

# Third Quarter 2005 Results

## Presentation

9 November 2005



- **Results Overview**
- **Performance Trends**
- **Results of Key Subsidiaries**
- **Conclusion**

# Results at a Glance - Quarterly

|  | 3Q05       | 3Q04*      | YoY         | 2Q05       | QoQ       |
|--|------------|------------|-------------|------------|-----------|
|  | S\$m       | S\$m       | +/(-)%      | S\$m       | +/(-)%    |
| Net Interest Income                      | 413        | 384        | 8           | 407        | 2         |
| Non-Interest Income                      | 332        | 384        | (14)        | 298        | 11        |
| - <i>Fee Income</i>                      | 130        | 118        | 10          | 125        | 4         |
| <b>Total Income</b>                      | <b>745</b> | <b>768</b> | <b>(3)</b>  | <b>704</b> | <b>6</b>  |
| Operating Expenses                       | (297)      | (256)      | 16          | (282)      | 5         |
| <b>Operating Profit</b>                  | <b>449</b> | <b>513</b> | <b>(12)</b> | <b>423</b> | <b>6</b>  |
| Amortisation of Intangibles/<br>Goodwill | (10)       | (45)       | (78)        | (10)       | -         |
| Allowances/Impairment                    | 23         | (36)       | n.m.        | 2          | n.m.      |
| Associates                               | 2          | 5          | (55)        | 3          | (29)      |
| Tax & Minority Interest                  | (109)      | (117)      | (7)         | (114)      | (4)       |
| <b>Net Profit</b>                        | <b>355</b> | <b>319</b> | <b>11</b>   | <b>304</b> | <b>17</b> |

\* 3Q04 included net divestment gains of S\$97m (S\$132m before minorities)

# Results at a Glance – Year to Date

|  | 9M05         | 9M04*        | YoY       |
|--|--------------|--------------|-----------|
|  | S\$m         | S\$m         | +/(-)%    |
| Net Interest Income                      | 1,183        | 1,129        | 5         |
| Non-Interest Income                      | 948          | 812          | 17        |
| - <i>Fee Income</i>                      | 375          | 350          | 7         |
| <b>Total Income</b>                      | <b>2,131</b> | <b>1,941</b> | <b>10</b> |
| Operating Expenses                       | (829)        | (702)        | 18        |
| <b>Operating Profit</b>                  | <b>1,302</b> | <b>1,239</b> | <b>5</b>  |
| Amortisation of Intangibles/<br>Goodwill | (30)         | (113)        | (74)      |
| Allowances/Impairment                    | 0            | (79)         | n.m.      |
| Associates                               | 13           | 87           | (85)      |
| Tax & Minority Interest                  | (330)        | (260)        | 27        |
| <b>Net Profit</b>                        | <b>957</b>   | <b>874</b>   | <b>10</b> |

\* 9M04 included net divestment gains of S\$97m (S\$132m before minorities)

# Results Adjusted for Divestment Gains - Show Stronger YoY Growth

|                            | 9M05  | 9M04* | YoY    |
|----------------------------|-------|-------|--------|
| <b><u>Year-to-Date</u></b> | S\$m  | S\$m  | +/(-)% |
| Adjusted Operating Profit  | 1,302 | 1,107 | 18     |
| Adjusted Net Profit        | 957   | 776   | 23     |

|                           | 3Q05 | 3Q04* | YoY    | 2Q05 | QoQ    |
|---------------------------|------|-------|--------|------|--------|
| <b><u>Quarterly</u></b>   | S\$m | S\$m  | +/(-)% | S\$m | +/(-)% |
| Adjusted Operating Profit | 449  | 381   | 18     | 423  | 6      |
| Adjusted Net Profit       | 355  | 222   | 60     | 304  | 17     |

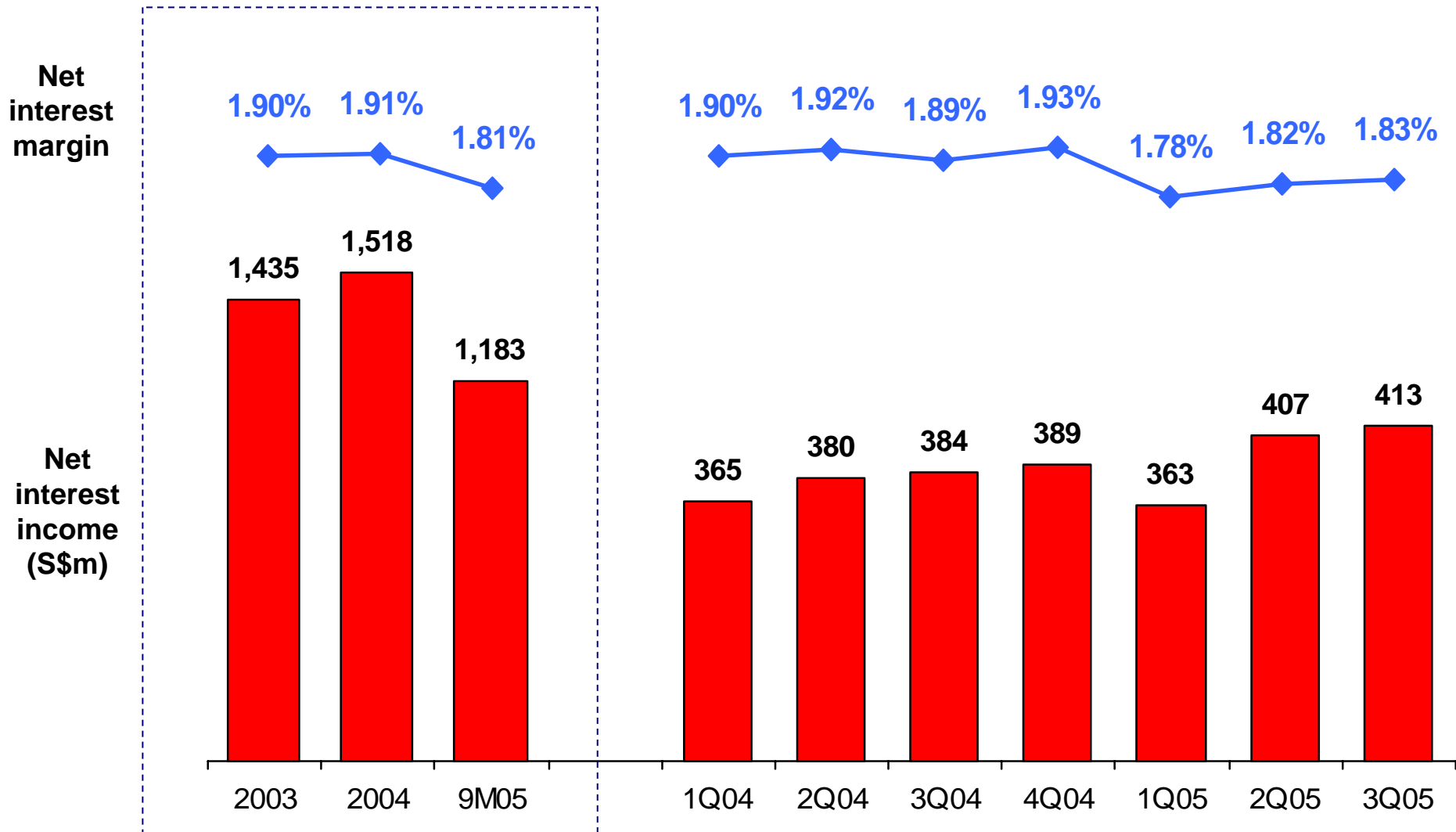
\* Adjusted to exclude gains from divestment of non-core assets in 3Q04/ 9M04:  
 – Raffles Investments (S\$55m), Whitesands Shopping Mall (S\$77m gross, S\$43m after minorities)

