

# First Quarter 2009 Results

## Presentation

6 May 2009



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# Agenda

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



# First quarter net profit of S\$545m

	1Q09	1Q08	YoY	4Q08	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	740	638	16	783	(6)
Non-Interest Income	607	377	61	259	134
<b>Total Income</b>	<b>1,347</b>	<b>1,015</b>	<b>33</b>	<b>1,042</b>	<b>29</b>
Operating Expenses	(413)	(426)	(3)	(463)	(11)
<b>Operating Profit</b>	<b>934</b>	<b>589</b>	<b>59</b>	<b>579</b>	<b>61</b>
Amortisation of Intangibles	(12)	(12)	1	(12)	-
Allowances	(197)	8	n.m.	(243)	(19)
Associates & JVs	-	1	(100)	(3)	(100)
Tax & Minority Interests	(180)	(127)	42	(71)	154
<b>Core Net Profit</b>	<b>545</b>	<b>460</b>	<b>19</b>	<b>250</b>	<b>118</b>
Divestment Gains/Tax Refunds <sup>1/</sup>	-	162	-	51	-
<b>Reported Net Profit</b>	<b>545</b>	<b>622</b>	<b>(12)</b>	<b>301</b>	<b>81</b>

<sup>1/</sup> 1Q08 – net divestment gains of S\$156m and tax refunds of S\$6m; 4Q08 – tax refunds and writebacks.



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# Excluding GEH – strong performance from banking operations

<u>Excluding GEH</u>	1Q09	1Q08	YoY	4Q08	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	725	618	17	765	(5)
Non-Interest Income	314	331	(5)	130	144
Total Income	1,039	949	9	895	16
Operating Expenses	(389)	(397)	(2)	(415)	(6)
<b>Operating Profit</b>	<b>650</b>	<b>552</b>	<b>18</b>	<b>480</b>	<b>36</b>
Allowances	(194)	11	n.m.	(203)	(5)
Associates & JVs	1	4	(68)	3	(53)
Tax & Minority Interests	(110)	(108)	2	(77)	43
<b>Core Net Profit</b>	<b>348</b>	<b>459</b>	<b>(24)</b>	<b>203</b>	<b>72</b>
Divestment Gains/Tax Refunds <sup>1/</sup>	-	133	-	41	-
<b>Reported Net Profit</b>	<b>348</b>	<b>592</b>	<b>(41)</b>	<b>244</b>	<b>44</b>

<sup>1/</sup> 1Q08 – net divestment gains of S\$127m and tax refunds of S\$6m; 4Q08 – tax refunds and writebacks

# Key Financial Ratios

## - based on core earnings

	1Q09	4Q08	1Q08
	%	%	%
Net Interest Margin	2.42	2.47	2.17
Non-Interest Income/ Total Income	45.1	24.9	37.1
Cost-to-Income Ratio	30.7	44.5	42.0
Loans-to-Deposits Ratio	85.3	84.8	79.7
NPL Ratio	1.8	1.5	1.6
Allowances/NPAs	109.5	125.0	115.3
ROE	14.9	6.7	12.2
Cash ROE	15.3	7.0	12.6



