

2008 Final Results

Presentation

18 February 2009



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Agenda

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



2008 reported net profit fell 16%; core net profit down 21%

	FY08	FY07	YoY
	S\$m	S\$m	+/(-)%
Net Interest Income	2,783	2,244	24
Non-Interest Income	1,458	1,944	(25)
Total Income	4,241	4,188	1
Operating Expenses	(1,854)	(1,680)	10
Operating Profit	2,387	2,508	(5)
Amortisation of Intangibles	(47)	(47)	-
Allowances	(447)	(36)	n.m.
Associates & JVs	6	21	(74)
Tax & Minority Interests	(413)	(568)	(28)
Core Net Profit	1,486	1,878	(21)
Divestment Gains/Tax Refunds & Writebacks ^{1/}	263	193	36
Reported Net Profit	1,749	2,071	(16)

^{1/} Net divestment gains of S\$174m in FY08 and S\$90m in FY07; tax refunds and writebacks of S\$89m in FY08 and tax refunds of S\$103m in FY07.

Fourth quarter earnings impacted by weaker non-interest income and higher allowances

	4Q08	4Q07	YoY	3Q08	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	783	613	28	684	15
Non-Interest Income	259	464	(44)	462	(44)
Total Income	1,042	1,077	(3)	1,146	(9)
Operating Expenses	(463)	(484)	(4)	(492)	(6)
Operating Profit	579	593	(2)	654	(11)
Amortisation of Intangibles	(12)	(12)	1	(12)	-
Allowances	(243)	(13)	n.m.	(156)	56
Associates & JVs	(3)	(1)	190	5	(177)
Tax & Minority Interests	(71)	(142)	(50)	(95)	(25)
Core Net Profit	250	425	(41)	396	(37)
Tax Refunds & Writebacks ^{1/}	51	3	n.m.	6	742
Reported Net Profit	301	428	(30)	402	(25)

^{1/} Tax refunds and writebacks of S\$51m in 4Q08, and tax refunds of S\$6m in 3Q08 and S\$3m in 4Q07.

Excluding GEH – FY08 operating profit grew 13%, core net profit declined 7%

Excluding GEH

	FY08	FY07	YoY
	S\$m	S\$m	+/(-)%
Net Interest Income	2,707	2,166	25
Non-Interest Income	1,052	1,209	(13)
Total Income	3,759	3,375	11
Operating Expenses	(1,702)	(1,555)	10
Operating Profit	2,057	1,820	13
Allowances	(392)	(31)	n.m.
Associates & JVs	17	15	12
Tax & Minority Interests	(355)	(375)	(6)
Core Net Profit	1,326	1,429	(7)
Divestment Gains/Tax Refunds ^{1/}	223	193	15
Reported Net Profit	1,549	1,622	(4)

^{1/} Net divestment gains of S\$144m in FY08 and S\$90m in FY07; tax refunds and writebacks of S\$79m in FY08 and tax refunds of S\$103m in FY07.

Excluding GEH – 4Q08 operating profit up 21% YoY, down 3% QoQ

<u>Excluding GEH</u>	4Q08	4Q07	YoY	3Q08	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	765	589	30	664	15
Non-Interest Income	130	252	(49)	282	(54)
Total Income	895	841	6	946	(5)
Operating Expenses	(415)	(445)	(7)	(454)	(8)
Operating Profit	480	396	21	492	(3)
Allowances	(203)	(9)	n.m.	(144)	42
Associates & JVs	3	4	27	8	(62)
Tax & Minority Interests	(77)	(83)	(7)	(68)	12
Core Net Profit	203	308	(34)	288	(30)
Tax Refunds & Writebacks ^{1/}	41	3	n.m.	6	578
Reported Net Profit	244	311	(22)	294	(17)

^{1/} Tax refunds and writebacks of S\$41m in 4Q08, and tax refunds of S\$6m in 3Q08 and S\$3m in 4Q07.

Key Financial Ratios

- based on core earnings

	FY08	FY07	4Q08	3Q08	4Q07
	%	%	%	%	%
Net Interest Margin	2.27	2.10	2.47	2.18	2.14
Non-Interest Income/ Total Income	34.4	46.4	24.9	40.3	43.0
Cost-to-Income Ratio	43.7	40.1	44.5	43.0	45.0
Loans-to-Deposits Ratio	84.8	80.3	84.8	84.4	80.3
NPL Ratio	1.5	1.7	1.5	1.3	1.7
Allowances/NPLs	125.0	116.1	125.0	127.8	116.1
ROE	9.9	13.4	6.7	11.3	11.2
Cash ROE	10.3	13.7	7.0	11.7	11.5



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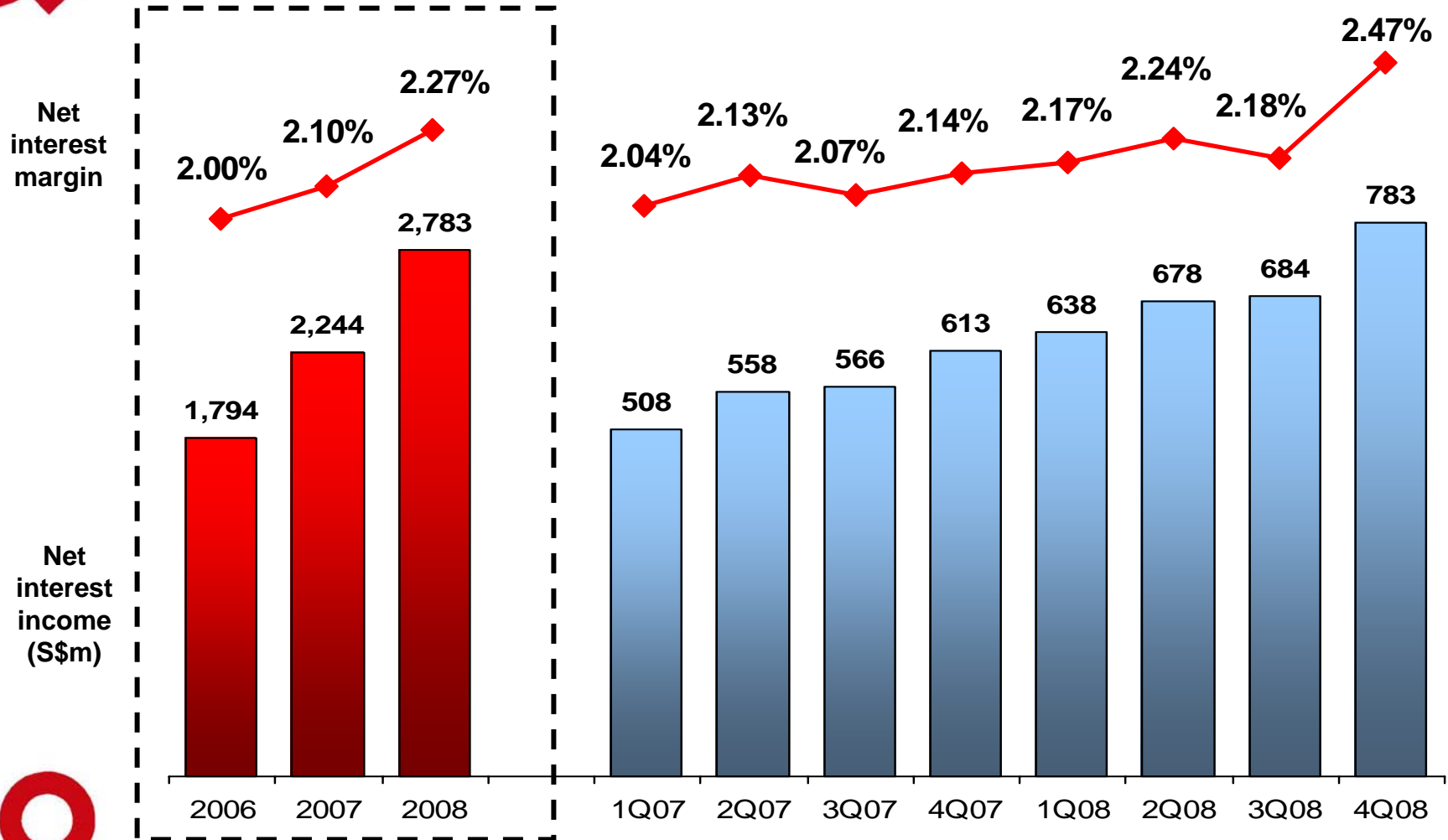