# Key Financial Ratios

|                                      | 9M05 | 9M04 | 3Q05 | 2Q05 | 3Q04 |
|--------------------------------------|------|------|------|------|------|
|                                      | %    | %    | %    | %    | %    |
| Net Interest Margin                  | 1.81 | 1.90 | 1.83 | 1.82 | 1.89 |
| Non-Interest Income/<br>Total Income | 44.5 | 41.8 | 44.5 | 42.3 | 50.0 |
| Cost-to-Income Ratio                 | 38.9 | 36.2 | 39.8 | 40.0 | 33.3 |
| Loans-to-Deposits Ratio              | 87.4 | 91.8 | 87.4 | 85.6 | 91.8 |
| NPL Ratio                            | 4.2  | 5.5  | 4.2  | 4.3  | 5.5  |
| Allowances/NPLs                      | 86.9 | 76.7 | 86.9 | 86.9 | 76.7 |
| ROE                                  | 11.3 | 11.7 | 12.1 | 10.7 | 11.9 |
| Cash ROE                             | 11.7 | 13.3 | 12.5 | 11.0 | 13.7 |

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# Higher Net Interest Income in 3Q05 as Net Interest Margin Stabilised

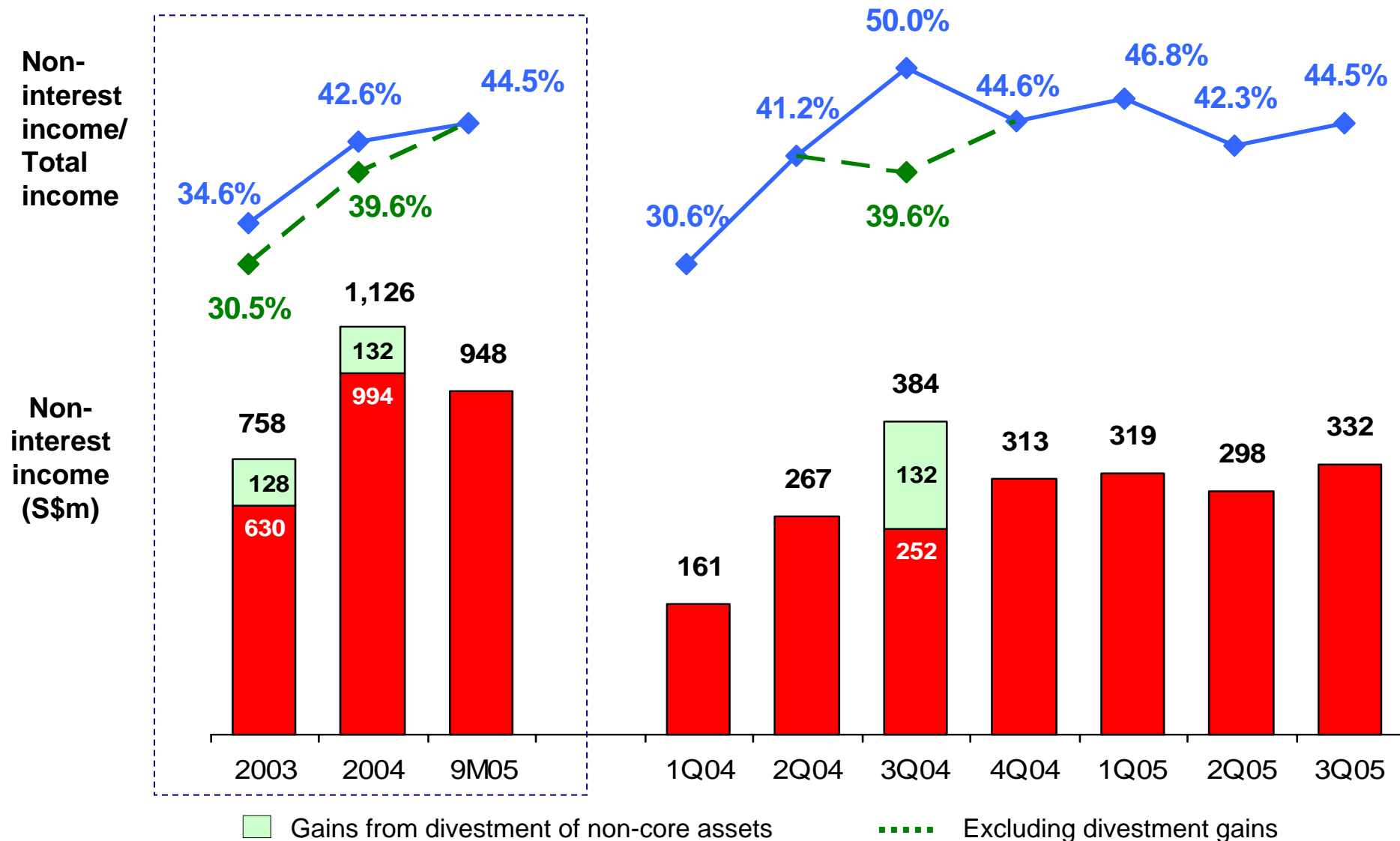




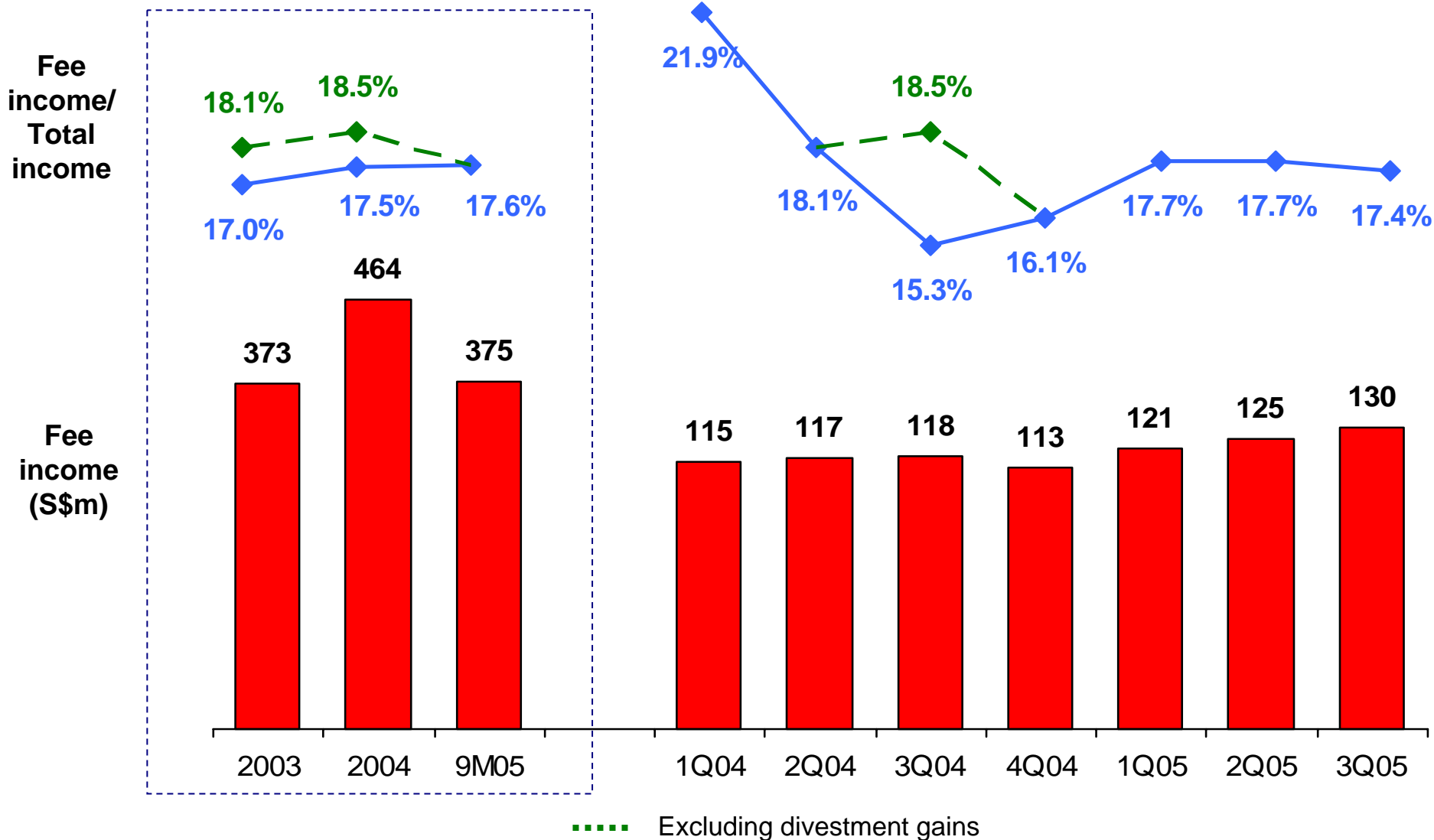
# Improved Asset Yields Offset by Higher Cost of Funds

