directors to allot and issue ordinary shares pursuant to the exercise of options granted under the OCBC Executives' Share Option Scheme 1994 which was approved at the Extraordinary General Meeting of the Bank on 11 June 1994 (the "1994 Scheme"). A copy of the Regulations of the 1994 Scheme is available for inspection during normal office hours at the Bank's registered office by Stockholders.

The Ordinary Resolution set out as Item 6(c) authorises the Directors to offer and grant options in accordance with the provisions of the OCBC Share Option Scheme 2001 which was approved at the Extraordinary General Meeting of the Bank on 17 May 2001 (the "2001 Scheme") and to allot and issue ordinary shares thereunder. A copy of the Regulations of the 2001 Scheme is available for inspection during normal office hours at the Bank's registered office by Stockholders.

The Ordinary Resolution set out as Item 6(d) authorises the Directors to grant rights to subscribe for ordinary shares in accordance with the provisions of the OCBC Employee Share Purchase Plan which was approved at the Extraordinary General Meeting of the Bank on 30 April 2004 (the "Plan") and to allot and issue ordinary shares thereunder. A copy of the Rules of the Plan is available for inspection during normal office hours at the Bank's registered office by Stockholders.

The Ordinary Resolution set out as Item 6(e) is merely procedural allowing for the conversion of fully paid ordinary shares into stock units.

The Ordinary Resolution set out as Item 6(f) authorises the Directors of the Bank from the date of that meeting until the next annual general meeting to issue preference shares referred to in Articles 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7I and 7J of the Articles of Association of the Bank, other preference shares or non-voting shares in the capital of the Bank and/or to make or grant offers, agreements or options that might or would require such preference shares or non-voting shares to be issued. The Directors will only issue such preference shares or non-voting shares under this Resolution if they consider it necessary and in the interests of the Bank.

By order of the Board,

Peter Yeoh
Secretary

Singapore
14 March 2005

Proxy Form

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)
Co. Registration No. 193200032W

IMPORTANT:

This Proxy Form is not valid for use by the following and shall be ineffective for all intents and purposes if used or purported to be used by them:

- (a) Investors who have used their CPF monies to buy OCBC ordinary stock units.
- (b) Holders of all classes of OCBC non-cumulative, non-convertible preference shares.

I/We, _____
of _____
being a stockholder/stockholders of the abovenamed Bank, hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Stockholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the annual general meeting of the Bank to be held at 65 Chulia Street, #50-00 OCBC Centre, Singapore 049513, on 30 March 2005 at 10.30am and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Resolutions	For	Against
1	Adoption of Report and Accounts		
2	(a) Reappointment of Directors under section 153(6) of the Companies Act, Cap. 50	(i) Mr Lee Seng Wee	
		(ii) Mr Michael Wong Pakshong	
	(b) Election of Directors retiring by rotation	(i) Mr David Conner	
		(ii) Dr Tsao Yuan	
		(iii) Mr Wong Nang Jang	
	(c) Election of Directors retiring under Article 111	(i) Mr Giam Chin Toon	
		(ii) Professor Neo Boon Siong	
3	Approval of final dividend		
4	Approval of amount proposed as Directors' Fees		
5	Appointment of Auditors and fixing their remuneration		
6	Special Business	(a) Authority to issue ordinary shares (General Share Issue Mandate)	
		(b) Authority to allot and issue ordinary shares (OCBC Executives' Share Option Scheme 1994)	
		(c) Authority to grant options and allot and issue ordinary shares (OCBC Share Option Scheme 2001)	
		(d) Authority to grant rights to subscribe for ordinary shares and allot and issue ordinary shares (OCBC Employee Share Purchase Plan)	
		(e) Conversion of ordinary shares into stock units	
		(f) Authority to issue preference/non-voting shares (Preference/Non-Voting Share Issue Mandate)	

Dated this _____ day of _____ 2005.

Total Number of Stock Units Held

Signature(s) of Stockholder(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of stock units held by you. If you have stock units entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of stock units. If you have stock units registered in your name in the Register of Members, you should insert that number of stock units. If you have stock units entered against your name in the Depository Register and stock units registered in your name in the Register of Members, you should insert the aggregate number of stock units entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the stock units held by you.
2. A Stockholder of the Bank entitled to attend and vote at a meeting of the Bank is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a Stockholder of the Bank.
3. Where a Stockholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his stockholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Bank at 65 Chulia Street, #29-02/04 OCBC Centre, Singapore 049513, not less than 48 hours before the time set for holding the annual general meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
6. A corporation which is a Stockholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the annual general meeting, in accordance with section 179 of the Companies Act, Cap. 50 of Singapore.
7. The Bank shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a Stockholder whose stock units are entered in the Depository Register, the Bank may reject any instrument appointing a proxy or proxies lodged if the Stockholder, being the appointor, is not shown to have stock units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the annual general meeting, as certified by The Central Depository (Pte) Limited to the Bank.