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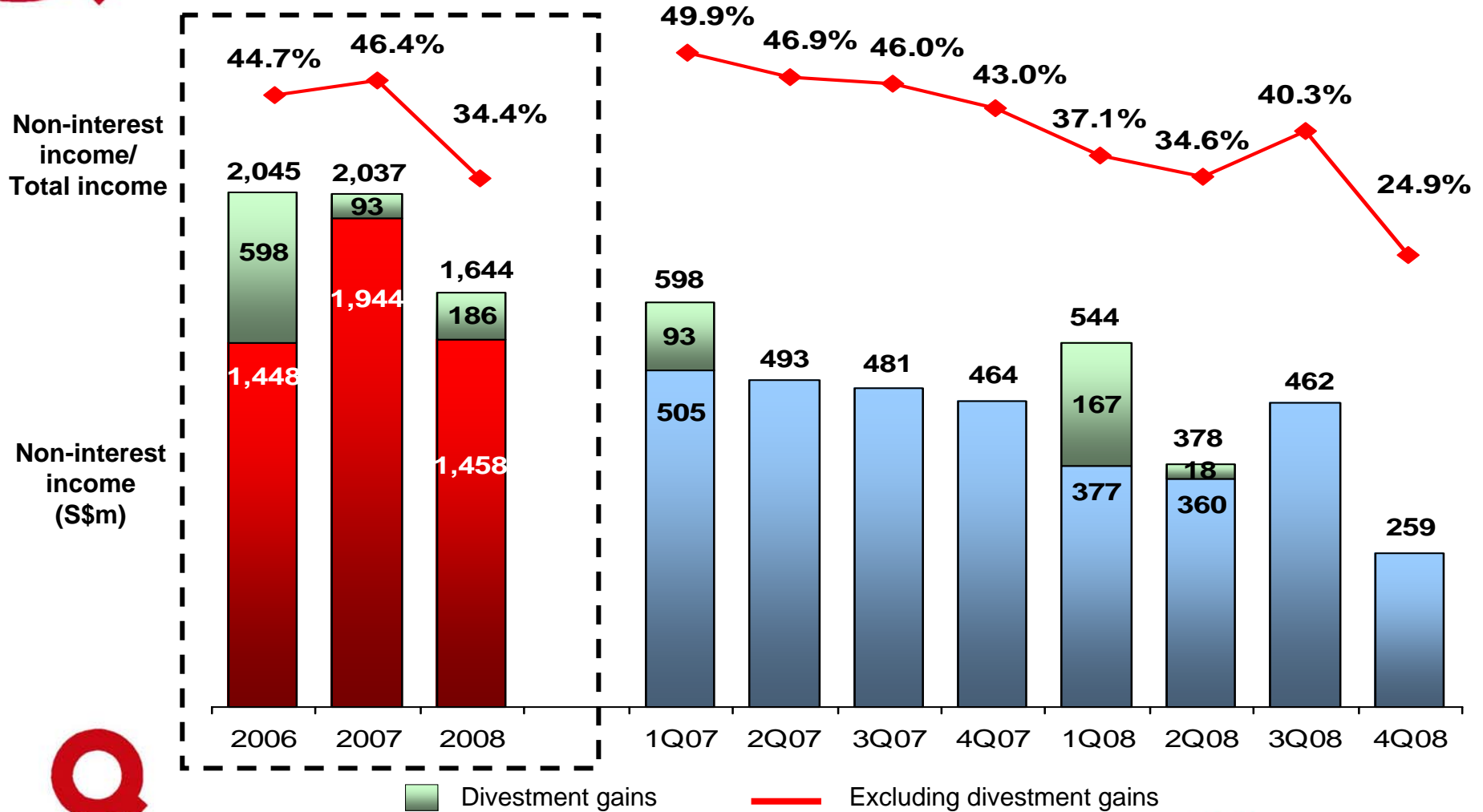
Continued growth in net interest income and improvement in margins



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Non-interest income fell due to lower insurance, investment and trading income



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GEH's life assurance profits impacted by weak markets

	FY08	FY07	4Q08	3Q08	4Q07
Life assurance profit from:	S\$m	S\$m	S\$m	S\$m	S\$m
- Participating Fund	102	143	27	26	71
- Non-participating Fund	130	302	67	103	94
- Investment-linked Fund	68	64	21	16	15
Total life assurance profit	300	509	115	145	180

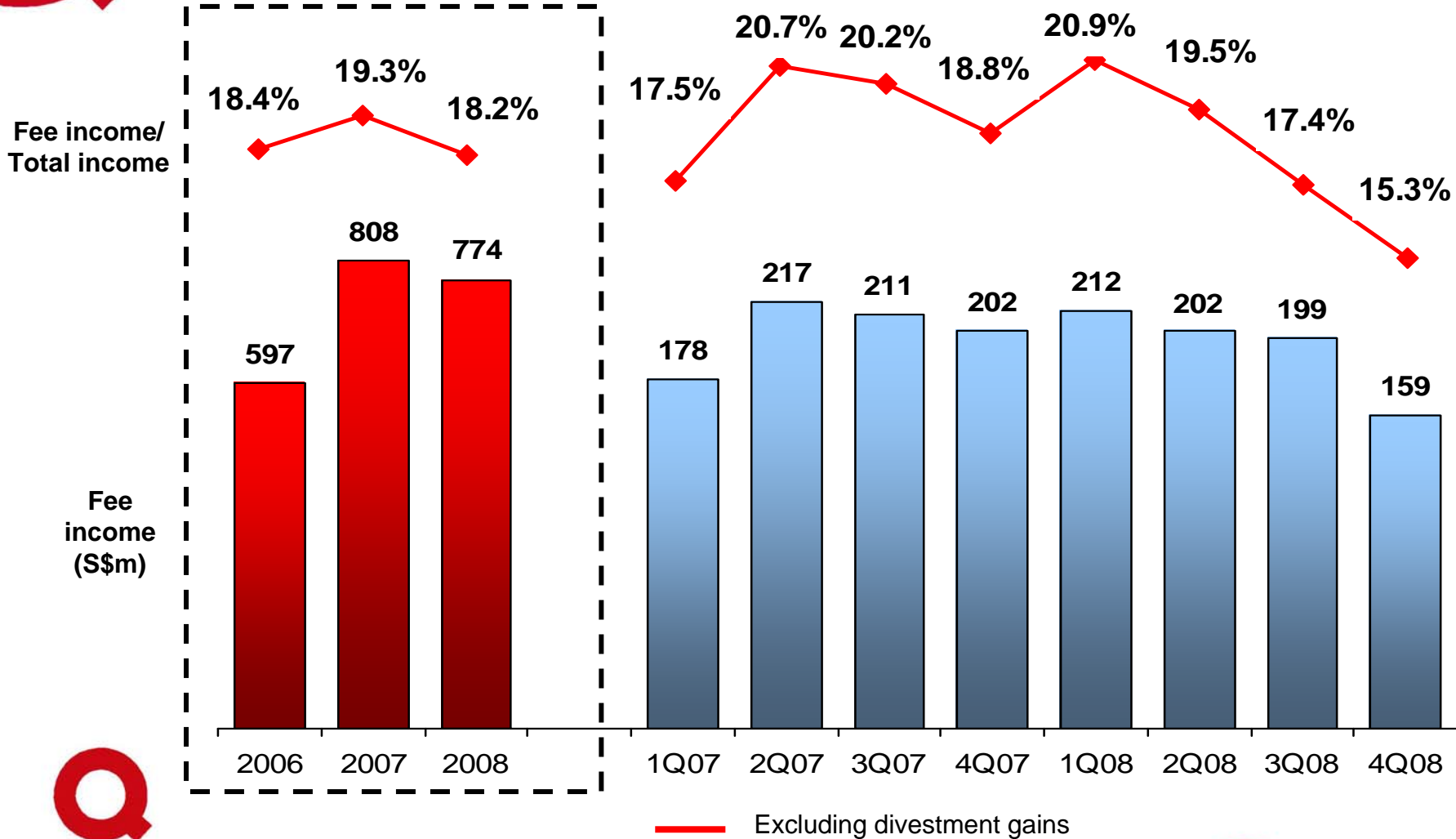
Life assurance profit fell 41% to S\$300m in FY08:

- Non-par fund profit adversely affected by MTM losses in debt and equity investments, lower investment profits and higher impairment provisions
- Par fund profit in 4Q07 was boosted by special bonus declared for policyholders

GEH's underlying life assurance business remains healthy:

- New business premiums up 32%
- New business embedded value fell marginally (-1%)
- Maintained #1 market share positions in Singapore (29%) and Malaysia (22%) for weighted premiums, and in Singapore bancassurance market (46%)