| <u>Third Quarter 2005</u>           | Ave Bal     | Interest Inc / Exp | Interest Rate |             |             |
|-------------------------------------|-------------|--------------------|---------------|-------------|-------------|
|                                     |             |                    | Ave Rate      | YoY         | QoQ         |
|                                     | S\$bn       | S\$m               | %             | bps         | bps         |
| Customer loans                      | 54.1        | 629                | 4.62          | + 94        | + 13        |
| Placements with Banks               | 17.2        | 128                | 2.95          | + 58        | + 14        |
| Securities/ Others                  | 18.2        | 159                | 3.46          | + 103       | + 10        |
| <b>Interest Earning Assets</b>      | <b>89.5</b> | <b>916</b>         | <b>4.06</b>   | <b>+ 84</b> | <b>+ 13</b> |
| Customer Deposits                   | 63.2        | 326                | 2.05          | + 75        | + 10        |
| Bank Deposits                       | 15.9        | 118                | 2.96          | + 137       | + 32        |
| Other Borrowings                    | 6.1         | 58                 | 3.77          | + 152       | + 16        |
| <b>Interest Bearing Liabilities</b> | <b>85.2</b> | <b>502</b>         | <b>2.34</b>   | <b>+ 92</b> | <b>+ 13</b> |
| <b>Net Interest Income</b>          |             | <b>413</b>         |               |             |             |
| <b>Net Interest Margin</b>          |             |                    | <b>1.83</b>   | <b>- 6</b>  | <b>+ 1</b>  |

