

# 2010 Final Results

## Presentation

18 February 2011



Ask OCBC  
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# Agenda

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Results Overview

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Performance Trends

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Malaysia and Indonesia Subsidiaries

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In Summary

Note: Amounts less than S\$0.5 million are shown as "0"; NM denotes not meaningful



## Full year net profit up 15%

	FY10 S\$m	FY09 S\$m	YoY +/(-)%
Net Interest Income	2,947	2,825	4
Non-Interest Income	2,378	1,990	20
Total Income	5,325	4,815	11
Operating Expenses	(2,254)	(1,796)	25
<b>Operating Profit</b>	<b>3,071</b>	<b>3,019</b>	<b>2</b>
Amortisation of Intangibles	(55)	(47)	18
Allowances	(134)	(429)	(69)
Associates & JVs	(2)	(0)	NM
Tax & Non-controlling interests	(627)	(581)	8
<b>Net Profit</b>	<b>2,253</b>	<b>1,962</b>	<b>15</b>

## Fourth quarter net profit down 11% QoQ mainly as a result of lower insurance income and one-time merger costs

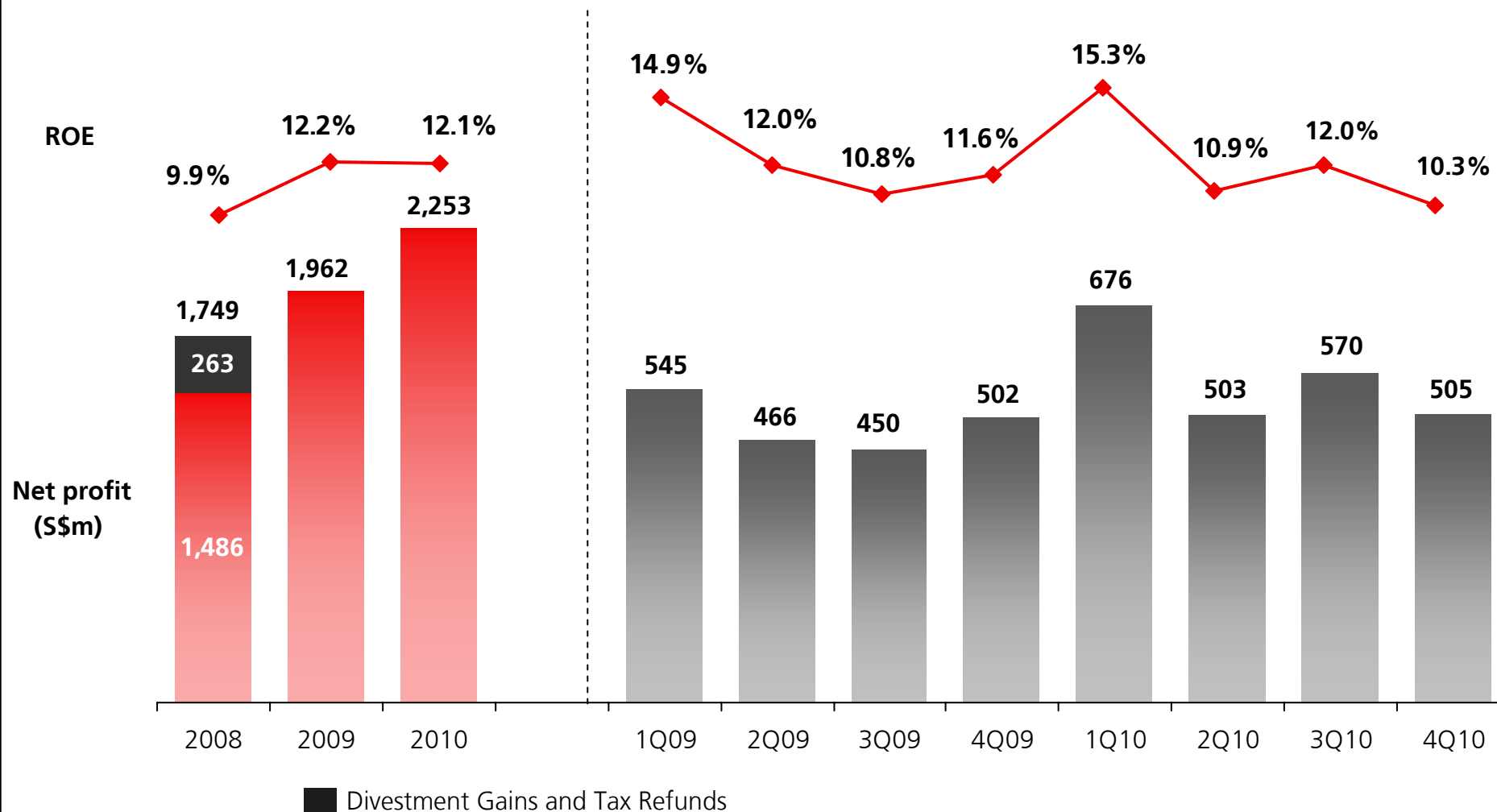
	4Q10 S\$m	4Q09 S\$m	YoY +/(-)%	3Q10 S\$m	QoQ +/(-)%
Net Interest Income	769	687	12	754	2
Non-Interest Income	560	497	13	621	(10)
Total Income	1,329	1,184	12	1,375	(3)
Operating Expenses*	(620)	(466)	33	(573)	8
<b>Operating Profit</b>	<b>709</b>	<b>718</b>	<b>(1)</b>	<b>802</b>	<b>(12)</b>
Amortisation of Intangibles	(16)	(12)	35	(16)	(1)
Allowances	(48)	(77)	(37)	(43)	9
Associates & JVs	(1)	(2)	(32)	0	(338)
Tax & Non-controlling interests	(139)	(125)	11	(173)	(20)
<b>Net Profit</b>	<b>505</b>	<b>502</b>	<b>1</b>	<b>570</b>	<b>(11)</b>

\* Includes one-time costs of S\$31m in 4Q10 related to OCBC NISP-BOI merger, without which the expense increase would be 26% YoY and 3% QoQ

## Key financial ratios

	FY10 %	FY09 %	4Q10 %	3Q10 %	4Q09 %
Net Interest Margin	1.98	2.23	1.96	1.98	2.08
Non-Interest Income / Total Income	44.7	41.3	42.1	45.1	42.0
Cost-to-Income Ratio	42.3	37.3	46.6	41.7	39.4
Loans-to-Deposits Ratio	85.1	80.4	85.1	86.5	80.4
NPL Ratio	0.9	1.7	0.9	1.1	1.7
Allowances/NPAs	118.8	102.4	118.8	125.8	102.4
ROE	12.1	12.2	10.3	12.0	11.6
Cash ROE	12.4	12.5	10.6	12.3	11.8

# Record full-year net profit, with ROE of 12.1%

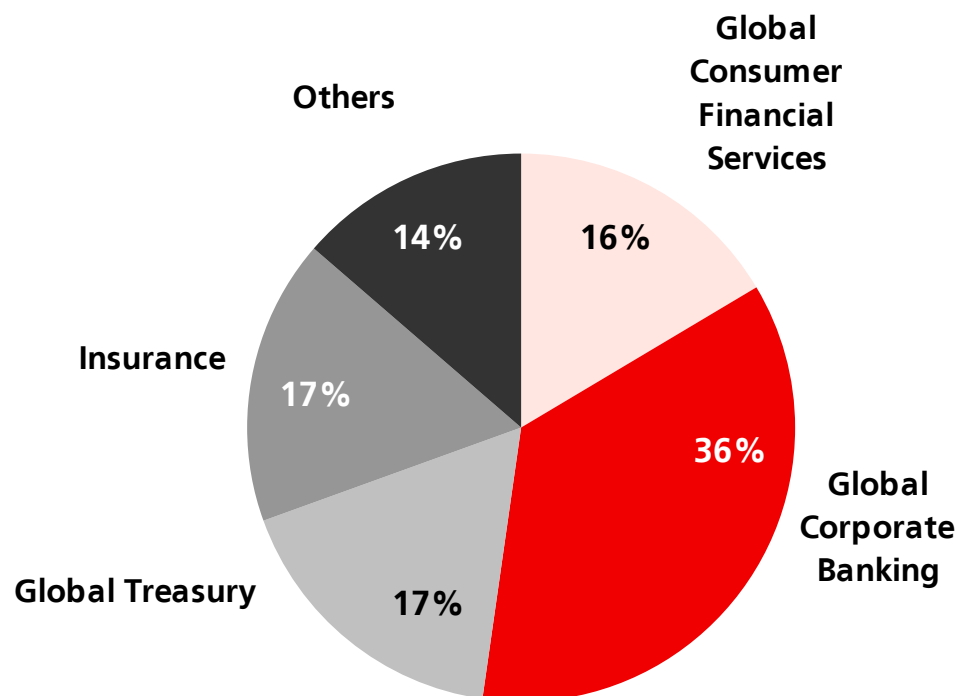


Note: 1Q09 included net non-recurring gains of S\$175m from GEH; 3Q09 included net one-time loss of S\$154m from GEH arising from redemption of GreatLink Choice (GLC) policies

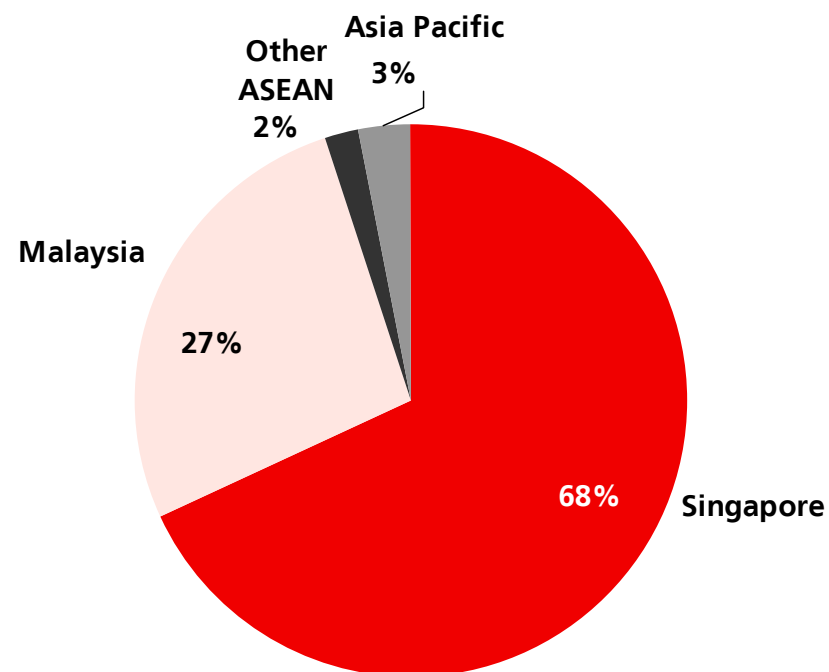


# Earnings contribution by segments

**FY10 PBT\*  
By Business Segment**



**FY10 PBT  
By Geography**



\* Pretax profit before joint income elimination and before items not attributed to business segments

## GEH: Full year contribution down 2%, contributing 18% of Group net profit

	FY10 S\$m	FY09 S\$m	YoY +/(-)%
Total Income	774	758	2
Operating Expenses	(159)	(116)	36
<b>Operating Profit</b>	<b>615</b>	<b>642</b>	<b>(4)</b>
Amortisation of Intangibles	(47)	(47)	-
Allowances	(4)	(16)	(74)
Associates & JVs	(6)	(6)	(4)
Tax & Non-controlling interests	(154)	(161)	(5)
<b>Net Profit Contribution</b>	<b>405</b>	<b>412</b>	<b>(2)</b>

FY09 net profit contribution from GEH includes attributable non-recurring gains of S\$175m and GLC redemption loss of S\$154m



## GEH: Fourth quarter contribution impacted by interest rate movements

	4Q10 S\$m	4Q09 S\$m	YoY +/(-)%	3Q10 S\$m	QoQ +/(-)%
Total Income	160	190	(15)	234	(31)
Operating Expenses	(45)	(6)	652	(36)	23
<b>Operating Profit</b>	<b>116</b>	<b>184</b>	<b>(37)</b>	<b>198</b>	<b>(41)</b>
Amortisation of Intangibles	(12)	(12)	-	(12)	-
Allowances	0	(9)	NM	0	NM
Associates & JVs	(1)	(3)	(75)	(1)	(29)
Tax & Non-controlling interests	(39)	(41)	(3)	(48)	(17)
<b>Net Profit Contribution</b>	<b>64</b>	<b>119</b>	<b>(46)</b>	<b>137</b>	<b>(53)</b>

