

# Second Quarter 2009 Results

## Presentation

3 August 2009



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# Agenda

- **Results Overview**
- **Performance Trends**
- **Results of Key Subsidiaries**
- **In Summary**



# Core net profit up 22% YoY, down 15% QoQ

	2Q09	2Q08	YoY	1Q09	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	710	678	5	740	(4)
Non-Interest Income	494	360	37	607	(19)
Total Income	1,204	1,038	16	1,347	(11)
Operating Expenses	(450)	(473)	(5)	(413)	9
<b>Operating Profit</b>	<b>754</b>	<b>565</b>	<b>33</b>	<b>934</b>	<b>(19)</b>
Amortisation of Intangibles	(12)	(12)	1	(12)	-
Allowances	(104)	(55)	88	(197)	(47)
Associates & JVs	1	3	(86)	-	n.m.
Tax & Minority Interests	(173)	(120)	44	(180)	(4)
<b>Core Net Profit</b>	<b>466</b>	<b>381</b>	<b>22</b>	<b>545</b>	<b>(15)</b>
Divestment Gains/Tax Refunds <sup>1/</sup>	-	44	-	-	-
<b>Reported Net Profit</b>	<b>466</b>	<b>425</b>	<b>10</b>	<b>545</b>	<b>(15)</b>

<sup>1/</sup> 2Q08 – net divestment gains of S\$18m and tax refunds of S\$26m.



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# First Half core net profit rose 20% YoY and 57% over 2H08

	1H09	1H08	YoY	2H08	HoH
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	1,450	1,317	10	1,467	(1)
Non-Interest Income	1,101	736	50	721	53
<b>Total Income</b>	<b>2,551</b>	<b>2,053</b>	<b>24</b>	<b>2,188</b>	<b>17</b>
Operating Expenses	(863)	(899)	(4)	(956)	(10)
<b>Operating Profit</b>	<b>1,688</b>	<b>1,154</b>	<b>46</b>	<b>1,232</b>	<b>37</b>
Amortisation of Intangibles	(24)	(23)	1	(23)	-
Allowances	(301)	(48)	531	(399)	(25)
Associates & JVs	1	5	(91)	1	(61)
Tax & Minority Interests	(353)	(247)	43	(166)	113
<b>Core Net Profit</b>	<b>1,011</b>	<b>841</b>	<b>20</b>	<b>645</b>	<b>57</b>
Divestment Gains/Tax Refunds <sup>1/</sup>	-	206	-	57	-
<b>Reported Net Profit</b>	<b>1,011</b>	<b>1,047</b>	<b>(3)</b>	<b>702</b>	<b>44</b>

<sup>1/</sup> 1H08 – net divestment gains of S\$174m and tax refunds of S\$32m; 2H08 – tax refunds and writebacks of S\$57m.

# Key Financial Ratios - Based on Core Earnings

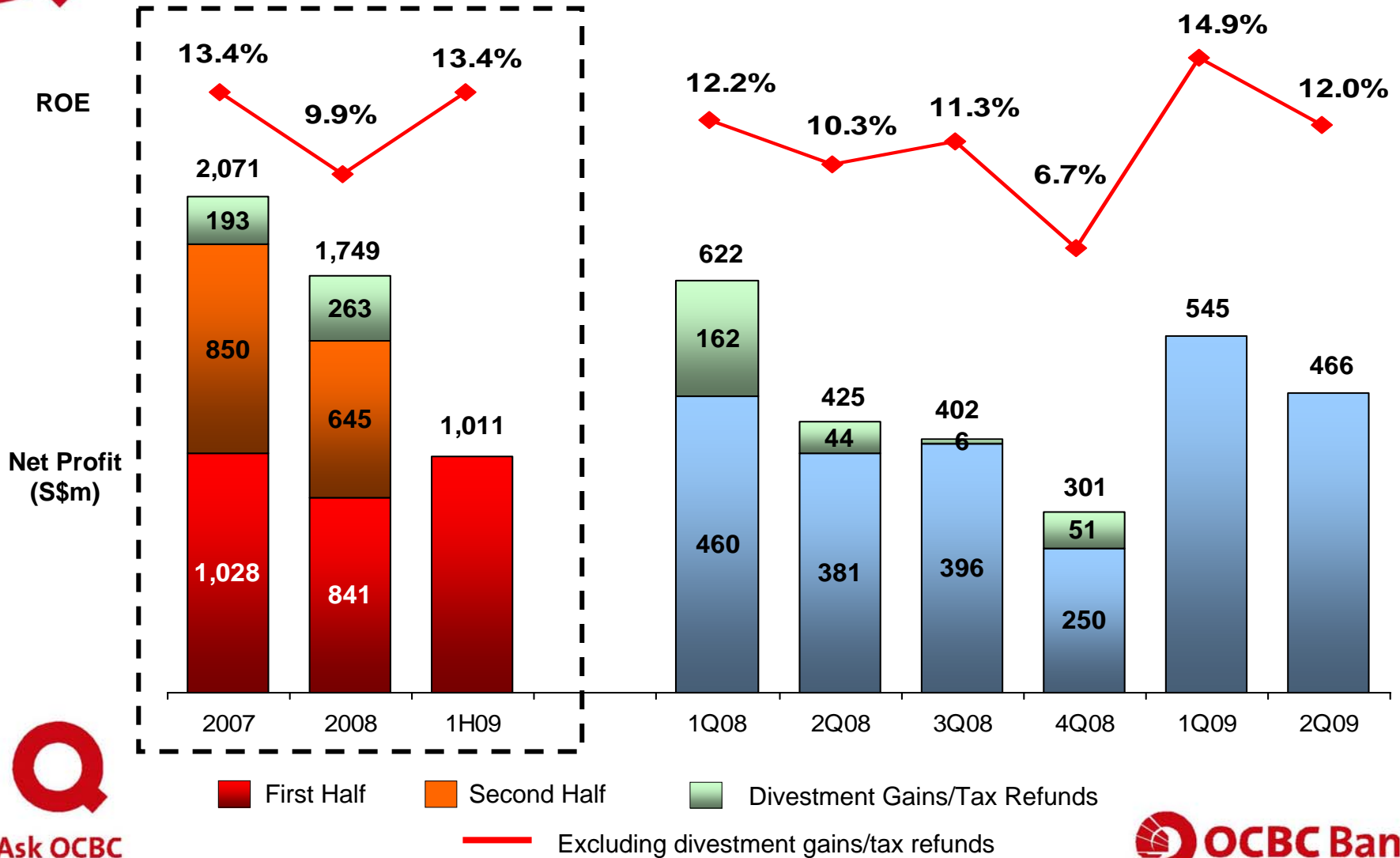
	1H09	1H08	2Q09	1Q09	2Q08
	%	%	%	%	%
Net Interest Margin	2.35	2.21	2.29	2.42	2.24
Non-Interest Income/ Total Income	43.2	35.9	41.0	45.1	34.6
Cost-to-Income Ratio	33.8	43.8	37.4	30.7	45.5
Loans-to-Deposits Ratio	80.3	83.3	80.3	85.3	83.3
NPL Ratio	2.1	1.4	2.1	1.8	1.4
Allowances/NPAs	97.1	121.9	97.1	109.5	121.9
ROE	13.4	11.3	12.0	14.9	10.3
Cash ROE	13.7	11.6	12.3	15.3	10.6



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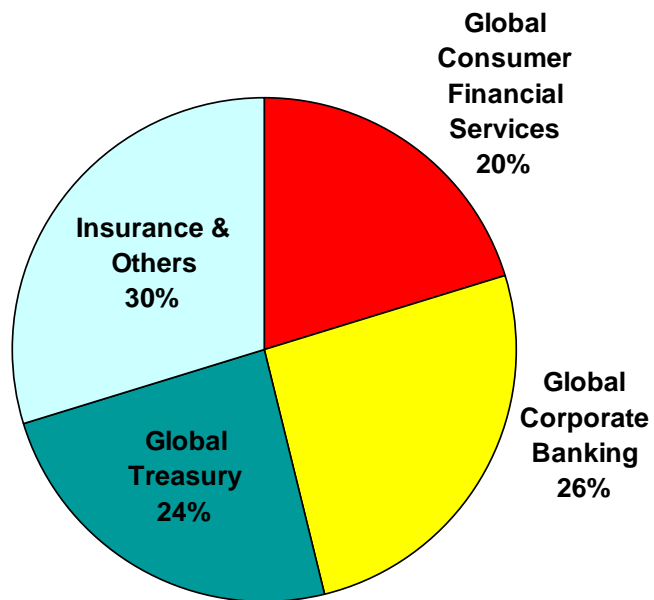


# ROE of 13.4% for First Half



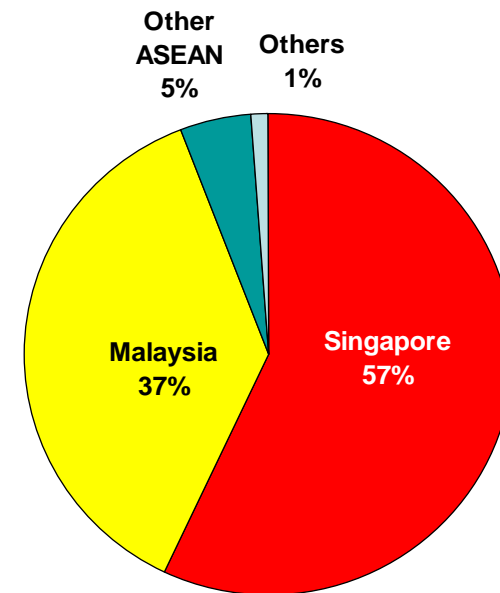
# Earnings contribution by segments

## 1H09 PBT by Business Segment



Note: Pretax profit before joint income elimination and before items not attributed to business segments

## 1H09 PBT by Geography



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# Excluding GEH – 2Q09 core net profit rose 3% YoY and 12% QoQ

## Excluding GEH

	2Q09	2Q08	YoY	1Q09	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	694	659	5	725	(4)
Non-Interest Income	307	310	(1)	314	(2)
Total Income	1,001	969	3	1,039	(4)
Operating Expenses	(400)	(435)	(8)	(389)	3
<b>Operating Profit</b>	<b>601</b>	<b>534</b>	<b>13</b>	<b>650</b>	<b>(7)</b>
Allowances	(102)	(55)	87	(194)	(47)
Associates & JVs	1	3	(65)	1	(19)
Tax & Minority Interests	(110)	(104)	6	(109)	1
<b>Core Net Profit</b>	<b>390</b>	<b>378</b>	<b>3</b>	<b>348</b>	<b>12</b>
Divestment Gains/Tax Refunds <sup>1/</sup>	-	43	-	-	-
<b>Reported Net Profit</b>	<b>390</b>	<b>421</b>	<b>(7)</b>	<b>348</b>	<b>12</b>

<sup>1/</sup> 2Q08 – net divestment gains of S\$17m and tax refunds of S\$26m.



