



2005

GROUP FINANCIAL RESULTS

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Media Release

OCBC Group's Full Year 2005 Net Profit Grew 13% to S\$1,298 million

Fourth Quarter Net Profit rose 24% to S\$341 million

Singapore, 28 February 2006 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) today reported a net profit attributable to shareholders (“net profit”) of S\$1,298 million for the financial year ended 31 December 2005, an increase of 13% from S\$1,148 million in 2004. Excluding the one-time gains of S\$97 million from the divestment of Raffles Investments Limited and Whitesands Shopping Mall in 2004, net profit grew a robust 24% in 2005. The improved performance was driven by growth in operating profit, lower loan allowances as well as the discontinuation of goodwill amortisation.

The 2005 results included nine months consolidated results of 72.3%-owned PT Bank NISP Tbk (“Bank NISP”), which became a subsidiary in April 2005. Previously, Bank NISP was equity accounted as a 22.5%-owned associate from May 2004 to March 2005. 82.3%-owned Great Eastern Holdings (“GEH”) was consolidated as a subsidiary since June 2004, and prior to that, was equity accounted as a 48.9%-owned associate.

The Group's operating profit before allowances for loans and other assets rose 6% to S\$1,742 million in 2005, with broad based growth in the core revenue segments. Net interest income rose 5% to S\$1,597 million, driven by higher loan volume and Bank NISP's contribution. Net interest margin however declined from 1.91% to 1.84% due to higher cost of funds and the lack of gapping opportunities. Non-interest income, excluding the divestment gains in 2004, grew by 32% to S\$1,289 million. The growth came from higher insurance income, fees and commissions and dividend income, as well as higher contributions from dealing in securities and derivatives and disposal of investment securities. Operating expenses increased by 16% to S\$1,145 million, but excluding the consolidation effects of GEH and Bank NISP, expenses growth was a more moderate 4%.

Allowances for loans and other assets fell from S\$77 million in 2004 to S\$12 million in 2005, due to recoveries in loans and loan-related securities. Amortisation of goodwill was discontinued under the new Financial Reporting Standard (“FRS”) 103.

Return on ordinary shareholders' funds (“ROE”) was 11.4% in 2005, slightly above the 11.3% in 2004 (10.3% excluding the divestment gains). Cash ROE was 11.7%, lower than the 12.9% in 2004 (11.9% excluding divestment gains), attributable partly to the addition of fair value reserves to the 2005 equity base under FRS 39. Earnings per ordinary share increased by 13% to 40 cents in 2005.

The Board of Directors is recommending a final dividend of 12 cents per share (gross) for ordinary shareholders. Including the interim dividend of 11 cents paid in September 2005, total dividends for financial

year 2005 would amount to 23 cents per share, an increase of 45% over the 15.8 cents (adjusted¹) paid for financial year 2004. The estimated total net dividends of S\$574 million for 2005 represent 44% of the Group's core net profit of S\$1,298 million, in line with the Group's dividend policy which targets a minimum payout of 35% of core earnings.

Fourth Quarter Results

Net profit in the fourth quarter of 2005 ("4Q05") was S\$341 million, up 24% over the fourth quarter of 2004 ("4Q04"). Operating profit before allowances grew 15% year-on-year to S\$466 million.

Net interest income grew 7% to S\$414 million in 4Q05, driven mainly by growth in average interest earning assets. Net interest margin fell by 3 basis points from 1.93% in 4Q04 to 1.90% in 4Q05, due to higher borrowing costs which rose faster than asset yields.

Non-interest income increased by 20% to S\$364 million. Fee and commission income grew 13%, contributed by higher wealth management, trade-related, and loan-related income. Dividend income was boosted by a S\$63 million (S\$57 million net of tax) special dividend from Raffles Holdings Limited. Higher contributions were also registered for dealing in securities and derivatives and disposal of investment securities.

Insurance income contribution from GEH was lower, declining from S\$120 million to S\$64 million due to additional tax liability arising from the release of reserves following the implementation of Risk-Based Capital Framework in Singapore as well as weaker insurance performance in Malaysia.

Operating expenses increased by 9% to S\$312 million, but excluding Bank NISP (which was not consolidated in 4Q04), expenses were 2% lower than 4Q04. Total allowances for loans and other assets amounted to S\$12 million, as compared to a net reversal of S\$2 million in 4Q04.

Full Year Results

Revenue

Total income grew by 10% to S\$2,887 million in 2005.

Net interest income rose 5% to S\$1,597 million. This was driven mainly by growth in interest-earning assets which was partly contributed by the consolidation of Bank NISP. Gross customer loans increased by 6% year-on-year to S\$57.2 billion as at 31 December 2005, led by loans to the manufacturing, general commerce and housing sectors, which grew by 28%, 14% and 5% respectively. Net interest margin declined by 7 basis points from 1.91% in 2004 to 1.84% in 2005, as the rise in domestic interest rates led to higher cost of funds, while gapping opportunities were limited by the flat yield curve.

¹ "Adjusted" shares and per share data throughout this announcement refer to the equivalent shares/per share numbers after adjustment for the 1-for-5 Rights Issue effected on 18 July 2005, and the 2-for-1 Sub-Division (or stock split) effected on 5 August 2005.

Excluding the 2004 divestment gains, non-interest income rose by 32% to S\$1,289 million in 2005, accounting for 45% of the Group's total income. Fee and commission income increased by 9% to S\$507 million, led by higher fund management, trade-related, and loan-related income. Insurance income rose by 52% to S\$342 million due mainly to the full year's consolidation of GEH's results as compared to seven months consolidation in 2004. Dividend income jumped 50% to S\$130 million due to the special dividend of S\$63 million from Raffles Holdings Limited. In 2004, a special dividend of S\$29 million was received from Robinson and Company, Limited. Dealing in securities and derivatives registered gains of S\$17 million compared to net losses of S\$51 million in 2004. Gains from the disposal of investment securities increased from S\$23 million in 2004 to S\$83 million in 2005, contributed mainly by GEH and Bank NISP.

Operating Expenses

Operating expenses increased by 16% to S\$1,145 million. The increase was largely the result of the consolidation of the operating expenses of GEH and Bank NISP. Excluding these two subsidiaries, operating expenses increased by a moderate 4% due mainly to higher staff costs. Group headcount, excluding GEH and Bank NISP, increased by 4% over the year to 8,557 as at end-2005.

The Group's cost-to-income ratio was 39.6% in 2005, unchanged from 2004's adjusted ratio excluding the divestment gains (37.6% including the divestment gains).

Loan Allowances and Asset Quality

Total allowances fell sharply from S\$77 million to S\$12 million in 2005, reflecting the Group's improved asset quality and successful recovery of non-performing assets. Specific loan allowances declined from S\$143 million to S\$51 million, while investment securities and other assets registered a net recovery of S\$39 million. No new portfolio allowances were made in 2005.