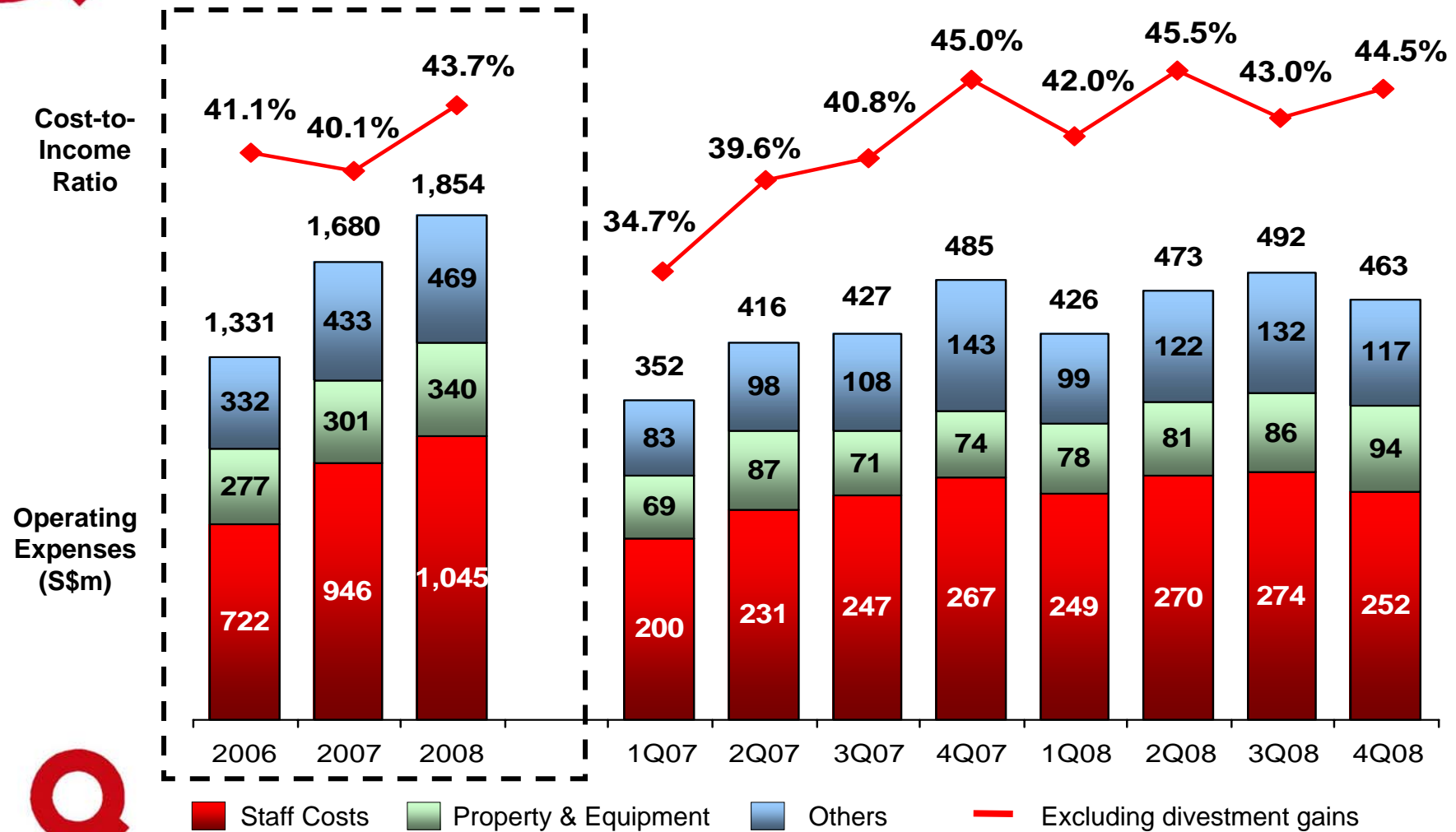
Fee income fell by 4% for the year



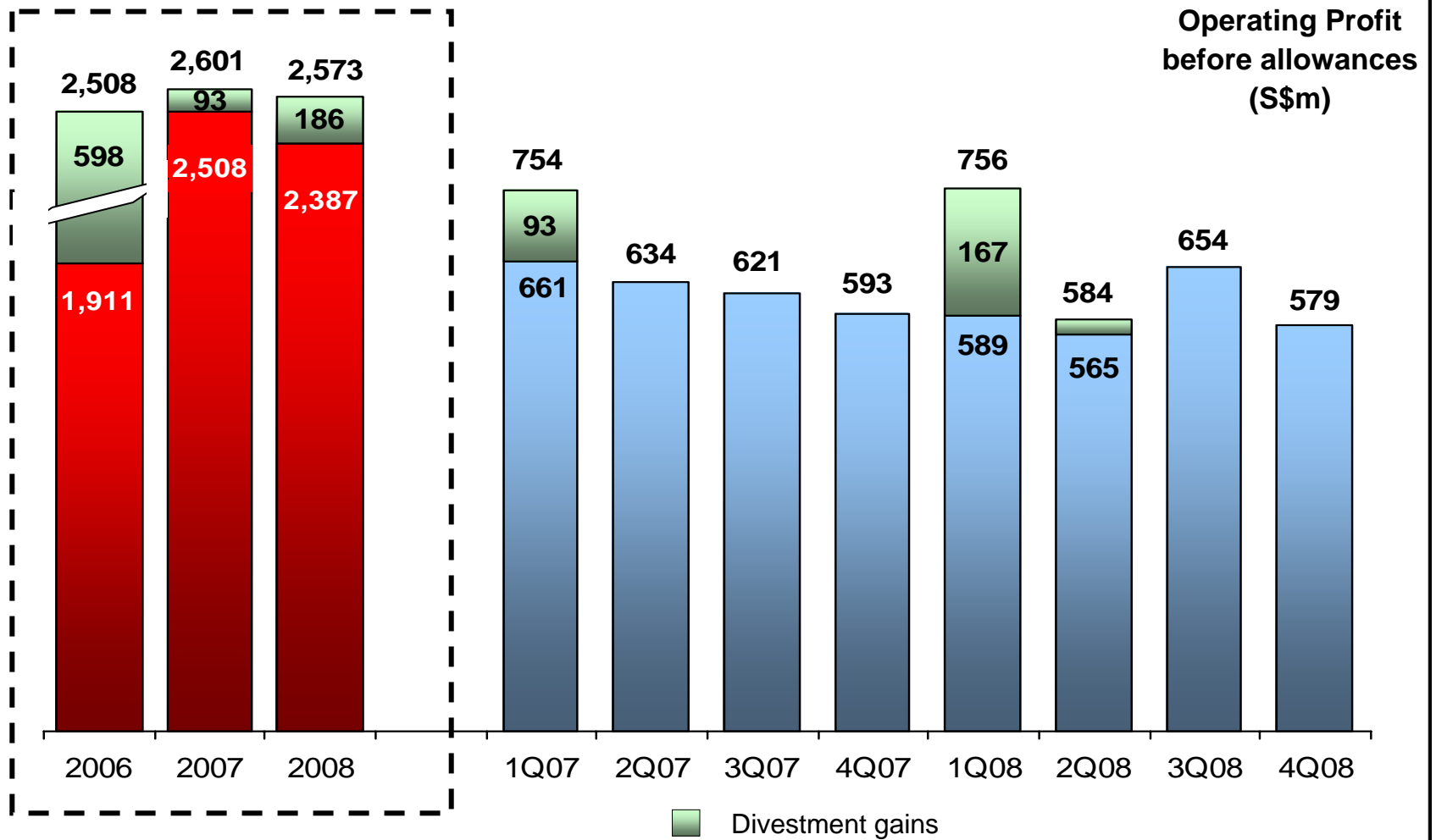
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Expenses increased 10% in FY08, fell 4% YoY in 4Q08; BAU expenses up 7% for the year