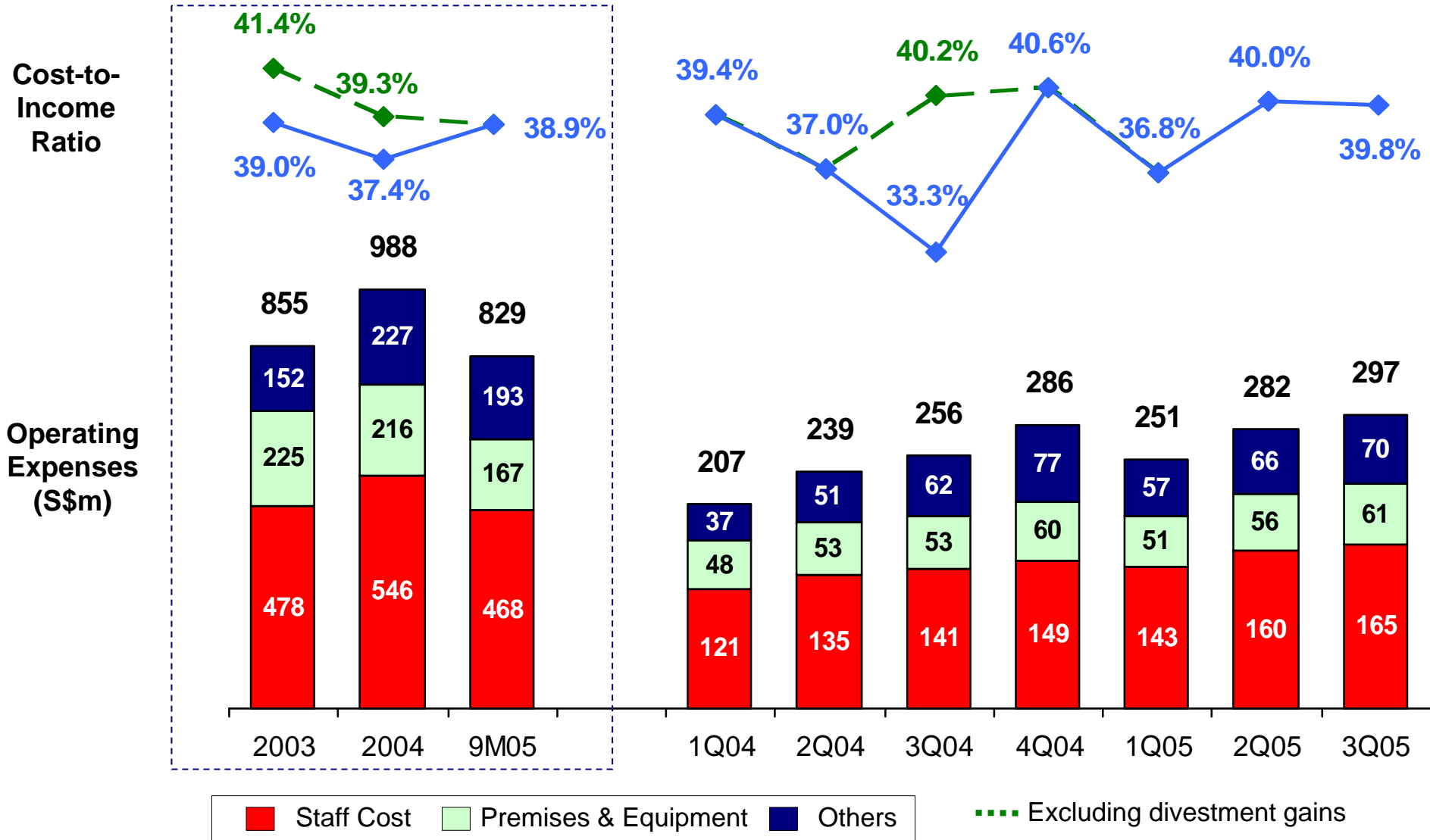
# Non-Interest Income up 11% over 2Q05



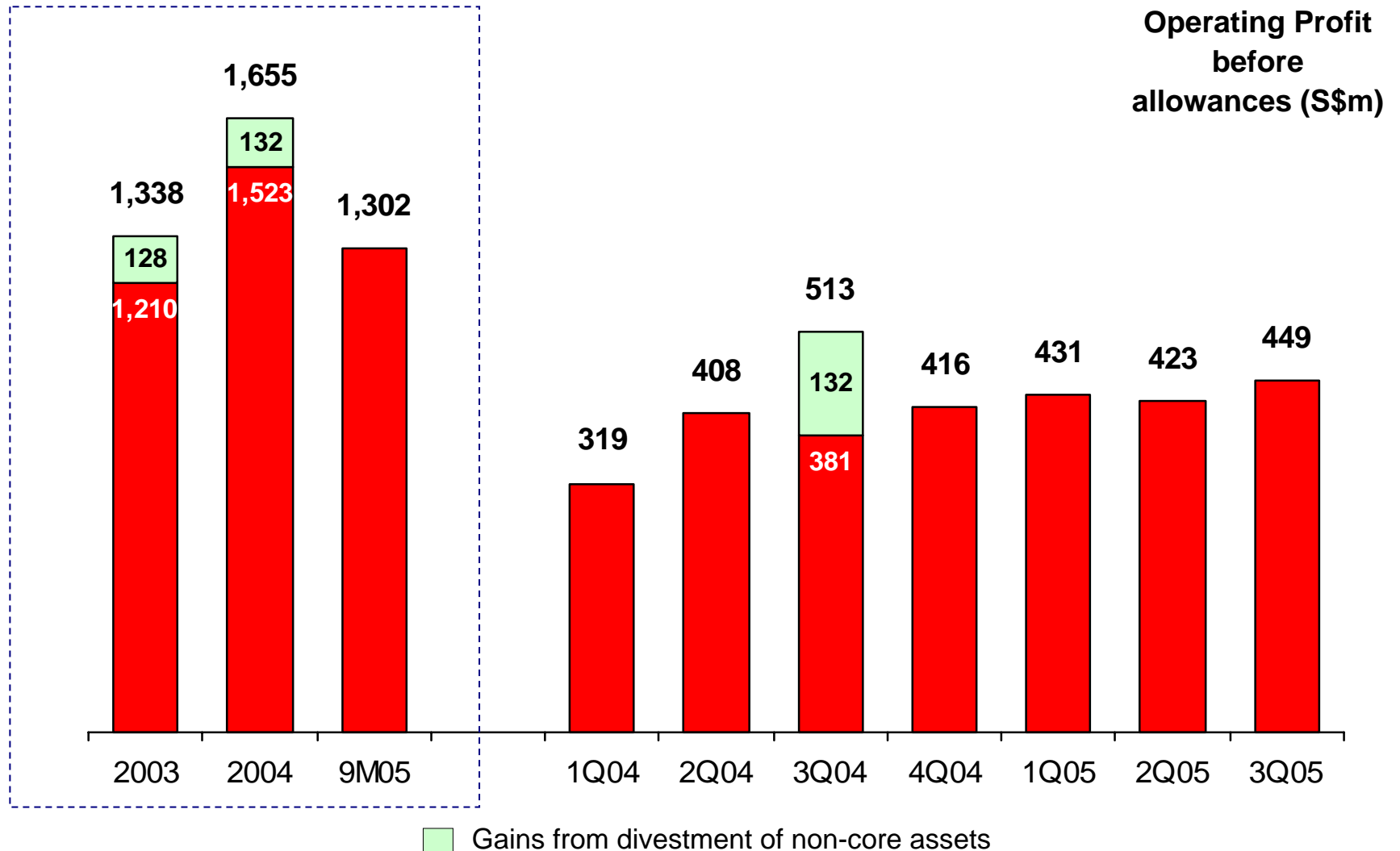
# Steady Growth in Fee Income



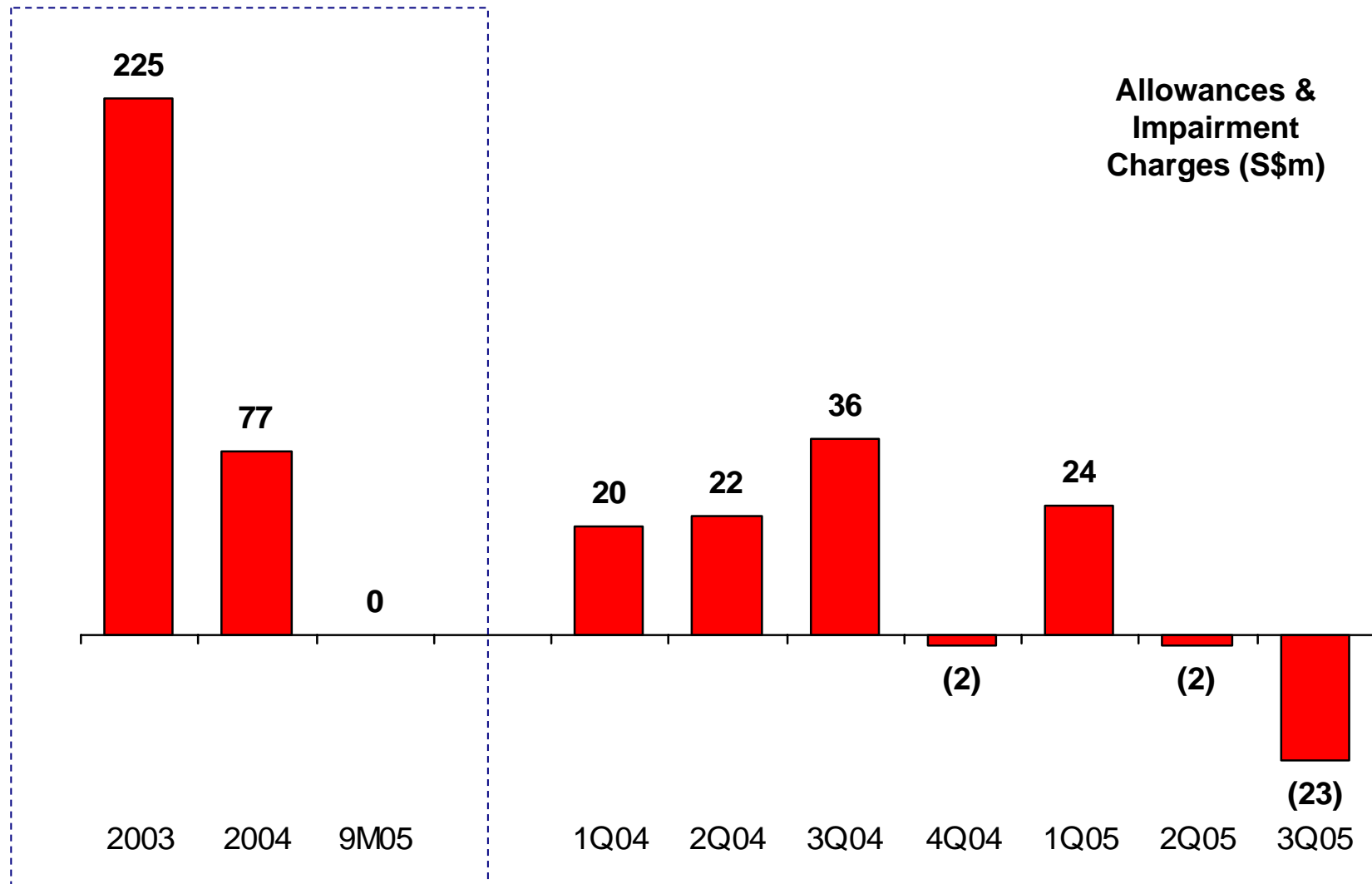
# Adjusted for Consolidation Effects, Underlying Expenses Grew 6% YoY in 9M05