## Results excluding GEH – Full year net profit up 19%

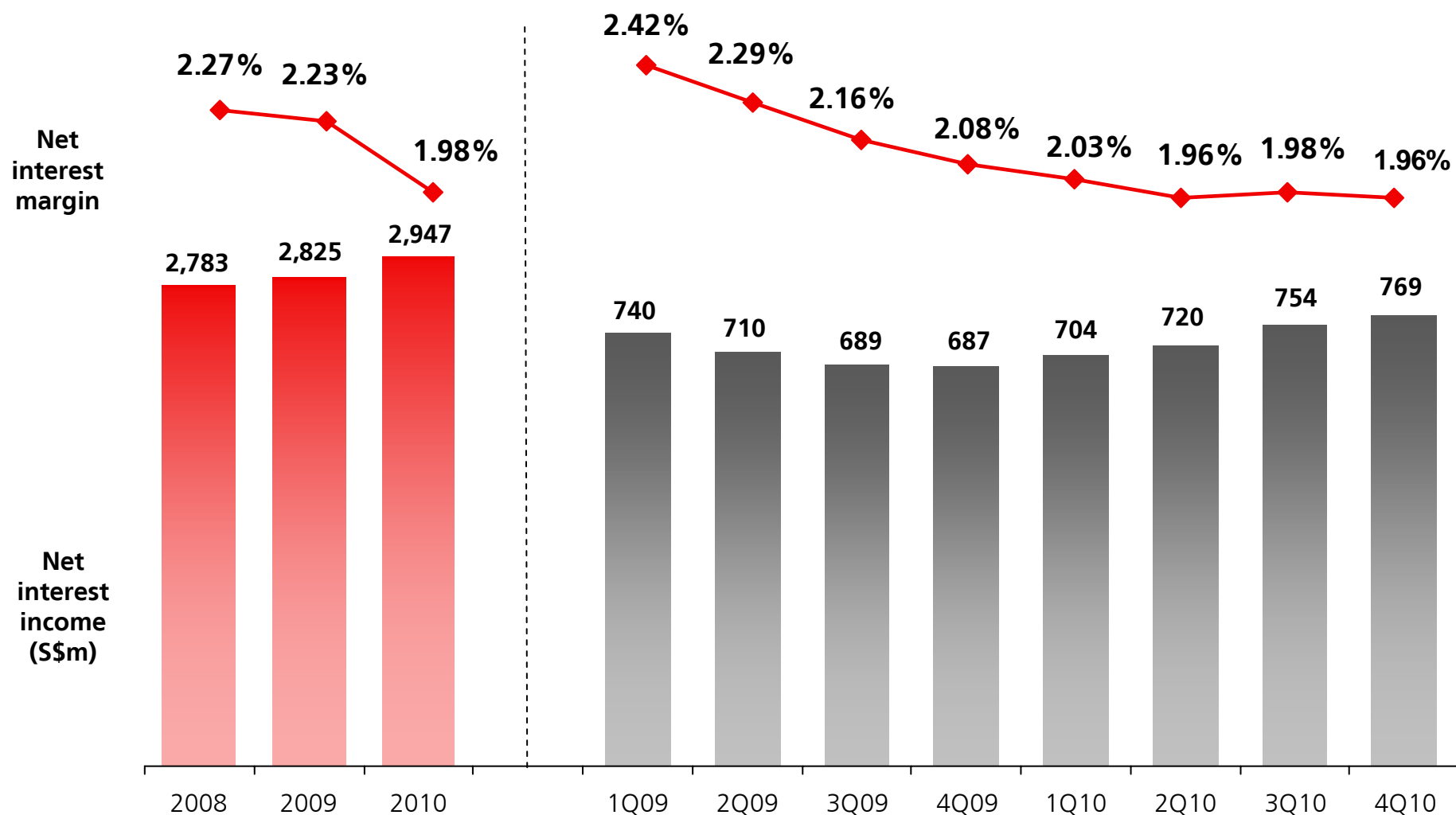
	FY10 S\$m	FY09 S\$m	YoY +/(-)%
Net Interest Income	2,875	2,760	4
Non-Interest Income	1,676	1,297	29
Total Income	4,551	4,057	12
Operating Expenses	(2,095)	(1,680)	25
<b>Operating Profit</b>	<b>2,456</b>	<b>2,377</b>	<b>3</b>
Amortisation of Intangibles	(8)	0	NM
Allowances	(130)	(413)	(69)
Associates & JVs	3	6	(40)
Tax & Non-controlling interests	(473)	(419)	13
<b>Net Profit</b>	<b>1,849</b>	<b>1,551</b>	<b>19</b>

## Results excluding GEH – Fourth quarter net profit up 15% YoY

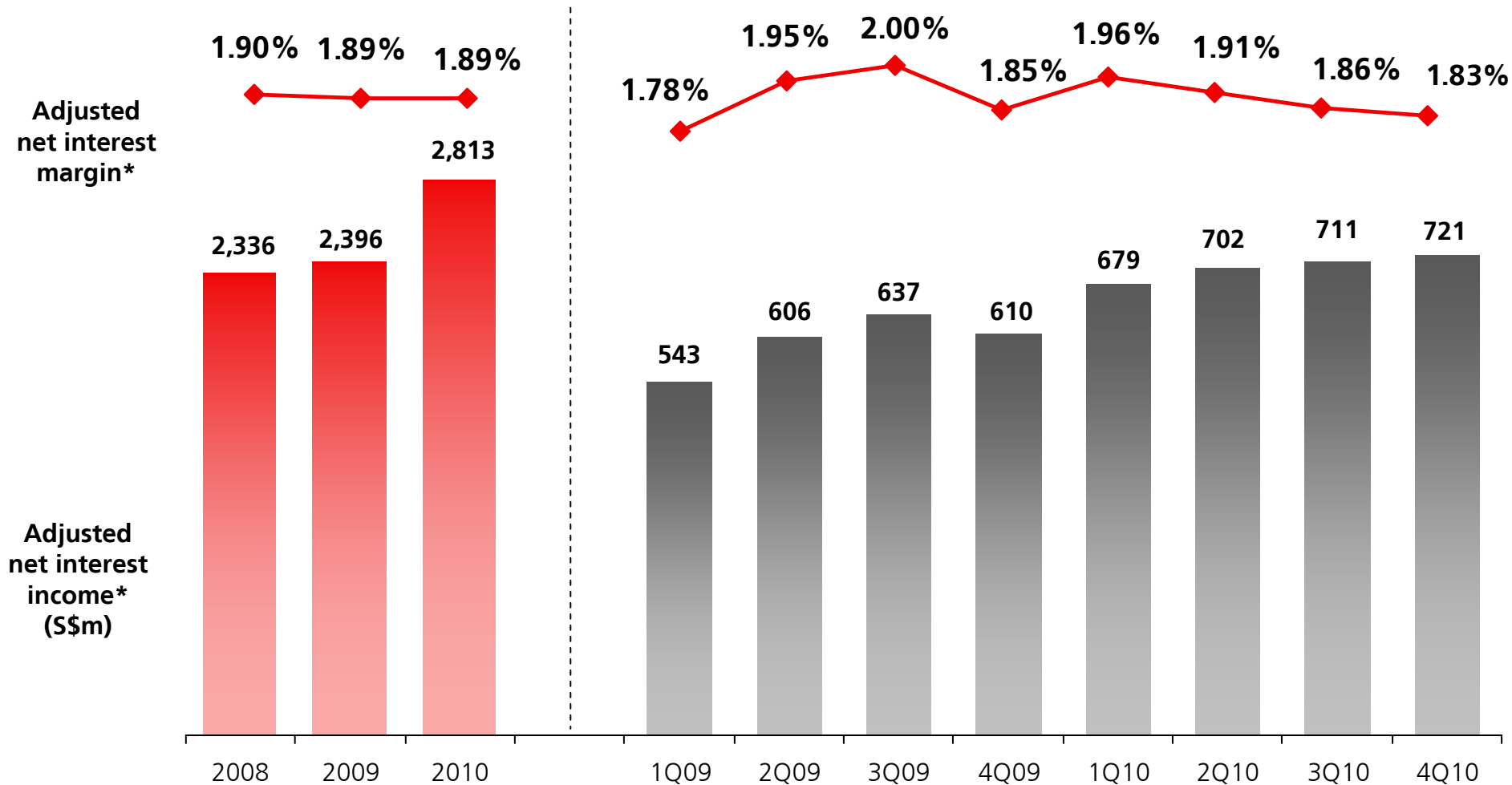
	4Q10 S\$m	4Q09 S\$m	YoY +/(-)%	3Q10 S\$m	QoQ +/(-)%
Net Interest Income	752	668	13	735	2
Non-Interest Income	417	327	27	406	3
Total Income	1,168	995	17	1,141	2
Operating Expenses*	(575)	(460)	25	(537)	7
<b>Operating Profit</b>	<b>593</b>	<b>534</b>	<b>11</b>	<b>604</b>	<b>(2)</b>
Amortisation of Intangibles	(4)	0	NM	(4)	(3)
Allowances	(48)	(67)	(28)	(43)	13
Associates & JVs	(1)	1	(239)	2	(151)
Tax & Non-controlling interests	(100)	(85)	17	(126)	(20)
<b>Net Profit</b>	<b>440</b>	<b>382</b>	<b>15</b>	<b>433</b>	<b>2</b>

\* Includes one-time costs of S\$31m in 4Q10, without which expense increase would be 18% YoY and 1% QoQ

# Net interest income rose 4% for the year - growth in interest earning assets moderated by narrower margins



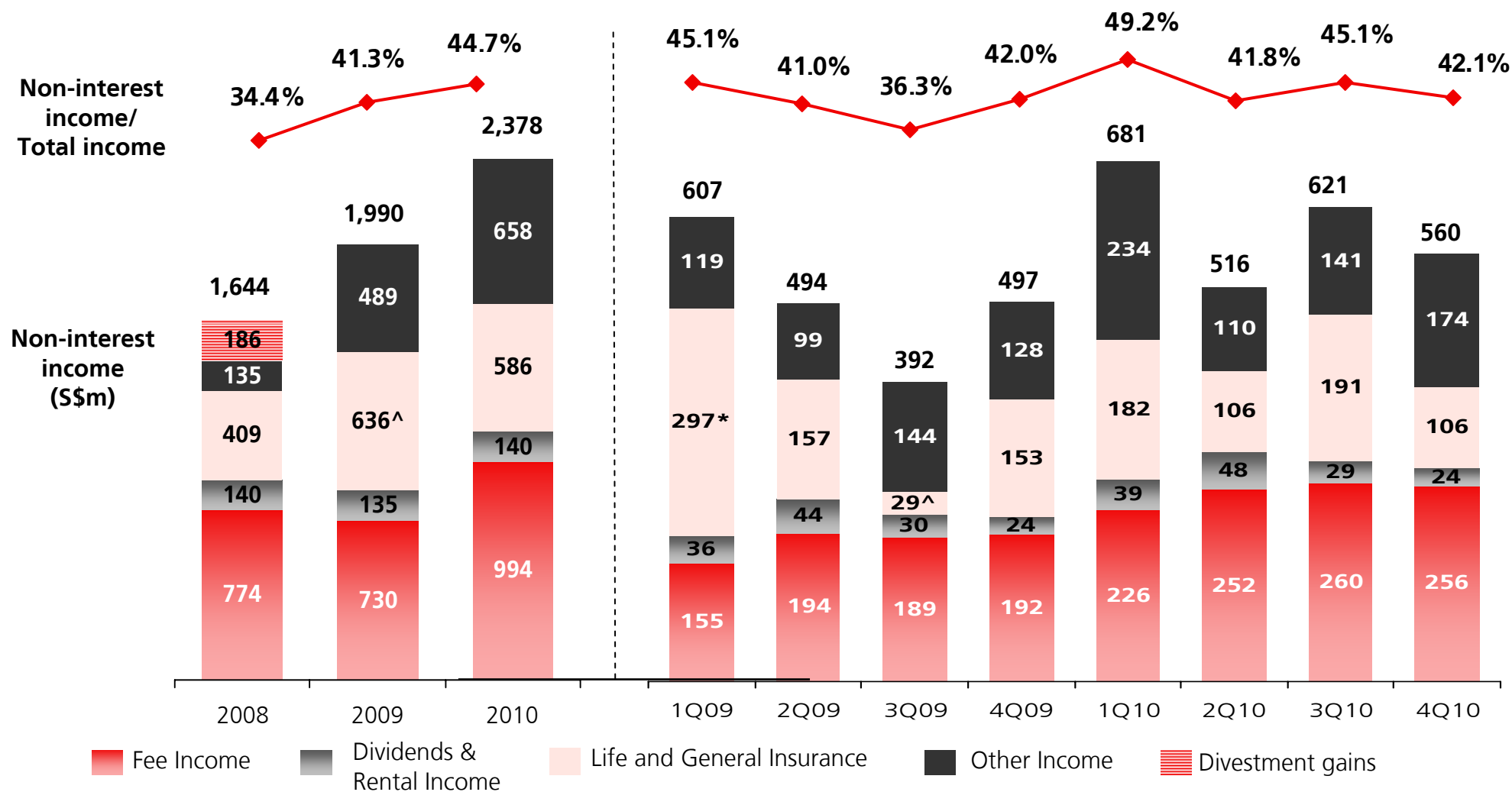
# Net interest income adjusted for allowances shows steady uptrend; adjusted NIM stable