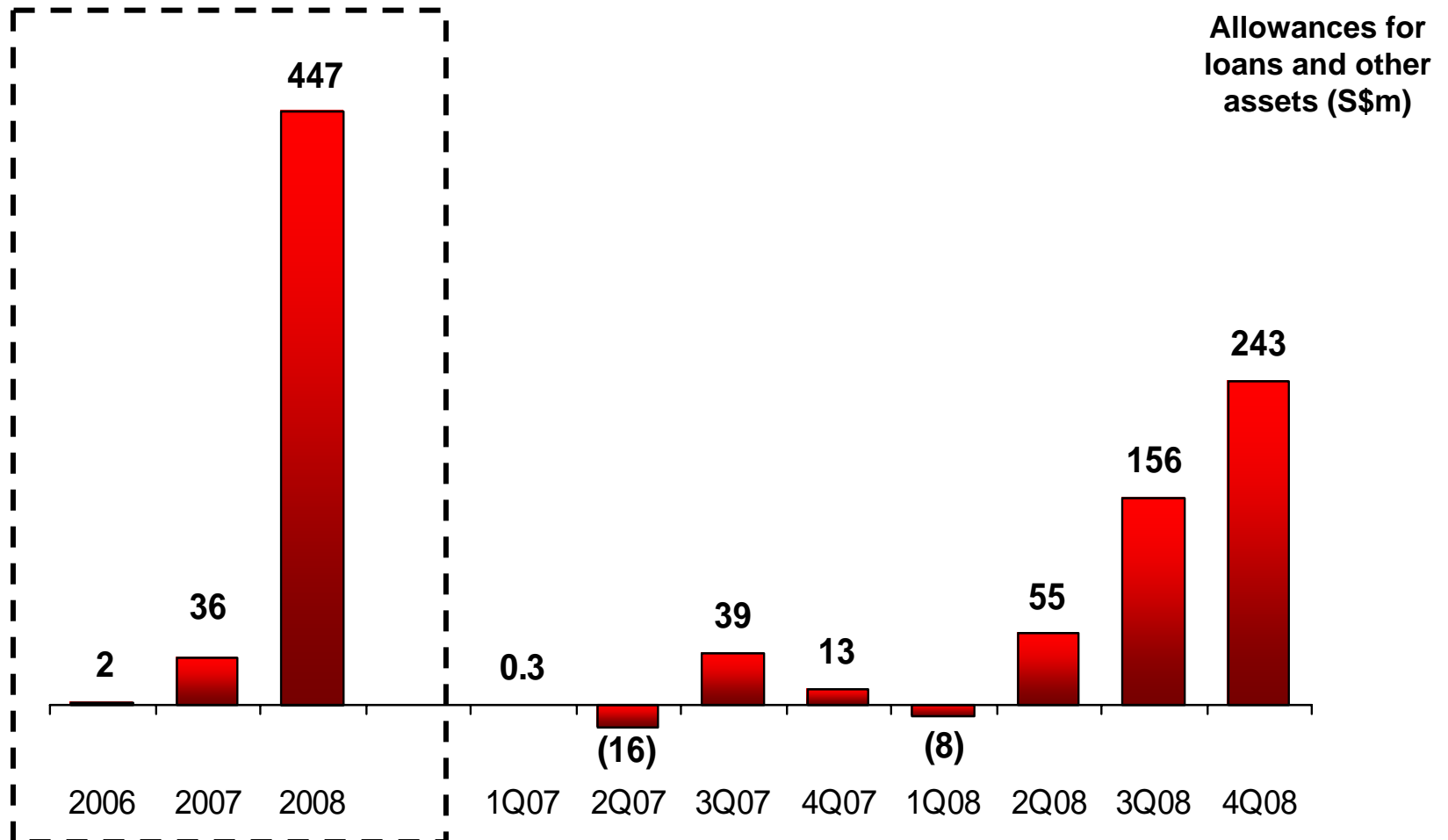
Full year core operating profit down 5%



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Significant increase in allowances for loans and other assets



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Allowances details

	FY08	FY07	4Q08	3Q08	4Q07
	S\$m	S\$m	S\$m	S\$m	S\$m
Specific allowances/ (write-back) for loans	165	(108)	159	30	(5)
Portfolio allowances for loans	20	-	11	9	-
Allowances for CDOs	87	231	15	4	10
Allowances/(write-back) for other assets	175	(87)	58	113	8
Total net allowances	447	36	243	156	13

Movements in specific allowances for loans*

	FY08	FY07	4Q08	3Q08	4Q07
	S\$m	S\$m	S\$m	S\$m	S\$m
Allowances for new and existing NPLs	434	300	222	71	76
Write-backs ^{1/}	(207)	(351)	(51)	(34)	(71)
Recoveries ^{2/}	(62)	(57)	(12)	(7)	(10)
Net Specific Allowances/ (Write-backs)	165	(108)	159	30	(5)

* Excludes CDOs

^{1/} Write-backs of specific allowances for existing NPLs due to settlements and repayments

^{2/} Recoveries of loans that had been written off

Bank's CDO portfolio

(S\$m)	Investment as at 31 Dec 08	Change from 30 Sep 08	FY08			Cumulative Basis		
			Allowances	MTM Losses [^]	Negative Fair Value Adj. to Equity	Allowances	MTM Losses [^]	Negative Fair Value Adj. to Equity
ABS CDOs	252	(6)	40	-	-	252	-	-
Corporate CDOs	201	(156) *	47	49	39	47	66	70
Total CDOs	453	(162) *	87	49	39	299	66	70

[^] Mark-to-market losses on credit default swaps related to synthetic corporate CDOs, reflected under "other income".

* Reduction was largely due to maturity and repayment of one CDO (S\$100m) and sale of another (S\$56m) in 4Q08; foreign exchange differences account for the rest.

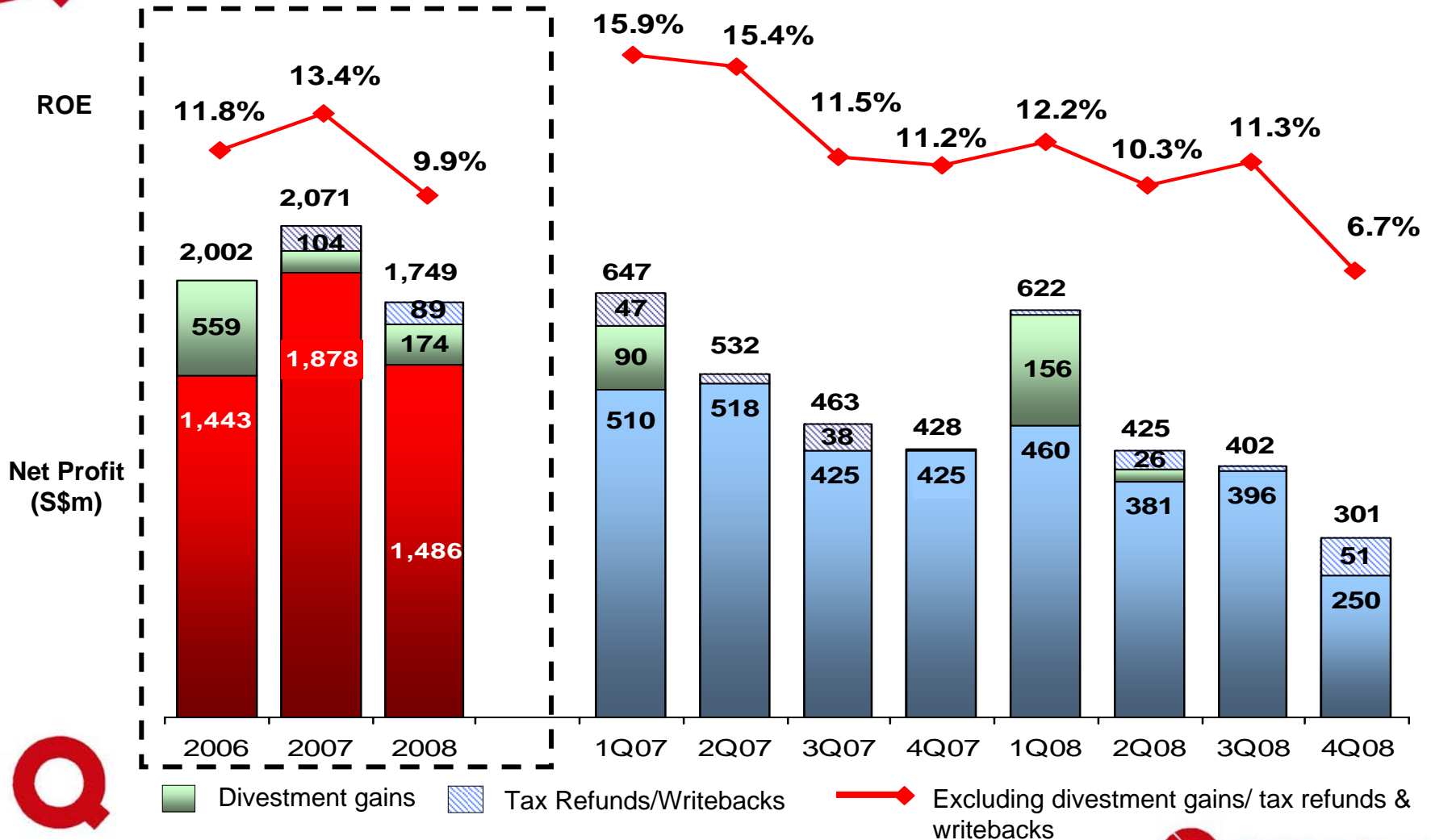
ABS CDOs

- 100% covered by allowances
- S\$94m classified as non-performing

Corporate CDOs

- Exposed to corporate credits: US 64%, non-US 36%
- Ratings: A – 31%, BBB – 43%, BB – 14%, CCC – 12%
- S\$6m classified as non-performing