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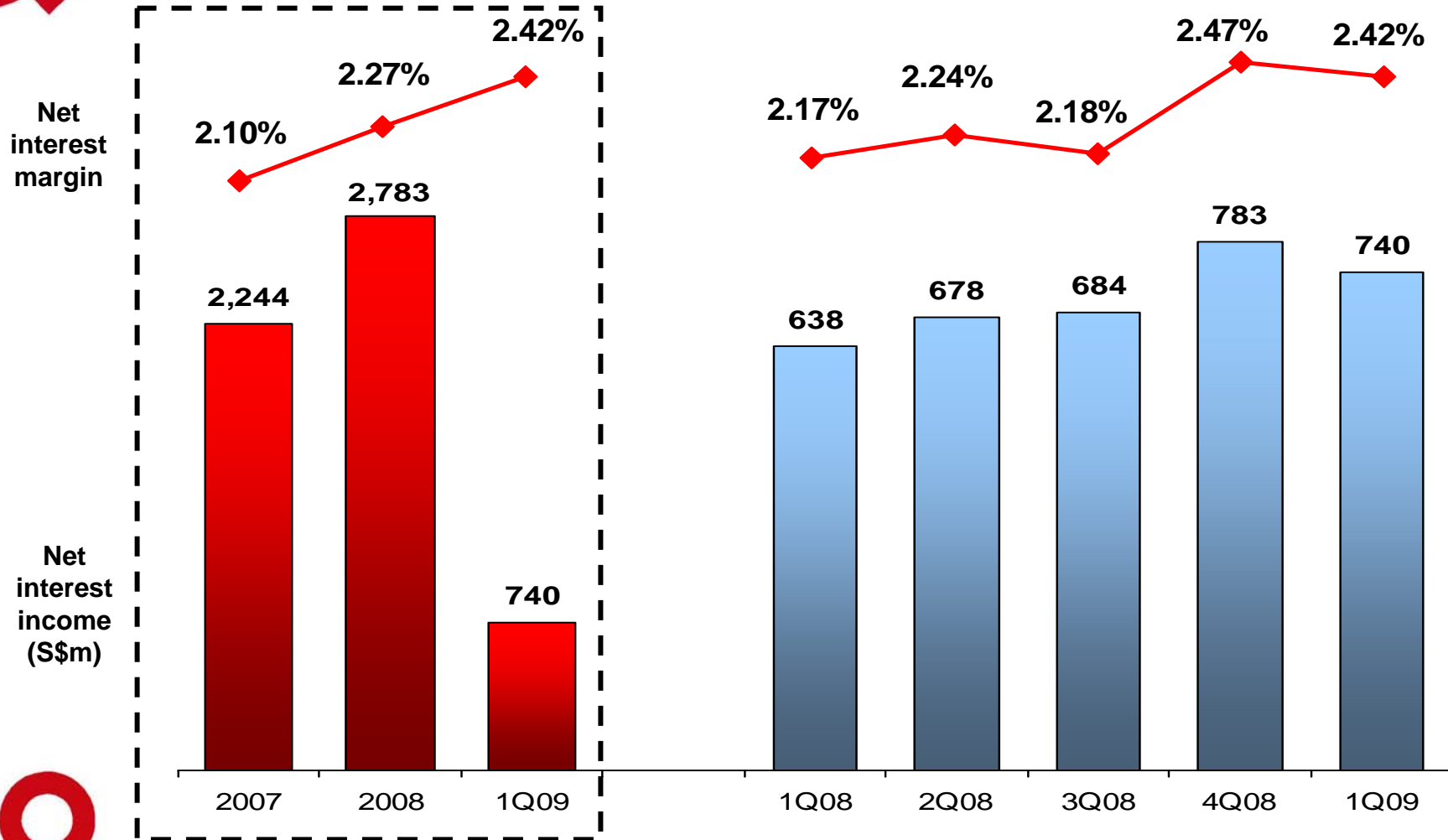


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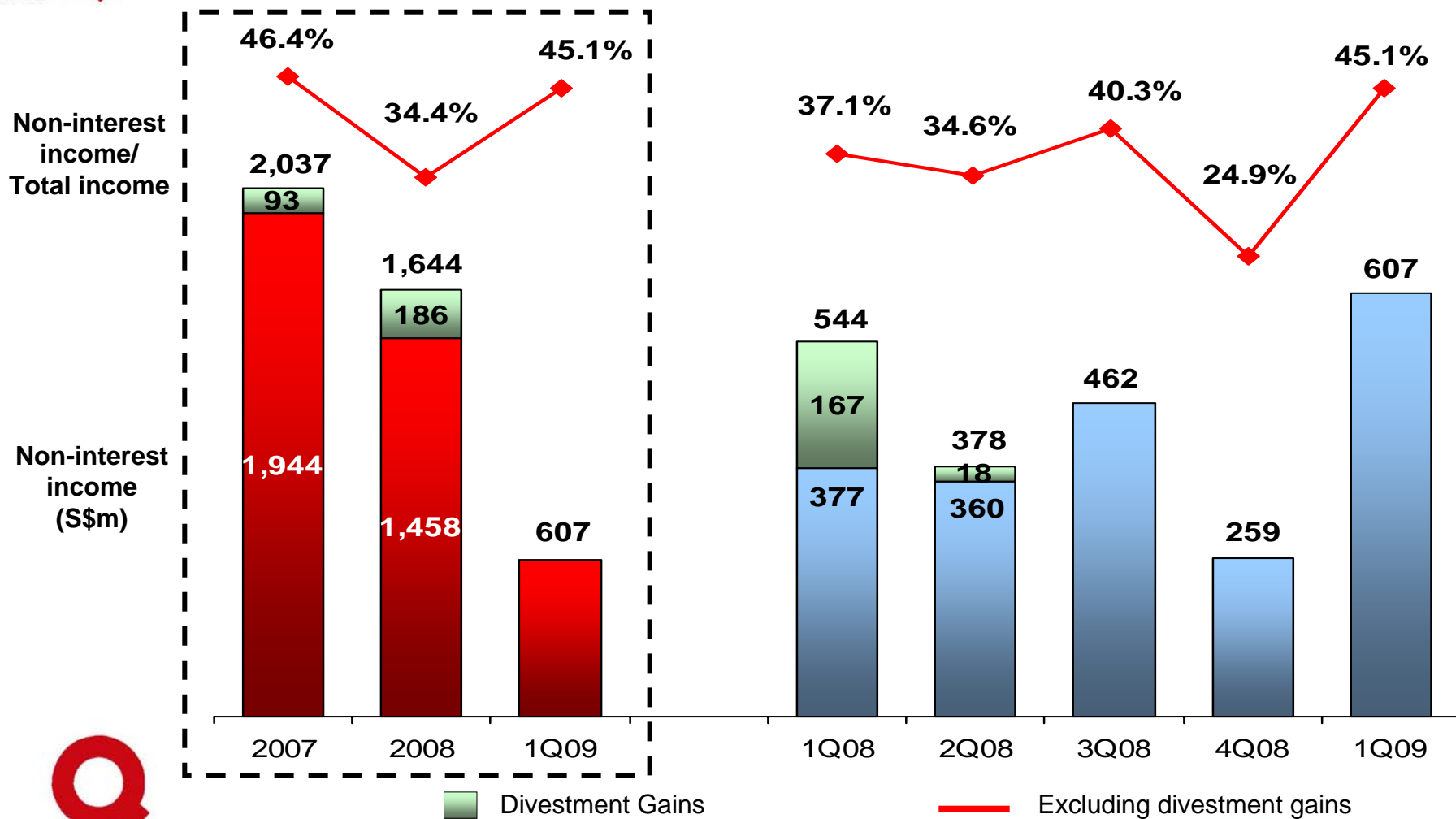
# Year-on-year growth in net interest income and margins