\* Allowances for loans and other assets deducted from net interest income



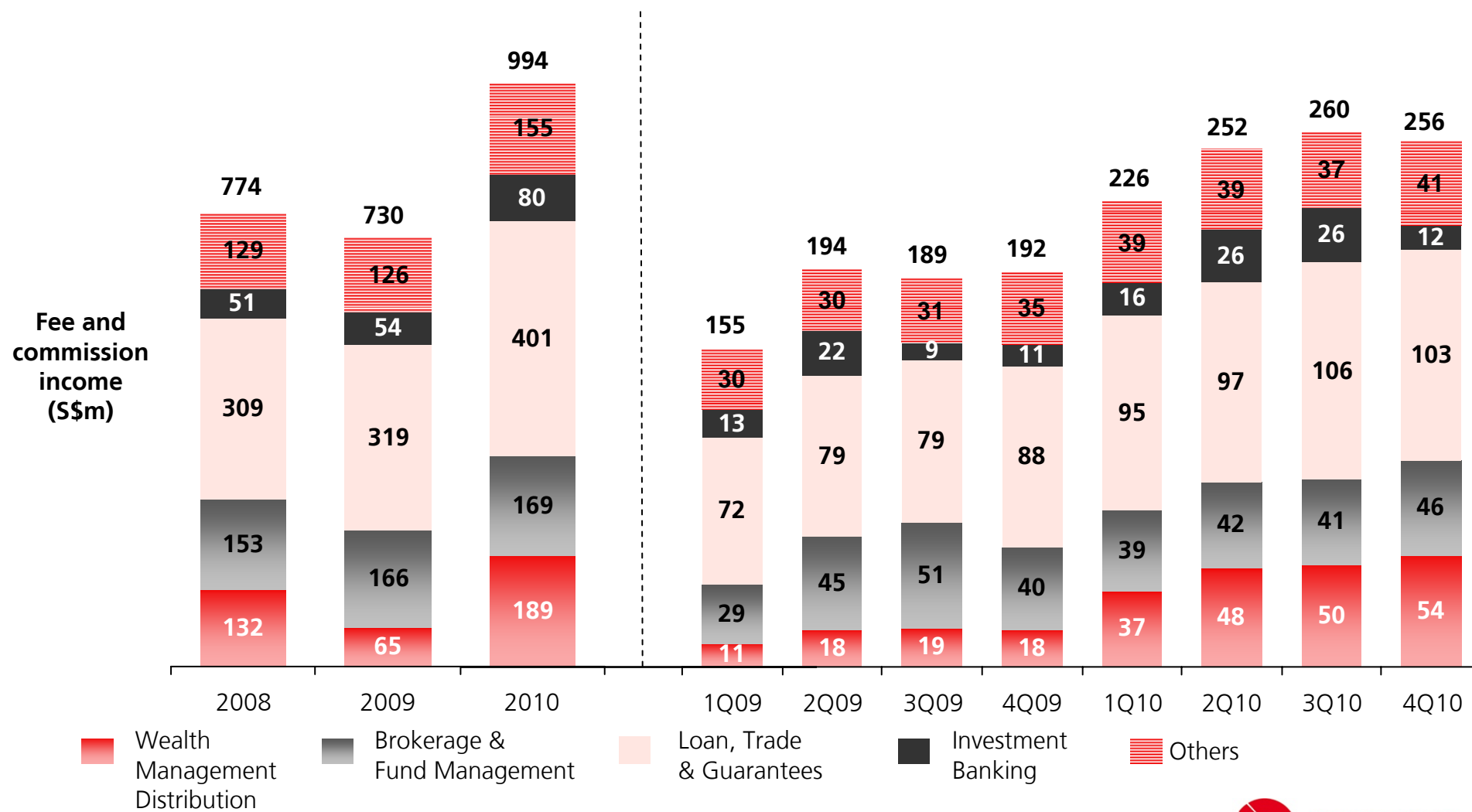
# Non-interest income up 20% for the year



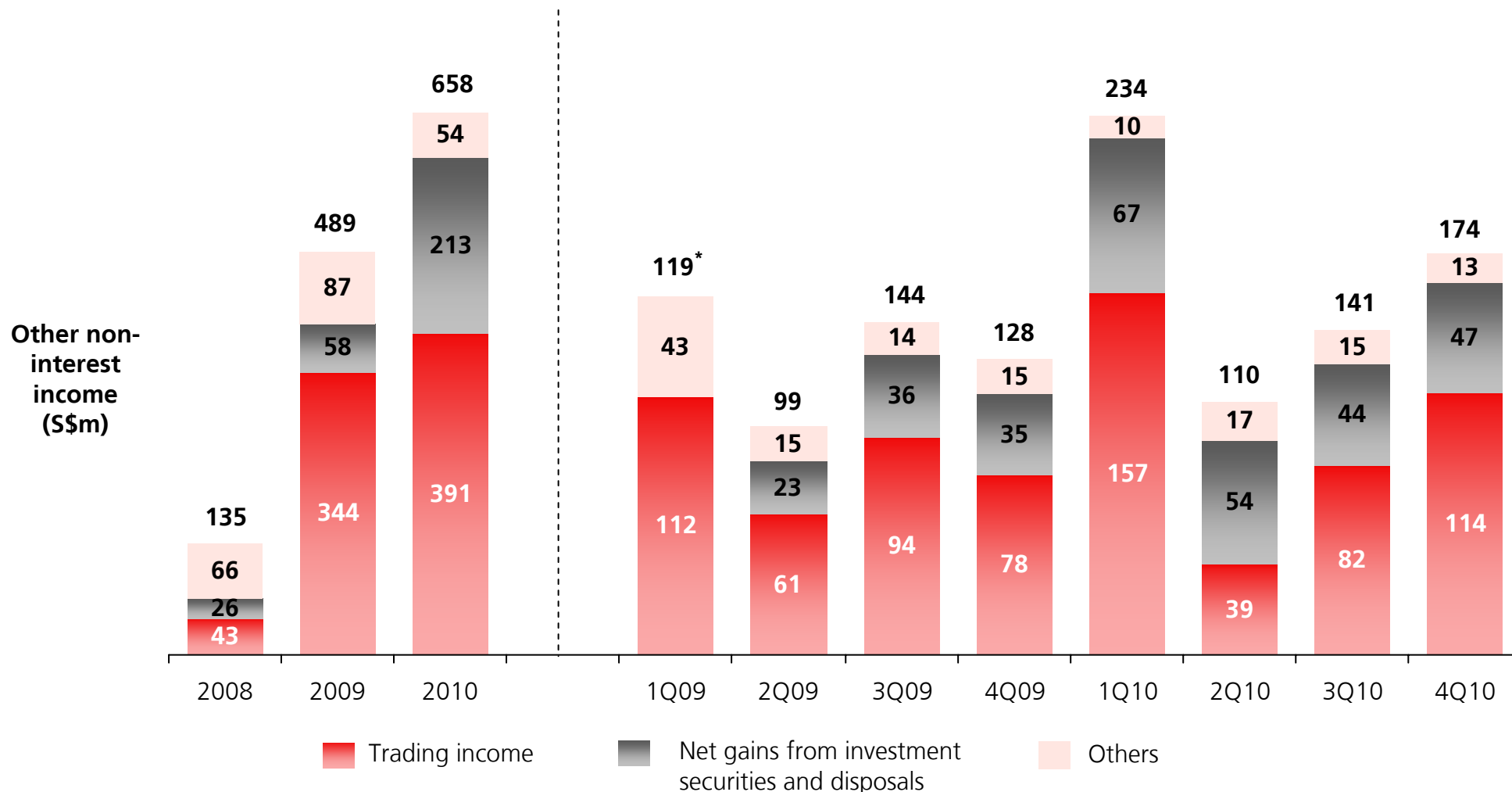
\* Includes non-recurring gains of S\$201m  
<sup>^</sup> Adjusted to include GLC loss of S\$213m