Full year ROE at 9.9%

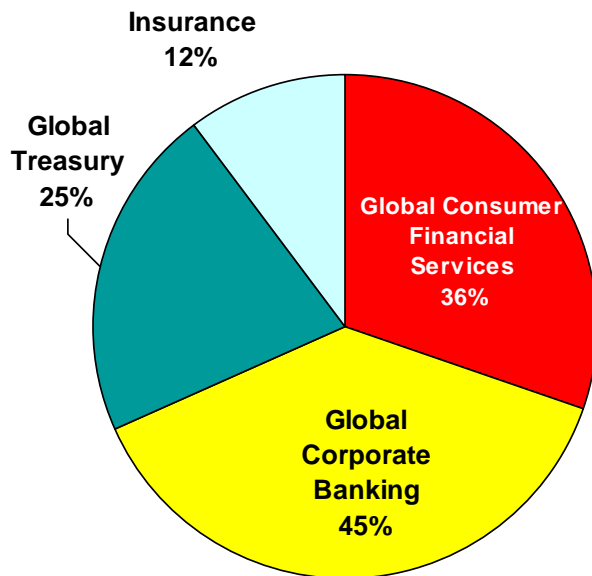


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Earnings contribution by segments

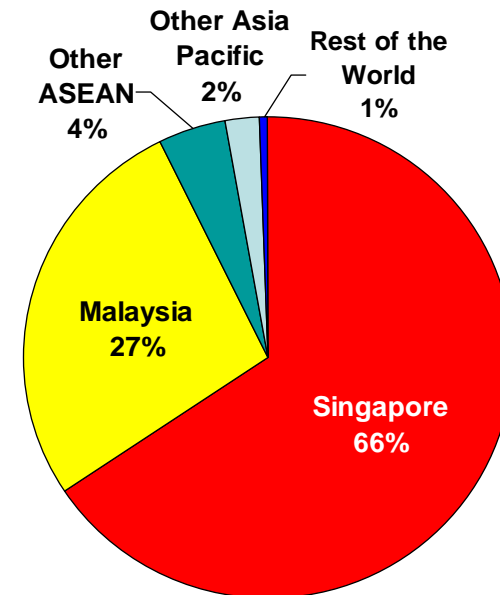
FY08 PBT by Business Segment



FY08 Core Profit Before Tax & MI :
S\$1,899m

"Others" segment (not shown) accounted for -18%, mainly from joint income offset, investment losses/allowances

FY08 PBT by Geography



FY08 Core Profit Before Tax & MI :
S\$1,899m

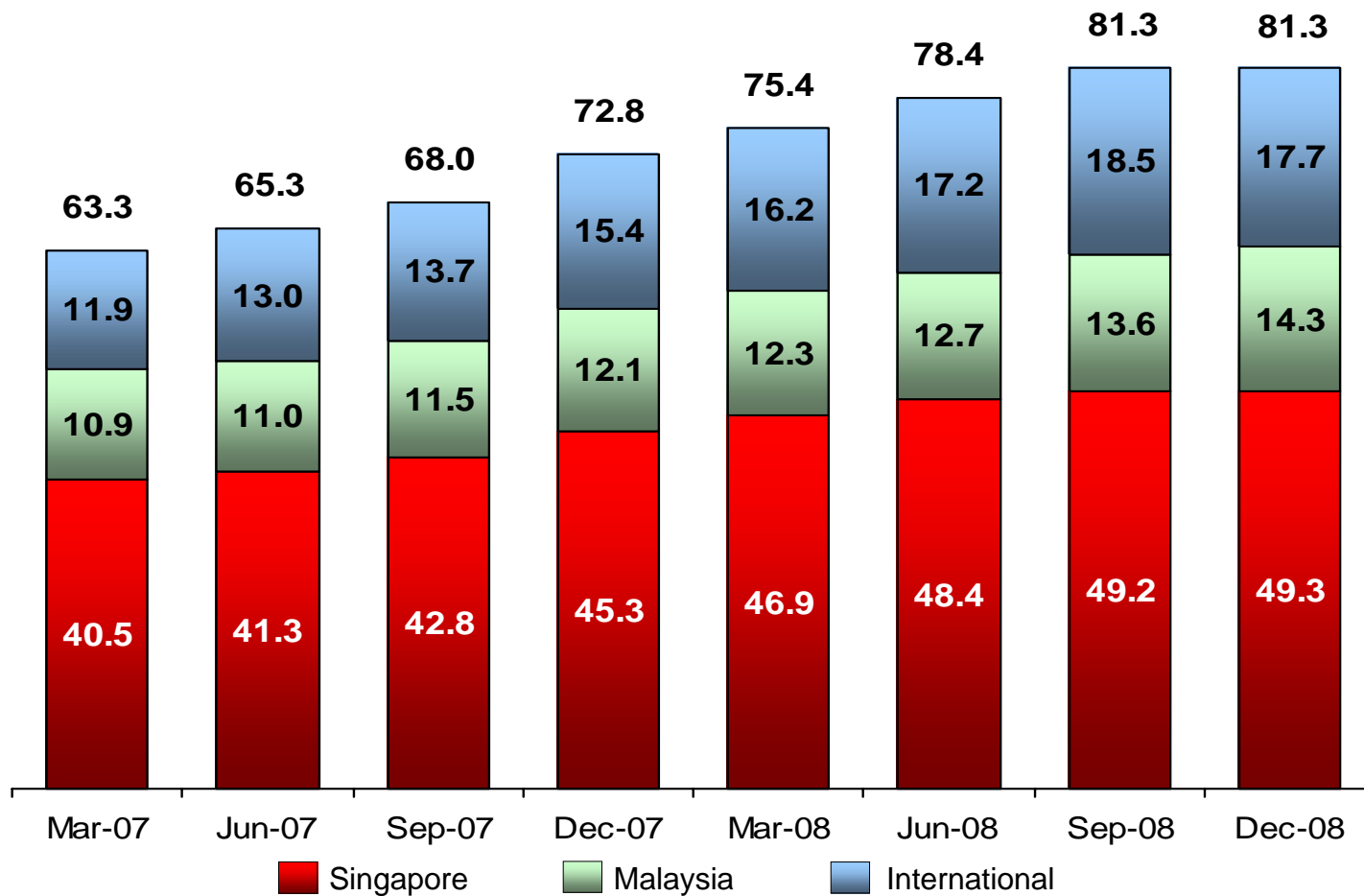


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Loans up 12% YoY, flat QoQ

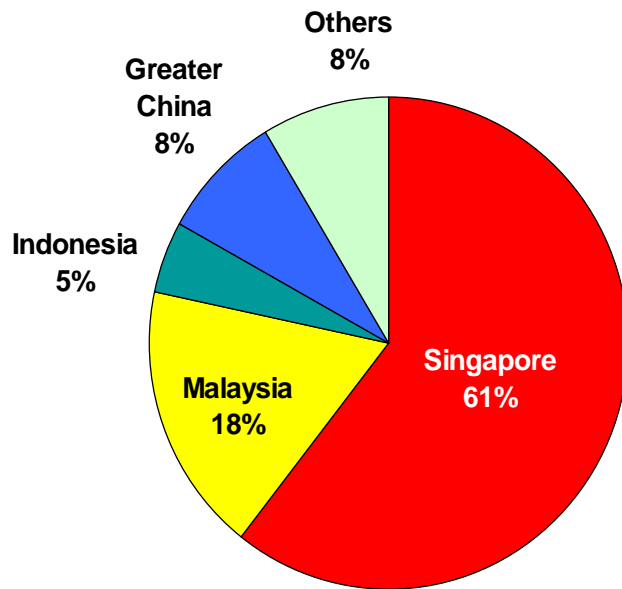
Loans
(S\$bn)