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# Rebound in non-interest income from higher insurance and trading income

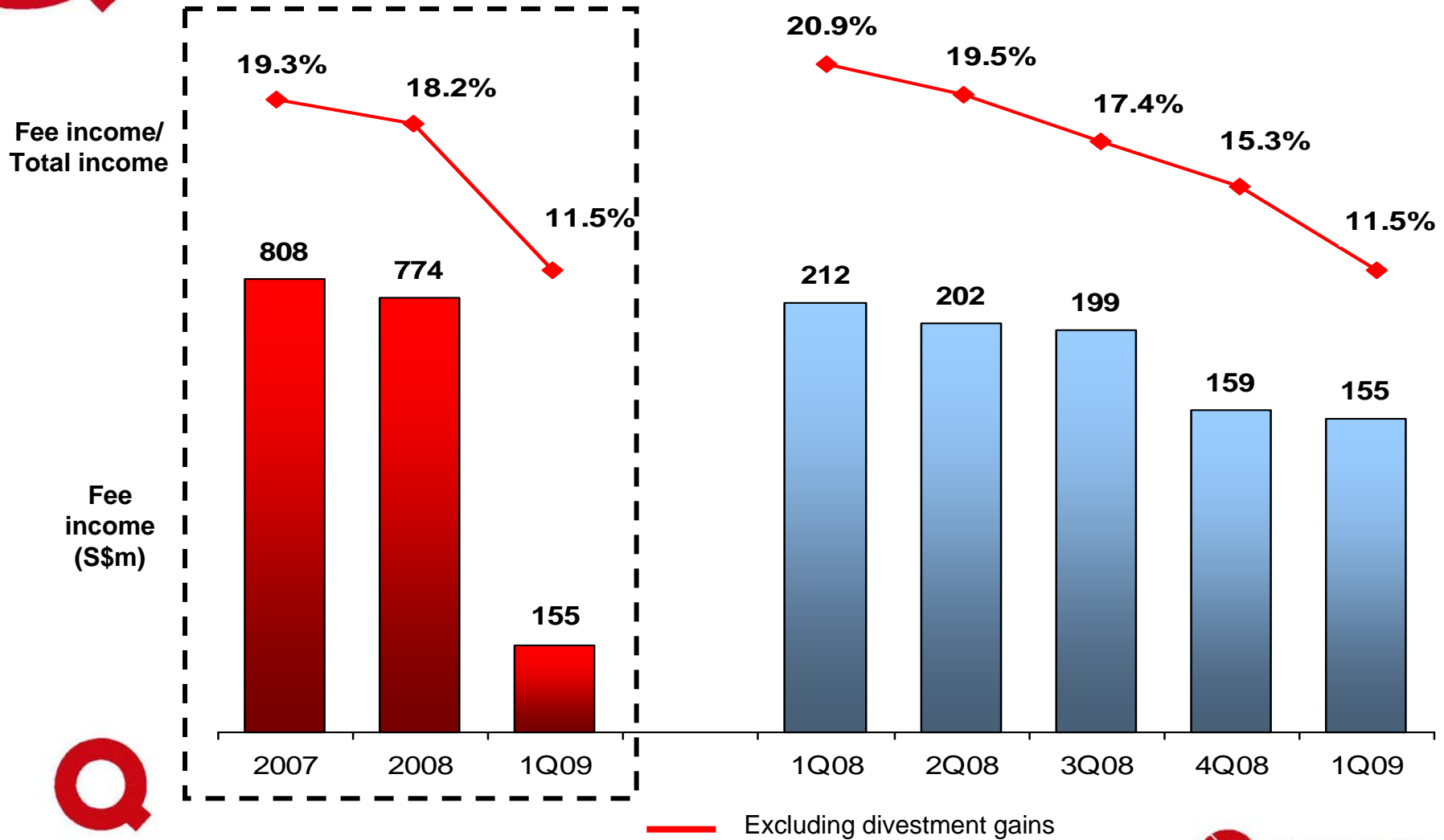


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# Fee income down 3% QoQ and 27% YoY due to the global recession



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# GEH's life assurance profits boosted by adoption of RBC framework in Malaysia

	1Q09	4Q08	1Q08	FY08	FY07
Life assurance profit from:	S\$m	S\$m	S\$m	S\$m	S\$m
- Participating Fund	29	27	26	102	143