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The Company Secretary
Oversea-Chinese Banking Corporation Limited
65 Chulia Street, #29-02/04
OCBC Centre, Singapore 049513

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Request for Chinese Annual Report

Oversea-Chinese Banking Corporation Limited (Incorporated in Singapore)

Co. Registration No. 193200032W

Please send *me/us a Chinese version of the OCBC Bank 2004 Annual Report

Name:

Unit No:

Block No:

Building Name:

Street Name:

Postal Code:

Country:

* Please tick where applicable

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OCBC Group Secretariat
Oversea-Chinese Banking Corporation Limited
65 Chulia Street, #29-02/04
OCBC Centre, Singapore 049513

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Corporate Profile

OCBC Bank is Singapore's longest established local bank. It has assets of S\$120 billion and carries one of the highest credit ratings amongst banks in the Asia-Pacific region.

Our network comprises 112 branches and representative offices in 14 countries and territories, including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Japan, Australia, UK and USA. We offer a range of specialist financial services including consumer, corporate, investment, private and transaction banking, global treasury, asset management and stockbroking services to meet the needs of more than four million customers. Our subsidiary, Great Eastern Holdings, is the largest insurance group in both Singapore and Malaysia in terms of assets and market share.

In 2004, we were named Retail Bank of the Year in Asia-Pacific and South East Asia by Lafferty Group publications, and Best Bank and Best Trade Finance Bank in Singapore by *Global Finance* magazine. These awards underscore our strengths in both the consumer and business banking segments: we are number one in bancassurance sales, new car loans and HDB home loans in Singapore, and rank among the top players in Singapore in unit trust distribution, the small and medium enterprises (SME) market as well as the Singapore Dollar capital markets.

During 2004, in line with our efforts to deliver innovative financial services, we were the first in Singapore to offer a Chinese language internet-based cash management system via *Velocity@ocbc*, and the first-of-its-kind unit trust fund called *The Accumulator*TM which allows consumers to invest in a fund where the capital protected base continues to increase as the fund's unit value increases.

Corporate Information

Tan Sri Dr Tan Chin Tuan
Honorary Life President

Board of Directors

Dr Cheong Cheong Kong
Chairman

Mr Michael Wong Pakshong
Vice Chairman

Mr David Conner
Mr Giam Chin Toon, S.C.
Mr Lee Seng Wee
Dr Lee Tin Shie
Tan Sri Dato Nasruddin
Bin Bakar
Professor Neo Boon Siong
Dr Tsao Yuan
Col (Ret) David Wong
Mr Wong Nang Jang
Mr Patrick Yeoh

Nominating Committee

Mr Michael Wong Pakshong
Chairman

Dr Cheong Cheong Kong
Mr Giam Chin Toon, S.C.
Mr Lee Seng Wee
Col (Ret) David Wong

Executive Committee

Dr Cheong Cheong Kong
Chairman
Mr David Conner
Mr Lee Seng Wee
Mr Wong Nang Jang
Mr Patrick Yeoh

Audit Committee

Mr Michael Wong Pakshong
Chairman
Professor Neo Boon Siong
Col (Ret) David Wong

Remuneration Committee

Mr Michael Wong Pakshong
Chairman

Dr Cheong Cheong Kong
Mr David Conner
Tan Sri Dato Nasruddin
Bin Bakar
Dr Tsao Yuan

Risk Committee

Mr Patrick Yeoh
Chairman
Dr Cheong Cheong Kong
Mr David Conner
Professor Neo Boon Siong
Dr Tsao Yuan

Secretary

Mr Peter Yeoh

Registered Office

65 Chulia Street
#29-02/01 OCBC Centre
Singapore 049513
Tel: (65) 6338 7222 (Main Line)
Fax: (65) 6533 7955
Email: ContactUs@ocbc.com.sg
Website: www.ocbc.com.sg

Share Registrar

M & C Services
Private Limited
138 Robinson Road #10-00
The Corporate Office
Singapore 068906
Tel: (65) 6236 3036

Auditors

PricewaterhouseCoopers
8 Cross Street
#17-00 PWC Building
Singapore 048121
Tel: (65) 6236 3368

Partner in charge of the audit

Ms Deborah Ong
Resigned since January 2005

Acknowledgements:
Cover photograph taken at Zed & Zee at Plaza Singapura.
Photograph on page 17 taken at Han's at Great Eastern Centre.
Photograph on page 18 provided by Bank NISP.
Photograph on page 21 taken at The Hour Glass at Millenia Walk.



Oversea-Chinese Banking Corporation Limited
(Incorporated in Singapore)