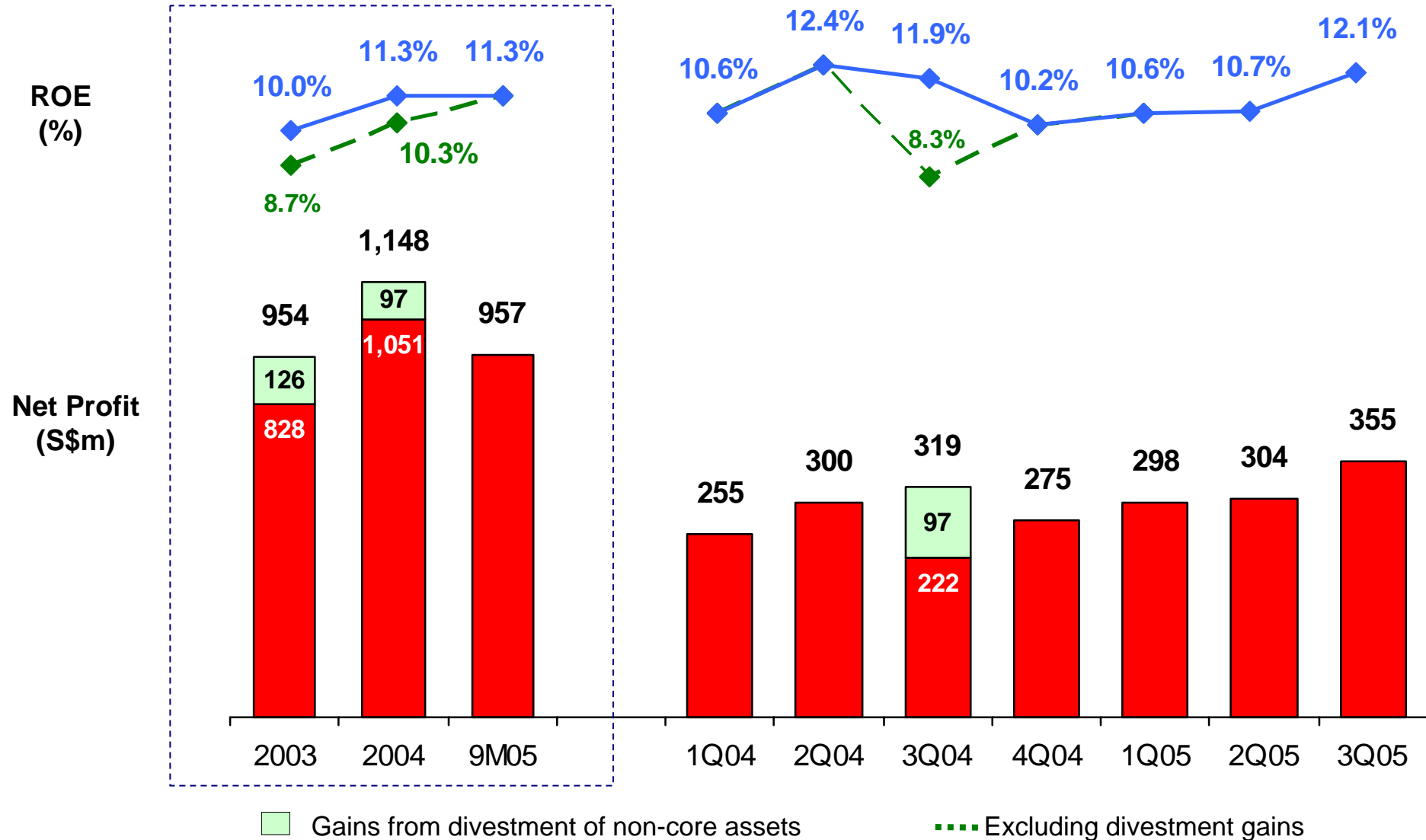
# Core Operating Profit Up 18% YoY in 9M05