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# Excluding GEH – 1H09 core net profit fell 12% YoY, increased 51% over 2H08

<u>Excluding GEH</u>	1H09	1H08	YoY	2H08	HoH
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	1,419	1,277	11	1,430	(1)
Non-Interest Income	621	640	(3)	410	51
Total Income	2,040	1,917	6	1,840	11
Operating Expenses	(789)	(833)	(5)	(870)	(9)
<b>Operating Profit</b>	<b>1,251</b>	<b>1,084</b>	<b>15</b>	<b>970</b>	<b>29</b>
Allowances	(296)	(44)	568	(347)	(15)
Associates & JVs	2	7	(67)	10	(76)
Tax & Minority Interests	(218)	(210)	4	(144)	50
<b>Core Net Profit</b>	<b>739</b>	<b>837</b>	<b>(12)</b>	<b>489</b>	<b>51</b>
Divestment Gains/Tax Refunds <sup>1/</sup>	-	176	-	47	-
<b>Reported Net Profit</b>	<b>739</b>	<b>1,013</b>	<b>(27)</b>	<b>536</b>	<b>38</b>

<sup>1/</sup> 1H08 – net divestment gains of S\$145m and tax refunds of S\$32m; 2H08 – tax refunds and writebacks of S\$47m.

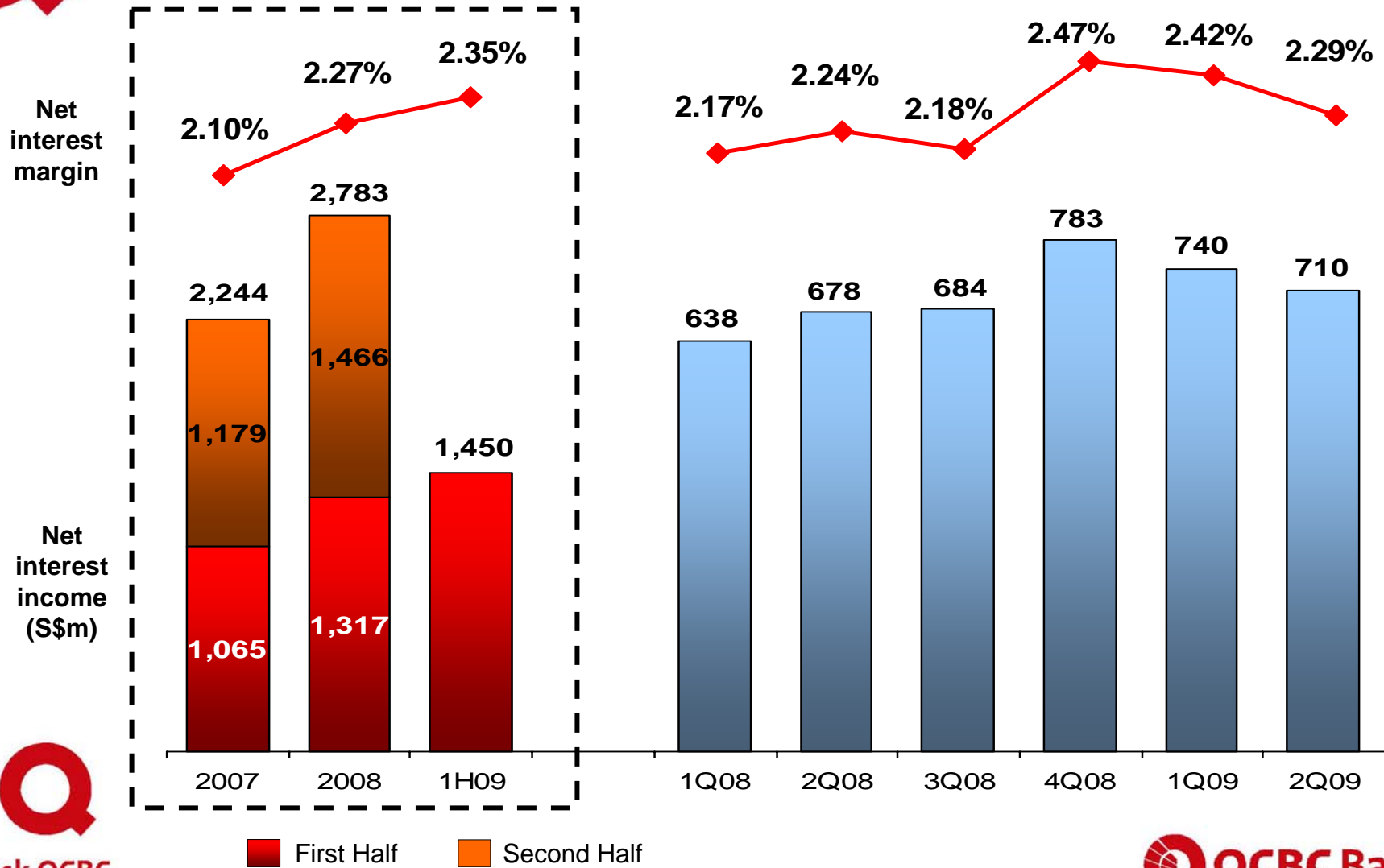


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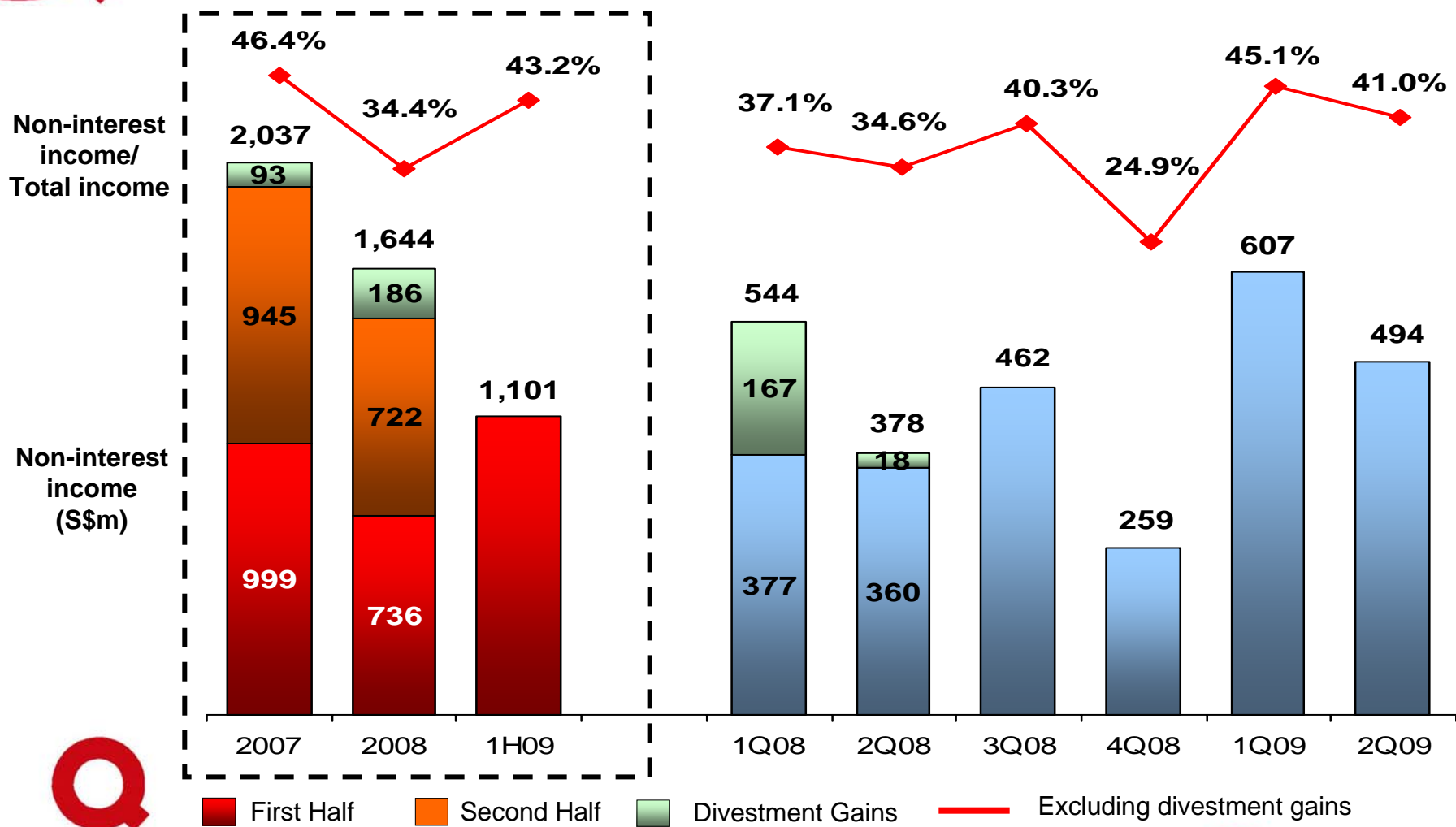
# Net interest income up 5% YoY; interest margin down QoQ due to lower gapping income