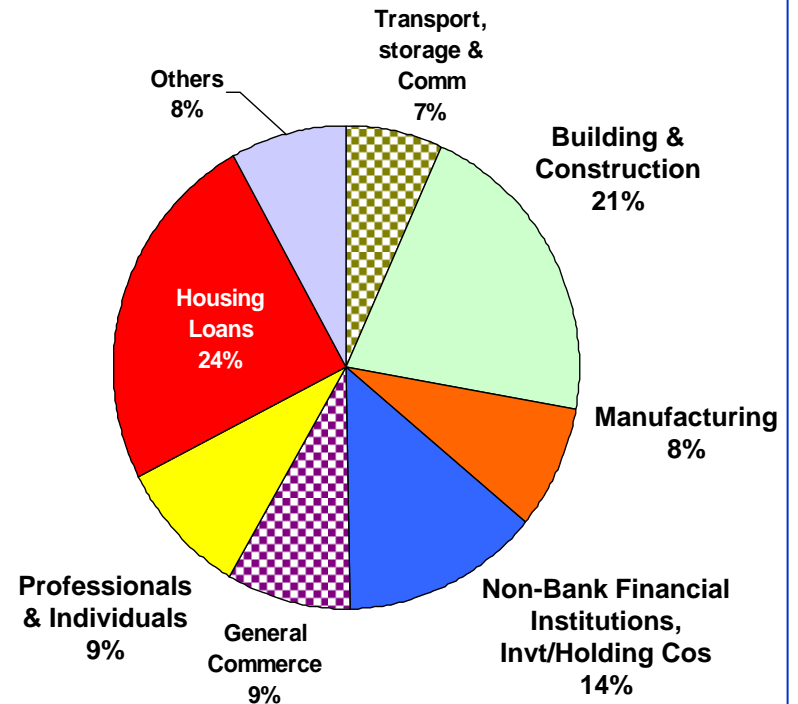
Note: Loans by geography are based on where the credit exposure resides

Diversified loans

Loans by Geography




Loans by Sector



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Property exposure – resilient portfolios

Singapore Development Project Loans

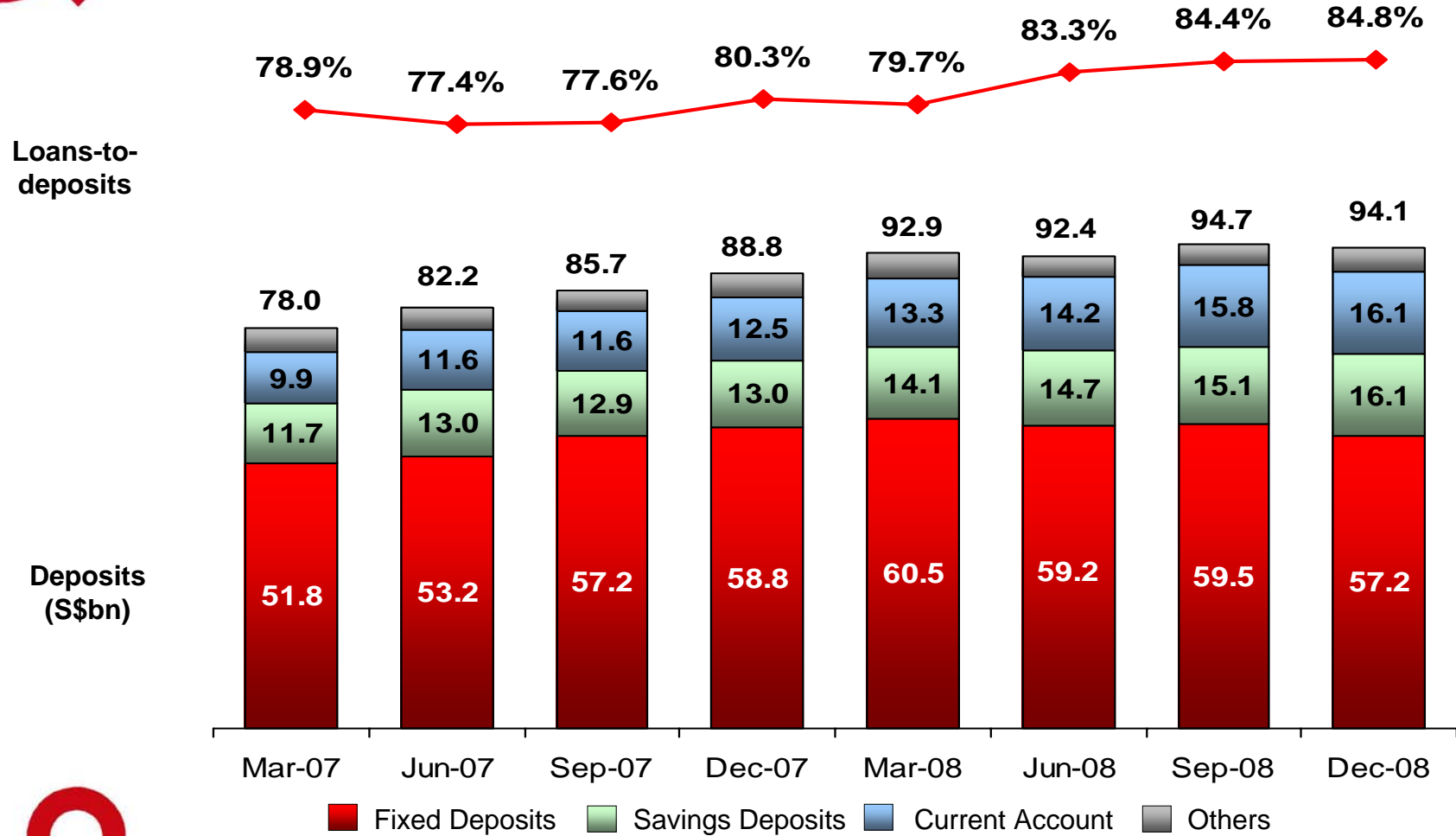
- Average LTVs are 54% for residential projects and 59% for commercial projects; only 2% of the book has LTV of more than 80%
- Diversified portfolio with about 70% residential and 30% commercial
- Development project financing accounts for less than 50% of Singapore real estate-related loans (excluding housing loans)*
- Underwriting standards have been disciplined and conservative; we have avoided speculative projects
- Bulk of exposure is to large developers with long standing relationships and strong financials
- Stress tests show the portfolio can withstand significant price declines

Singapore Housing Loans

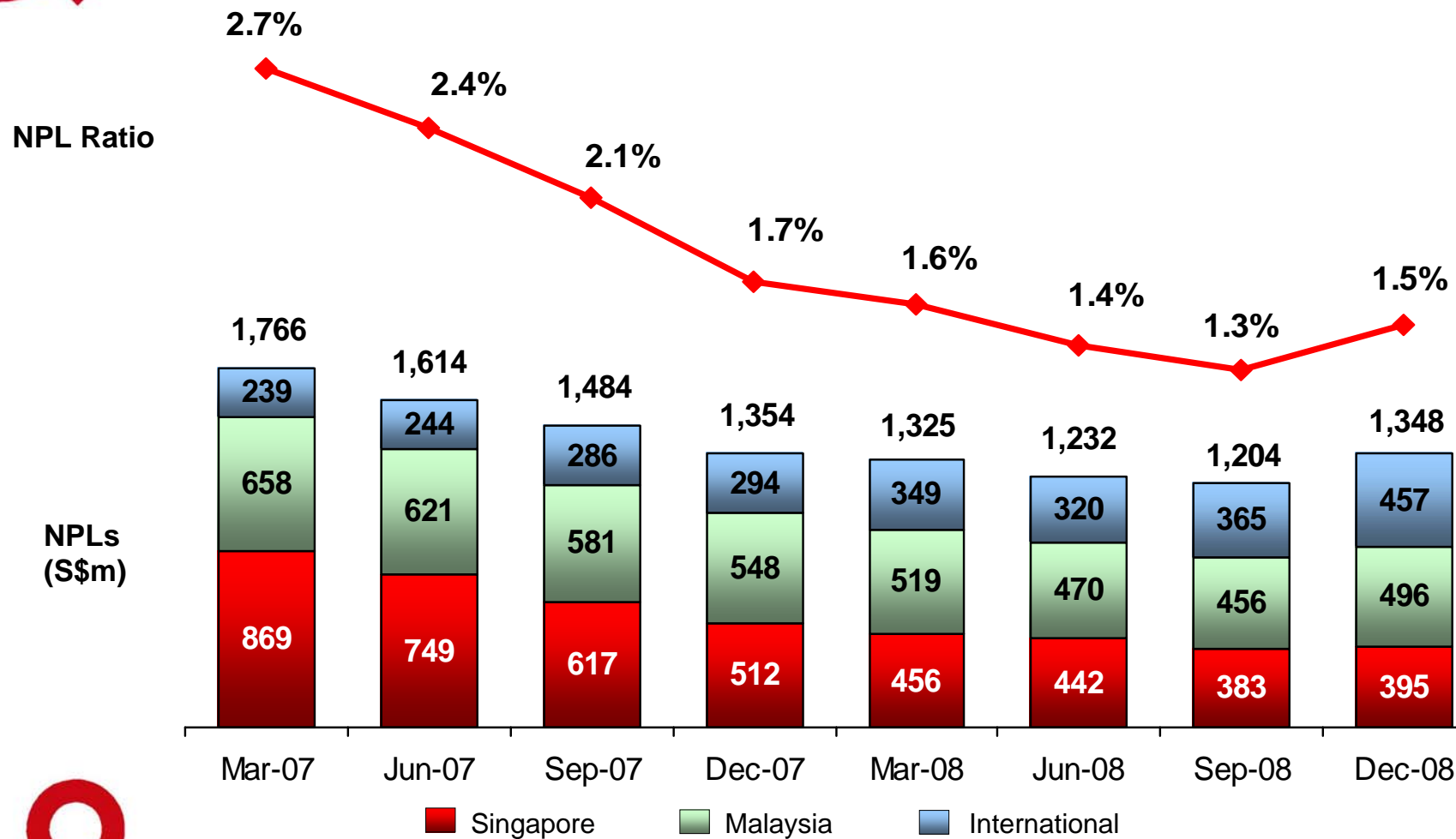
- 81% owner-occupied
- Average LTV < 60%; 12% of the book has LTV of more than 80%
- Negative equity 0.7%