# Recoveries More Than Offset Allowances in 3Q05

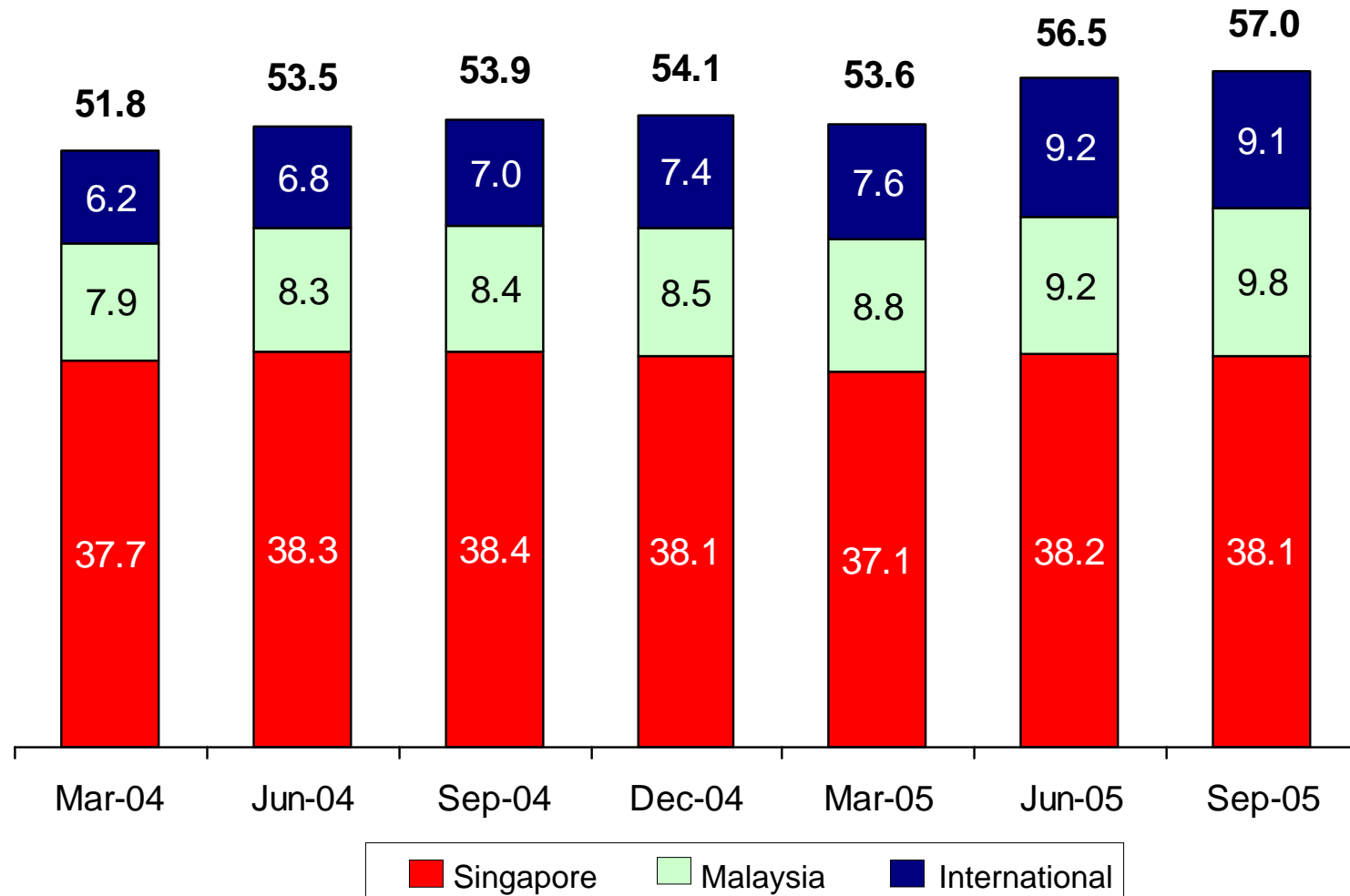


# Higher Net Profit and Improved ROE



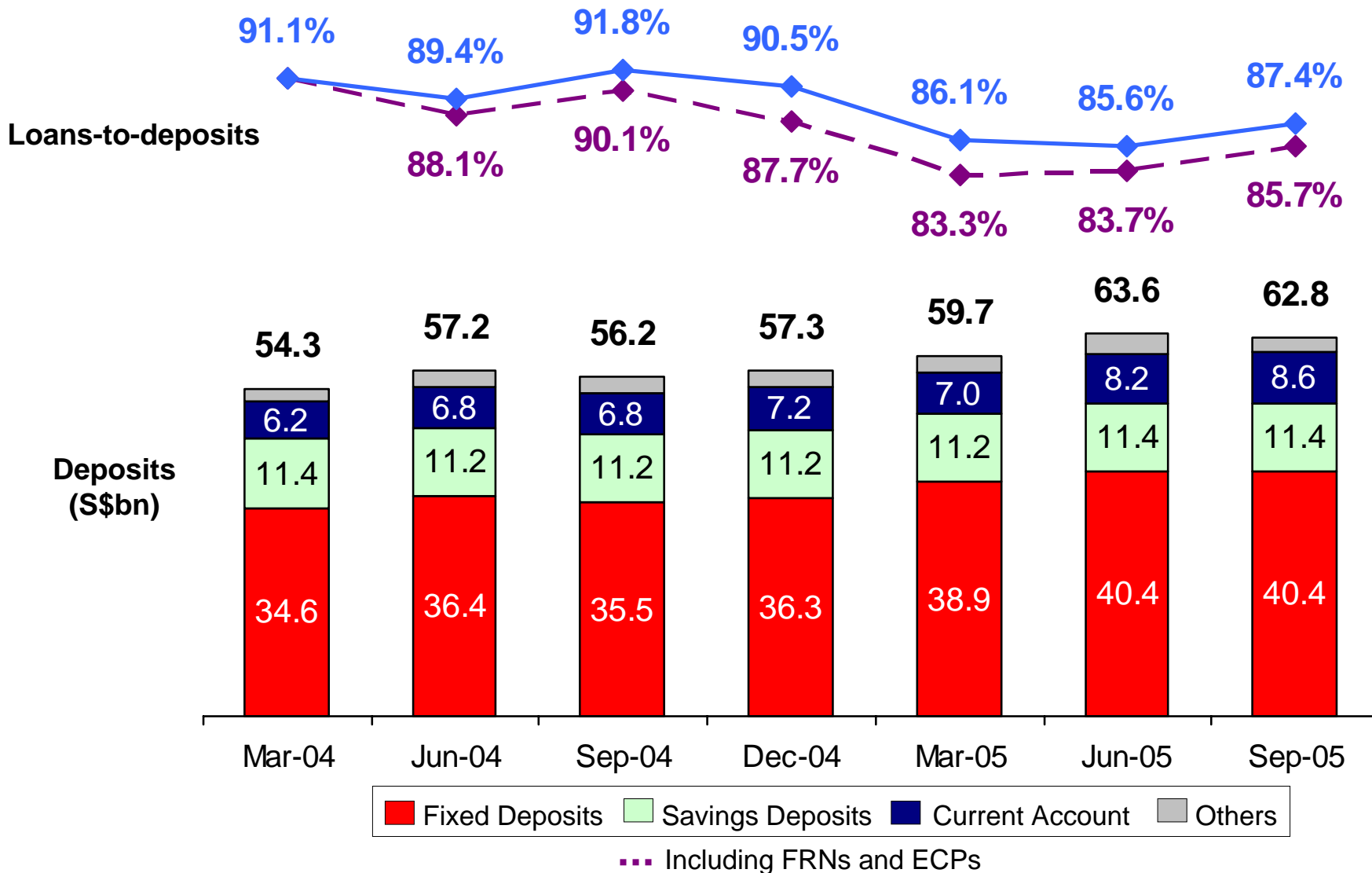
# Loans Growth Driven by Malaysia and Acquisition of Bank NISP

Loans  
(S\$bn)