The Group's non-performing loans ("NPLs") fell 17% from S\$2.87 billion in December 2004 to S\$2.39 billion in December 2005, while the NPL ratio improved from 5.0% to 4.1%. Total cumulative allowances of S\$2.11 billion were 88.3% of total NPLs, up from 82.9% in December 2004.

Capital Ratios

The Group's capital position remains strong, with a total capital adequacy ratio ("CAR") of 17.3% and Tier-1 ratio of 13.2% as at 31 December 2005.

In July 2005, the Group completed the S\$500 million share buyback programme that was first announced in August 2004, and commenced its second S\$500 million share buyback programme. In calendar year 2005, a total of approximately 74.3 million ordinary shares (adjusted basis) were purchased from the stock market for a total consideration of S\$453 million. As at the date of this results announcement, S\$333 million had been utilised under the second buyback programme to purchase and cancel approximately 52.6 million shares (adjusted basis).

Conclusion

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

"We achieved satisfactory results in 2005, the last year of our 3-year New Horizons strategy. We are particularly pleased that over the past three years, our net profit has almost doubled, and our shareholders have been rewarded with a 176% increase in annual ordinary dividends per share. Over the next few years we plan to focus on growing our core revenues and profits in our key markets; Singapore, Malaysia, Indonesia and China."

About OCBC Bank

Singapore's longest established local bank, OCBC Bank currently has assets of S\$131 billion and a network of 313 branches and representative offices in 15 countries and territories including Singapore, Malaysia, Indonesia, China, Hong Kong SAR, Brunei, Japan, Australia, UK and USA. This network includes 200 branches and offices in Indonesia operated by OCBC Bank's subsidiary, PT Bank NISP. OCBC Bank and its banking subsidiaries offer a wide range of specialist financial services, from consumer, corporate, investment, private and transaction banking to treasury and stockbroking services to meet the needs of its customers across communities.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia, in terms of assets and market share, and its asset management subsidiary, Lion Capital Management is one of the largest asset management companies in Southeast Asia.

In 2005, OCBC Bank was named *Global Finance* magazine's Best Trade Finance Bank and *FinanceAsia*'s Best Bond House. Additional information may be found at www.ocbc.com.

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FINANCIAL REVIEW

Highlights

- ◆ Net profit attributable to shareholders rose by 13% to S\$1,298 million in 2005. Excluding the divestment gains of S\$97 million in 2004, net profit grew by 24%.
- ◆ Excluding the 2004 divestment gains, operating profit before allowances rose 16% to S\$1,742 million in 2005. Net interest income increased by 5% while non-interest income grew by 32%.
- ◆ 4Q05 net profit of S\$341 million was 24% higher than 4Q04. Operating profit before allowances rose by 15%, driven by 7% growth in net interest income and 20% growth in non-interest income.
- ◆ Loans growth was 6% in 2005, led by increase in loans to the manufacturing, general commerce and housing sectors.
- ◆ NPLs declined by 17% from December 2004 to S\$2.39 billion in December 2005. The NPL ratio improved from 5.0% to 4.1%, while cumulative allowances coverage increased from 82.9% to 88.3% of total NPLs.
- ◆ Earnings per ordinary share increased by 13% from 35 cents in 2004 to 40 cents in 2005.
- ◆ Return on ordinary shareholders' funds ("ROE") was 11.4% in 2005, compared to 11.3% in 2004 (10.3% excluding divestment gains). Cash ROE was 11.7% compared to 12.9% in 2004 (11.9% excluding divestment gains).
- ◆ Net asset value per ordinary share ("NAV") was S\$3.67 as at 31 December 2005, up from S\$3.27 in December 2004. Including the unrealised valuation surplus of S\$1.24 per share, NAV was S\$4.91.

Financial Summary

	Full Year	Full Year	+ / (-) %	4th Qtr	4th Qtr	+ / (-) %	3rd Qtr
	2005	2004		2005	2004		2005
	S\$m	S\$m		S\$m	S\$m		S\$m
Selected profit and loss data :							
Net interest income	1,597	1,518	5	414	389	7	413
Fees and commissions	507	464	9	128	113	13	131
Dividends	130	87	50	77	13	484	9
Rental income	72	72	(1)	19	18	3	18
Income from insurance	342	225	52	64	120	(47)	93
Other income	239	260	(8)	76	37	104	71
Total income	2,887	2,625	10	778	691	13	735
Less : Operating expenses	1,145	988	16	312	286	9	298
Operating profit before allowances & amortisation	1,742	1,637	6	466	405	15	437
Less : Amortisation of goodwill	-	135	n.m.	-	35	n.m.	-
Less : Amortisation of intangible assets	40	23	73	10	10	4	10
Less : Allowances/ (writeback) for loans and other assets	12	77	(85)	12	(2)	n.m.	(23)
Add : Share of results of associated and joint venture companies	15	89	(83)	1	2	(45)	2
Profit before tax	1,706	1,491	14	445	364	22	453
Net profit attributable to shareholders	1,298	1,148	13	341	275	24	355
Cash basis net profit attributable to shareholders ^{1/}	1,338	1,307	2	351	320	10	365

Selected balance sheet data :

Total assets	131,298	119,882	10	131,298	119,882	10	133,658
Assets excluding life fund net assets	98,012	90,986	8	98,012	90,986	8	100,396
Loans to & bills receivable from customers (net of allowances for loan losses)	55,134	51,829	6	55,134	51,829	6	54,909
Deposits of non-bank customers	64,088	57,287	12	64,088	57,287	12	62,803
Ordinary shareholders' equity (excluding minority interests)	11,442	10,334	11	11,442	10,334	11	11,278
Total shareholders' equity (excluding minority interests)	12,338	11,230	10	12,338	11,230	10	12,174

Key Indicators :

Return on ordinary shareholders' equity (% p.a.) ^{2/}	11.4	11.3		11.6	10.2		12.1
Return on ordinary shareholders' equity (% p.a.) – Cash basis ^{2/}	11.7	12.9		11.9	11.9		12.5
Return on assets (% p.a.) ^{3/}	1.30	1.28		1.36	1.21		1.38
Return on assets (% p.a.) – Cash basis ^{3/}	1.34	1.46		1.40	1.40		1.42
Restated - Basic earnings per ordinary share (S\$) ^{4/}	0.40	0.35	13	0.41	0.32	28	0.45
- Cash earnings per ordinary share (S\$) ^{4/}	0.41	0.40	2	0.42	0.38	12	0.46
Previously reported - Basic earnings per ordinary share (S\$)		0.86			0.78		
- Cash earnings per ordinary share (S\$)		0.98			0.91		
Net asset value per ordinary share (S\$)							
Restated - Before valuation surplus ^{4/}	3.67	3.27	12	3.67	3.27	12	3.61
- After valuation surplus ^{4/}	4.91	4.64	6	4.91	4.64	6	4.99
Previously reported - Before valuation surplus		7.86			7.86		
- After valuation surplus		11.14			11.14		

^{1/} Excluding amortisation of goodwill and intangible assets

^{2/} Calculated after deducting preference shares dividends paid and estimated to be due as at end of period from net profit attributable to shareholders; Equity excludes minority interests

^{3/} Return on assets is calculated based on assets excluding life fund net assets attributable to policyholders

^{4/} The number of ordinary shares has been adjusted for the issue of new shares pursuant to the Rights Issue effected on 18 July 2005 and for the Sub-Division of one ordinary share of par value \$1 into two ordinary shares of par value \$0.50 effected on 5 August 2005. The comparative figures have been restated for the effects of FRS 102 adoption, the Rights Issue and Sub-Division. The adjusted weighted average number of ordinary shares was 3,141 million for 2005 and 3,134 million for 2004.