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

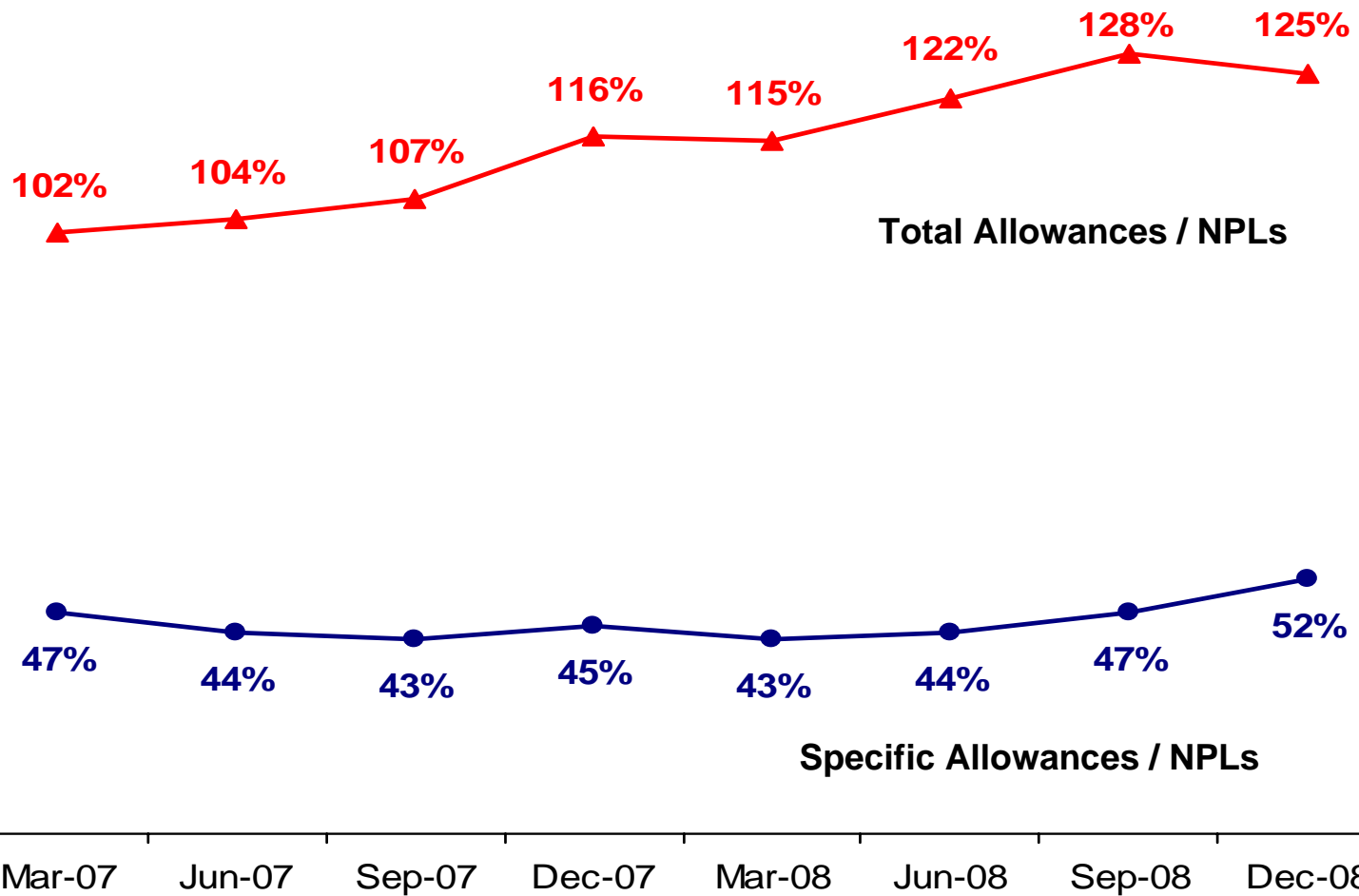
Deposits up 6% YoY; better mix with higher proportion of lower-cost deposits



NPL ratio increased in 4Q08 but remains lower than end-2007



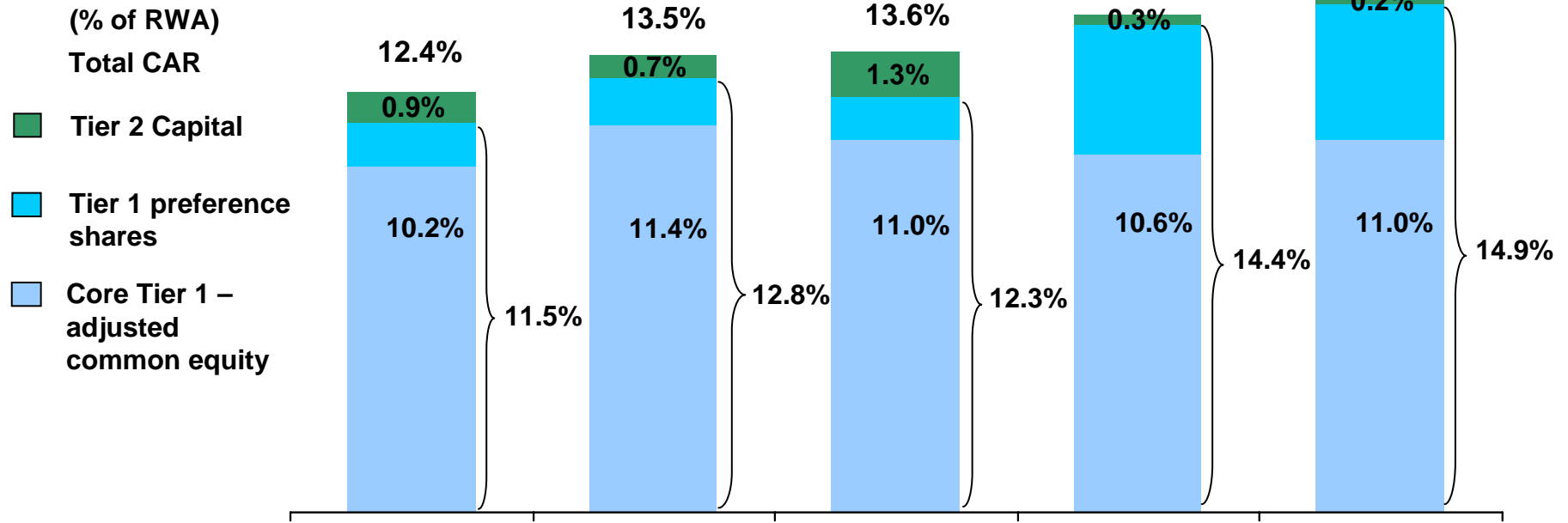
Allowance coverage at 125%



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Strong Tier 1 ratio of 14.9% and core Tier 1 of 11.0%



(S\$m)	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Tier 1 Capital	11,431	11,530	11,531	14,085	14,261
Tier 1 Prefs	1,296	1,296	1,296	3,794	3,794
RWA	99,381	89,645	93,331	97,488	95,522