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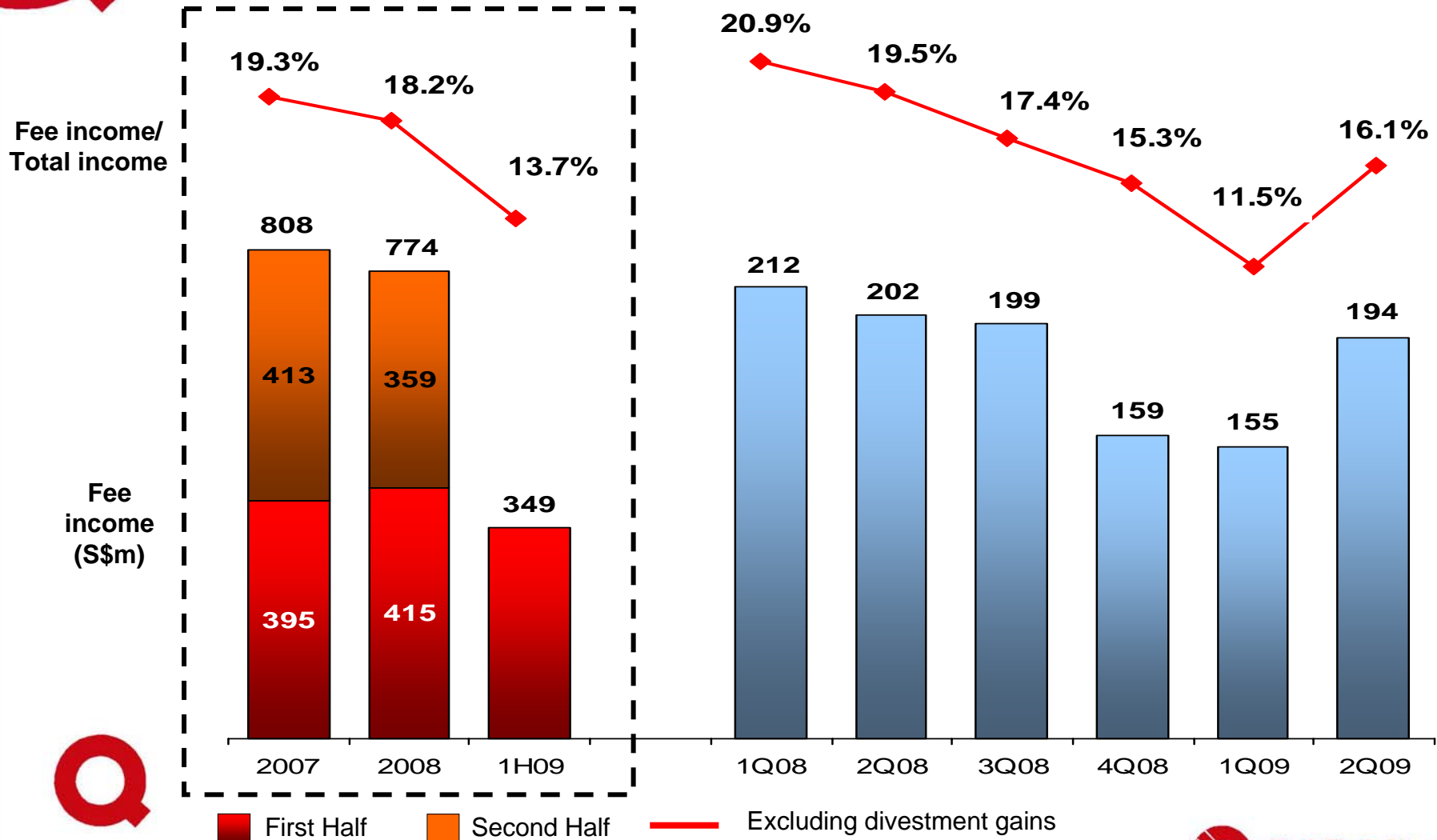
# Non-interest income up 37% YoY



Note: 1Q09 non-interest income includes S\$201m non-recurring gains from GEH



# Higher fee income from brokerage, wealth management, investment banking and loan-related activities



# GEH's life assurance profits up due to equity markets and tighter credit spreads

	2Q09	1Q09	2Q08	FY08	FY07
Life assurance profit from:	S\$m	S\$m	S\$m	S\$m	S\$m
- Participating Fund	27	29	24	102	143
- Non-participating Fund	74	195	(11)	130	302
- Investment-linked Fund	23	42	20	68	64
<b>Total life assurance profit</b>	<b>125</b>	<b>266*</b>	<b>33</b>	<b>300</b>	<b>509</b>

**Life assurance profit increased 277% YoY and 92% QoQ (excl non-recurring gains in 1Q09) to S\$125m:**

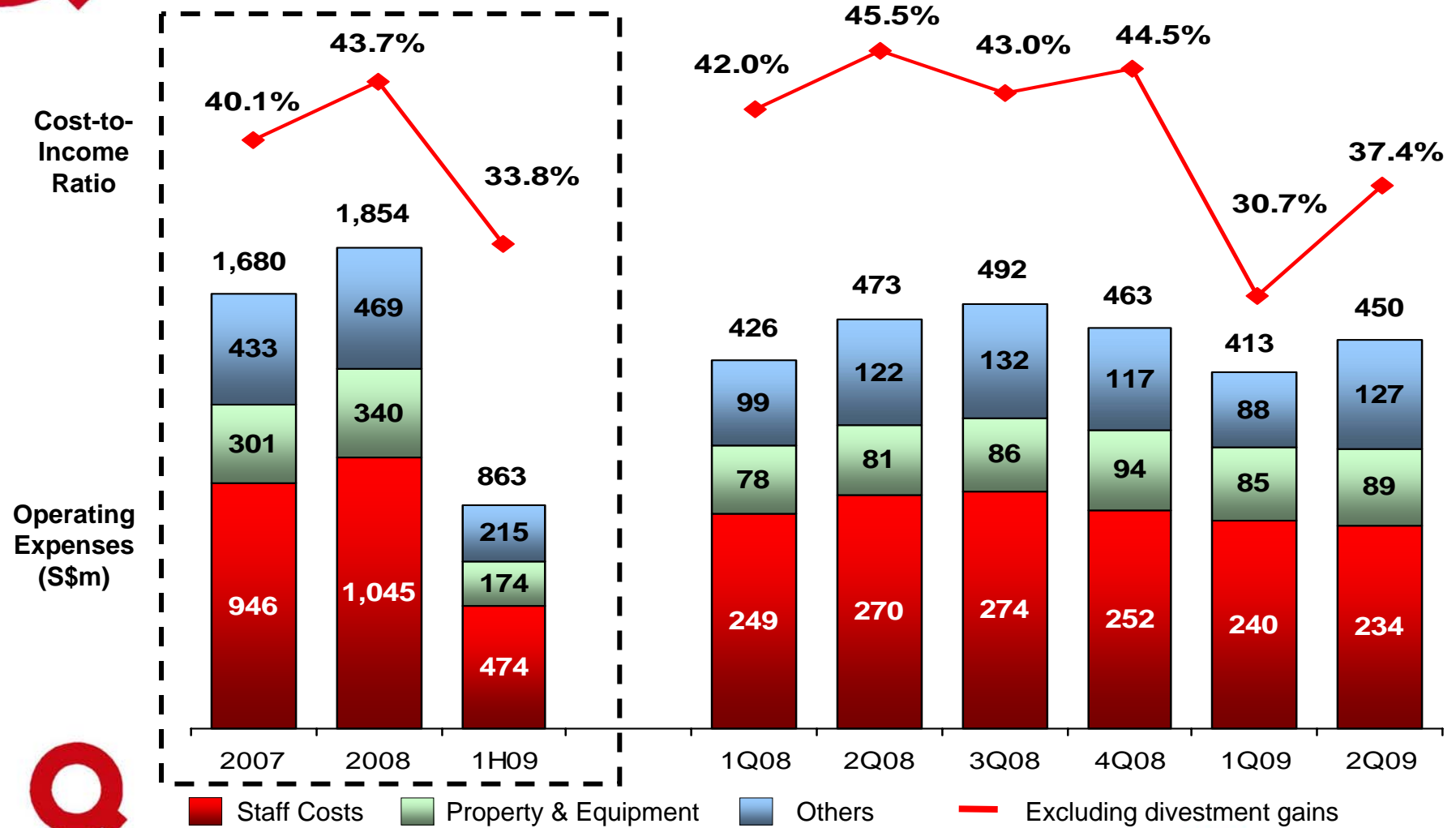
- Non-par funds benefited from rebound in equity prices and tightening of credit spreads for fixed income portfolio