Notes: (i) Return on equity, return on assets and earnings per ordinary share for the quarters are annualised.

(ii) n.m. – Not meaningful

(iii) Certain comparative figures have been restated with the adoption of FRS 102 and revised INT FRS 12, as well as to conform to current year's presentation

Net Interest Income

Net interest income increased by 5% to S\$1,597 million in 2005. This was driven by a 9% growth in average interest-earning assets which was partly due to the consolidation of Bank NISP. Net interest margin declined by 7 basis points from 1.91% to 1.84%, due to higher cost of funds and the lack of gapping opportunities. Although average yield on total interest earning assets increased by 77 basis points to 3.99%, average borrowing costs rose by a higher 87 basis points as costs of interbank-pegged deposits, bank borrowings and debt instruments increased in tandem with the rise in interest rates.

Compared to 4Q04, net interest income grew by 7% to S\$414 million in 4Q05. This was driven by an 8% growth in average interest earning assets, contributed partly by the inclusion of Bank NISP's assets. Net interest margin of 1.90% in 4Q05 was 3 bps lower than in 4Q04.

Average Balance Sheet^{1/} (Full Year Trend)

	Full Year 2005			Full Year 2004		
	Average Balance ^{1/}	Interest	Average Rate	Average Balance ^{1/}	Interest	Average Rate
	S\$m	S\$m	%	S\$m	S\$m	%
Assets						
Loans and advances to non-bank customers	53,438	2,401	4.49	50,663	1,891	3.73
Placements with and loans to banks	15,866	468	2.95	13,305	296	2.22
Other interest earning assets ^{2/}	17,650	601	3.41	15,497	373	2.41
Total interest earning assets	86,954	3,470	3.99	79,464	2,560	3.22
Liabilities						
Deposits of non-bank customers	62,072	1,252	2.02	56,625	717	1.27
Deposits and balances of banks	14,318	403	2.82	13,698	211	1.54
Other borrowings ^{3/}	6,309	218	3.46	4,758	114	2.40
Total interest bearing liabilities	82,698	1,873	2.26	75,081	1,043	1.39
Net interest income/margin		1,597	1.84		1,518	1.91

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

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

^{3/} Comprise debts issued, including Upper Tier 2 subordinated debt, Floating Rate Notes and Euro Commercial Papers

Average Balance Sheet^{1/} (Quarterly Trend)

	4th Quarter 2005			4th Quarter 2004			3rd Quarter 2005		
	Average Balance ^{1/}	Interest	Average Rate	Average Balance ^{1/}	Interest	Average Rate	Average Balance ^{1/}	Interest	Average Rate
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m	S\$m	%
Assets									
Loans and advances to non-bank customers	54,880	679	4.91	51,989	503	3.85	54,055	625	4.59
Placements with and loans to banks	14,448	122	3.34	11,868	75	2.52	17,182	128	2.95
Other interest earning assets ^{2/}	16,986	165	3.84	16,275	110	2.69	18,221	163	3.55
Total interest earning assets	86,314	966	4.44	80,132	688	3.42	89,458	916	4.06
Liabilities									
Deposits of non-bank customers	63,536	386	2.41	56,754	203	1.42	63,183	326	2.05
Deposits and balances of banks	12,572	111	3.51	13,188	60	1.81	15,866	118	2.96
Other borrowings ^{3/}	5,823	54	3.68	5,563	37	2.62	6,133	58	3.77
Total interest bearing liabilities	81,930	551	2.67	75,505	300	1.58	85,182	502	2.34
Net interest income/margin		414	1.90		389	1.93		413	1.83

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

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

^{3/} Comprise debts issued, including Upper Tier 2 subordinated debt, Floating Rate Notes and Euro Commercial Papers

Non-Interest Income

	Full Year 2005	Full Year 2004	+ / (-)	4th Qtr 2005	4th Qtr 2004	+ / (-)	3rd Qtr 2005
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Fees and commissions							
Brokerage	48	50	(4)	12	10	21	16
Wealth management ^{1/}	137	132	4	32	25	27	34
Fund management	64	42	53	16	16	1	15
Credit card	42	35	17	12	10	14	10
Loan-related	73	66	11	21	15	38	18
Trade and remittances	75	57	31	20	16	25	21
Guarantees	20	18	9	4	4	(5)	4
Investment banking	8	19	(57)	3	3	(11)	2
Service charges	31	36	(15)	6	12	(47)	8
Others	9	7	22	1	1	77	2
Total	507	464	9	128	113	13	131
Dividends	130	87	50	77	13	484	9
Rental income	72	72	(1)	19	18	3	18
Income from insurance ^{2/}	342	225	52	64	120	(47)	93
Other income							
Dealing in foreign exchange	80	87	(9)	17	28	(39)	38
Dealing in securities and derivatives	17	(51)	n.m.	2	(18)	n.m.	9
Disposal of investment securities	83	23	268	43	12	276	9
Gain on disposal of associated/ subsidiary companies	1	54	(99)	–	(1)	n.m.	–
Disposal of properties	3	79	(97)	–	–	–	1
Others	57	68	(17)	13	17	(22)	13
Total	239	260	(8)	76	37	104	71
Total non-interest income	1,289	1,108	16	364	302	20	321
Fees and Commissions/Total Income	17.6%	17.7%		16.5%	16.4%		17.8%
Non-Interest Income/Total Income	44.7%	42.2%		46.8%	43.7%		43.7%

^{1/} From sale of unit trusts, bancassurance products and structured deposits and notes

^{2/} Comprise profit from life assurance and net earned premium from general insurance. Profit transferred from Singapore insurance funds are presented net of tax. Comparative figures for 2004 and the first three quarters of 2005 have been restated accordingly.

Total non-interest income rose by 16% to S\$1,289 million in 2005. Excluding the divestment gains of S\$132 million (before minority interests) from Raffles Investments Limited and Whitesands Shopping Mall in 2004, non-interest income increased by a robust 32% in 2005.