# Full year fee income grew 36%, led by wealth management, loan and trade activities and investment banking



# Other non-interest income increased 35% in 2010 from higher trading income and investment gains

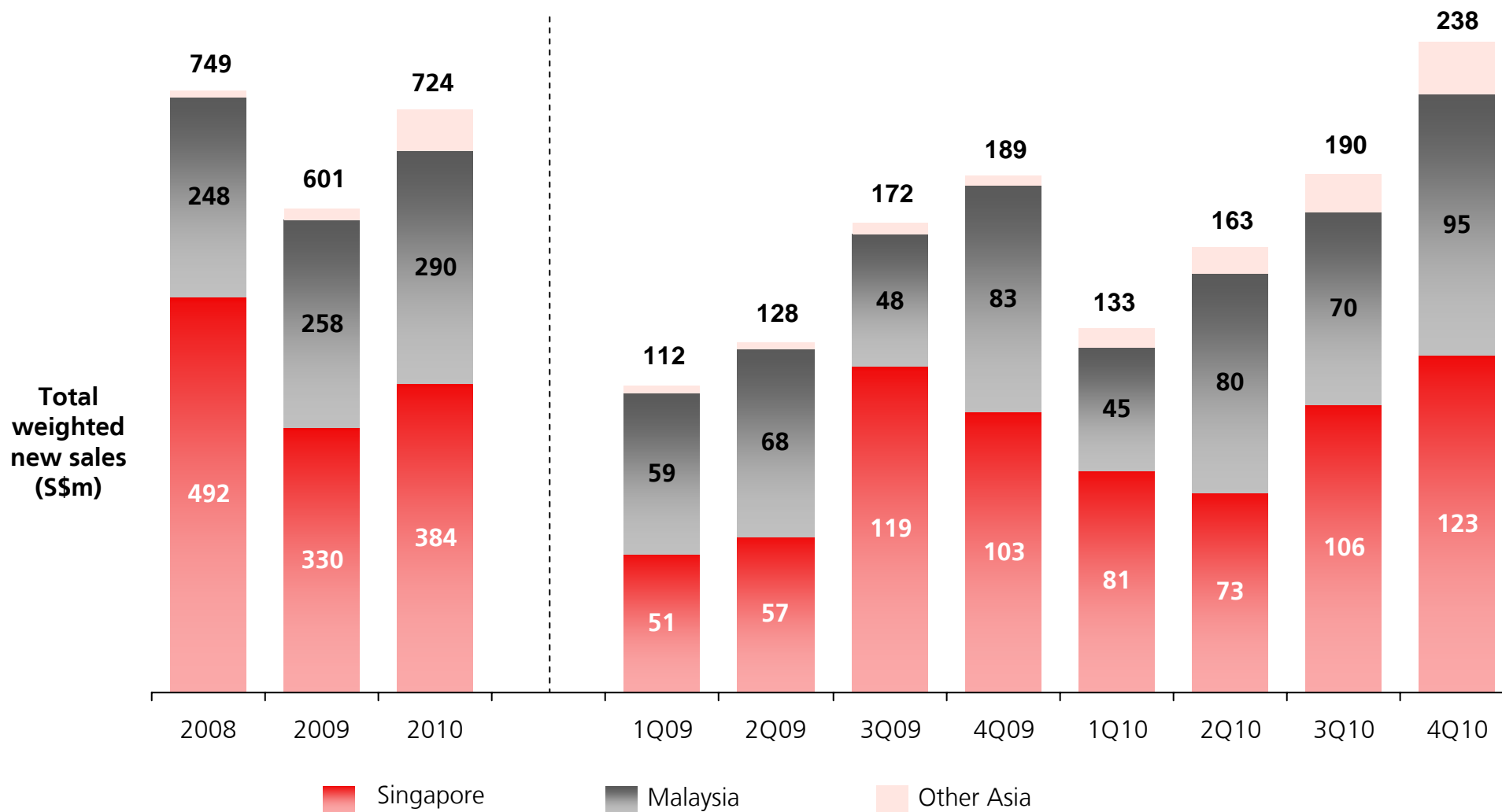


\* Includes S\$36m net loss on sale of investment securities



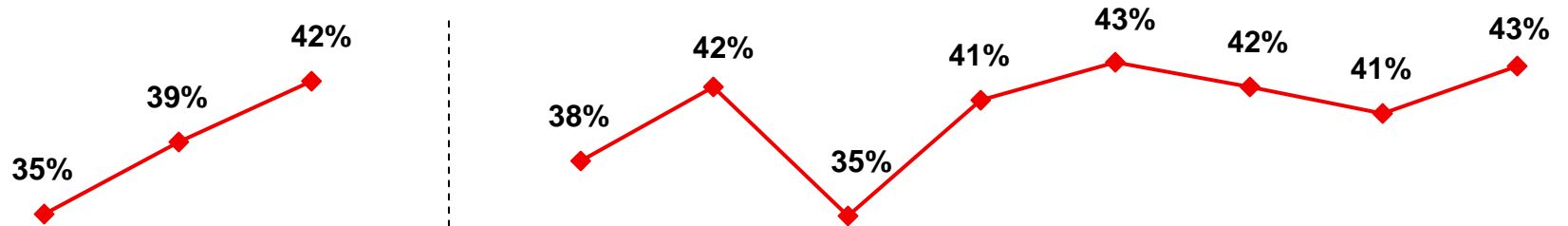


# GEH: Total weighted new sales grew 20% in 2010

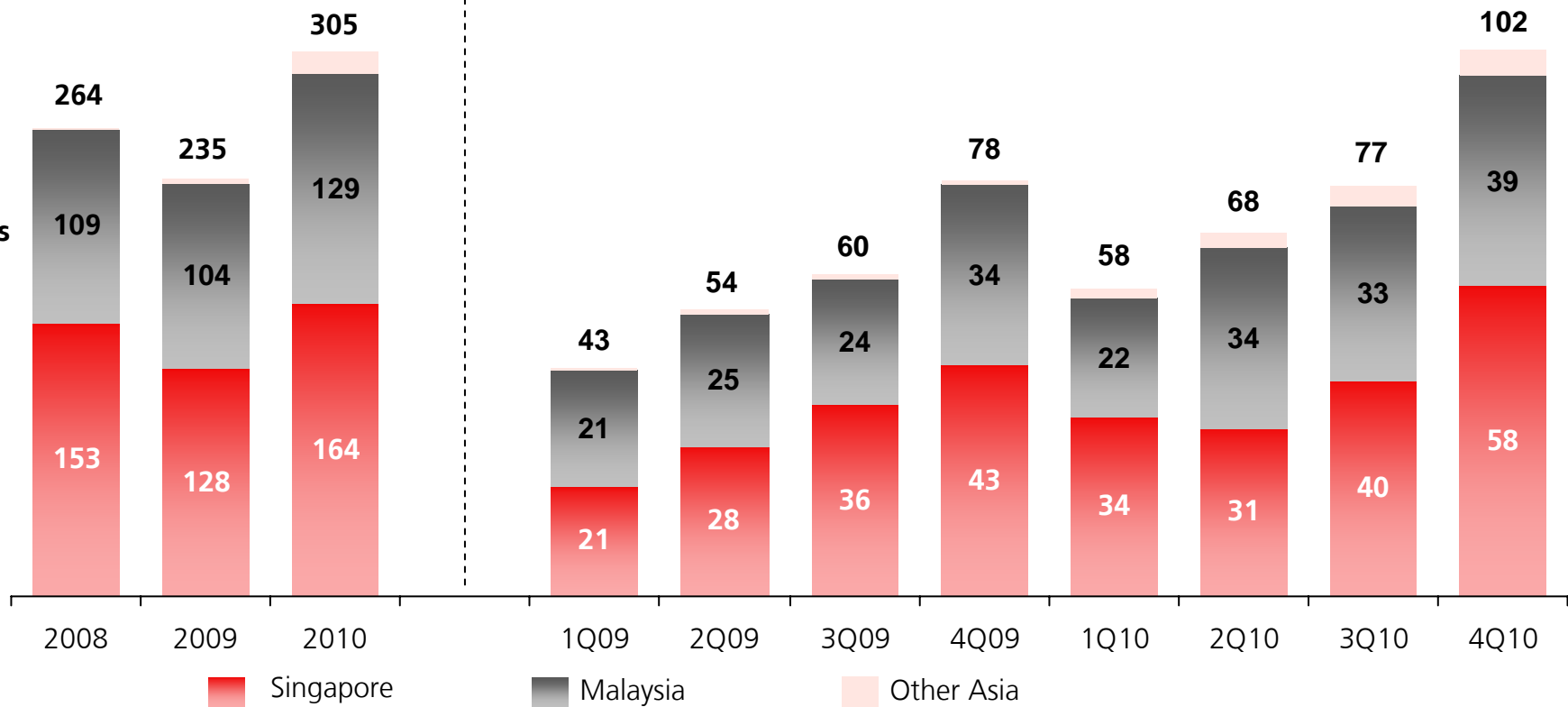


# GEH: New business embedded value up 30% in 2010

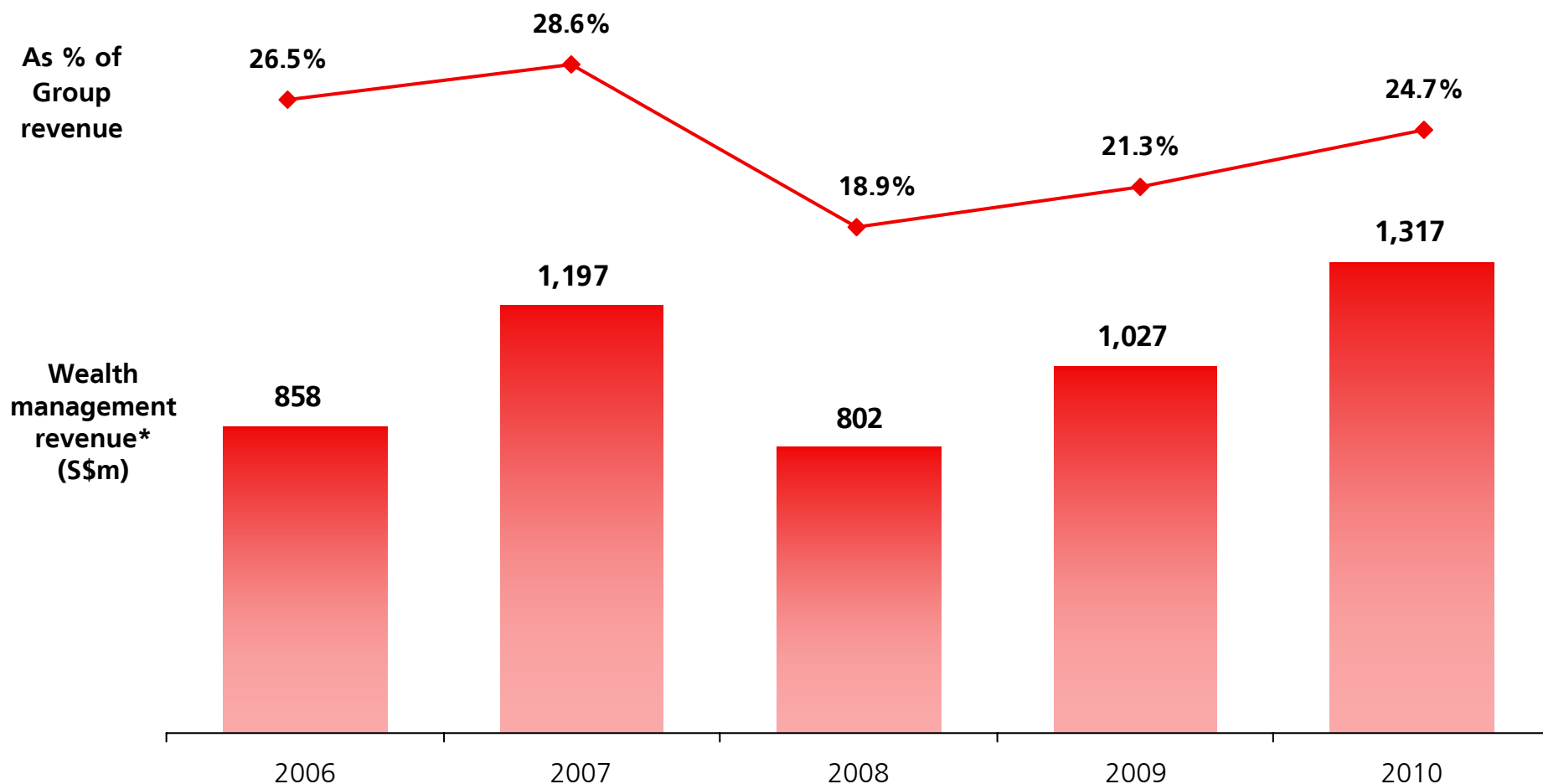
New business embedded value/Total weighted new sales



New business embedded value (\$m)