- Non-participating Fund	195	67	(30)	130	302
- Investment-linked Fund	42	21	11	68	64
<b>Total life assurance profit</b>	<b>266</b>	<b>115</b>	<b>7</b>	<b>300</b>	<b>509</b>

## Life assurance profit rose 130% QoQ to S\$266m:

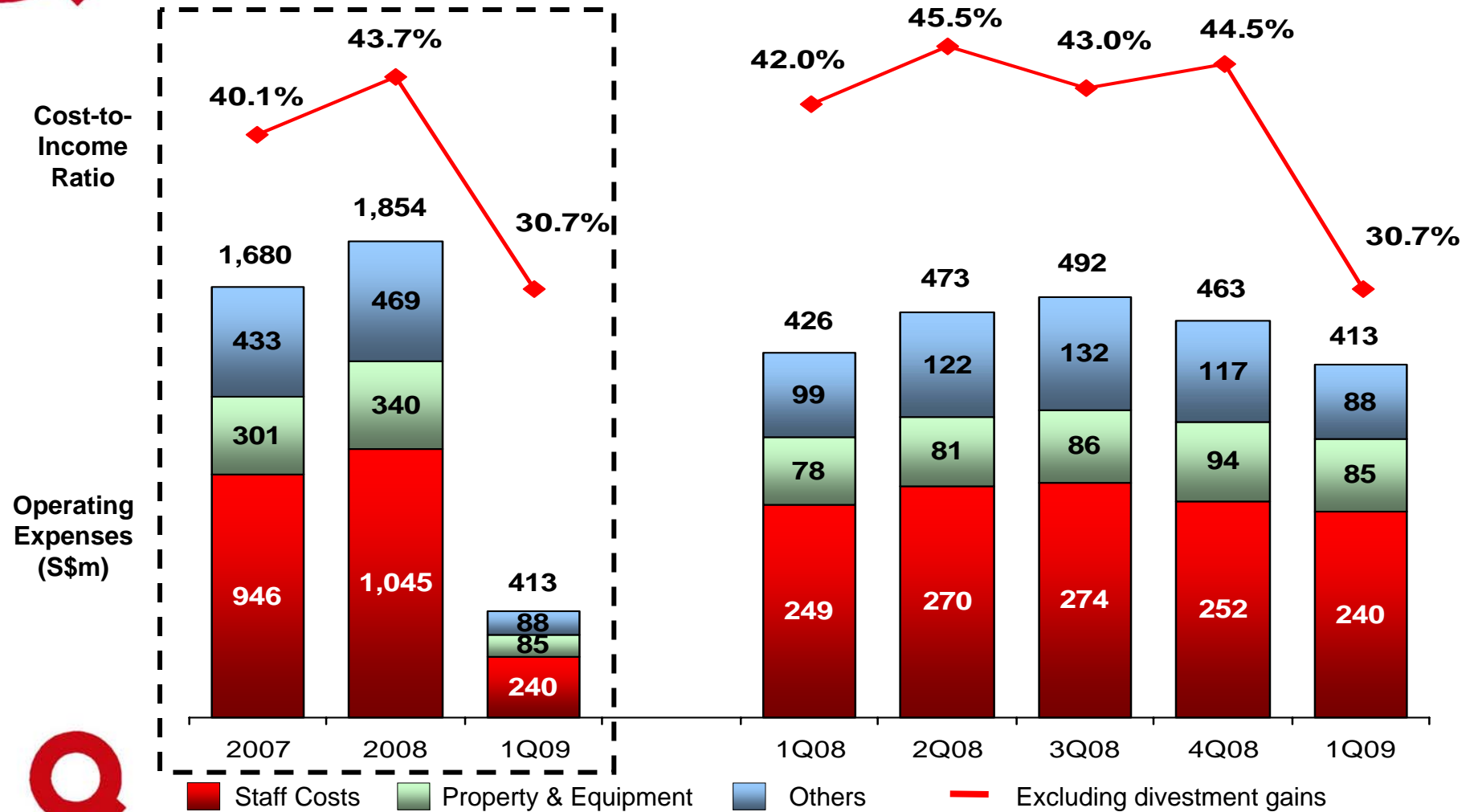
- S\$201m\* were attributed mainly to the implementation of the new Risk Based Capital framework in Malaysia wef 1 Jan 09, and to a smaller extent, an exercise to achieve better portfolio matching of assets and liabilities of the Singapore Non-Par Fund