Fees and commissions rose 9% to S\$507 million, driven by higher fund management, trade-related, and loan-related income. Insurance income increased by 52% to S\$342 million due mainly to the full year's consolidation of GEH's results as compared to seven months consolidation in 2004. Dividend income jumped 50% to S\$130 million as a special dividend of S\$63 million (S\$57 million net of tax) was received from Raffles Holdings Limited in 2005, compared to the S\$29 million (S\$23 million net of tax) special dividend from Robinson and Company, Limited in 2004. Dealing in securities and derivatives registered gains of S\$17 million compared to net losses of S\$51 million in 2004. The increase in gains from disposal of investment securities from S\$23 million to S\$83 million was mainly from GEH and Bank NISP.

For 4Q05, non-interest income rose by 20% year-on-year to \$364 million, largely attributable to the special dividend from Raffles Holdings, higher fee and commission income, gains from dealing in securities and derivatives and disposal of investment securities.

Operating Expenses

	Full Year 2005	Full Year 2004	+ / (-)	4th Qtr 2005	4th Qtr 2004	+ / (-)	3rd Qtr 2005
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Staff costs ^{1/}	634	546	16	165	149	11	165
Premises and equipment							
Depreciation of fixed assets	68	62	11	19	15	24	18
Amortisation of computer software costs	19	24	(19)	5	5	(2)	5
Maintenance and hire of fixed assets	40	33	22	12	9	30	11
Rental expenses	23	18	25	6	5	16	6
Others	82	79	4	24	26	(7)	21
Total	233	216	8	65	60	9	61
Other operating expenses	278	226	23	81	77	6	71
Total operating expenses	1,145	988	16	312	286	9	298
Group staff strength – period end	14,662	10,582	39	14,662	10,582	39	14,397
Group staff strength – average	13,434	9,089	48	14,579	10,476	39	14,334
Cost-to-income ratio	39.6%	37.6%		40.1%	41.4%		40.5%

^{1/} Staff costs in 2004 periods were restated to include share-based expenses, in accordance with FRS 102

The Group's operating expenses increased by 16% to \$1,145 million in 2005, the result largely of the consolidation of GEH and Bank NISP, which were accounted for as subsidiaries from June 2004 and April 2005 respectively. Excluding the consolidation effects of GEH and Bank NISP, expenses growth was a more moderate 4%, attributable mainly to higher staff costs due to increased salaries and headcount. The Group's headcount, excluding GEH and Bank NISP, rose 4% to 8,557 as at the end of 2005.

The cost-to-income ratio was 39.6% in 2005, compared with 37.6% in 2004 (39.6% excluding the S\$132 million divestment gains).

For 4Q05, total operating expenses grew by 9% year-on-year to S\$312 million, mainly due to consolidation of expenses from Bank NISP. Excluding Bank NISP, operating expenses fell 2% over 4Q04.

Allowances for Loans and Other Assets

	Full Year 2005	Full Year 2004	+ / (-)	4th Qtr 2005	4th Qtr 2004	+ / (-)	3rd Qtr 2005
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Specific allowances / (writeback) for loan losses							
- Singapore	24	114	(79)	1	31	(98)	9
- Malaysia	11	40	(72)	3	36	(92)	17
- Others	16	(11)	n.m.	13	14	(10)	(6)
	<u>51</u>	<u>143</u>	(64)	<u>16</u>	<u>82</u>	(80)	<u>20</u>
Portfolio allowances / (writeback) for loan losses ^{1/}							
- Singapore	-	(2)	-	-	(1)	-	-
- Malaysia	-	(33)	-	-	(33)	-	-
- Others	-	2	-	-	-	-	-
	<u>-</u>	<u>(32)</u>	-	<u>-</u>	<u>(33)</u>	-	<u>-</u>
Impairment charges for investment securities and other assets							
	<u>(39)</u>	<u>(34)</u>	n.m.	<u>(4)</u>	<u>(50)</u>	n.m.	<u>(43)</u>
Total allowances / (writeback) for loans and other assets							
	<u>12</u>	<u>77</u>	(85)	<u>12</u>	<u>(2)</u>	n.m.	<u>(23)</u>

^{1/} For 2004 periods, refers to general provision

Total allowances in 2005 declined sharply by 85% from S\$77 million in 2004 to S\$12 million in 2005.

Specific loan allowances fell from S\$143 million to S\$51 million, underpinned by improvement in the Group's asset quality and successful recovery efforts for non-performing loans. Investment securities and other assets registered a net recovery of S\$39 million in 2005, mainly from loan-related securities. No additional portfolio allowances for loans were made in 2005, whereas in 2004 there was a net reversal of S\$32 million in such allowances.

Total allowances in 4Q05 amounted to S\$12 million, comprising mainly specific loan allowances. This compares with a net reversal of S\$2 million in allowances in 4Q04.

Loans and Advances

	<u>31 Dec 2005</u>	<u>31 Dec 2004^{1/}</u>	<u>30 Sep 2005</u>
	S\$m	S\$m	S\$m
Loans to customers	56,402	53,541	56,109
Bills receivable	791	549	884
Gross loans to customers	57,193	54,090	56,993
Less Allowances:			
Specific allowances	1,097	1,116	1,118
Portfolio allowances	962	1,145	967
	55,134	51,829	54,909

Gross loans to customers increased by 6% or S\$3.10 billion in 2005, to S\$57.2 billion as at 31 December 2005. The growth was contributed partly by the consolidation of Bank NISP's loans which amounted to S\$2.05 billion as at end-2005. By industry, the strongest growth came from loans to the manufacturing, general commerce and housing sectors, which increased by 28%, 14% and 5% respectively.

	<u>31 Dec 2005</u>	<u>31 Dec 2004^{1/}</u>	<u>30 Sep 2005</u>
	S\$m	S\$m	S\$m
<u>By Maturity</u>			
Less than 7 days	6,973	7,318	6,729
1 week to 1 month	3,798	3,665	3,178
Over 1 to 3 months	3,941	3,455	3,921
Over 3 to 12 months	6,824	5,087	6,738
Over 1 to 3 years	8,787	8,722	9,088
Over 3 years	26,871	25,844	27,340
	57,193	54,090	56,993
<u>By Industry</u>			
Agriculture, mining & quarrying	791	718	745
Transport, storage and communication	1,853	1,568	1,806
Building and construction	7,278	7,123	7,296
Manufacturing	4,455	3,484	4,381
Financial institutions, investment and holding companies ^{1/}	7,621	7,345	7,289
General commerce	5,315	4,652	5,571
Professionals and individuals	8,316	8,575	8,421
Housing loans	18,087	17,287	18,090
Others	3,477	3,339	3,395
	57,193	54,090	56,993

^{1/} Balances as at 31 Dec 2004 were restated to exclude Collateralised Debt Obligations ("CDOs") to conform to current year's presentation