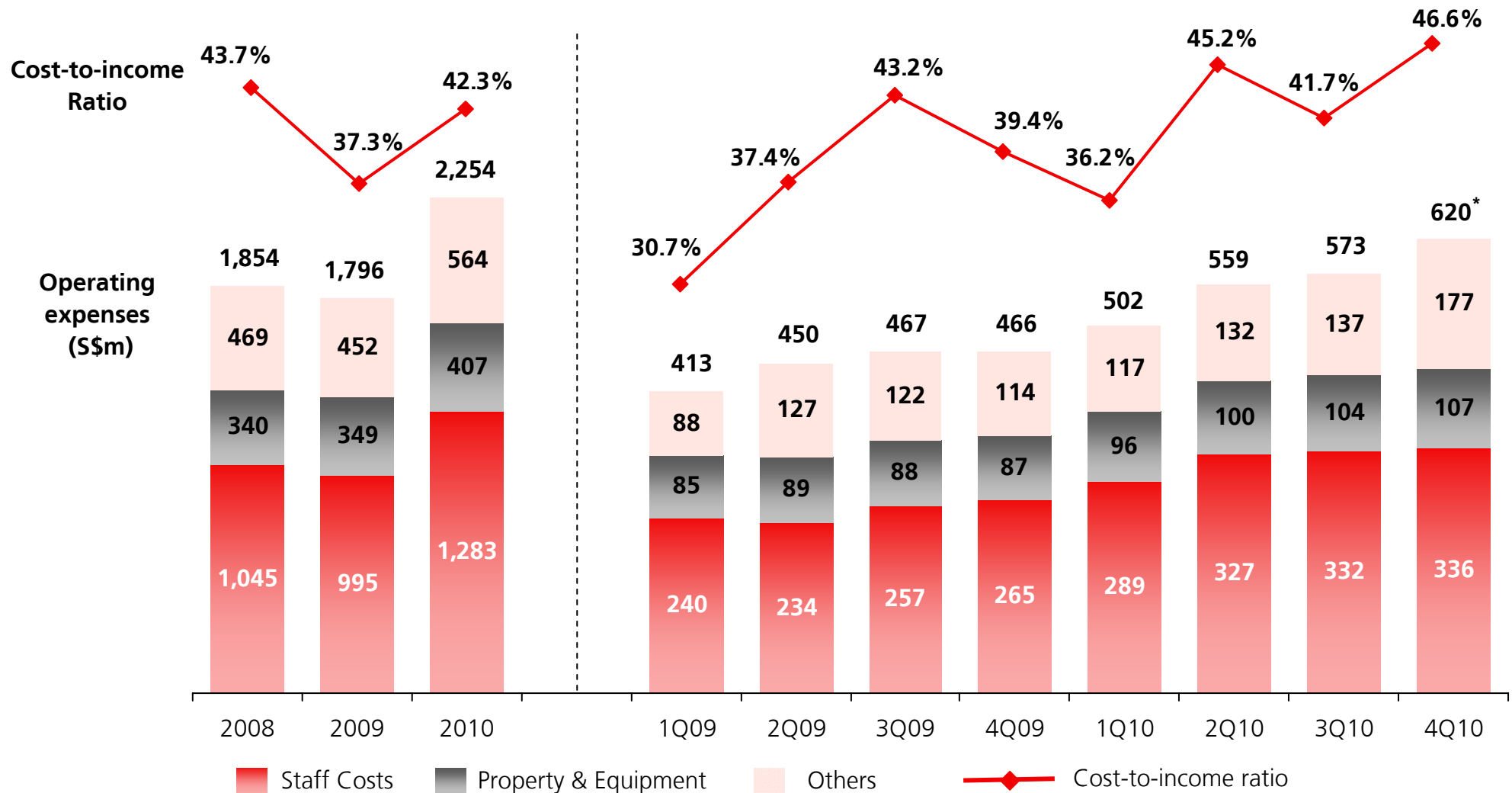
# Wealth management businesses contributed 25% of Group revenue



\* Comprises the consolidated revenue from insurance, asset management, stockbroking and private banking subsidiaries, plus the Group's revenue from the sales of unit trusts, bancassurance products, structured deposits and other treasury products to consumer customers



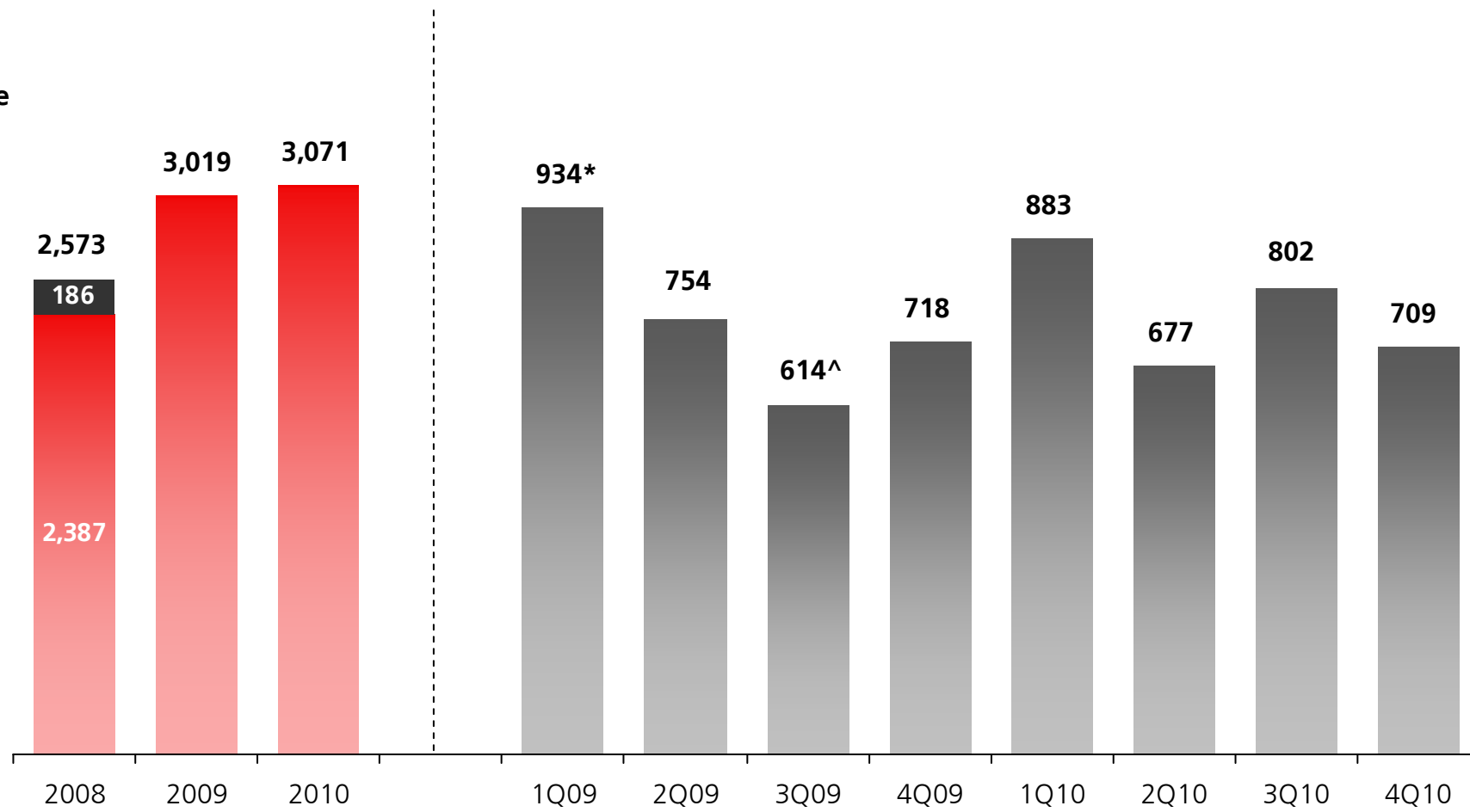
# Operating expenses rose 25% in 2010, driven by consolidation of Bank of Singapore, stepping up of investments, and higher business volumes



\* Includes one-time expenses of S\$31m

# Full year operating profit up 2%

Operating profit before allowances (S\$m)



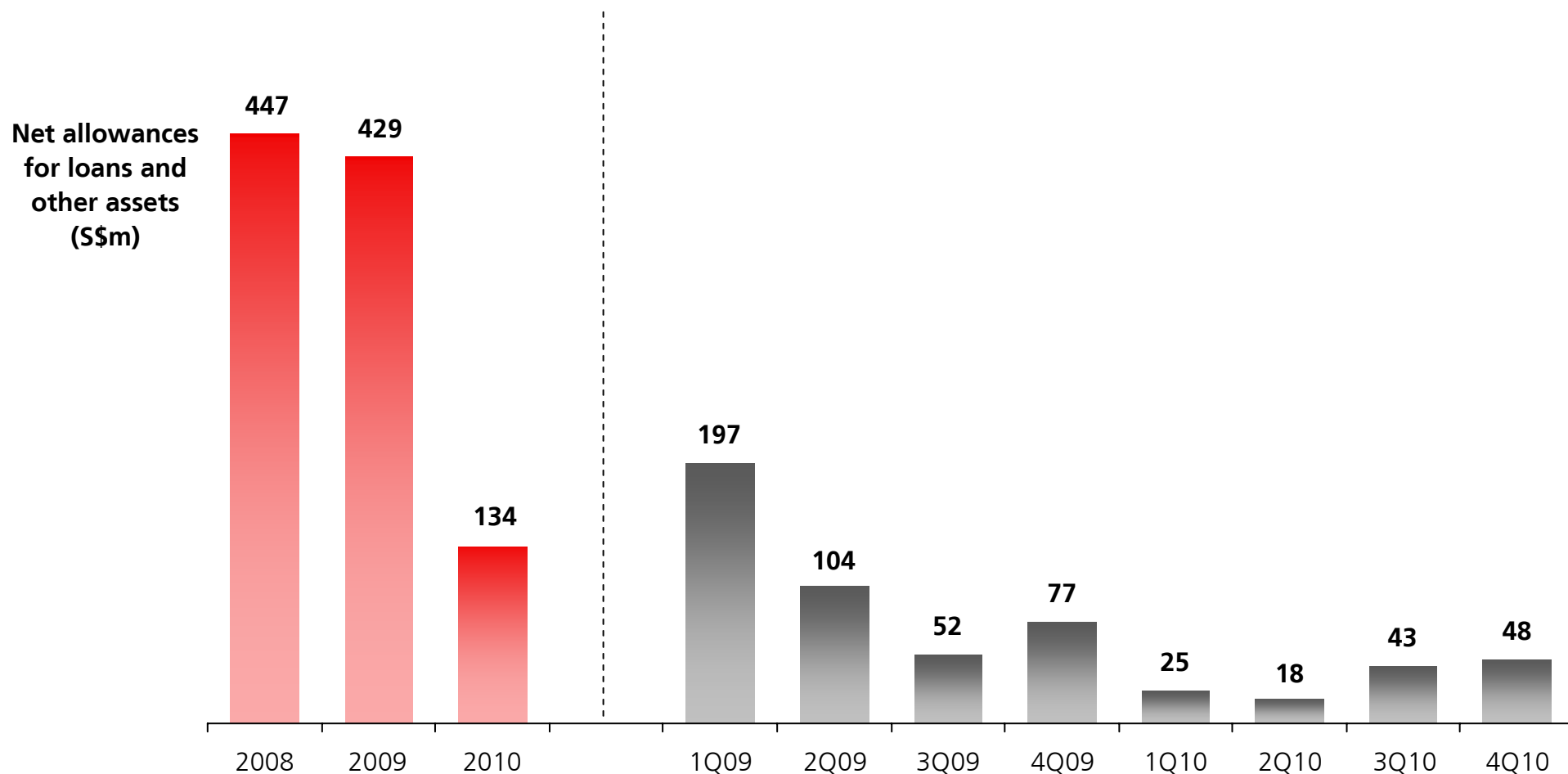
■ Divestment gains

\* Includes S\$201m non-recurring gains from GEH

^ Includes GLC loss of S\$213m from GEH



# Sustained low net allowances as asset quality remains stable



## Breakdown of allowances

	FY10 S\$m	FY09 S\$m	4Q10 S\$m	3Q10 S\$m	4Q09 S\$m
Specific allowances for loans	57	241	25	16	61
Portfolio allowances for loans	98	23	34	29	11
Allowances for CDOs (Write-back)	(26)	86	(18)	(0)	(1)
Allowances for other assets (Write-back)	5	79	7	(2)	6
<b>Total net allowances</b>	<b>134</b>	<b>429</b>	<b>48</b>	<b>43</b>	<b>77</b>
Specific loan allowances/ average loans (bps)*	6	29	10	7	30

\* Annualised for quarterly periods

## Movement in specific allowances for loans

	FY10 S\$m	FY09 \$m	4Q10 S\$m	3Q10 S\$m	4Q09 S\$m
Allowances for new and existing NPLs	298	478	99	77	118
Write-backs <sup>1/</sup>	(192)	(188)	(56)	(49)	(44)
Recoveries <sup>2/</sup>	(49)	(48)	(18)	(11)	(13)
<b>Net Specific Allowances</b>	<b>57</b>	<b>241</b>	<b>25</b>	<b>16</b>	<b>61</b>

