

# Successful Acquisition of Wing Hang Bank – Building a well-entrenched Greater China presence

18 August 2014

# Agenda

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Closing of Wing Hang Bank Acquisition

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Funding of Acquisition

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Financial Highlights

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Integration Strategy

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## Closing of Wing Hang Bank Acquisition

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# Close of Voluntary General Offer for Wing Hang Bank

<b>Offer Close</b>	<ul style="list-style-type: none"><li>■ On 27 June 2014, OCBC Bank announced that the pre-conditions for OCBC Bank to make a voluntary conditional cash offer (“VGO”) for all of the shares, options and awards of Wing Hang Bank, Limited (“Wing Hang”) had been satisfied</li><li>■ Composite VGO document was despatched and the offers commenced on 30 June 2014</li><li>■ VGO closed on 29 July 2014</li></ul>
<b>OCBC’s Shareholding at Offer Close</b>	<ul style="list-style-type: none"><li>■ As of the closing of the VGO, OCBC Bank has acquired shares or received acceptances totaling 300,731,090 shares or a total 97.52% of Wing Hang’s outstanding shares</li></ul>
<b>Consideration</b>	<ul style="list-style-type: none"><li>■ OCBC Bank’s total cash consideration paid or payable for the transaction amounts to HK\$38,723 million (equivalent to US\$4,997 million)</li></ul>
<b>Compulsory Acquisition</b>	<ul style="list-style-type: none"><li>■ As OCBC Bank has achieved a shareholding of over 90% of the disinterested shares of Wing Hang, OCBC Bank intends to exercise its right under the Hong Kong Companies Ordinance to compulsorily acquire all Wing Hang shares that were not acquired under the VGO</li><li>■ On completion of the compulsory acquisition, Wing Hang will become a wholly owned subsidiary of OCBC Bank and an application will be made for the delisting of Wing Hang shares from the Hong Kong Stock Exchange</li><li>■ The compulsory acquisition and delisting process is expected to take approximately 2-3 months</li></ul>



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## Funding of Acquisition

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# Funding of the Acquisition of Wing Hang Bank

- Total cash consideration paid or payable by OCBC Bank for the Acquisition of Wing Hang Bank amounts to approximately HK\$38,723 million (equivalent to US\$4,997 million), which is to be fully settled in cash
- Prior to the completion of the Acquisition of Wing Hang Bank, OCBC Bank augmented its capital position with the following capital management exercises
  - Issuance of US\$1 billion of Basel III compliant 10.5-year callable Tier 2 subordinated notes in April 2014
  - Issuance of US\$1 billion of Basel III compliant 10-year Tier 2 subordinated notes in June 2014
  - Application of Scrip Dividend Scheme for FY2013 final dividend. The Scheme was well received by shareholders with a participation rate of over 83%, adding S\$486 million to OCBC's capital base.
- On 18 August 2014, OCBC Bank announced a renounceable underwritten rights issue of up to 440,047,710 new shares to raise S\$3.3 billion

# Terms of the Rights Issue

<b>Transaction</b>	<ul style="list-style-type: none"><li>■ On 18 August 2014, OCBC announced a renounceable underwritten rights issue of up to 440,047,710 new shares on the basis of 1 rights share for every 8 existing shares held by shareholders as at the books closure date, fractional entitlements to be disregarded</li></ul>
<b>Pricing of rights shares</b>	<ul style="list-style-type: none"><li>■ S\$7.65 for each rights share</li><li>■ The issue price represents a discount of 25% to the closing price of \$10.20 per share on 15 August 2014, and a discount of approximately 22.9% to the theoretical ex-rights price of \$9.92 per share</li></ul>
<b>Substantial shareholders' undertakings and Underwriting</b>	<ul style="list-style-type: none"><li>■ The Bank has secured an irrevocable undertaking from Selat (Pte) Limited to subscribe for and/or procure that various shareholders in the Lee Group Companies (including Singapore Investments (Pte) Limited, Lee Foundation and Lee Rubber Company (Pte) Limited) subscribe for their full entitlement, amounting to 117,299,418 rights shares or approximately 26.7% of the rights issue</li><li>■ The balance of up to 322,748,292 rights shares, representing approximately 73.3% of the rights issue has been jointly underwritten by Merrill Lynch (Singapore) Pte. Ltd., The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; and J.P. Morgan (S.E.A) Limited</li></ul>
<b>Proceeds from the rights issue</b>	<ul style="list-style-type: none"><li>■ OCBC will raise net proceeds of approximately \$3.3 billion from the rights issue, after deducting expenses associated with the rights issue of approximately \$50.2 million</li><li>■ The net proceeds from the rights issue will enable OCBC to strengthen its balance sheet and enhance its financial flexibility following the successful completion of the acquisition of Wing Hang Bank</li></ul>
<b>Status of the rights shares</b>	<ul style="list-style-type: none"><li>■ The rights shares will, upon allotment and issue, rank pari passu in all respects with the then issued shares, save for any dividends, rights, allotments or other distributions, of which the record date falls before the date of issue of the rights shares</li><li>■ Accordingly, the new shares which will be issued to shareholders who elect to receive shares in lieu of their 2014 interim cash dividend will not be entitled to participate in the rights issue</li></ul>