**Overall insurance sales down due to Singapore market:**

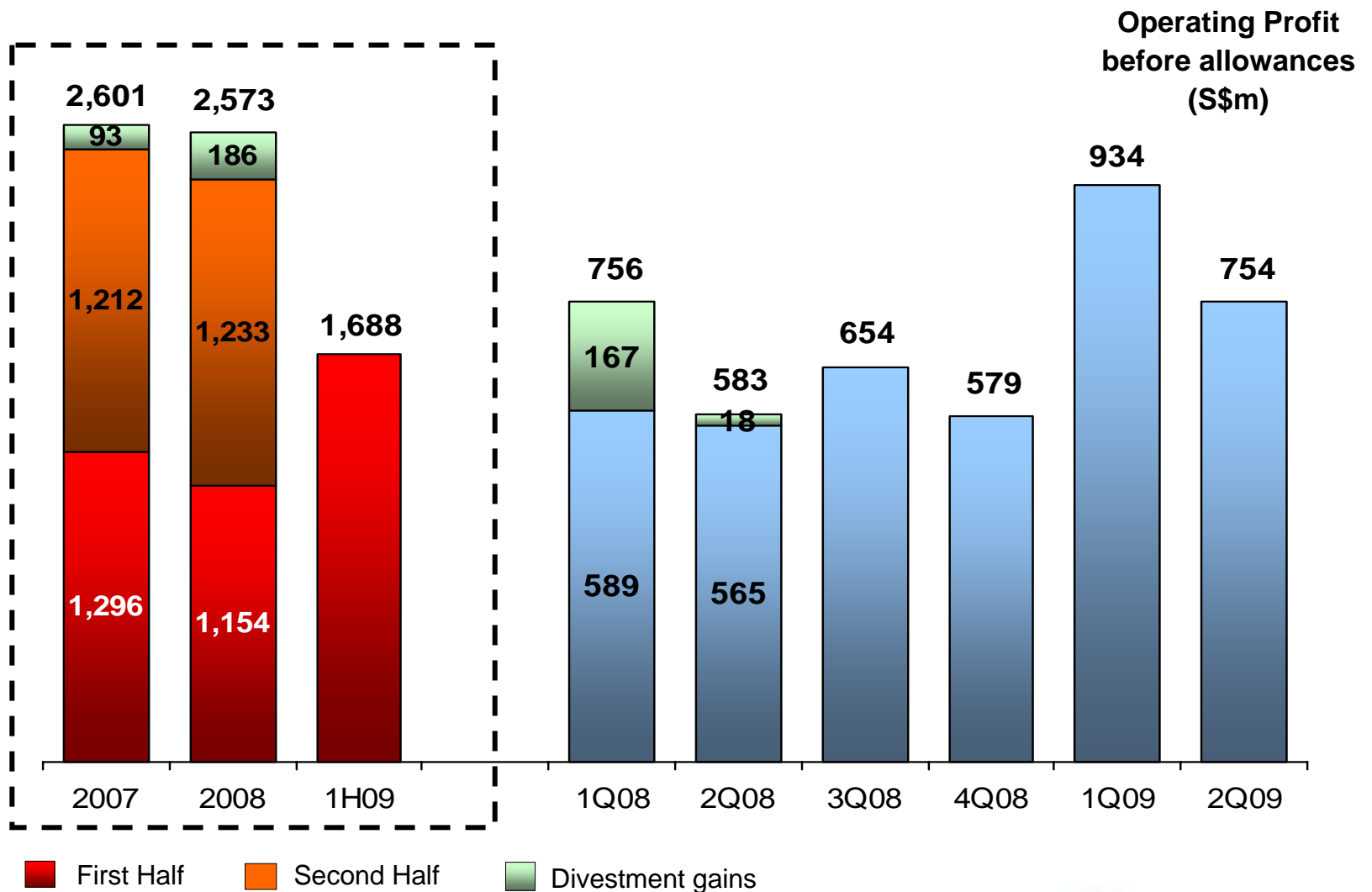
- New business weighted premiums fell 30% in 2Q09 and 28% in 1H09 due to lower Singapore sales; Malaysia sales rose 53% and 57% respectively
- New business embedded value fell 33% in 2Q09 and 31% in 1H09
- GEH expects to maintain #1 market share in 1H09 for both Singapore and Malaysia

\* Includes non-recurring gains of S\$201m, mainly from adoption of RBC framework in Malaysia

# Costs fell 4% in 1H09; increase over 1Q09 was due to higher insurance-related expenses



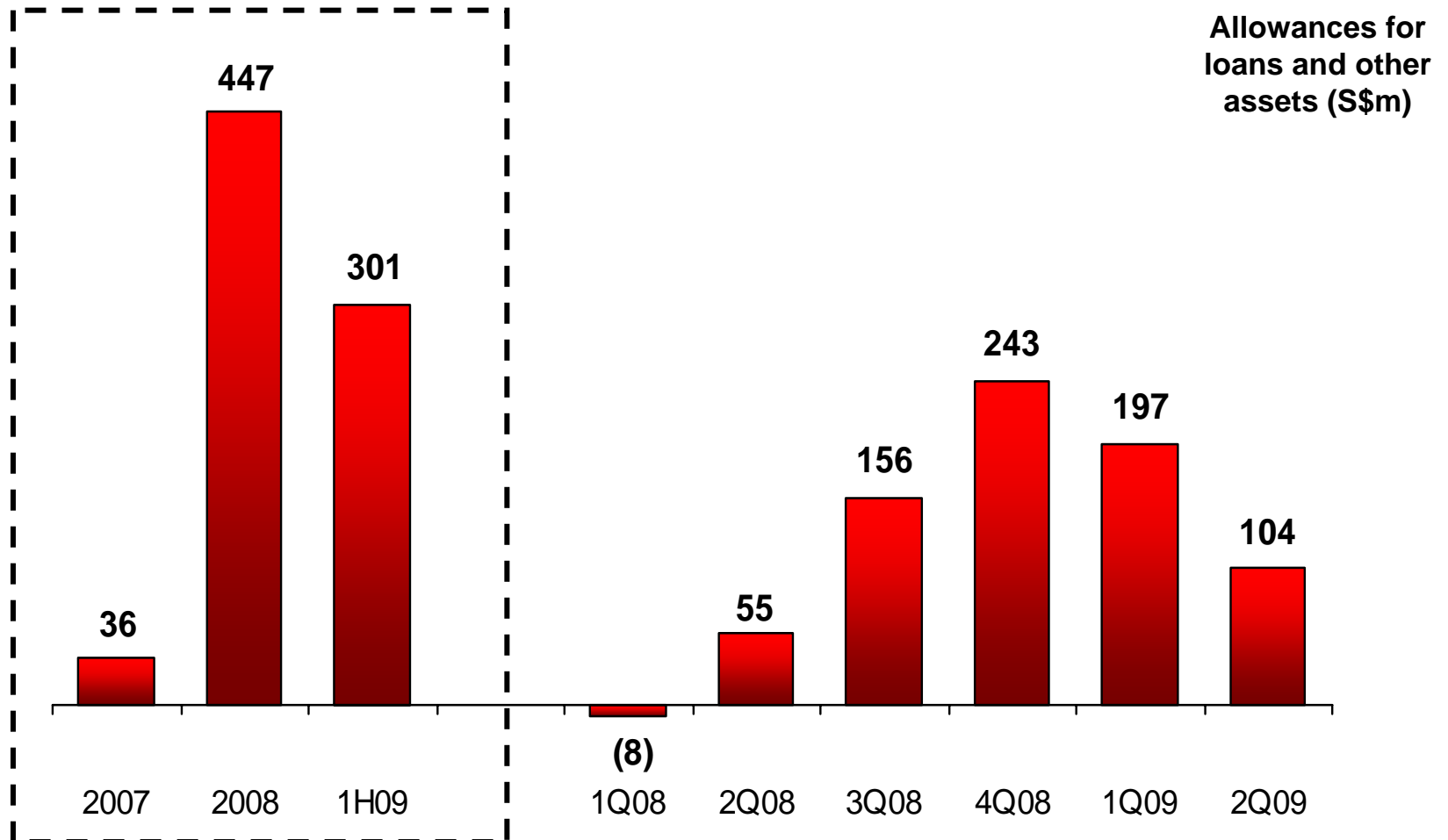
# Second quarter core operating profit up 33% YoY



Note: 1Q09 operating profit includes S\$201m non-recurring gains from GEH



# Net allowances declined from the previous quarter



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# Breakdown of allowances

	1H09	1H08	2Q09	1Q09	2Q08
	S\$m	S\$m	S\$m	S\$m	S\$m
Specific allowances/ (write-back) for loans	132	(24)	44	88	(18)
Portfolio allowances for loans	7	-	5	2	-
Allowances/(write-back) for CDOs	92	67	(2)	94	67
Allowances for other assets	70	5	57	13	6
<b>Total net allowances</b>	<b>301</b>	<b>48</b>	<b>104</b>	<b>197</b>	<b>55</b>



# Movement in specific allowances for loans

	1H09	1H08	2Q09	1Q09	2Q08
	S\$m	S\$m	S\$m	S\$m	S\$m
Allowances for new and existing NPLs	242	141	104	138	69
Write-backs <sup>1/</sup>	(93)	(123)	(51)	(42)	(58)
Recoveries <sup>2/</sup>	(18)	(42)	(10)	(9)	(28)
<b>Net Specific Allowances/ (Write-backs)</b>	<b>132</b>	<b>(24)</b>	<b>44</b>	<b>88</b>	<b>(18)</b>

<sup>1/</sup> Write-backs of specific allowances for existing NPLs due to settlements and repayments

<sup>2/</sup> Recoveries of loans that had been written off

# Bank's CDO portfolio fully provided for since 1Q09

(S\$m)	As at 30 Jun 2009				As at 31 Mar 2009			
	Exposure	Cumulative Allowances	Cumulative MTM Losses <sup>3/</sup>	Fair Value Adj. in Equity	Exposure	Cumulative Allowances	Cumulative MTM Losses <sup>3/</sup>	Fair Value Adj. in Equity
ABS CDOs <sup>1/</sup>	95	(95)	-	-	100	(100)	-	-
Corporate CDOs <sup>2/</sup>	160	(95)	(65)	-	205	(136)	(69)	-
<b>Total CDOs</b>	<b>255</b>	<b>(190)</b>	<b>(65)</b>	<b>-</b>	<b>305</b>	<b>(236)</b>	<b>(69)</b>	<b>-</b>

<sup>1/</sup> Exposure and cumulative allowances declined from Mar 09 levels due to foreign exchange movements

<sup>2/</sup> Exposure and cumulative allowances declined from Mar 09 levels due to disposal of 3 CDOs totaling S\$37m, and foreign exchange movements

<sup>3/</sup> Mark-to-market losses on credit default swaps related to synthetic corporate CDOs, taken through the income statement

- ABS CDOs and corporate CDOs fully written down since 2Q08 and 1Q09 respectively
- Liquidated S\$37m of corporate CDOs in 2Q09
- S\$119m out of S\$255m CDO exposure are classified as NPAs