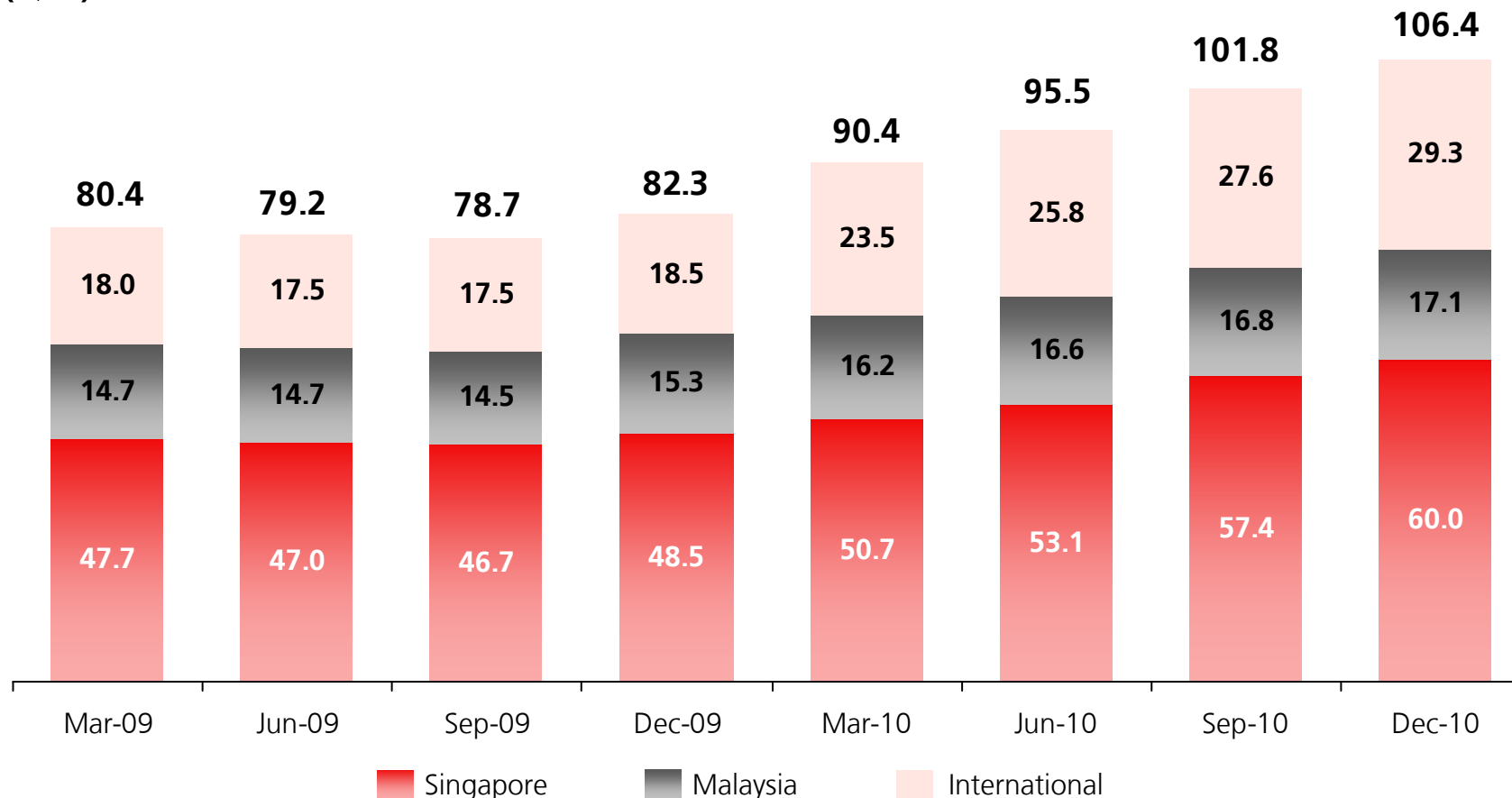
<sup>1/</sup> Write-backs of specific allowances for existing NPLs due to settlements and repayments

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



# Broad-based loan growth of 29% YoY (23% excluding Bank of Singapore) and 5% QoQ

Non-bank loans (S\$bn)