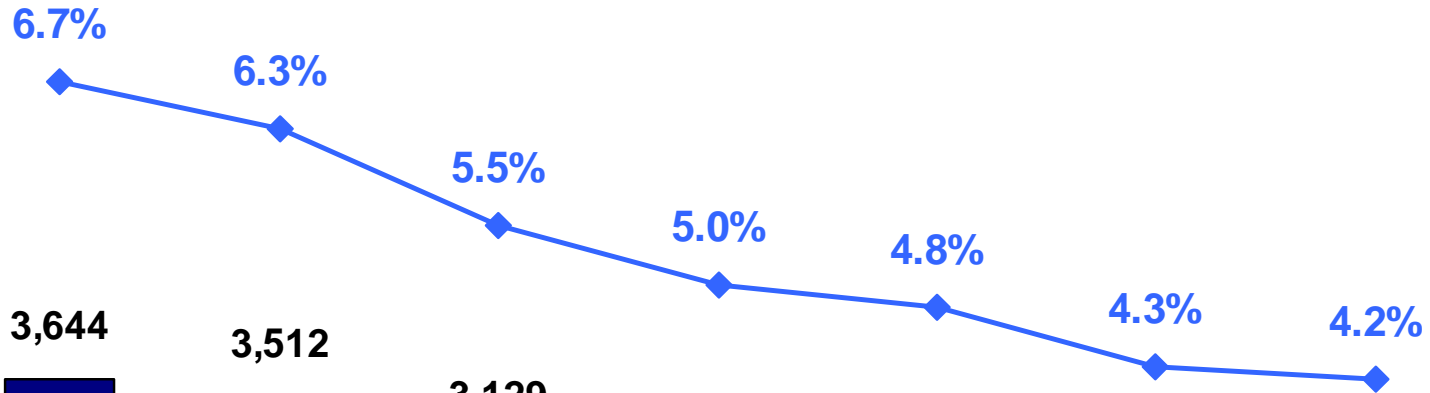


# Loans-to-Deposits Ratio Increased Over 2Q05

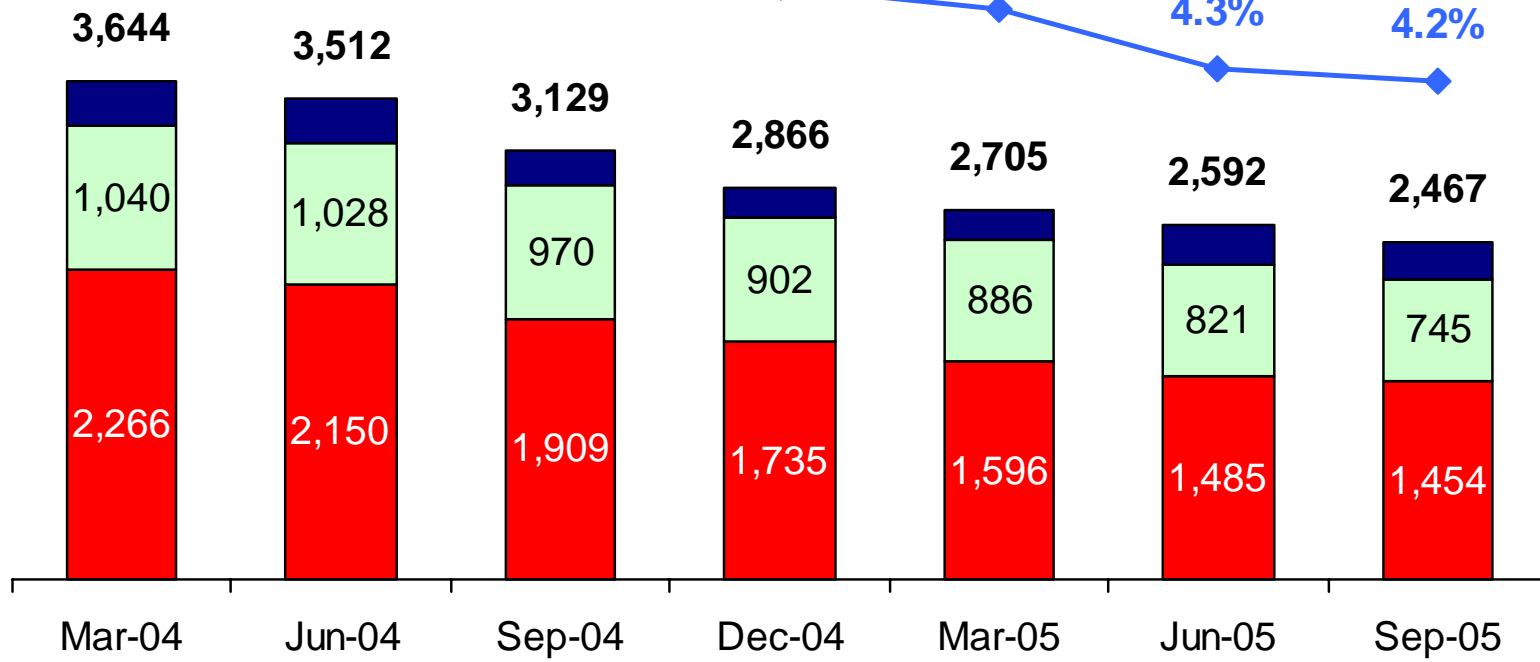


# Continued Improvement in NPLs

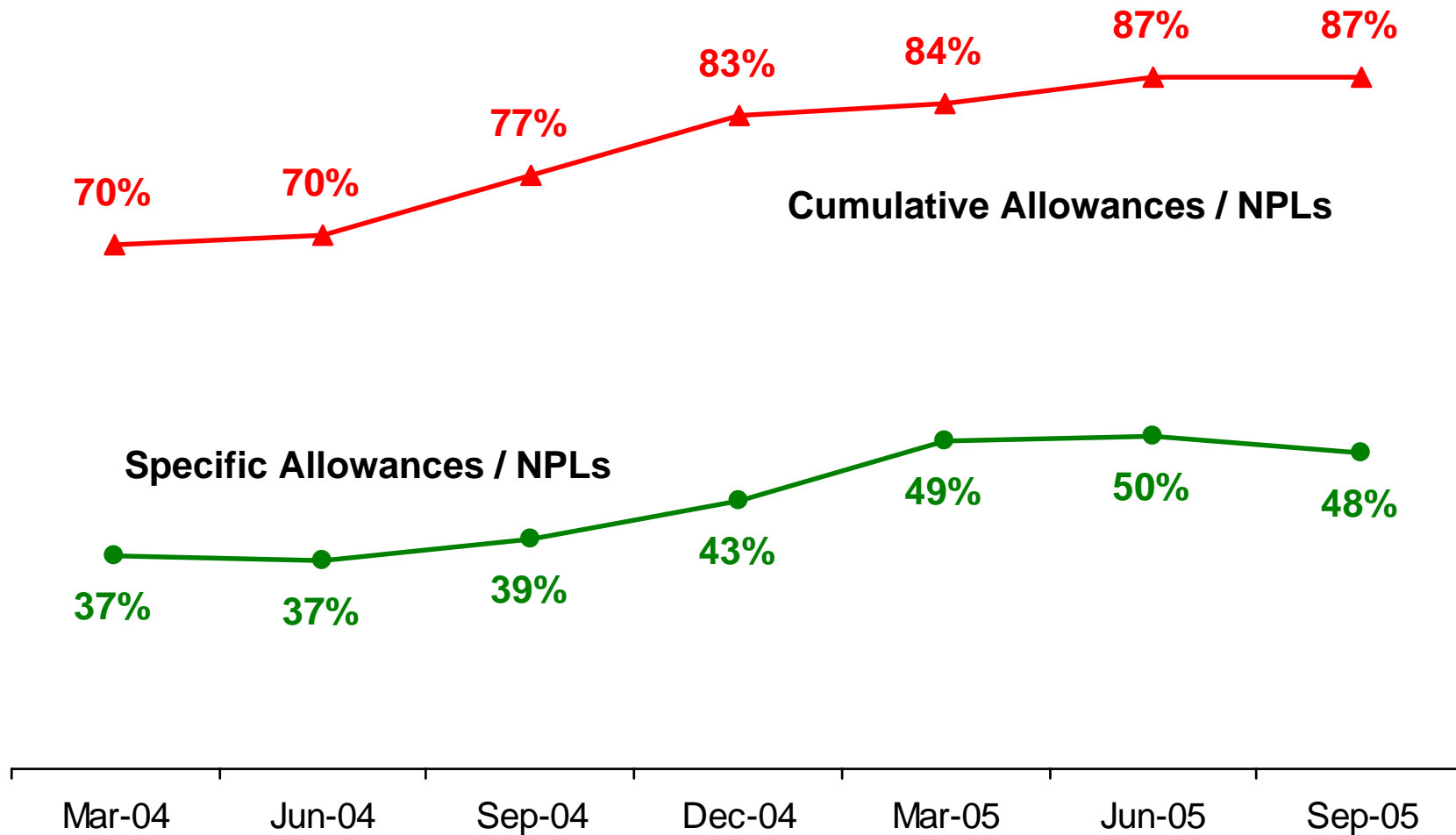
NPL Ratio



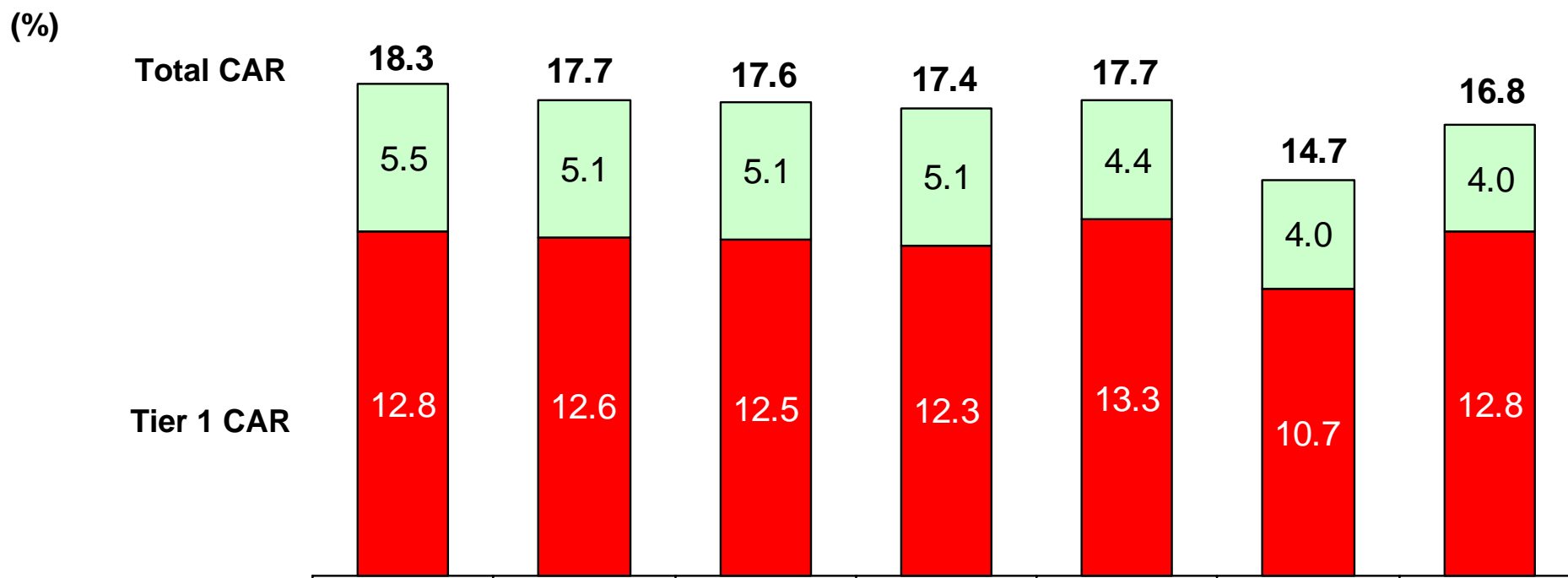
NPLs (S\$m)