# Provision to be made in 3Q09 for GreatLink Choice redemption offer

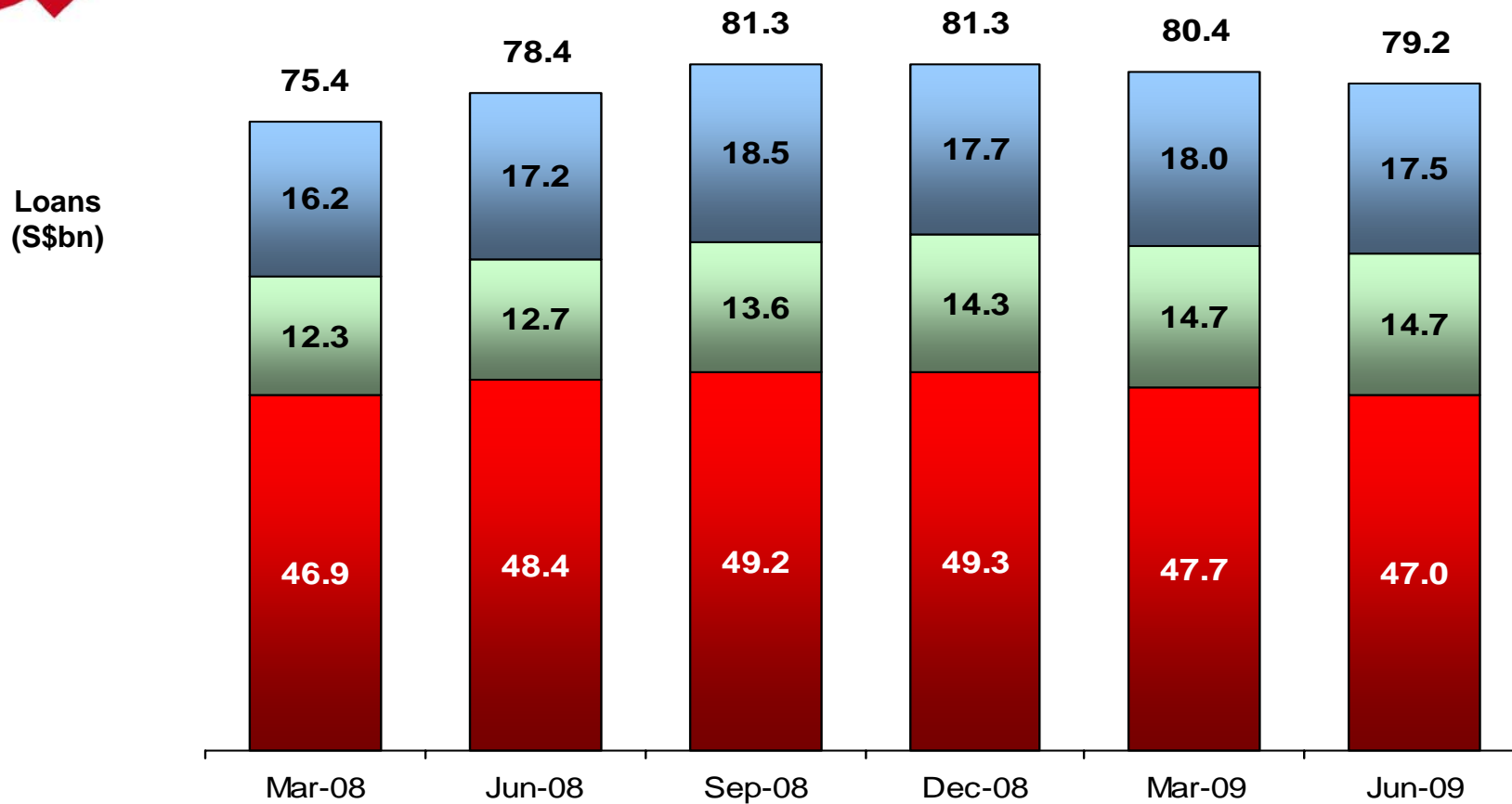
## Overview of GreatLink Choice

Tranche	GLC1	GLC2	GLC3	GLC4	GLC5
Policy Commencement Date	30-Sep-05	31-Oct-05	31-Aug-06	31-Dec-06	31-Oct-07
Maturity Date	30-Sep-10	31-Oct-10	31-Aug-13	31-Dec-13	31-Oct-12
Loss Protection Level (at inception)	13.50%	13.50%	11.00%	11.00%	9.60%
Inforce Single Premiums Invested	S\$111m	S\$98m	S\$123m	S\$76m	S\$186m
NAV (30 Jun 09)	S\$68m	S\$61m	S\$37m	S\$15m	S\$36m
Unit Price (30 Jun 09)	S\$0.611	S\$0.609	S\$0.298	S\$0.192	S\$0.192
Current S&P rating	BBB-	BBB-	CCC-	CCC-	CCC-
Total Annual Payouts to-date	10.5%	10.5%	9.8%	9.2%	4.0%
No. of credit events that have occurred	6	6	9	11	9
Est no. of <u>additional</u> credit events before capital is first affected*	11 - 15	11 - 15	10	7	3 - 5
Thereafter, est no. of <u>additional</u> credit events for total capital loss*	3 - 5	3 - 5	5	4	4 - 5

<sup>^</sup> For more information, please refer to GEH's media release of 31 July 09.

<sup>\*</sup> Assumes (a) an exposure of 0.83% for each reference entity; (b) recovery rates of 0% and 30% respectively for future credit events for GLC1, GLC2 and GLC5; and (c) recovery rate of 30% (pre-fixed) for GLC3 and GLC4.

# Loans grew 1% YoY, declined 2% from previous quarter

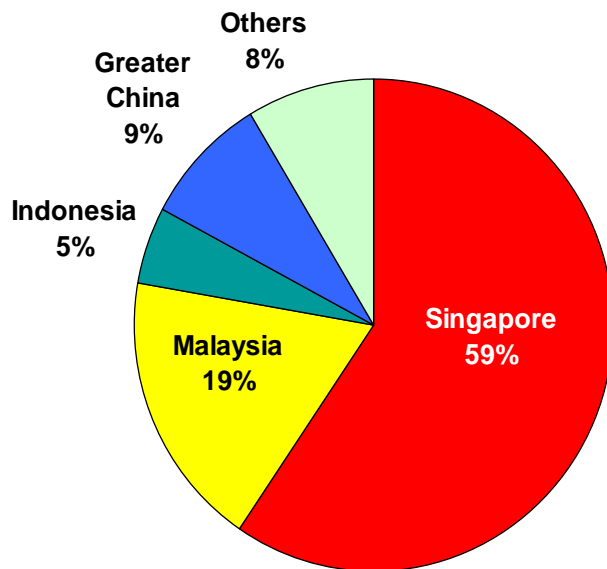


■ Singapore ■ Malaysia ■ International

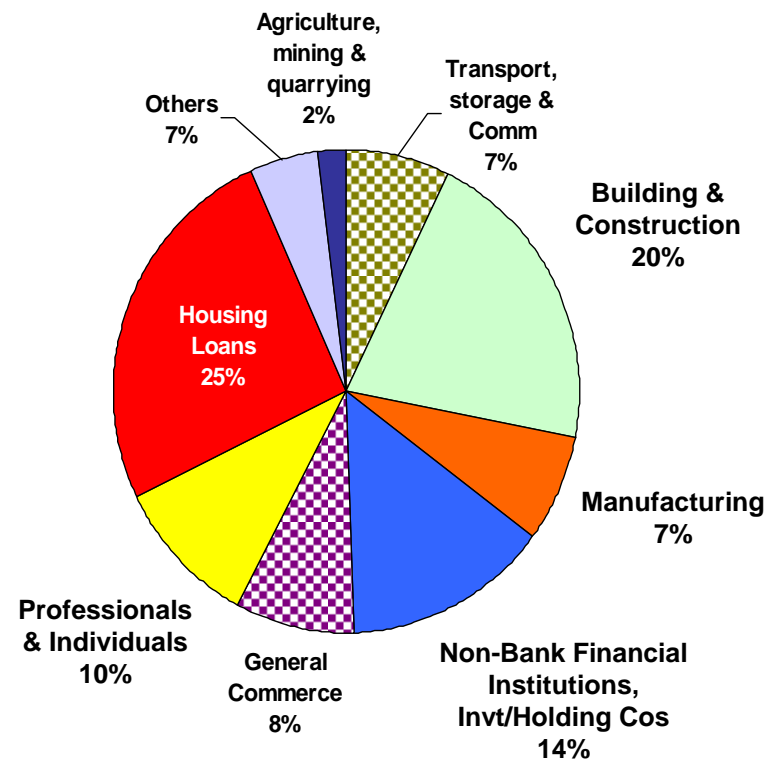
Note: Loans by geography are based on where the credit risks reside

# Diversified loans

## Loans by Geography\*

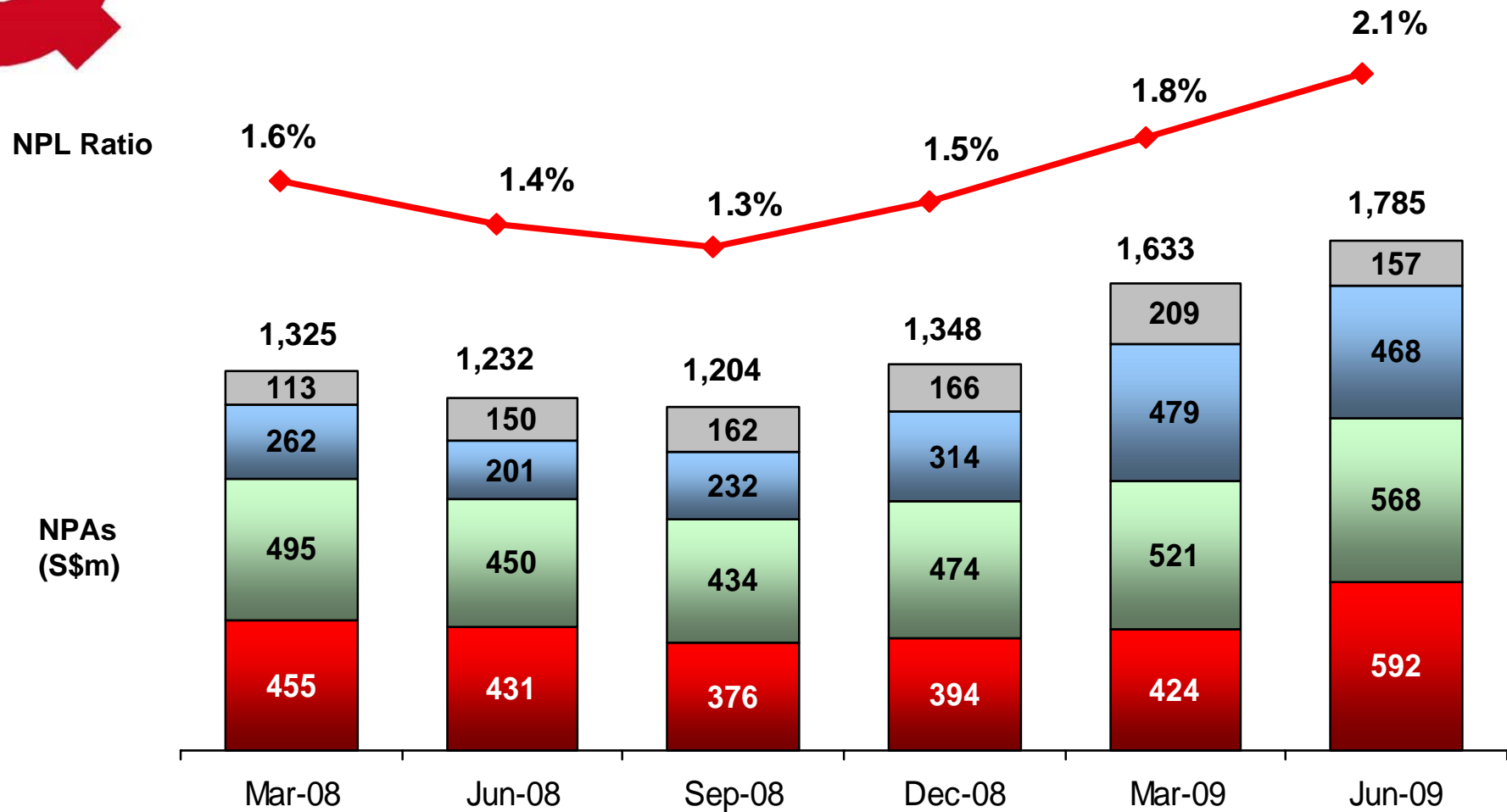


## Loans by Sector



\* Based on where the credit risks reside, which may be different from the country of the borrower or where the loans are booked