## Weak investment climate impacted new insurance sales, but GEH retains #1 market share

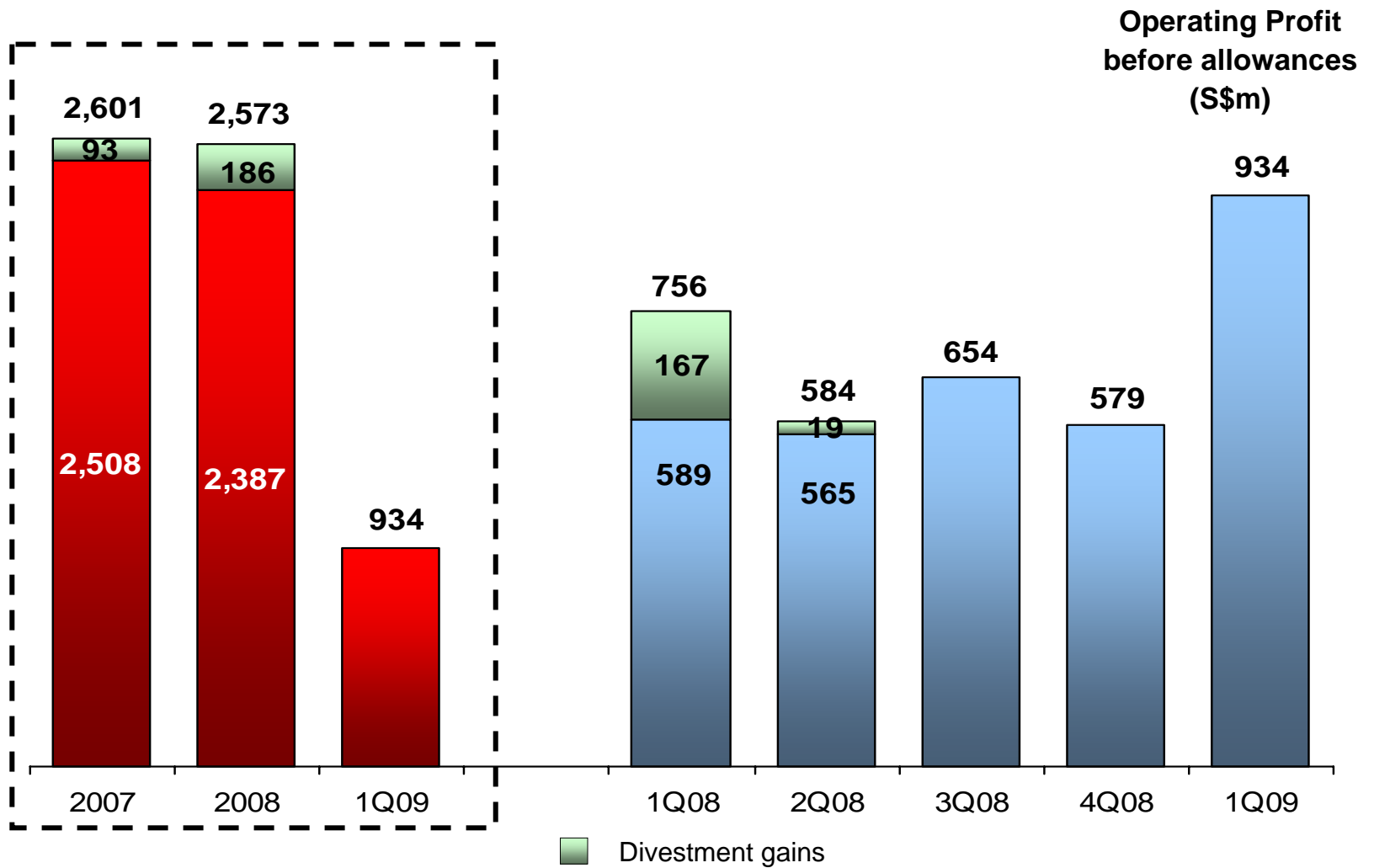
- New business weighted premiums fell 25% YoY, partly due to strong 1Q08 base
- New business embedded value fell 29% YoY, mainly from S'pore
- GEH maintained #1 market share in 1Q09 for Singapore life insurance (22.5%) and Singapore bancassurance (27%); expects to retain #1 position in Malaysia (1Q09 industry numbers not available)