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## Financial Highlights

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# Financial Impact

## Estimated Capital Impact

- OCBC Bank's capital position will remain robust post-acquisition
- To maintain our capital ratios at prudent levels, OCBC Bank has announced a 1-for-8 rights issue to raise S\$3.3 billion
- OCBC Bank's capital position post-acquisition of WHB and rights issue will be:
  - Common Equity Tier 1 CAR and Tier 1 CAR: From 14.7% to 13.2% pro forma<sup>(1)</sup>
  - Total CAR: From 17.4% to 15.6% pro forma<sup>(1)</sup>



Note:

(1) Based on latest reported financials as at 30 June 2014 after consolidating WHB into OCBC on a proforma basis and total acquisition consideration of HK\$38,723 million / S\$6,228 million



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## Corporate Strategy

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# OCBC Corporate Strategy

**Deepen Presence in Core Markets to become a leading, well-diversified Asian financial services group with a broad geographical footprint in North & South East Asia**

## **SINGAPORE**

Strong market position at home

## **MALAYSIA**

One of top foreign banks with combined strengths of conventional and Islamic banking franchise

## **INDONESIA**

Among Top 8 private-sector national banks

## **GREATER CHINA**

To build a well-entrenched Greater China presence

## **Focus on Core Businesses**

### **➤ RETAIL & COMMERCIAL BANKING**

Service Distinction and Regional Platform, with Cash Management & Payments, Trade, Treasury and Investment Banking capabilities across network & geographies

### **➤ WEALTH MANAGEMENT**

“Asia’s Global Private Bank”. Regional Premier Platform. Integrated delivery of One Bank model across Bank of Singapore, Lion Global, OCBC Securities and OCBC’s Consumer Financial Services

### **➤ INSURANCE**

Deepen insurance and bancassurance through Great Eastern in core markets, including Takaful in Malaysia

## **Supported by**

**Disciplined Risk Management**

**Diversified Funding Base**

**Investment in Technology & People**

Participating in opportunities arising from **GLOBAL MARKET AND CONSUMER TRENDS**