# NPL ratio increased moderately to 2.1%



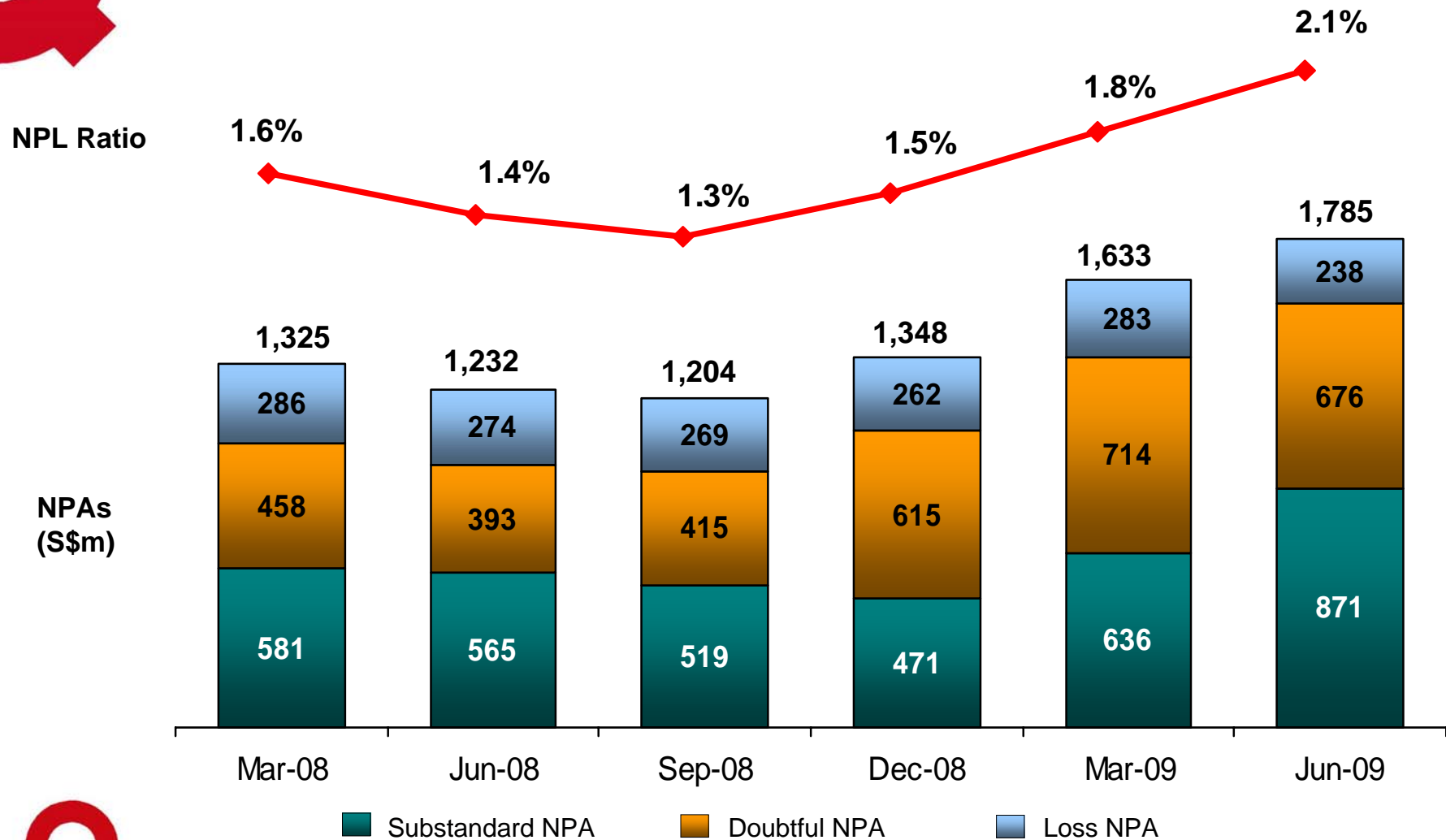
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■ Singapore NPLs   
 ■ Malaysia NPLs   
 ■ International NPLs   
 ■ Debt securities/CDOs





# 49% of NPAs in substandard category

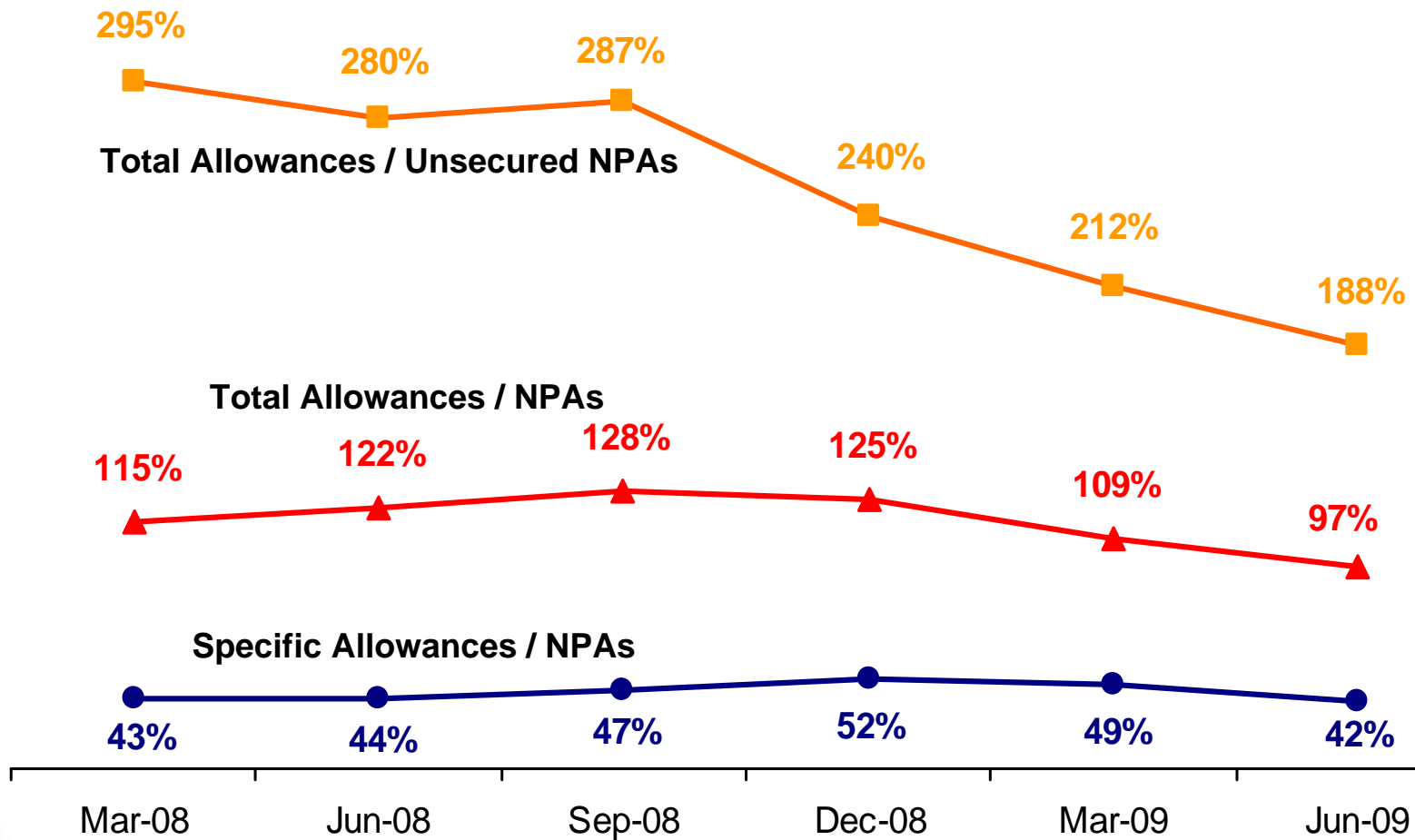


# New NPA formation stable relative to 1Q09

## NPAs

	1H09	1H08	2Q09	1Q09	2Q08
	S\$m	S\$m	S\$m	S\$m	S\$m
Opening Balance (excluding CDOs)	1,239	1,268	1,462	1,239	1,242
New NPAs	841	361	417	423	161
Net Recoveries/Upgrades	(283)	(427)	(160)	(123)	(242)
Write-offs	(139)	(80)	(61)	(77)	(39)
<b>Closing Balance (excl CDOs)</b>	<b>1,658</b>	<b>1,122</b>	<b>1,658</b>	<b>1,462</b>	<b>1,122</b>
Add: Classified CDOs	127	110	127	171	110
<b>Closing Balance (incl CDOs)</b>	<b>1,785</b>	<b>1,232</b>	<b>1,785</b>	<b>1,633</b>	<b>1,232</b>

# Healthy allowance coverage of 97% over total NPAs and 188% over unsecured NPAs



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# Property exposure – Resilient portfolio with comfortable LTVs