\* Net of tax and minorities, these gains contributed S\$175m to Group core net profit

# Expenses lower due to cost containment measures, including reduced staff costs



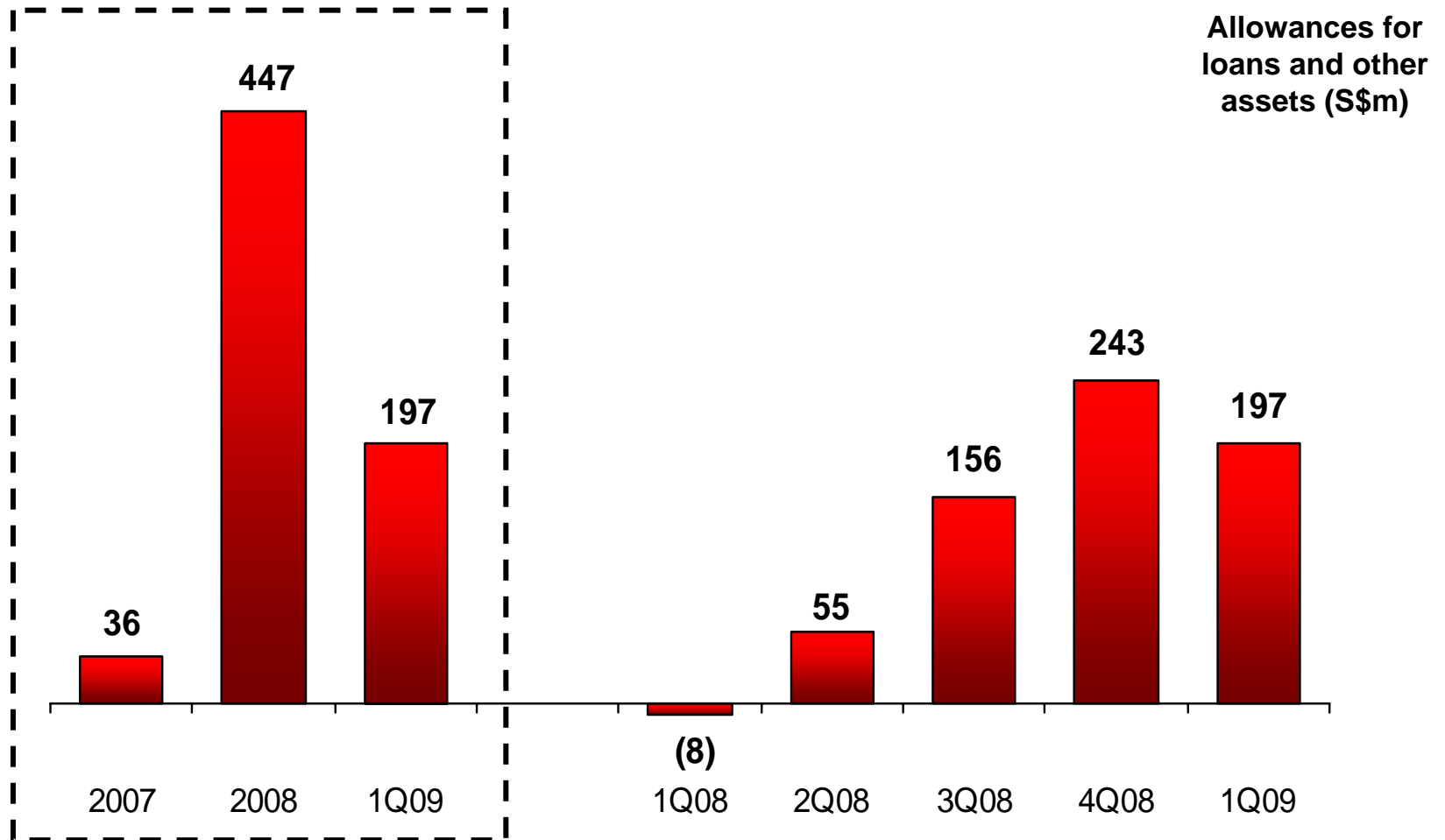
# Operating profit up 61% QoQ



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# Net allowances significantly higher YoY due to provisions for loans and CDOs