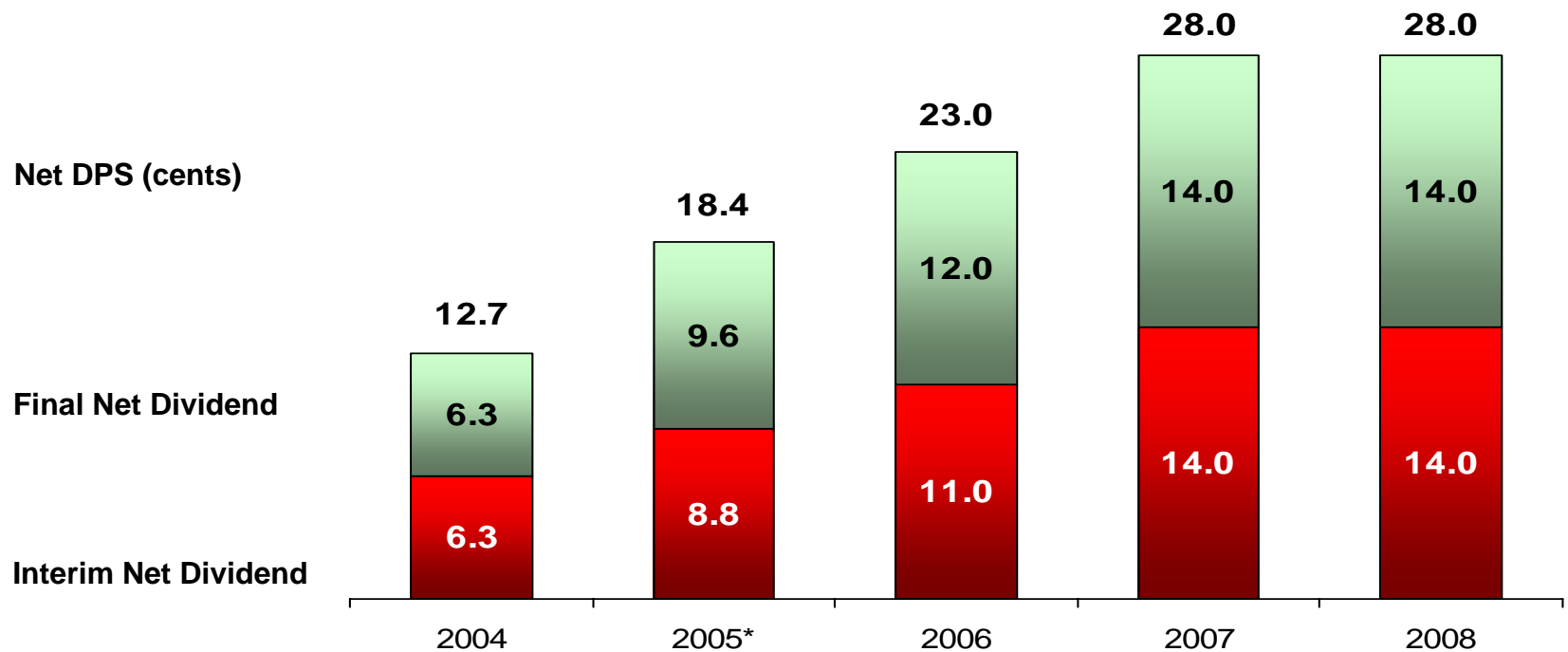


Note: Capital ratios for 2008 are computed based on Basel II framework and in accordance with revised MAS Notice 637

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Full year dividend unchanged



(S\$m)

Net Dividends	403	574	709	864	868
Core Net Profit	1,051	1,298	1,443	1,878	1,486
Dividend Payout Ratio	38%	44%	49%	46%	58%

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



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Scrip dividend scheme to be reactivated

- Shareholders can elect to receive FY08 final dividend in shares instead of cash
- Scheme was previously approved by shareholders in 1996 – to be updated in line with current SGX scrip dividend rules
- Issue price for scrip to be set at a 10% discount to reference share price (average price from ex-dividend date to books closure date)
- Discount is within the limit allowed under Listing Manual rules
- Scrip option provides shareholders with a convenient way to re-invest dividends in OCBC shares with minimal transaction costs



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GEH: Full year contribution

GEH's Contribution to OCBC's Results

	FY08[^]	FY07	YoY
	S\$m	S\$m	+/(-)%
Total Income	483	813	(41)
Operating Expenses	(152)	(125)	21
Operating Profit	331	688	(52)
Amortisation of Intangibles	(47)	(47)	0
Allowances	(55)	(5)	n.m.
Associates & JVs	(11)	6	(290)
Tax & Minority Interests	(58)	(193)	(70)
Core Net Profit contribution	160	449	(64)

[^] FY08 core net profit excludes S\$41m pretax gains (S\$30m net of tax and minorities) from divestment of Robinson and Straits Trading shares and S\$10m tax writebacks

GEH: Quarterly contribution

GEH's Contribution to OCBC's Results

	4Q08 [^]	4Q07	YoY	3Q08	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Total Income	147	236	(37)	200	(26)
Operating Expenses	(48)	(39)	21	(38)	25
Operating Profit	99	197	(49)	162	(38)
Amortisation of Intangibles	(12)	(12)	0	(12)	0
Allowances	(40)	(4)	833	(12)	231
Associates & JVs	(6)	(5)	25	(3)	129
Tax & Minority Interests	6	(59)	(109)	(27)	(120)
Core Net Profit contribution	47	117	(59)	108	(56)

[^] 4Q08 core net profit excludes S\$10m tax writebacks

OCBC Malaysia: Full year results

	FY08	FY07	YoY
<u>Audited Results*</u>	RM m	RM m	+/(-)%
Net Interest Income	995	867	15
Islamic Banking Income	113	82	39
Non-Interest Income	432	357	21
Total Income	1,540	1,305	18
Operating Expenses	(598)	(542)	10
Operating Profit	942	763	23
(Allowances)/Write-back	(103)	(45)	126
Tax	(222)	(206)	8
Net Profit	617	512	20

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

OCBC Malaysia: Quarterly results

	4Q08	4Q07	YoY	3Q08	QoQ
<u>Unaudited Results*</u>	RM m	RM m	+/(-)%	RM m	+/(-)%
Net Interest Income	262	233	12	254	3
Islamic Banking Income	32	23	39	28	14
Non-Interest Income	120	92	30	81	48
Total Income	414	348	19	363	14
Operating Expenses	(158)	(163)	(3)	(153)	3
Operating Profit	256	185	38	210	22
(Allowances)/Write-back	(88)	(14)	514	(25)	255
Tax	(45)	(50)	(10)	(48)	(6)
Net Profit	123	121	2	137	(10)

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

OCBC Malaysia: Financial ratios

	FY08	FY07	4Q08	3Q08	4Q07
	%	%	%	%	%
Net Interest Margin	2.54	2.51	2.61	2.57	2.58
Non-Interest Income / Total Income	28.1	27.4	29.0	22.4	26.4
Cost-to-Income Ratio	38.8	41.6	38.2	42.1	46.9
Loans-to-Deposits Ratio	83.2	85.2	83.2	90.5	85.2
Gross NPL Ratio	3.9	4.0	3.9	3.2	4.0
Loans Growth (YoY)	13.3	14.5	13.3	14.3	14.5
ROE	22.4	22.2	16.5	19.6	19.9

Bank OCBC NISP: Full year results

	FY08	FY07	YoY
<u>Audited Results*</u>	RP bn	RP bn	+/(-)%
Net Interest Income	1,401	1,178	19
Non Interest Income	471	336	40
Expenses	(1,238)	(1,048)	18
Operating Profit	634	466	36
Allowances	(181)	(117)	55
Net Profit	317	250	27

* Bank NISP's contribution to Group net profit was S\$36m in FY08 and S\$29m in FY07

Bank OCBC NISP: Quarterly results

	4Q08	4Q07	YoY	3Q08	QoQ
	RP bn	RP bn	+/(-)%	RP bn	+/(-)%
<u>Unaudited Results*</u>					
Net Interest Income	390	306	27	356	9
Non Interest Income	193	88	117	95	103
Expenses	(342)	(303)	12	(302)	13
Operating Profit	241	91	164	148	63
Allowances	(112)	(30)	277	(34)	225
Net Profit	90	44	105	80	12

* Bank NISP's contribution to Group net profit was S\$10m, S\$13m and S\$5m respectively in 4Q08, 3Q08 and 4Q07

Bank OCBC NISP: Financial ratios

	FY08	FY07	4Q08	3Q08	4Q07
	%	%	%	%	%
Net Interest Margin	5.40	4.99	5.23	5.62	4.97
Non-Interest Income / Total Income	25.2	22.2	33.2	20.9	22.4
Cost-to-Income Ratio	64.9	67.9	58.5	67.1	76.8
Loans-to-Deposits Ratio	76.7	89.1	76.7	94.9	89.1
Gross NPL Ratio	2.72	2.53	2.72	2.27	2.53
Loans Growth (YoY)	8.9	22.3	8.9	15.8	22.3
ROE	9.2	8.7	10.2	9.2	5.6



In Summary

- **Robust net interest income and relatively resilient fee income**
- **Other non-interest income impacted by severe market and economic conditions especially during 4th quarter**
- **2009 expected to remain challenging**
- **No change in strategic direction**
- **We will manage expenses more tightly and remain alert to risks**
- **With strong liquidity and capital, OCBC is well placed to deal with challenges and to support our customers**





2008 Final Results

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