## Singapore Development Project Loans

- Average LTVs are 44% for residential projects (4Q08: 54%) and 46% for commercial projects (4Q08: 59%)
- Diversified portfolio with about 70% residential and 30% commercial
- Development project financing accounts for less than 45% of Singapore real estate-related loans (excluding housing loans)\*

## Singapore Housing Loans

- 78% owner-occupied
- Average LTV 68% (4Q08: 59%)
- 10% of loans (4Q08: < 1%) have some negative equity, i.e. LTV > 100%
- Amount of negative equity is around 1% of total loan commitments; half of these are due to pre-2003 vintage where CPF Board holds first charge

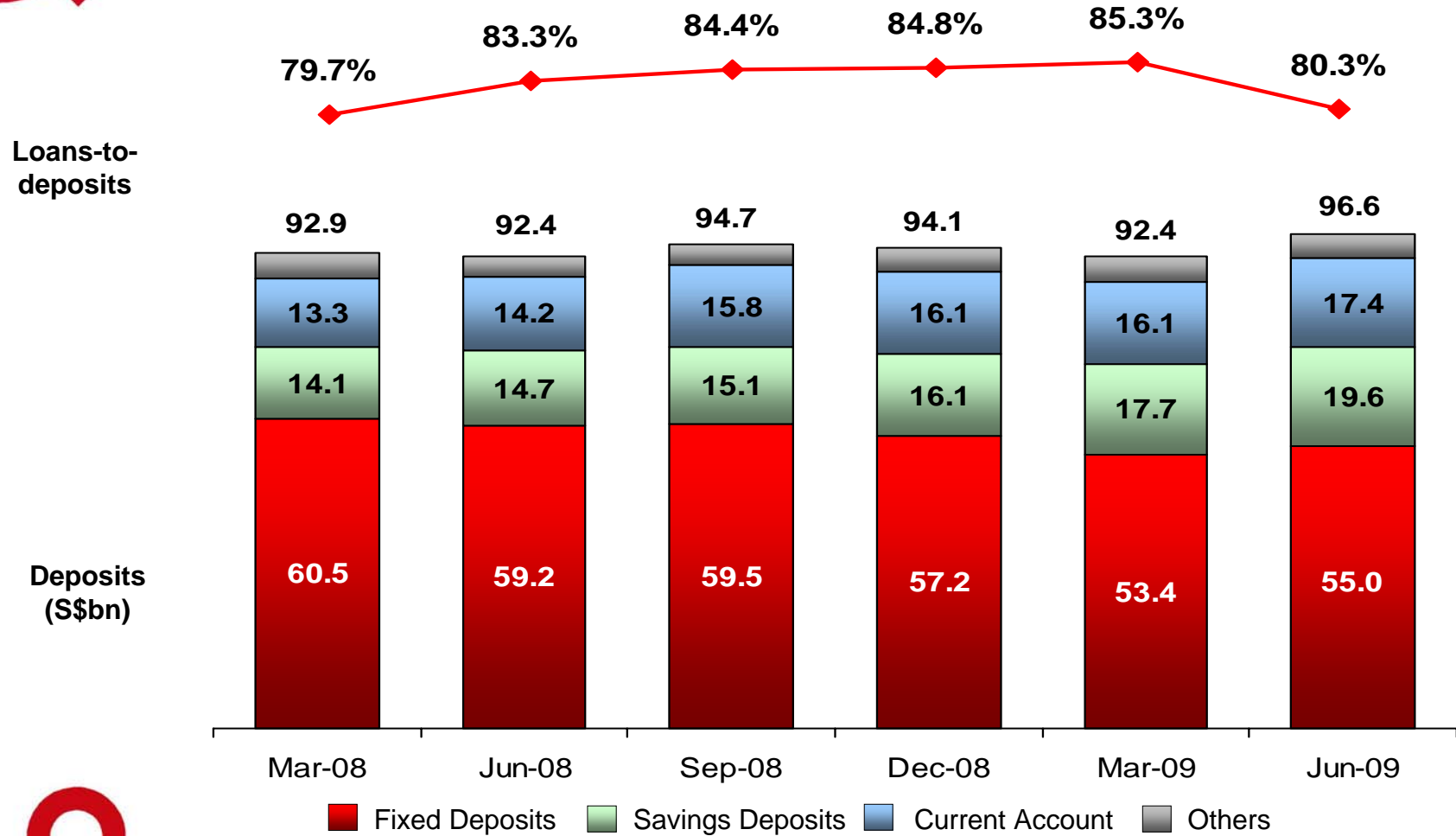
*\* Other real estate-related loans are mainly secured by completed income-producing assets with stable cash flow and low LTVs*

# AFS Portfolio – Fair Value Reserves increased by S\$580m over 1Q09

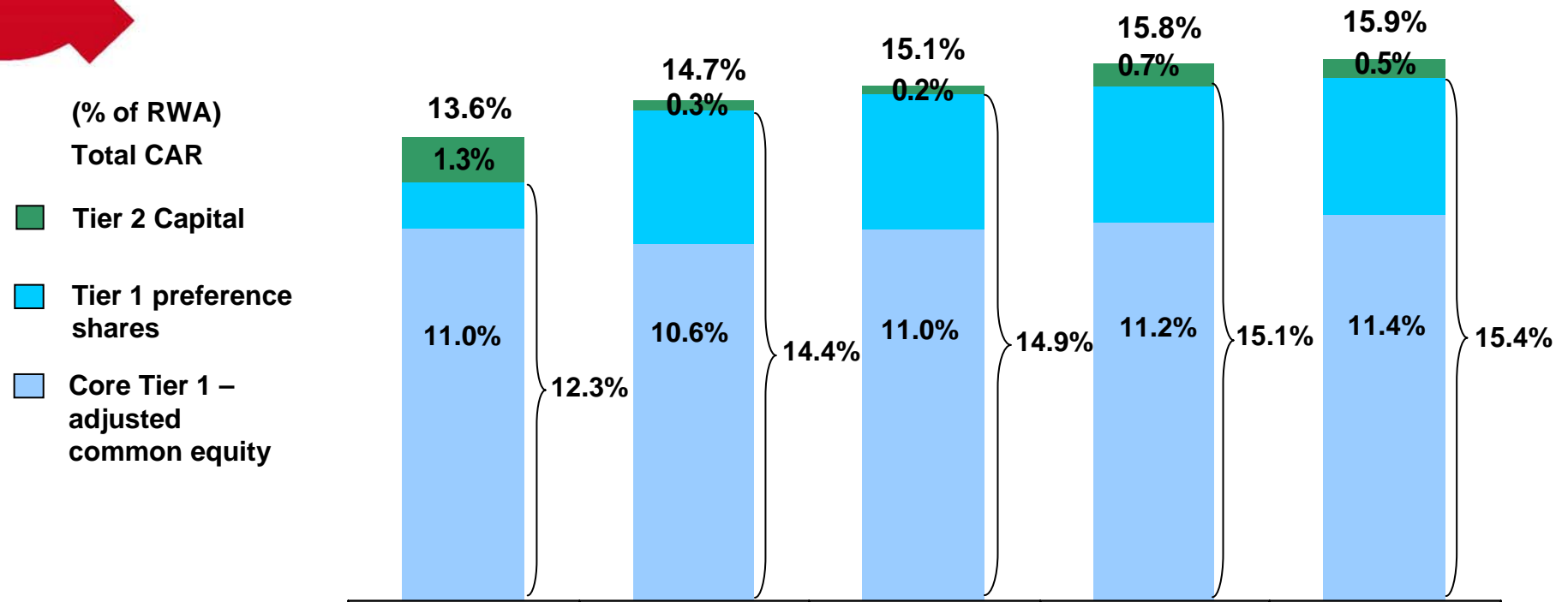
	Jun-09	Mar-09	Jun-08
	S\$m	S\$m	S\$m
<u>Available-for-Sale Securities</u>			
Corporate Debt Securities	6,795	6,912	7,791
Equities & investment funds	2,342	1,767	2,164
Government Securities	15,029	15,741	12,328
- Singapore	11,031	11,392	10,156
- Others	3,998	4,349	2,172
<b>Total AFS Securities</b>	<b>24,166</b>	<b>24,420</b>	<b>22,283</b>
<b>FV reserves at end period *</b>	<b>960</b>	<b>380</b>	<b>635</b>
<b>QoQ Change in FV reserves</b>	<b>+580</b>	<b>+158</b>	<b>(489)</b>

\* Net unrealised fair value gains on the AFS book, included in shareholders' equity