**RISING ASIA PRIVATE WEALTH**

**GROWING CROSS-BORDER TRADE.**

**CHINA BEING THE DOMINANT DRIVER OF ASIAN & REGIONAL ECONOMIES**

**EXPONENTIAL GROWTH IN THE INTERNATIONALISATION OF RMB IN GLOBAL TRADE AND FINANCING**

**INCREASING CONSUMER USE OF TECHNOLOGY**

# Diversification in geographic presence : Over 630 branches and offices in 18 Markets Worldwide



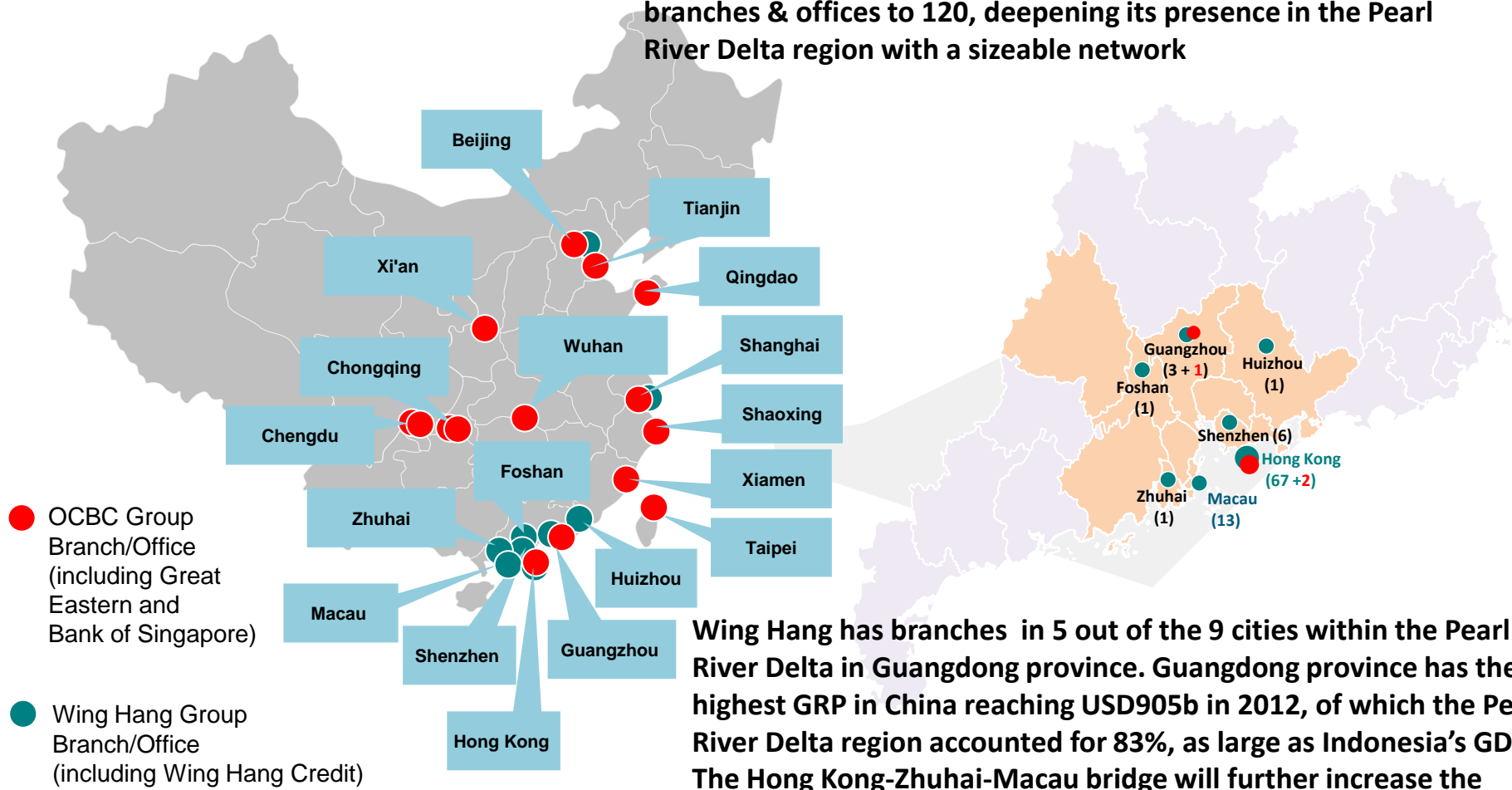
- OCBC Bank
- OCBC AL-Amin
- OCBC Securities
- WING HANG BANK
- WING HANG CREDIT
- 宁波银行  
BANK OF NINGBO
- 华侨银行 OCBC Bank
- OCBC NISP
- BANK OF SINGAPORE  
International Private Banking  
A subsidiary of OCBC Bank
- Great Eastern
- LION GLOBAL INVESTORS
- 中航信托  
AVIC TRUST CO., LTD

Extensive banking network mainly in Asia Pacific. Over 630 branches and offices in 18 countries and territories



# Enlarged Greater China platform with 120 branches in Hong Kong, Macau, China, and Taiwan

The Group's Greater China network will increase from 25 branches & offices to 120, deepening its presence in the Pearl River Delta region with a sizeable network



Wing Hang has branches in 5 out of the 9 cities within the Pearl River Delta in Guangdong province. Guangdong province has the highest GRP in China reaching USD905b in 2012, of which the Pearl River Delta region accounted for 83%, as large as Indonesia's GDP. The Hong Kong-Zhuhai-Macau bridge will further increase the connectivity between the Western Pearl River Delta, Hong Kong and Macau, giving rise to an economically integrated region which further facilitates trade, capital and investment flows.