Non-Performing Loans

By grading, security coverage and countries

	Total NPLs ^{1/}	Substandard NPLs	Doubtful NPLs	Loss NPLs	Secured NPLs as % of total NPLs	Non-bank NPLs as % of non-bank loans ^{2/}
	S\$m	S\$m	S\$m	S\$m	%	%
Singapore						
31 Dec 2005	1,416	759	353	304	66.1	3.7
30 Sep 2005	1,454	806	357	291	66.0	3.8
31 Dec 2004	1,735	1,082	436	217	60.7	4.4
Malaysia						
31 Dec 2005	707	487	136	84	64.8	6.8
30 Sep 2005	745	509	157	79	66.5	7.0
31 Dec 2004	902	580	230	93	64.8	9.0
Others						
31 Dec 2005	269	68	140	61	38.8	2.9
30 Sep 2005	267	62	156	49	39.3	2.9
31 Dec 2004	229	57	152	21	31.4	3.6
Group Total						
31 Dec 2005	2,392	1,314	629	449	62.7	4.1
30 Sep 2005	2,467	1,377	670	419	63.3	4.2
31 Dec 2004	2,866	1,718	818	331	59.6	5.0

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

^{2/} Exclude debt securities

The Group's asset quality continued to improve in 2005. Total NPLs declined by 17% from S\$2.87 billion at 31 December 2004 to S\$2.39 billion at 31 December 2005. Singapore NPLs amounted to S\$1.42 billion and accounted for 59% of the Group's total NPLs, while Malaysia NPLs of S\$707 million accounted for 30% of total NPLs. Of the total NPLs, 55% were in the substandard category while 63% were secured by collateral.

The Group's NPL ratio improved from 5.0% in December 2004 to 4.1% in December 2005. The Singapore NPL ratio improved from 4.4% to 3.7%, while the Malaysia NPL ratio improved from 9.0% to 6.8% over the same period.

Non-Performing Loans *(continued)*

	31 Dec 2005		31 Dec 2004		30 Sep 2005	
	Amount	% of	Amount	% of	Amount	% of
	S\$m	Gross Loans	S\$m	Gross Loans	S\$m	Gross Loans
<u>NPLs by industry</u>						
Agriculture, mining & quarrying	28	3.6	42	5.9	29	3.9
Transport, storage and communication	19	1.0	25	1.6	20	1.1
Building and construction	491	6.7	579	8.1	468	6.4
Manufacturing	390	8.8	416	11.9	420	9.6
Financial institutions, investment and holding companies	198	2.6	360	4.9	248	3.4
General commerce	377	7.1	440	9.5	398	7.1
Professionals and individuals	322	3.9	466	5.4	343	4.1
Housing loans	399	2.2	256	1.5	361	2.0
Others	109	3.1	131	3.9	107	3.2
Sub-total	2,334	4.1	2,715	5.0	2,394	4.2
Debt securities	58		151		73	
Total	2,392		2,866		2,467	

	31 Dec 2005		31 Dec 2004		30 Sep 2005	
	S\$m	%	S\$m	%	S\$m	%
<u>NPLs by period overdue</u>						
Over 180 days	1,463	61	1,668	58	1,472	60
Over 90 to 180 days	215	9	216	7	301	12
Over 30 to 90 days	188	8	187	7	128	5
Less than 30 days	105	4	106	4	56	2
No overdue	420	18	689	24	510	21
	2,392	100	2,866	100	2,467	100

Cumulative Allowances for Loan Losses

	Total cumulative allowances ^{1/}	Specific allowances	Portfolio allowances ^{2/}	Specific allowances as % of total NPLs	Cumulative allowances as % of total NPLs
	S\$m	S\$m	S\$m	%	%
Singapore					
31 Dec 2005	1,251	578	673	40.8	88.4
30 Sep 2005	1,262	602	660	41.4	86.8
31 Dec 2004	1,152	680	472	39.2	66.4
Malaysia					
31 Dec 2005	493	350	143	49.5	69.6
30 Sep 2005	511	365	146	49.0	68.5
31 Dec 2004	721	362	359	40.2	79.9
Others					
31 Dec 2005	369	223	146	82.9	137.3
30 Sep 2005	372	211	161	79.0	139.2
31 Dec 2004	502	188	314	82.1	219.5
Group Total					
31 Dec 2005	2,113	1,151	962	48.1	88.3
30 Sep 2005	2,145	1,178	967	47.8	86.9
31 Dec 2004	2,375	1,230	1,145	42.9	82.9

^{1/} Include allowances for classified debt securities

^{2/} 2004 comparatives refer to general provisions for loan losses

As at 31 December 2005, the Group's total cumulative allowances for loan losses amounted to S\$2.11 billion, comprising S\$1.15 billion in cumulative specific allowances and S\$0.96 billion in cumulative portfolio allowances. The cumulative allowances represent 88.3% of total NPLs, up from the coverage of 82.9% in December 2004.

Deposits

	<u>31 Dec 2005</u>	<u>31 Dec 2004</u>	<u>30 Sep 2005</u>
	S\$m	S\$m	S\$m
Deposits of non-bank customers	64,088	57,287	62,803
Deposits and balances of banks	10,307	12,455	14,252
	<u>74,395</u>	<u>69,742</u>	<u>77,055</u>
Loans-to-deposits ratio (net non-bank loans/non-bank deposits)	86.0%	90.5%	87.4%

Compared to 31 December 2004, total deposits increased by 7% to S\$74.4 billion as at 31 December 2005. Non-bank customer deposits, which accounted for 86% of total deposits, rose by 12% or S\$6.80 billion to S\$64.1 billion, mainly due to the consolidation of Bank NISP's non-bank deposits of S\$2.79 billion, growth in Singapore fixed deposits and current account deposits, and growth in structured deposits.

In 2004, the Bank issued 3-year US Dollar floating rate notes and short term Euro Commercial Papers to tap into the offshore capital markets and to establish alternative cost-effective funding. As at 31 December 2005, the outstanding senior debt and short term commercial papers amounted to S\$1.26 billion, compared to S\$1.77 billion as at 31 December 2004.

With non-bank deposits growth of 12% outstripping loans growth of 6% in 2005, the Group's loans-to-deposits ratio fell from 90.5% in December 2004 to 86.0% in December 2005.

	<u>31 Dec 2005</u>	<u>31 Dec 2004</u>	<u>30 Sep 2005</u>
	S\$m	S\$m	S\$m
<u>Total Deposits By Maturity</u>			
Less than 7 days	34,446	31,846	34,630
1 week to 1 month	19,064	17,142	20,677
Over 1 to 3 months	8,606	9,932	9,217
Over 3 to 12 months	8,904	8,182	9,352
Over 1 to 3 years	677	795	598
Over 3 years	2,698	1,844	2,581
	<u>74,395</u>	<u>69,742</u>	<u>77,055</u>
<u>Non-Bank Deposits By Product</u>			
Fixed deposits	40,549	36,270	40,426
Savings deposits	11,043	11,178	11,373
Current account	9,070	7,159	8,555
Others	3,426	2,680	2,449
	<u>64,088</u>	<u>57,287</u>	<u>62,803</u>