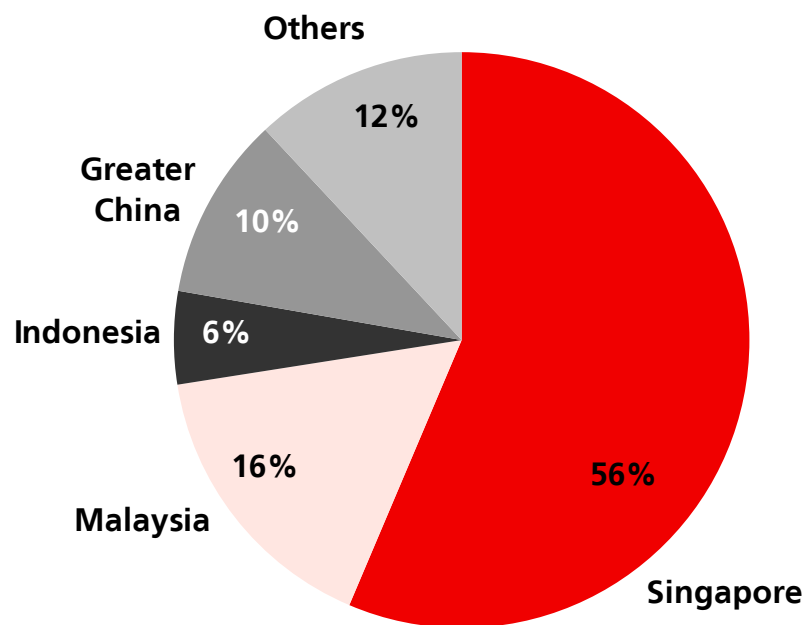


Loans by geography are based on where the credit risks reside

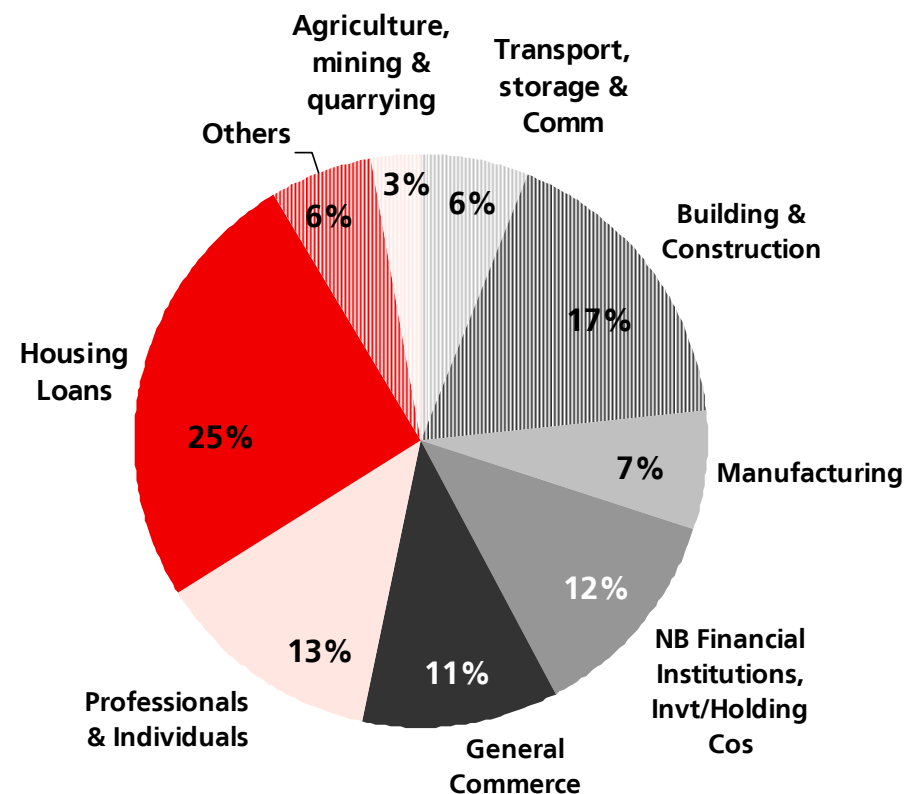


# Diversified loan book

**Customer Loans by Geography\***  
As at 31 December 2010

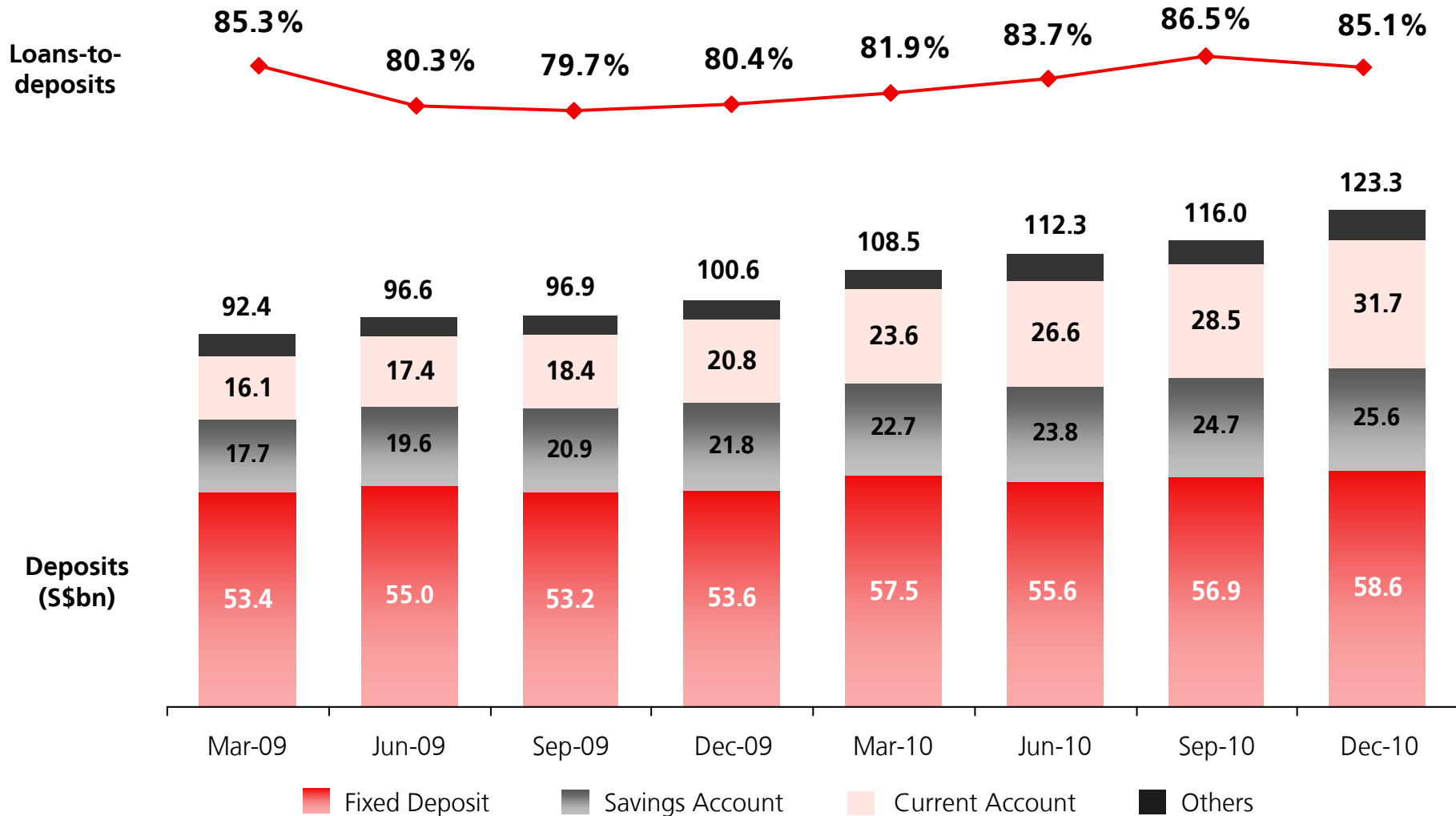


**Customer Loans by Sector**  
As at 31 December 2010

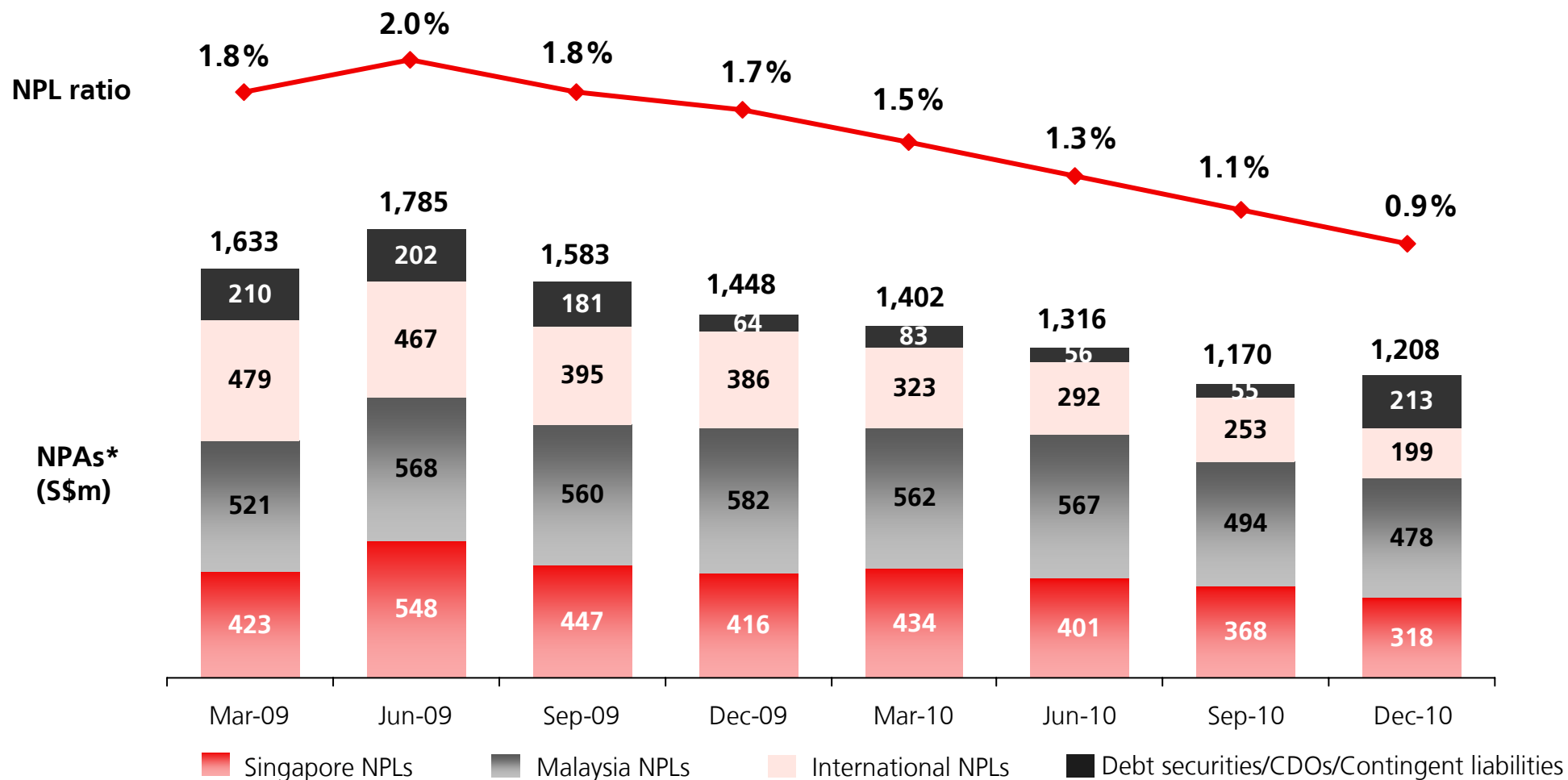


\* Based on where the credit risks reside, which may be different from the country of the borrower or where the loans are booked

# Customer deposits increased 23% YoY, led by growth of 53% in current account deposits and 18% in savings deposits



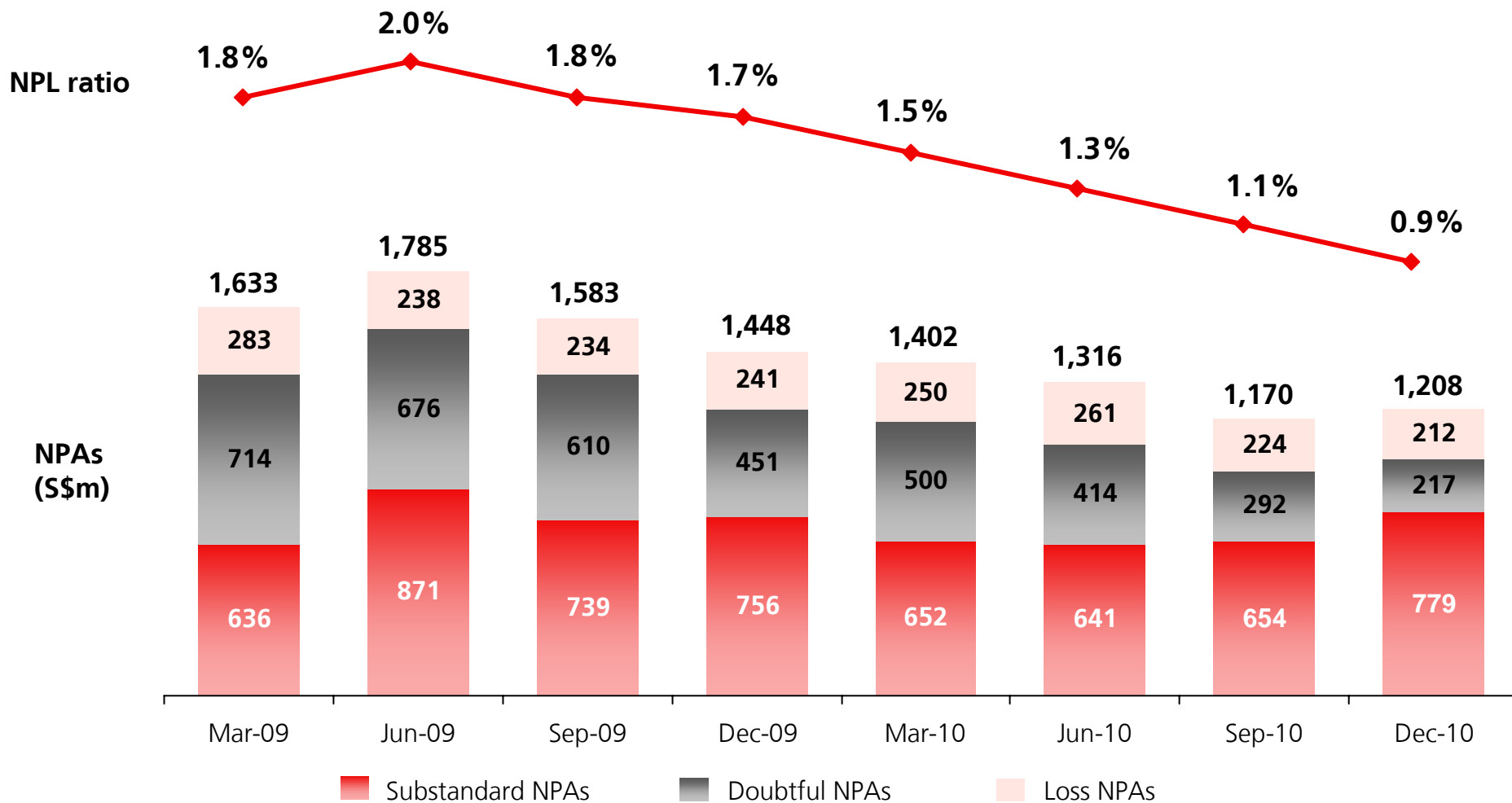
# NPL ratio continued to improve



\* NPAs comprise NPLs and classified debt securities/CDOs/contingent liabilities. Increase in NPAs in 4Q10 was due to contingent liabilities.



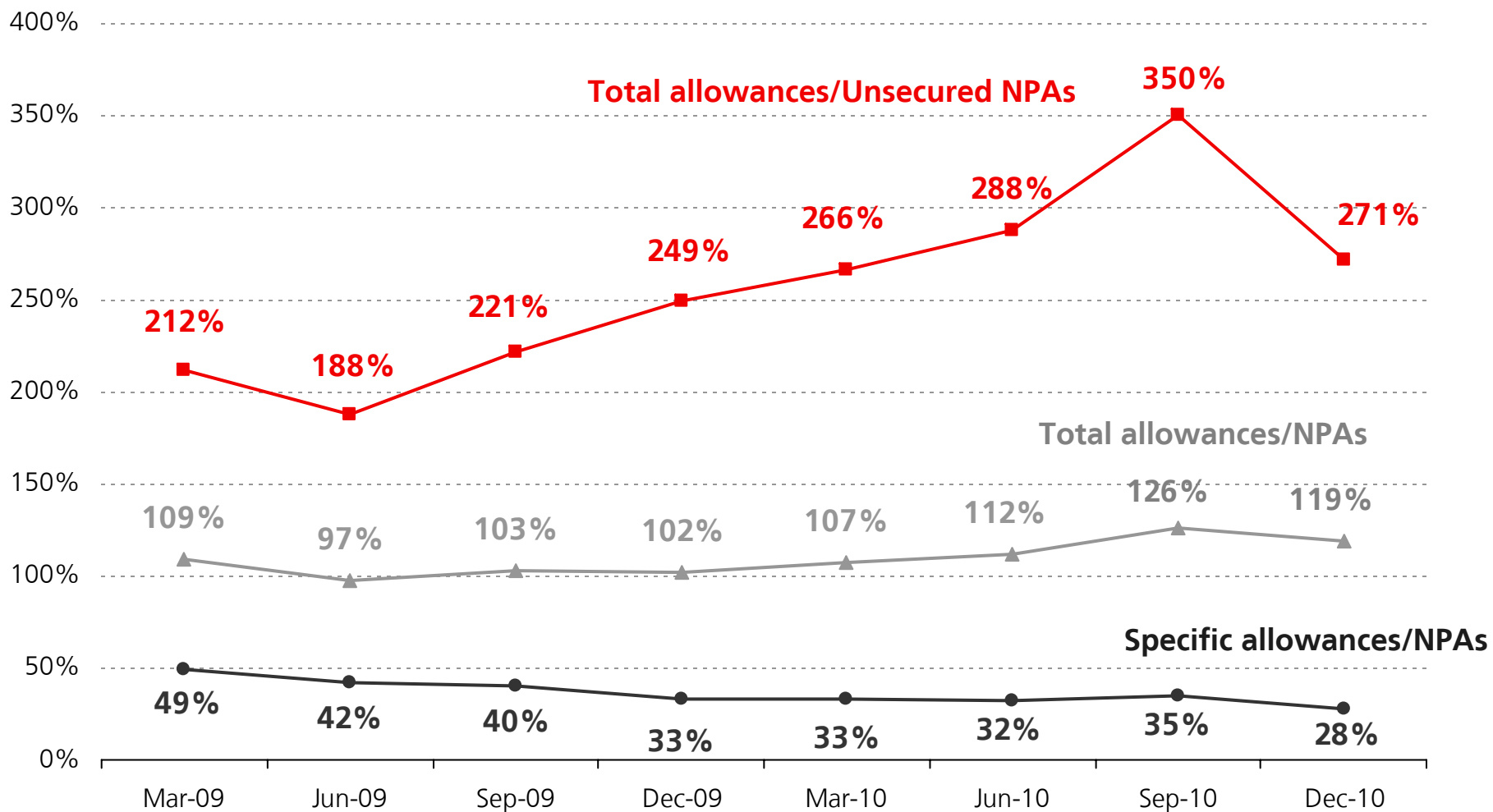
# 64% of NPAs in “substandard” category – typically well-collateralised or no overdues