# Wing Hang Bank Quick Facts

## General

Market Capitalisation (S\$bn) as at 29 July 2014	6.08
Total branches	95
Branches in China	15
Branches in Hong Kong including Wing Hang Credit	67
Branches in Macau	13
No. of customers	More than 500,000
No. of staff	More than 3,400

## Financial Performance as at 31 Dec 2013

Net Loans (S\$bn)	23.2
Deposits (S\$bn)	29.0
Assets (S\$bn)	34.9
Profit Before Tax (S\$mio)	412
Net Profit (S\$mio)	353

## Ratios as at 31 December 2013

Tier 1/Total Capital Adequacy Ratio	12.0%/15.9%
Net Interest Margin	1.71%
Non-Interest Income / Total Income	22.4%
Loans-to-Deposits Ratio	73.0%
NPL Ratio	0.44%
Cost-to-Income Ratio	52.0%



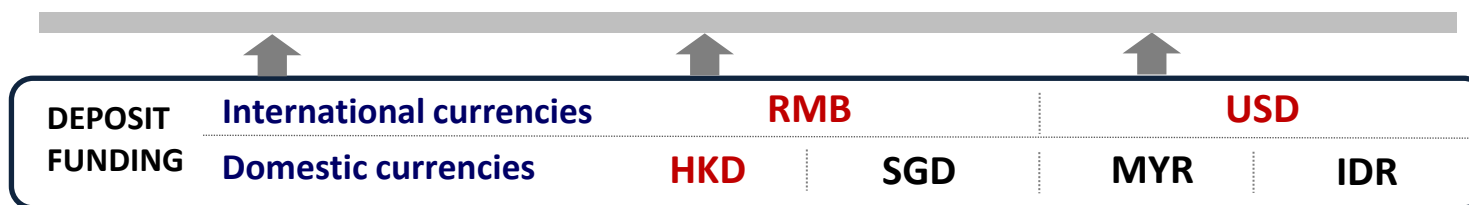
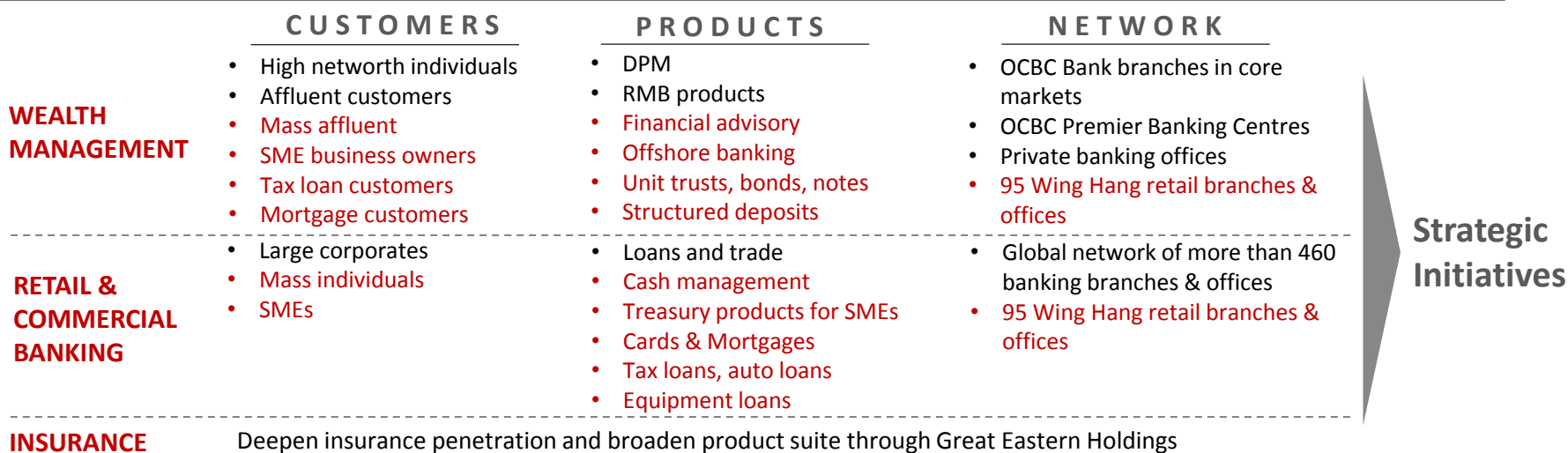
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## Greater China Strategy