# Deposits up 5% YoY and QoQ from growth in savings and current account deposits



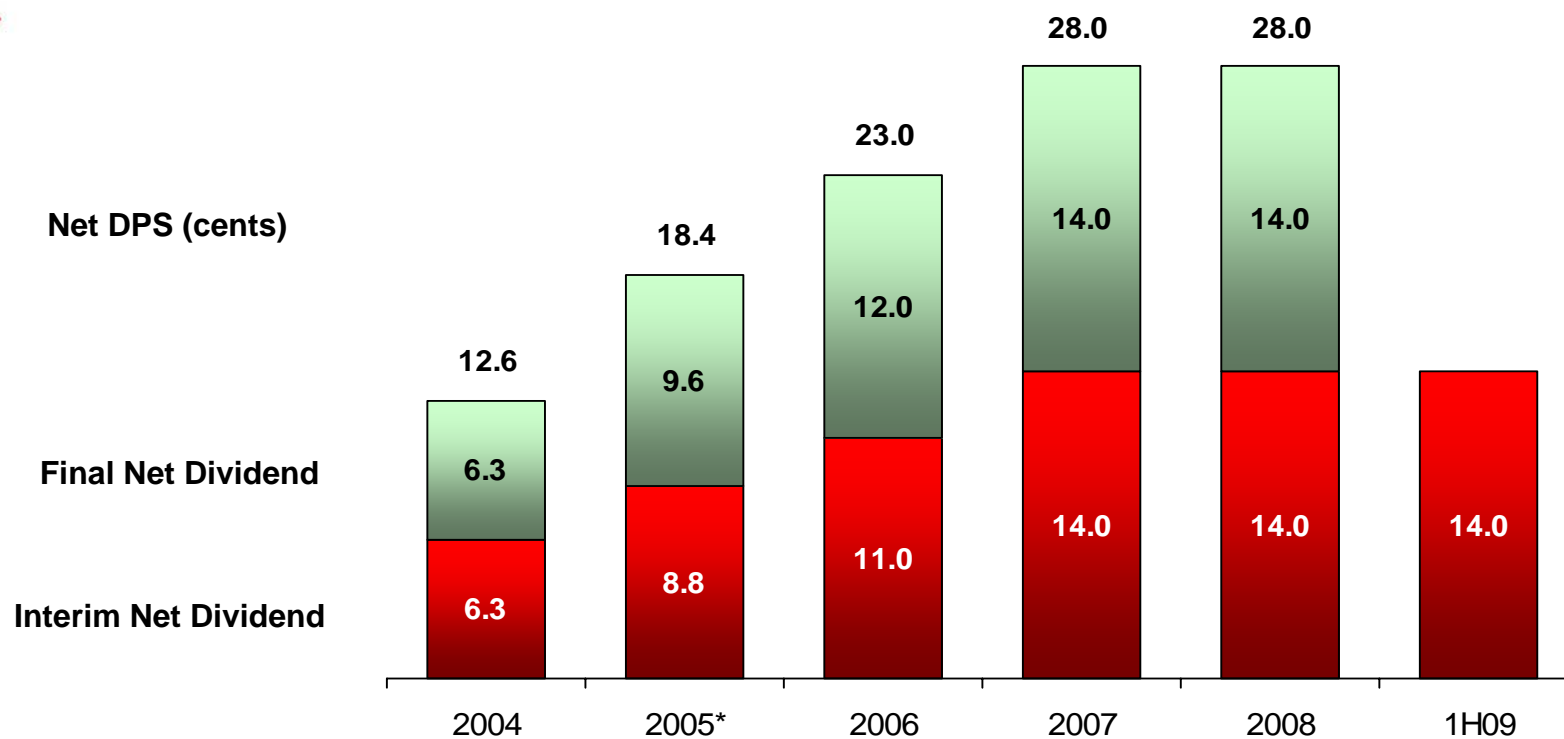
# Strong Tier 1 ratio of 15.4%, core Tier 1 of 11.4%



(S\$m)	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09
Tier 1 Capital	11,531	14,085	14,261	14,475	15,018
Tier 1 Prefs	1,296	3,796	3,796	3,796	3,958
RWA	93,331	97,488	95,522	95,397	97,424

Note: Capital ratios are computed based on Basel II framework and in accordance with revised MAS Notice 637

# Interim dividend maintained at 14 cents per share



(S\$m)	2004	2005*	2006	2007	2008	1H09
Net Dividends	403	574	709	864	868	445
Core Net Profit	1,051	1,298	1,443	1,878	1,486	1,011
Dividend Payout Ratio	38%	44%	49%	46%	58%	44%

\* Excludes Bonus Dividend of S\$0.417 per share in 2005 (adjusted)



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# GEH: Quarterly contribution

## GEH's Contribution to OCBC's Results

	2Q09	2Q08 <sup>^</sup>	YoY	1Q09	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Total Income	203	69	193	308	(34)
Operating Expenses	(50)	(37)	33	(24)	103
<b>Operating Profit</b>	<b>153</b>	<b>32</b>	<b>380</b>	<b>284</b>	<b>(46)</b>
Amortisation of Intangibles	(12)	(12)	-	(12)	-
Allowances	(2)	-	-	(3)	(39)
Associates & JVs	(1)	-	-	(1)	(51)
Tax & Minority Interests	(62)	(16)	272	(71)	(12)
<b>Core Net Profit contribution</b>	<b>76</b>	<b>3</b>	<b>n.m.</b>	<b>197</b>	<b>(61)</b>

<sup>^</sup> 2Q08 exclude S\$2m pretax gains (S\$1m net of tax and minorities) from divestment of Robinson shares



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# GEH: First Half Contribution

## GEH's Contribution to

## OCBC's Results

	1H09	1H08 <sup>^</sup>	YoY	2H08 <sup>^</sup>	HoH
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Total Income	511	136	276	348	47
Operating Expenses	(74)	(66)	12	(86)	(14)
<b>Operating Profit</b>	<b>437</b>	<b>70</b>	<b>527</b>	<b>262</b>	<b>68</b>
Amortisation of Intangibles	(24)	(23)	-	(23)	-
Allowances	(5)	(4)	36	(52)	(95)
Associates & JVs	(1)	(2)	(23)	(9)	(78)
Tax & Minority Interests	(135)	(36)	272	(22)	509
<b>Core Net Profit contribution</b>	<b>272</b>	<b>4</b>	<b>n.m.</b>	<b>156</b>	<b>76</b>

<sup>^</sup> 1H08 exclude S\$42m pretax gains (S\$29m net of tax and minorities) from divestment of Robinson and Straits Trading shares; 2H08 exclude S\$10m tax writeback.



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# OCBC Malaysia: Quarterly Results

	2Q09	2Q08	YoY	1Q09	QoQ
<u>Unaudited Results*</u>	RM m	RM m	+/(-)%	RM m	+/(-)%
Net Interest Income	253	246	3	252	-
Islamic Banking Income	28	27	4	33	(15)
Non-Interest Income	65	82	(21)	173	(62)
<b>Total Income</b>	<b>346</b>	<b>355</b>	<b>(2)</b>	<b>458</b>	<b>(24)</b>
Operating Expenses	(141)	(145)	(3)	(140)	1
<b>Operating Profit</b>	<b>205</b>	<b>210</b>	<b>(2)</b>	<b>319</b>	<b>(36)</b>
Allowances	(38)	27	(237)	(43)	(12)
Tax	(43)	(61)	(30)	(71)	(40)
<b>Net Profit</b>	<b>125</b>	<b>176</b>	<b>(29)</b>	<b>205</b>	<b>(39)</b>

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

# OCBC Malaysia: Half-Year Results

	1H09	1H08	YoY	2H08	HoH
<u>Unaudited Results*</u>	RM m	RM m	+/(-)%	RM m	+/(-)%
Net Interest Income	505	479	5	516	(2)
Islamic Banking Income	61	54	13	59	3
Non-Interest Income	238	231	3	202	18
<b>Total Income</b>	<b>804</b>	<b>764</b>	<b>5</b>	<b>777</b>	<b>3</b>
Operating Expenses	(280)	(288)	(3)	(311)	(10)
<b>Operating Profit</b>	<b>524</b>	<b>476</b>	<b>10</b>	<b>466</b>	<b>12</b>
Allowances	(81)	10	n.m.	(113)	(28)
Tax	(113)	(129)	(12)	(94)	20
<b>Net Profit</b>	<b>330</b>	<b>357</b>	<b>(8)</b>	<b>260</b>	<b>27</b>

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

# OCBC Malaysia: Financial Ratios

	1H09	1H08	2Q09	1Q09	2Q08
	%	%	%	%	%
Net Interest Margin	2.41	2.48	2.35	2.46	2.51
Non-Interest Income / Total Income	29.6	30.2	18.8	37.8	23.1
Cost-to-Income Ratio	34.8	37.7	40.8	30.3	40.8
Loans-to-Deposits Ratio	80.3	87.7	80.3	79.0	87.7
Gross NPL Ratio	3.8	3.4	3.8	3.6	3.4
Loans Growth (YoY)	5.1	17.6	5.1	8.8	17.6
ROE	20.8	27.2	15.1	25.8	26.0

# Bank OCBC NISP: Quarterly Results

	2Q09	2Q08	YoY	1Q09	QoQ
<u>Unaudited Results*</u>	RP bn	RP bn	+/(-)%	RP bn	+/(-)%
Net Interest Income	430	352	22	399	8
Non Interest Income	159	99	61	119	34
Expenses	(347)	(289)	21	(335)	4
<b>Operating Profit</b>	<b>242</b>	<b>162</b>	<b>49</b>	<b>183</b>	<b>32</b>
Allowances	(112)	(30)	273	(79)	43
<b>Net Profit</b>	<b>89</b>	<b>93</b>	<b>(4)</b>	<b>73</b>	<b>22</b>

\* Bank OCBC NISP's contribution to Group net profit was S\$16m, S\$14m and S\$8m respectively in 2Q09, 1Q09 and 2Q08

# Bank OCBC NISP: Half-Year Results

	1H09	1H08	YoY	2H08	HoH
	RP bn	RP bn	+/(-)%	RP bn	+/(-)%
<u>Unaudited Results*</u>					
Net Interest Income	829	655	27	746	11
Non Interest Income	278	185	51	286	(3)
Expenses	(682)	(596)	14	(642)	6
<b>Operating Profit</b>	<b>425</b>	<b>244</b>	<b>74</b>	<b>390</b>	<b>9</b>
Allowances	(192)	(35)	447	(146)	31
<b>Net Profit</b>	<b>162</b>	<b>147</b>	<b>10</b>	<b>170</b>	<b>(5)</b>

\* Bank OCBC NISP's contribution to Group net profit was S\$31m, S\$13m and S\$23m respectively in 1H09, 1H08 and 2H08



# Bank OCBC NISP: Financial Ratios

	1H09	1H08	2Q09	1Q09	2Q08
	%	%	%	%	%
Net Interest Margin	5.22	5.38	5.41	5.04	5.77
Non-Interest Income / Total Income	25.1	22.1	27.1	23.0	22.0
Cost-to-Income Ratio	61.6	70.6	59.0	64.6	64.1
Loans-to-Deposits Ratio	69.4	95.0	69.4	71.0	95.0
Gross NPL Ratio	3.9	2.3	3.9	3.6	2.3
Loans Growth (YoY)	(6.4)	14.1	(6.4)	3.0	14.1
ROE	9.0	8.7	9.8	8.2	10.8



## In Summary

- **Achieved resilient results in a challenging operating environment**
- **Asset quality holding up well, with comfortable coverage ratios**
- **GEH taking decisive action to resolve GLC issue and will recognise earnings impact in the third quarter**
- **Global economy and financial markets are on the mend, but pace of recovery remains uncertain**
- **We will continue to be disciplined and prudent as we strive to grow our customer businesses in our key markets**



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# **Second Quarter 2009 Results**

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Thank You



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