# Maintained Strong Allowances Coverage



# Capital Position Remains Strong



(S\$m)

|                      | Mar-04 | Jun-04 | Sep-04 | Dec-04 | Mar-05 | Jun-05* | Sep-05 |
|----------------------|--------|--------|--------|--------|--------|---------|--------|
| Tier-1 capital       | 8,131  | 8,495  | 8,557  | 8,442  | 9,138  | 7,853*  | 9,187  |
| Risk Weighted Assets | 63,372 | 67,483 | 68,672 | 68,737 | 68,536 | 73,547  | 71,679 |

\* Includes deduction of S\$1.31bn bonus dividends declared in 2Q05. Tier 1 capital was restored by S\$1.31bn in July 2005 upon completion of the Rights Issue.

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# OCBC Malaysia's Net Profit Up 28% YoY



|                           | 3Q05       | 3Q04       | YoY       | 2Q05       | QoQ      |
|---------------------------|------------|------------|-----------|------------|----------|
| <u>Unaudited Results*</u> | RM m       | RM m       | +/(-)%    | RM m       | +/(-)%   |
| Net Interest Income       | 159        | 135        | 18        | 155        | 3        |
| Islamic Banking Income    | 10         | 5          | 89        | 11         | (14)     |
| Non Interest Income       | 73         | 53         | 37        | 63         | 16       |
| Total Income              | 241        | 193        | 25        | 229        | 5        |
| Operating Expenses        | (99)       | (74)       | 34        | (87)       | 13       |
| <b>Operating Profit</b>   | <b>142</b> | <b>119</b> | <b>20</b> | <b>141</b> | <b>1</b> |
| Allowances                | (5)        | (12)       | (57)      | (2)        | 201      |
| Tax                       | (38)       | (30)       | 27        | (46)       | (17)     |
| <b>Net Profit</b>         | <b>100</b> | <b>78</b>  | <b>28</b> | <b>94</b>  | <b>6</b> |

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

# OCBC Malaysia: Financial Ratios



|                                    | 9M05 | 9M04 | 3Q05 | 2Q05 | 3Q04 |
|------------------------------------|------|------|------|------|------|
| <u>Unaudited Results*</u>          | %    | %    | %    | %    | %    |
| Net Interest Margin                | 2.32 | 2.18 | 2.35 | 2.34 | 2.16 |
| Non-Interest Income / Total Income | 28.3 | 25.8 | 30.2 | 28.4 | 27.5 |
| Cost-to-Income Ratio               | 39.7 | 35.1 | 41.0 | 39.6 | 38.3 |
| RM Loans-to-Deposits Ratio         | 92   | 86   | 92   | 81   | 86   |
| Net NPL Ratio                      | 3.7  | 6.8  | 3.7  | 4.0  | 6.8  |
| Loans Growth (YTD)                 | 7.6  | 9.0  | 7.6  | 4.4  | 9.0  |
| ROE                                | 21.5 | 14.9 | 22.1 | 24.6 | 19.4 |

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

# GEH Contributed 19% of Group Net Profit

| <u>GEH's Contribution to OCBC's Results</u> | 9M05       | 9M04*      | 3Q05      | 2Q05 | 3Q04 |
|---|------------|------------|-----------|------|------|
|   | S\$m       | S\$m       | S\$m      | S\$m | S\$m |
| Total Income                                | 411        | 142        | 142       | 135  | 104  |
| Operating Expenses                          | (64)       | (27)       | (24)      | (20) | (22) |
| Operating Profit                            | 346        | 115        | 118       | 115  | 83   |
| Goodwill Amortisation                       | (30)       | (18)       | (10)      | (10) | (13) |
| Tax   | (73)       | (26)       | (28)      | (23) | (18) |
| Minority Interests                          | (60)       | (21)       | (17)      | (19) | (13) |
| Profit contribution as a subsidiary         | 183        | 51         | 63        | 62   | 38   |
| Profit contribution as an associate         | -          | 68         | -         | -    | -    |
| <b>Total Profit contribution of GEH</b>     | <b>183</b> | <b>118</b> | <b>63</b> | 62   | 38   |

\* GEH was consolidated as a subsidiary from June 2004, and equity accounted as an associate prior to June 2004



# Bank NISP's 3Q05 Results Hurt by Securities Losses



|                           | 9M05      | 9M04       | 3Q05        | 2Q05     | 3Q04      |
|---------------------------|-----------|------------|-------------|----------|-----------|
| <u>Unaudited Results*</u> | RP bn     | RP bn      | RP bn       | RP bn    | RP bn     |
| Net Interest Income       | 534       | 472        | 177         | 185      | 169       |
| Non-Interest Income       | 36        | 112        | (39)        | (22)     | 41        |
| Expenses                  | (417)     | (298)      | (145)       | (127)    | (94)      |
| Operating Profit          | 153       | 286        | (7)         | 36       | 117       |
| <b>Net Profit</b>         | <b>84</b> | <b>202</b> | <b>(11)</b> | <b>1</b> | <b>77</b> |
| Gross Loans               | 12,612    | 9,452      | 12,612      | 11,722   | 9,452     |
| NPL Ratio (%)             | 2.26      | 1.34       | 2.26        | 1.76     | 1.34      |
| Net Interest Margin (%)   | 4.25      | 4.70       | 4.03        | 4.36     | 4.86      |
| ROE (%)                   | 8.4       | 25.2       | (3.2)       | 0.4      | 28.6      |

\* Bank NISP's results were consolidated from April 2005. After taking into account fair value adjustments made at Group level upon acquisition, the contribution to Group net profit was S\$11m in 2Q05 and S\$7m in 3Q05.

- ❑ **Core net profit up 23% in first nine months of 2005, boosted by Great Eastern and Bank NISP acquisitions, strong Malaysia results and continued successes in loan recoveries**
- ❑ **Record nine-months earnings despite lower gapping income and intense competitive environment**
- ❑ **YTD core ROE of 11.3%, capital ratios remain strong**
- ❑ **Execution of New Horizons strategy continues:**
  - **Formation of SE Asia's largest private asset management company, Lion Capital Management, from merger of OCBC AM and Straits Lion AM**
  - **RM400m Tier 1 preference share issue in Malaysia**
  - **Completed S\$203m of share buybacks under second S\$500m programme**

# Third Quarter 2005 Results

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Thank You