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# OCBC Greater China Strategy

- Leverage Group Resources to accelerate Wealth Management and Retail & Commercial Banking business growth with an enlarged product suite, expanded geographical coverage and wider network support
- Capture trade and investment flows associated with increased economic interconnectivity between Greater China and South East Asia; and capitalise on cross border wealth management opportunities arising from growing wealth accumulation in the region
- Build a deposit funding base in USD and RMB for OCBC Group



Structured approach with strong management oversight to drive execution of strategy

Greater China Business Council

OCBC / Wing Hang Business Council

Functional Support Resources from OCBC Singapore

Integration Steering Committee



# Greater China Strategic Initiatives

## Deepen relationships with Large Corporates

- Continue focus on growing large corporate relationships through OCBC Hong Kong branch, including **Hong Kong blue chip companies and Chinese Top Tier SOEs**
- Leverage on Wing Hang's presence in the **Pearl River Delta** region to increase penetration of Chinese corporates and SOEs and promote **onshore-offshore business strategy**

## Grow SME Segment

- Extend Wing Hang's successful **SME lending model** and specialty products to OCBC China
- Deepen presence across SME segment with a **more comprehensive range of products**, including RMB products

## Expand Product & Service Suite

- Introduce **wealth products and treasury advisory** services to the enlarged customer base
- Extend **offshore banking** and network services to individuals and businesses – products and market access
- Roll out **treasury & investment banking** services to Wing Hang's business customers

## Strengthen Sales Management & Promote Group Customer Concept

- Support **sales efforts** with training, product development, incentive programmes and sales promotion
- Promote **group customer** concept addressing customers' needs with the collective resources of the Bank and its subsidiaries in private banking (Bank of Singapore), commercial banking (OCBC Malaysia, OCBC China, OCBC NISP), insurance (Great Eastern) and asset management (Lion Global Investors)

## Increase Cross-Sell – Deepen Penetration

- Increase product penetration in customer franchise through a more robust **cross-sell culture** infrastructure, e.g. **Private Banking** for SME business owners, **Wealth and OCBC Premier Banking** for mass affluent mortgage & tax loan customers, **Offshore Banking** for Greater China customers in South East Asia, **Treasury** products for SME businesses

## Leverage network synergies – Flow Business and Deposits

- Provide network support to OCBC's customers expanding into Greater China with WHB's broad based branch coverage in the Pearl River Delta region and vice versa
- Capture the increasing **trade and investment flows** between the core markets of Singapore, Malaysia, Indonesia and Greater China
- Access **USD and RMB** customer deposits for OCBC group