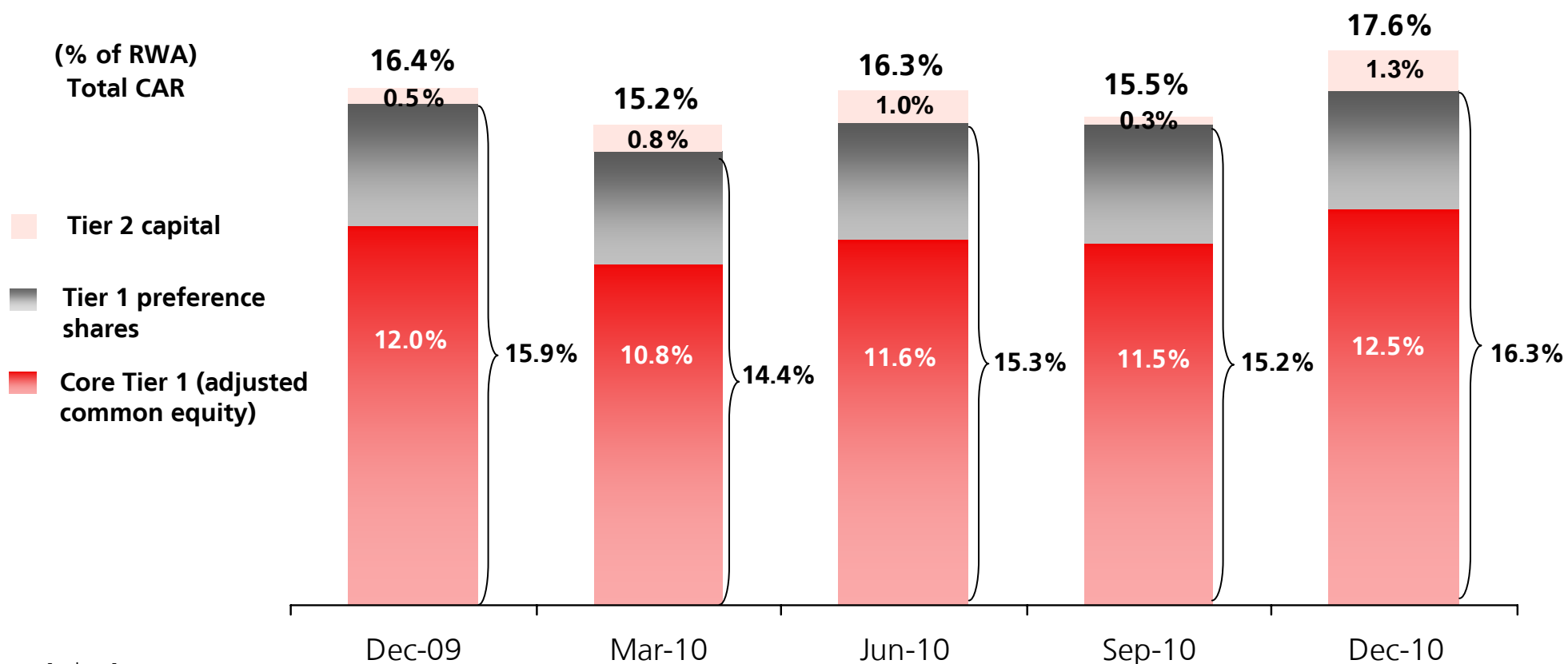
## Inflow of new NPAs significantly lower in 2010, offset by recoveries and upgrades

	FY10 S\$m	FY09 S\$m	4Q10 S\$m	3Q10 S\$m	4Q09 S\$m
NPAs - Opening Balance	1,448	1,348	1,170	1,316	1,583
New NPAs	691	1,231	325	119	232
Net Recoveries/Upgrades	(704)	(609)	(211)	(228)	(261)
Write-offs	(227)	(522)	(76)	(37)	(106)
<b>NPAs - Closing Balance</b>	<b>1,208</b>	<b>1,448</b>	<b>1,208</b>	<b>1,170</b>	<b>1,448</b>

# Healthy allowance coverage ratios of 119% of total NPAs and 271% of unsecured NPAs



# Tier 1 ratio of 16.3% and Core Tier 1 of 12.5%



(\$m)

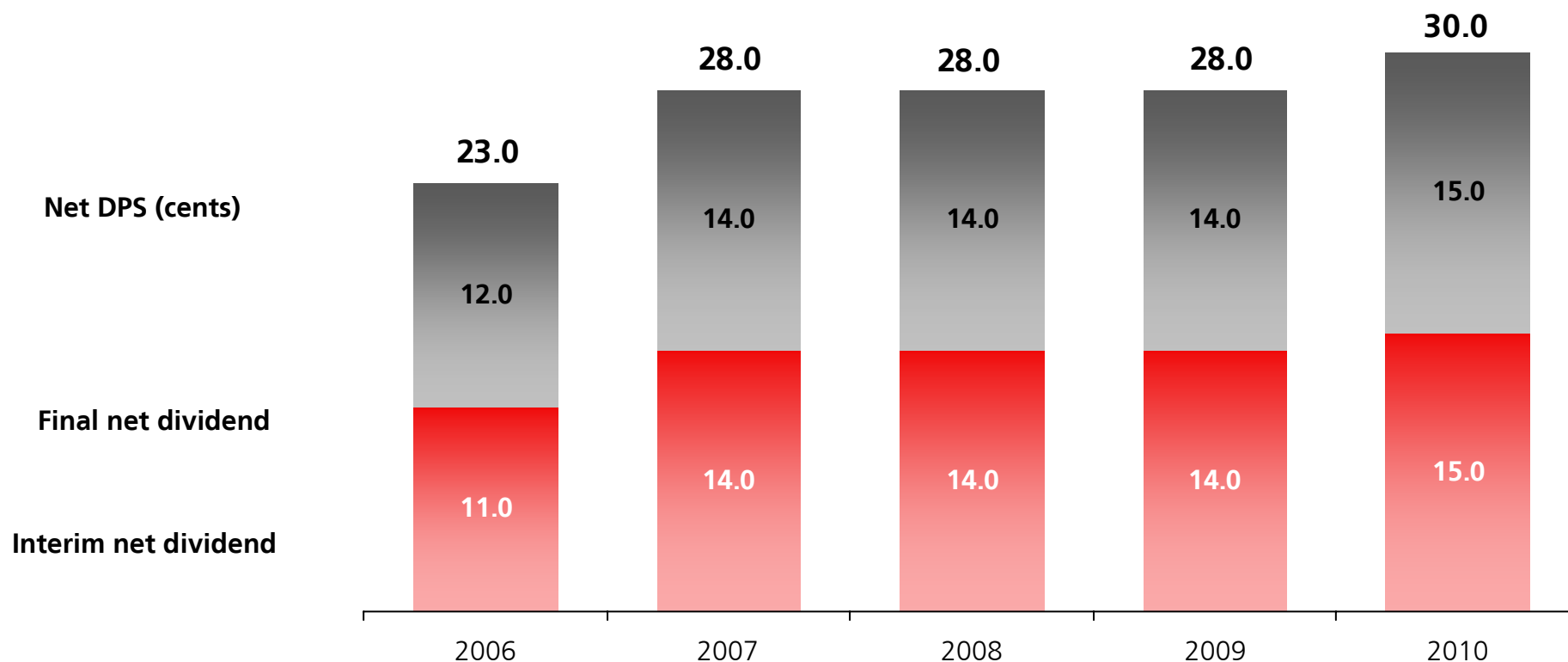
	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
<b>Tier 1 Capital</b>	15,962	15,716	16,161	16,219	17,148
<b>Tier 1 Prefs</b>	3,958	3,965	3,966	3,965	3,961
<b>RWA</b>	100,013	108,505	105,073	106,666	105,062

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





# Dividend per share increased to 30 cents



<b>Net Dividends (\$m)</b>	709	864	868	897	994
<b>Core Net Profit (\$m)</b>	1,443	1,878	1,486	1,962	2,253
<b>Dividend Payout Ratio</b>	49%	46%	58%	46%	44%

## OCBC Malaysia: Full year net profit up 16%

	FY10 RM m	FY09 RM m	YoY +/(-)%
Net Interest Income	1,131	1,036	9
Islamic Banking Income	158	144	10
Non-Interest Income	448	415	8
Total Income	1,736	1,595	9
Operating Expenses	(656)	(597)	10
<b>Operating Profit</b>	<b>1,081</b>	<b>998</b>	<b>8</b>
Allowances	(129)	(185)	(30)
Tax	(245)	(205)	20
<b>Net Profit</b>	<b>706</b>	<b>608</b>	<b>16</b>

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

## OCBC Malaysia: Fourth quarter net profit up 29% YoY, down 6% QoQ

	4Q10 RM m	4Q09 RM m	YoY +/(-)%	3Q10 RM m	QoQ +/(-)%
Net Interest Income	292	262	11	294	(1)
Islamic Banking Income	38	55	(31)	39	(2)
Non-Interest Income	82	85	(4)	125	(34)
Total Income	412	402	2	458	(10)
Operating Expenses	(170)	(171)	-	(171)	-
<b>Operating Profit</b>	<b>242</b>	<b>231</b>	<b>5</b>	<b>287</b>	<b>(16)</b>
Allowances	(22)	(62)	(64)	(53)	(58)
Tax	(57)	(43)	31	(62)	(8)
<b>Net Profit</b>	<b>162</b>	<b>126</b>	<b>29</b>	<b>172</b>	<b>(6)</b>

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

## OCBC Malaysia: Key financial ratios

	FY10	FY09	4Q10	3Q10	4Q09
	%	%	%	%	%
Net Interest Margin	2.42	2.35	2.42	2.55	2.24
Non-Interest Income / Total Income	25.8	26.0	19.9	27.3	21.1
Cost-to-Income Ratio	37.8	37.4	41.3	37.3	42.5
Loans-to-Deposits Ratio	81.7	76.5	81.7	83.9	76.5
Gross NPL Ratio	2.8	3.8	2.8	3.1	3.8
Loan Growth (YoY)	10.4	5.0	10.4	11.4	5.0
Deposit Growth (YoY)	3.2	13.5	3.2	5.4	13.5
ROE	17.5	17.9	15.1	16.7	13.9

## Bank OCBC NISP: Full year net profit down 26% as a result of one-time merger costs

	FY10 RP bn	FY09 RP bn	YoY +/(-)%
Net Interest Income	1,807	1,726	5
Non Interest Income	482	497	(3)
Total Income	2,289	2,223	3
Operating Expenses	(1,482)	(1,377)	8
<b>Operating Profit</b>	<b>807</b>	<b>846</b>	<b>(5)</b>
Allowances	(200)	(237)	(16)
Non Op Income / (Expenses) *	(178)	3	NM
Tax	(108)	(176)	(39)
<b>Net Profit</b>	<b>321</b>	<b>436</b>	<b>(26)</b>

\* Comprise mainly costs related to merger with Bank OCBC Indonesia in 4Q10

## Bank OCBC NISP: Quarterly loss due to merger costs

	4Q10 RP bn	4Q09 RP bn	YoY +/(-)%	3Q10 RP bn	QoQ +/(-)%
Net Interest Income	454	441	3	465	(2)
Non-Interest Income	122	108	13	130	(6)
Total Income	577	549	5	595	(3)
Operating Expenses	(350)	(348)	1	(398)	(12)
<b>Operating Profit</b>	<b>227</b>	<b>201</b>	<b>13</b>	<b>197</b>	<b>15</b>
Allowances	(110)	(32)	244	(25)	340
Non Op Income / (Expenses) *	(183)	0	NM	2	NM
Tax	17	(43)	(140)	(44)	(139)
<b>Net Profit</b>	<b>(49)</b>	<b>126</b>	<b>(139)</b>	<b>130</b>	<b>(138)</b>

\* Comprise mainly costs related to merger with Bank OCBC Indonesia in 4Q10

## Bank OCBC NISP: Key financial ratios

	FY10	FY09	4Q10	3Q10	4Q09
	%	%	%	%	%
Net Interest Margin	5.14	5.53	4.81	5.17	5.52
Non-Interest Income / Total Income	21.0	22.4	21.6	21.8	20.4
Cost-to-Income Ratio	64.8	61.9	60.6	66.9	62.8
Loans-to-Deposits Ratio	78.0	72.4	78.0	78.5	72.4
Gross NPL Ratio	2.0	3.2	2.0	3.0	3.2
Loan Growth (YoY)	27.7	5.2	27.7	26.7	5.2
Deposit Growth (YoY)	18.7	11.4	18.7	23.5	11.4
ROE	7.6	11.9	(4.6)	12.3	13.4

## In Summary

- Healthy full year performance led by strong growth in non-interest income and significantly lower credit costs
- Robust and well-balanced loan growth momentum throughout the year, gaining market share in Singapore
- Acquisition of Bank of Singapore and continued investments in capability-building have contributed to strong growth in fee income and treasury income
- Expense increase reflects consolidation of Bank of Singapore and the tight lid on expenses in the previous year
- Allowances remained low, a result of sound credit portfolio management
- On balance, we are optimistic for the outlook for 2011, given the healthy economic growth prospects in Asia