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# Breakdown of allowances

	1Q09	4Q08	1Q08
	S\$m	S\$m	S\$m
Specific allowances/ (write-back) for loans	88	159	(7)
Portfolio allowances for loans	2	11	-
Allowances for CDOs	94	15	-
Allowances/(write-back) for other assets	13	58	(1)
<b>Total net allowances</b>	<b>197</b>	<b>243</b>	<b>(8)</b>

# Movement in specific allowances for loans

	1Q09	4Q08	1Q08
	S\$m	S\$m	S\$m
Allowances for new and existing NPLs	138	222	72
Write-backs <sup>1/</sup>	(42)	(51)	(64)
Recoveries <sup>2/</sup>	(9)	(12)	(14)
<b>Net Specific Allowances/ (Write-backs)</b>	<b>88</b>	<b>159</b>	<b>(6)</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 now fully provided for

(S\$m)	As at 31 Mar 2009				As at 31 Dec 2008			
	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>	100	(100)	-	-	252	(252)	-	-
Corporate CDOs <sup>2/</sup>	205	(136)	(69)	-	201	(47)	(66)	(70)
<b>Total CDOs</b>	<b>305</b>	<b>(236)</b>	<b>(69)</b>	<b>-</b>	<b>453</b>	<b>(299)</b>	<b>(66)</b>	<b>(70)</b>

<sup>1/</sup> Exposure and cumulative allowances declined from Dec 08 levels due to write-offs of S\$149m and liquidation of S\$17m in ABS CDOs, with some offset from foreign exchange movements

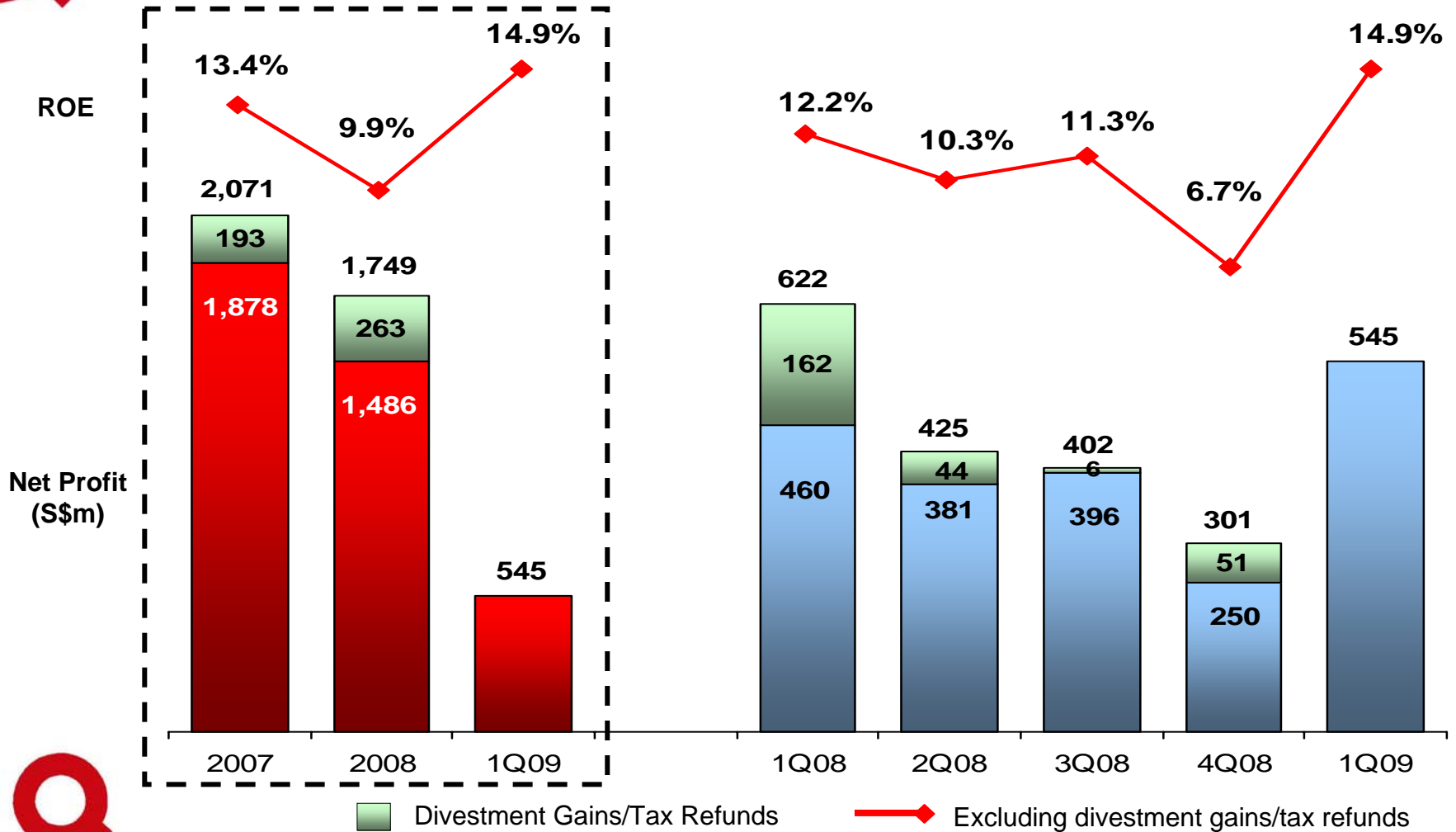
<sup>2/</sup> Additional allowances of S\$94m for corporate CDOs were taken in 1Q09; exposure rose slightly from Dec 08 due to foreign exchange movements