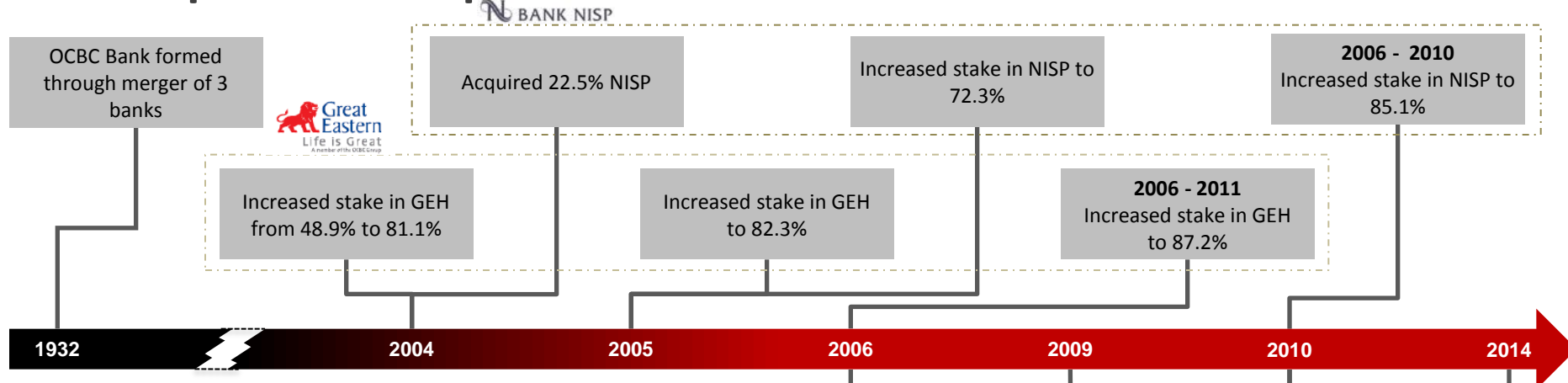
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## Integration Strategy

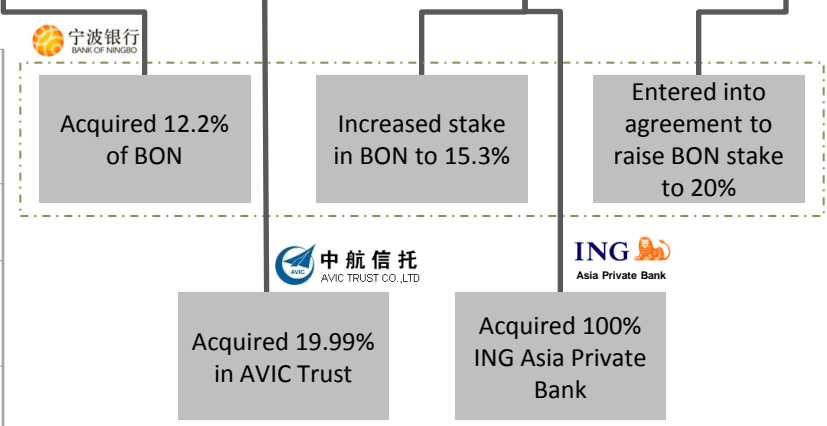
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# Executing Corporate Strategy with Extensive Integration Experience from previous Acquisitions



Entity	Acquisition Rationale
Great Eastern Life Is Great A member of the OCBC Group	The acquisition of Great Eastern Holdings (GEH) brought about greater synergies in product development, marketing and distribution and customer services to offer customers additional choices through a more comprehensive range of financial products and services
BANK NISP	The acquisition enabled OCBC to establish a respectable franchise in Indonesia, an attractive market with high margins and growth potential
ING Asia Private Bank	The acquisition of ING Private Bank placed OCBC in the position to participate in the growth opportunities arising from the rapid wealth creation in Asia
宁波银行 BANK OF NINGBO	With its strengths in the SME market and growing consumer segment, Bank of Ningbo (BON) complements OCBC's organic growth in China by offering an additional wing to participate in the economic growth of China
中航信托 AVIC TRUST CO., LTD	The investment enables OCBC to participate in sectors within China where 100% foreign presence is not permitted



# Integration Strategy

**Integrate Wing Hang Bank into the OCBC group in a balanced and seamless manner, adopting best practices while preserving the franchise value of Wing Hang Bank**

## Approach

- Promote **cohesion**, not uniformity
- Accelerate transition but with a measured pace that allows for time to understand and **accommodate differences** in customer and market segments and operational practices
- Implementation of integration activities to be conducted with the **right balance**, extracting the “best of both”