Capital Adequacy Ratios

	31 Dec 2005	31 Dec 2004	30 Sep 2005
	S\$m	S\$m	S\$m
Tier 1 Capital			
Paid-up ordinary and preference shares	1,561	1,321	1,564
Disclosed reserves/others	11,124	10,409	10,994
Less: Goodwill/Others	3,383	3,088	3,371
	<u>9,302</u>	<u>8,642</u>	<u>9,187</u>
Tier 2 Capital			
Cumulative portfolio allowances ^{1/}	714	859	717
Subordinated term notes	3,872	3,861	3,873
Revaluation surplus on equity securities	157	–	157
	<u>4,743</u>	<u>4,720</u>	<u>4,747</u>
Less: Capital investments in insurance subsidiary companies	1,466	1,042	1,479
Less: Others	359	179	345
	<u>12,219</u>	<u>12,141</u>	<u>12,110</u>
Total Capital	12,219	12,141	12,110
Risk weighted assets including market risk	70,708	68,737	71,679
Tier 1 ratio	13.2%	12.6%	12.8%
Total capital adequacy ratio	17.3%	17.7%	16.8%

Note:

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

^{1/} For 2004 periods, refers to cumulative general provisions

The total capital adequacy ratio (CAR) of the Group remained strong at 17.3% as at 31 December 2005, while Tier 1 capital ratio was 13.2%.

In July 2005, the Group completed the S\$500 million share buyback programme that was first announced in August 2004, and commenced its second S\$500 million share buyback programme. In calendar year 2005, a total of approximately 74.3 million ordinary shares (adjusted basis) have been purchased from the stock market for a total consideration of S\$453 million. From July 2005 to the date of this results announcement, approximately 52.6 million shares (adjusted basis) have been purchased under the second share buyback programme, for a total consideration of S\$333 million.

In addition, the following capital management and share capital restructuring initiatives were undertaken in 2005:-

- In February, the Group issued S\$400m hybrid non-convertible non-cumulative preference shares which qualify as Tier 1 capital.
- In May, the Group announced a bonus cash dividend of S\$1 net (unadjusted basis) together with a one-for-five Rights Issue at S\$5 per rights share (unadjusted basis), with an election option to use all or part of the dividend to subscribe for the rights shares. The Rights Issue was completed in July and was fully subscribed.
- A sub-division (or stock split) of each ordinary share of par value S\$1 into two ordinary shares of par value S\$0.50 was effected on 5 August 2005.

Valuation Surplus

S\$ million	31 Dec 2005			31 Dec 2004			30 Sep 2005		
	Carrying amount	Market value	Surplus	Carrying amount	Market value	Surplus	Carrying amount	Market value	Surplus
Properties	1,209	2,730	1,522	1,169	2,552	1,382	1,213	2,653	1,440
Equity securities ^{1/}	1,721	4,053	2,332	1,109	3,809	2,700	1,859	4,706	2,847
Debt securities ^{2/}	15,457	15,457	–	16,746	16,982	236	17,759	17,759	–
Total	18,387	22,241	3,854	19,025	23,343	4,318	20,831	25,118	4,287

^{1/} Includes investment in quoted subsidiary GEH

^{2/} Includes government treasury bills and securities

The Group's unrealised valuation surplus amounted to S\$3.85 billion as at 31 December 2005, a decrease of 11% compared to 31 December 2004. The valuation surplus for properties was S\$1.52 billion. With the adoption of FRS 39 in 2005, most of the Group's equity and debt securities are stated at fair value on the balance sheet. The valuation surplus of S\$2.33 billion for equity securities as at 31 December 2005 relates primarily to the Group's holding of GEH shares.

Performance by Business Segment

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

Net Profit by Business Segment

	Full Year 2005	Full Year 2004	+ / (-)
	S\$m	S\$m	%
Consumer Banking	365	308	19
Business Banking	540	493	10
Treasury	136	210	(35)
Insurance	327	166	97
Others	14	90 *	(84)
Net profit before equity accounting	1,382	1,267	9
Share of results of associated and joint venture companies	15	89	(83)
Amortisation of goodwill	–	(135)	n.m.
Minority interests	(99)	(73)	36
Group	1,298	1,148	13

* Includes S\$97 million gain from divestment of Raffles Investments Limited and Whitesands Shopping Mall

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 and wealth management products (unit trusts, bancassurance products and structured deposits).

Net profit of the segment increased by 19% to S\$365 million in 2005, contributed by revenue growth from higher loan volume, and lower loan allowances.

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 10% to S\$540 million mainly due to recoveries in loan-related securities.

Performance by Business Segment *(continued)*

Treasury

Treasury engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and also offers structured treasury products and financial solutions to meet customers' investment and hedging needs.

Treasury recorded a decline of 35% in net profit to S\$136 million, mainly due to lower net interest income as the flat yield curve limited gapping opportunities.

Insurance

Insurance business, including its fund management activities, is carried out by the Bank's 82.3%-owned subsidiary GEH which provides both life and general insurance products to its customers in Singapore and Malaysia.

The profit contribution before minority interests of S\$327 million from GEH represents the full year's consolidation in 2005, compared to seven months' contribution in 2004.

Others

The "Others" segment include Bank NISP, corporate finance, capital markets, property development, stock brokerage and investment holding, support units, other investments, items not attributed to business segments, and one-time divestment gains.

Performance by Business Segment *(continued)*

S\$ million	Consumer Business					Group
	Banking	Banking	Treasury	Insurance	Others	
Financial year ended 31 Dec 2005						
Segment income	995	922	248	524	288	2,977
Elimination						(90)
Total income						2,887
Profit before tax and allowances	541	638	172	435	(44)	1,742
Amortisation of intangible assets	–	–	–	(40)	–	(40)
Allowances/ (writeback) for loans and impairment of other assets	(82)	32	–	–	38	(12)
Income tax (charge)/credit	(94)	(130)	(36)	(68)	20	(308)
Net profit before equity accounting	365	540	136	327	14	1,382
Share of results of associated and joint venture companies						15
Minority interests						(99)
Net profit attributable to equity holders of the Bank						1,298
Other information						
Capital expenditure	4	3	1	4	135	147
Amortisation and depreciation of software, property, plant and equipment	6	6	–	2	74	88
At 31 December 2005						
Segment assets	28,229	34,221	22,238	37,357	12,816	134,861
Unallocated assets						71
Elimination						(3,634)
Total assets						131,298
Segment liabilities	31,914	28,522	16,289	33,468	10,625	120,818
Unallocated liabilities						627
Elimination						(3,634)
Total liabilities						117,811
Other information						
Non-bank loans (gross)	26,727	27,274	–	378	2,814	57,193
NPLs and debt securities (gross)	729	1,611	–	–	52	2,392

Performance by Business Segment *(continued)*

S\$ million	Consumer Business					Group
	Banking	Banking	Treasury	Insurance	Others	
Financial year ended 31 Dec 2004						
Segment income	912	889	327	286	293	2,707
Elimination						(82)
Total income						2,625
Profit before tax and allowances	489	638	258	234	18	1,637
Amortisation of intangible assets	–	–	–	(23)	–	(23)
Allowances/ (writeback) for loans and impairment of other assets	(101)	(21)	–	1	44	(77)
Income tax (charge)/credit	(80)	(124)	(48)	(46)	28	(270)
Net profit before equity accounting	308	493	210	166	90	1,267
Amortisation of goodwill						(135)
Share of results of associated and joint venture companies						89
Minority interests						(73)
Net profit attributable to equity holders of the Bank						1,148
Other information						
Capital expenditure	9	3	–	1	50	63
Amortisation and depreciation of software, property, plant and equipment	14	7	–	1	64	86
At 31 December 2004						
Segment assets	28,058	33,449	21,535	32,538	7,802	123,382
Unallocated assets						50
Elimination						(3,550)
Total assets						119,882
Segment liabilities	29,633	26,952	17,929	29,050	7,641	111,205
Unallocated liabilities						508
Elimination						(3,550)
Total liabilities						108,163
Other information						
Non-bank loans (gross)	26,335	26,169	–	391	1,195	54,090
NPLs and debt securities (gross)	735	2,131	–	–	–	2,866

Audited Consolidated Income Statement

	Full Year 2005	Full Year 2004*	+ / (-)	4th Qtr 2005^	4th Qtr 2004^	+ / (-)	3rd Qtr 2005^
	S\$m	S\$m	%	S\$m	S\$m	%	S\$m
Interest income	3,470	2,560	35.5	966	689	40.2	916
Less: Interest expense	1,873	1,043	79.6	551	300	83.9	502
Net interest income	1,597	1,518	5.3	414	389	6.6	413
Fees and commissions	507	464	9.3	128	113	13.3	131
Dividends	130	87	49.6	77	13	484.5	9
Rental income	72	72	(0.9)	19	18	3.0	18
Income from insurance	342	225	52.1	64	120	(47.0)	93
Other income	239	260	(8.0)	76	37	103.7	71
Non-interest income	1,289	1,108	16.4	364	302	20.4	321
Total income	2,887	2,625	10.0	778	691	12.6	735
Less:							
Staff costs	634	546	16.2	165	149	10.8	165
Other operating expenses	511	442	15.5	147	137	7.4	133
Total operating expenses	1,145	988	15.9	312	286	9.2	298
Operating profit before allowances and amortisation of goodwill and intangible assets	1,742	1,637	6.4	466	405	15.1	437
Less:							
Amortisation of goodwill	–	135	n.m.	–	35	n.m.	–
Amortisation of intangible assets	40	23	73.2	10	10	4.3	10
Allowances/ (writeback) for loans and impairment of other assets	12	77	(84.9)	12	(2)	n.m.	(23)
Operating profit after allowances and amortisation of goodwill and intangible assets	1,691	1,402	20.6	444	362	22.7	450
Share of results of associated and joint venture companies	15	89	(83.4)	1	2	(44.6)	2
Profit before tax	1,706	1,491	14.4	445	364	22.3	453
Less: Income tax	308	270	14.3	84	74	13.6	68
Net profit after tax	1,397	1,222	14.4	362	290	24.5	385
Attributable to :							
Equity holders of the Bank	1,298	1,148	13.0	341	275	24.2	355
Minority interests	99	73	35.6	20	16	28.8	30
	1,397	1,222	14.4	362	290	24.5	385

n.m. – not meaningful

* Certain comparative figures for 2004 have been restated with the adoption of FRS 102 as well as to conform with current financial year's presentation

^ Unaudited

Audited Consolidated Balance Sheet

	31 Dec 2005	31 Dec 2004*	30 Sep 2005^
	S\$m	S\$m	S\$m
EQUITY			
Capital and reserves attributable to the Bank's equity holders			
Share capital	1,561	1,321	1,564
Capital reserves	4,292	3,141	4,244
Statutory reserves	1,959	1,934	1,959
Fair value reserves	618	–	711
Revenue reserves	3,908	4,834	3,697
	12,338	11,230	12,174
Minority interests	1,149	489	1,144
Total equity	13,487	11,719	13,318
LIABILITIES			
Deposits of non-bank customers	64,088	57,287	62,803
Deposits and balances of banks	10,307	12,455	14,252
Deposits of associated companies	21	17	15
Derivative payables	1,921	1,664	1,683
Other liabilities	2,042	1,642	2,153
Current tax	412	425	341
Deferred tax	215	83	210
Debts issued	5,519	5,695	5,622
	84,525	79,268	87,078
Life assurance fund	33,286	28,895	33,262
Total liabilities	117,811	108,163	120,340
Total equity and liabilities	131,298	119,882	133,658
ASSETS			
Cash and placements with central banks	4,182	3,617	5,131
Singapore government treasury bills and securities	6,492	6,208	7,069
Other government treasury bills and securities	1,990	1,261	2,337
Placements with and loans to banks	11,538	9,644	11,117
Loans to and bills receivable from customers	55,134	51,829	54,909
Debt and equity securities	7,403	9,127	9,016
Assets pledged	1,917	1,354	1,724
Derivative receivables	2,378	1,709	2,083
Other assets	1,948	1,565	2,063
Deferred tax	71	50	53
Associated and joint venture companies	186	309	185
Property, plant and equipment	1,429	1,316	1,424
Goodwill and intangible assets	3,344	2,999	3,286
	98,012	90,986	100,396
Life fund net assets attributable to policyholders	33,286	28,895	33,262
Total assets	131,298	119,882	133,658
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	6,647	4,798	6,377
Commitments	33,133	30,256	34,933
Derivative financial instruments	263,296	271,483	266,896
	303,076	306,537	308,206

* Certain comparative figures for 2004 have been restated with the adoption of FRS 102 and revised INT FRS 12, as well as to conform with current financial year's presentation