## Scope

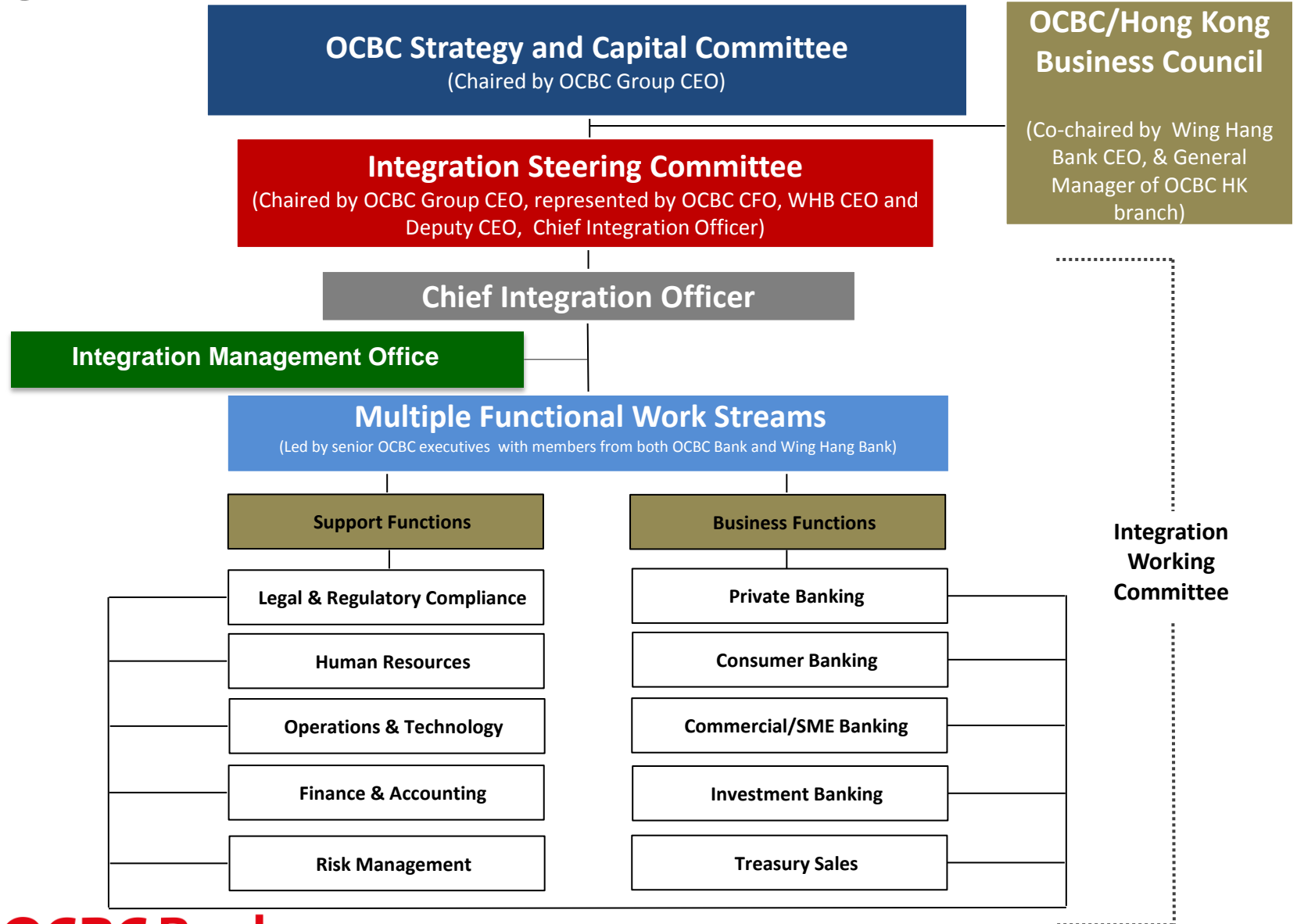
- Focus on priority initiatives including identifying and acting on immediate opportunities to **deliver revenue synergies**
- To **maximise growth** through introduction of new products & services, tapping new customer segments and **generate efficiencies** by optimising channels and functions
- Integration to be all-encompassing – multiple functional streams including businesses, regulation, finance as well as employees, customer engagement and branding

## Execution

- Clear integration objectives and processes
- Identify potential synergies, resolve issues, manage risks
- Track progress against plans
- Representation from both OCBC and Wing Hang across leadership and working levels

Supported by a robust and comprehensive **Integration Governance Framework** that facilitates the timely and successful completion of the integration

# Integration Structure



# Wing Hang will be another success story in our history of integration