^ Unaudited

Audited Consolidated Statement of Changes in Shareholders' Equity

For the financial year ended 31 December 2005

	Attributable to the equity holders of the Bank					Total	Minority interests	Total equity
	Share capital	Capital reserves	Statutory reserves	Fair value reserves	Revenue reserves			
In S\$million								
Balance at 1 January 2005								
As previously reported	1,321	3,136	1,934	–	4,852	11,242	489	11,731
– Effect of adopting FRS 102	–	18	–	–	(18)	–	–	–
– Effect of adopting INT FRS 12	–	(12)	–	–	–	(12)	–	(12)
– As restated retrospectively	1,321	3,141	1,934	–	4,834	11,230	489	11,719
– Effect of adopting FRS 39	–	–	–	649	12	661	25	686
– Effect of adopting FRS 102	–	–	–	–	1	1	–	1
– As restated	1,321	3,141	1,934	649	4,847	11,892	514	12,406
Movements in fair value reserves:								
– Gains/(losses) taken to equity	–	–	–	61	–	61	17	79
– Tax on gains/(losses) to equity	–	–	–	(22)	–	(22)	(2)	(24)
– Transferred to income statements	–	–	–	(70)	–	(70)	(13)	(83)
Currency translation differences	–	–	–	–	(17)	(17)	(1)	(18)
Net gains/(losses) recognised in equity	–	–	–	(31)	(17)	(48)	1	(47)
Net profit after tax	–	–	–	–	1,298	1,298	99	1,397
Total recognised gains/(losses) for the financial year	–	–	–	(31)	1,281	1,250	101	1,351
Transfers	–	(82)	25	–	57	–	–	–
Acquisition of PT Bank NISP Tbk (“NISP”)	–	–	–	–	–	–	57	57
Issue of preference shares by subsidiaries	–	–	–	–	–	–	576	576
Proceeds from NISP’s rights issue	–	–	–	–	–	–	20	20
Change in minority interests	7	81	–	–	–	88	(44)	44
Cash distribution to minority interests	–	–	–	–	–	–	(38)	(38)
Dividends paid to minority interests	–	–	–	–	–	–	(37)	(37)
Bonus ordinary dividends	–	–	–	–	(1,311)	(1,311)	–	(1,311)
Ordinary and preference dividends paid	–	–	–	–	(514)	(514)	–	(514)
Shares purchased by DSP Trust	–	(8)	–	–	–	(8)	–	(8)
Share-based staff costs capitalised	–	14	–	–	–	14	–	14
Share buyback	(36)	36	–	–	(453)	(453)	–	(453)
Shares issued to non-executive directors	#	#	–	–	–	#	–	#
Shares issued under Share Option Schemes and Share Purchase Plan	7	62	–	–	–	69	–	69
Shares issued pursuant to Rights Issue	262	1,048	–	–	–	1,310	–	1,310
Balance at 31 December 2005	1,561	4,292	1,959	618	3,908	12,338	1,149	13,487
Included:								
Share of reserves of associated and joint venture companies	–	1	–	–	43	44	–	–

Amounts less than S\$500,000

Appendix III
(continued)
Audited Consolidated Statement of Changes in Shareholders' Equity
 For the financial year ended 31 December 2004

	Attributable to the equity holders of the Bank					Minority interests	Total equity
	Share capital	Capital reserves	Statutory reserves	Revenue reserves	Total		
In S\$million							
Balance at 1 January 2004							
– As previously reported	1,284	2,329	1,854	4,591	10,059	20	10,079
– Effect of adopting FRS 102	–	4	–	(4)	–	–	–
– Effect of adopting INT FRS 12	–	(6)	–	–	(6)	–	(6)
– As restated retrospectively	1,284	2,327	1,854	4,588	10,053	20	10,073
Currency translation differences	–	–	–	(47)	(47)	(1)	(48)
Net profit after tax							
– As previously reported	–	–	–	1,162	1,162	73	1,236
– Effect of adopting FRS 102	–	–	–	(14)	(14)	–	(14)
– As restated retrospectively	–	–	–	1,148	1,148	73	1,222
Total recognised gains/(losses) for the financial year	–	–	–	1,102	1,102	72	1,174
Transfers	–	25	50	(75)	–	–	–
Acquisition of interests in subsidiaries	–	–	30	48	78	416	494
Dividends paid to minority interests	–	–	–	–	–	(19)	(19)
Ordinary and preference dividends paid	–	–	–	(366)	(366)	–	(366)
Selective capital reduction	(80)	(785)	–	(126)	(991)	–	(991)
Shares purchased by DSP Trust	–	(7)	–	–	(7)	–	(7)
Share-based staff costs capitalised	–	14	–	–	14	–	14
Share buyback	(24)	24	–	(337)	(337)	–	(337)
Shares issued pursuant to voluntary unconditional offer	136	1,502	–	–	1,638	–	1,638
Shares issued under Share Option Schemes	5	41	–	–	46	–	46
Balance at 31 December 2004	1,321	3,141	1,934	4,834	11,230	489	11,719
Included:							
Share of reserves of associated companies	–	1	–	37	39	–	39

Appendix IV

Audited Consolidated Cash Flow Statement

For the financial year ended 31 December

	2005	2004*
	S\$m	S\$m
Cash flows from operating activities		
Profit before tax	1,705	1,491
<u>Adjustments for non-cash items</u>		
Amortisation and depreciation of software, property, plant and equipment	88	86
Amortisation of goodwill and intangible assets	40	158
Allowances/ (writeback) for loans and impairment of other assets	12	77
Change in fair value of hedging transactions & trading securities	2	–
Gains on disposal of government, debt and equity securities	(83)	(23)
Gains on disposal of associated companies	–	(54)
Losses/(gains) on disposal of property, plant and equipment	1	(79)
Share-based staff costs	13	14
Share of results of associated and joint venture companies	(15)	(89)
Operating profit before changes in operating assets and liabilities	1,763	1,581
<u>Increase/(decrease) in operating liabilities</u>		
Deposits of non-bank customers	4,317	2,387
Deposits and balances of banks	(2,167)	(26)
Derivative payables and other liabilities	392	536
<u>(Increase)/decrease in operating assets</u>		
Government securities and treasury bills	(757)	(935)
Trading securities	544	(449)
Placements with and loans to banks	(2,243)	150
Loans to and bills receivable from customers	(1,522)	(2,365)
Derivative receivables and other assets	(705)	(732)
Cash (used in)/ provided by operating activities	(378)	146
Income tax paid	(357)	(353)
Net cash (used in)/ provided by operating activities	(734)	(207)
Cash flows from investing activities		
Acquisition of additional interests in a subsidiary	(49)	–
Acquisition of associated companies	–	(118)
Capital return from an associated company	1	1
Dividends from associated companies	4	62
Decrease/(increase) in associated and joint venture companies	(3)	8
Net cash inflow/(outflow) from acquisition of additional interests in subsidiaries	77	(163)
Purchases of debt and equity securities	(2,338)	(2,362)
Purchases of property, plant and equipment	(147)	(63)
Proceeds from disposal of associated companies	–	122
Proceeds from disposal of debt and equity securities	4,608	2,157
Proceeds from disposal of property, plant and equipment	7	173
Net cash provided by/(used in) investing activities	2,160	(183)
Cash flows from financing activities		
Cash distributions and dividends paid to minority interests	(76)	(19)
Dividends paid to equity holders of the Bank	(514)	(366)
(Decrease)/increase in debts issued	(484)	1,682
Expenses relating to Rights Issue	(1)	–
Proceeds from minority interests for subscription of shares in subsidiaries	20	3
Proceeds from issue of preference shares by subsidiaries	576	–
Proceeds from issue of ordinary shares under Share Option Schemes and Share Purchase Plan	69	46
Selective share buyback	(453)	(337)
Selective capital reduction	–	(991)
Net cash provided by/(used in) financing activities	(863)	18
Net currency translation adjustments	2	(47)
Net change in cash and cash equivalents	565	(419)
Cash and cash equivalents as at beginning of the period	3,617	4,036
Cash and cash equivalents as at end of the period	4,182	3,617

Amounts less than S\$500,000

* Certain comparative figures for 2004 have been restated with the adoption of FRS 102 and revised INT FRS 12, as well as to conform to current year's presentation