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

- **Provided S\$94m for corporate CDOs, effectively writing down the remaining value of the portfolio through the income statement, instead of continuing to mark to market through negative fair value adjustments in equity**
- **ABS CDOs and corporate CDOs now fully written down through the income statement**
- **S\$162m out of S\$305m investment exposure are classified as NPAs**

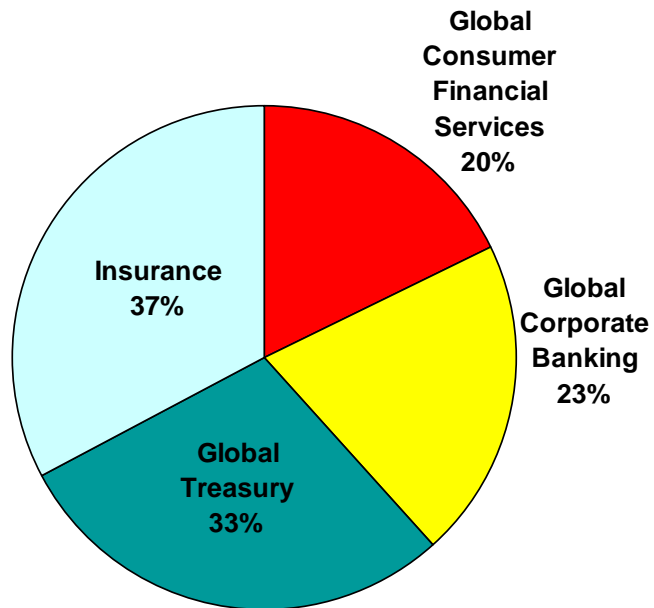


# Improvement in ROE



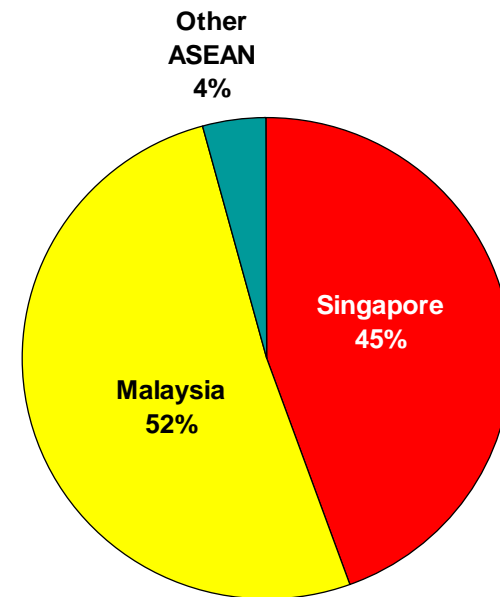
# Earnings contribution by segments

## 1Q09 PBT by Business Segment



"Others" segment (not shown) accounted for -13%, mainly joint income elimination and other unattributed items

## 1Q09 PBT by Geography



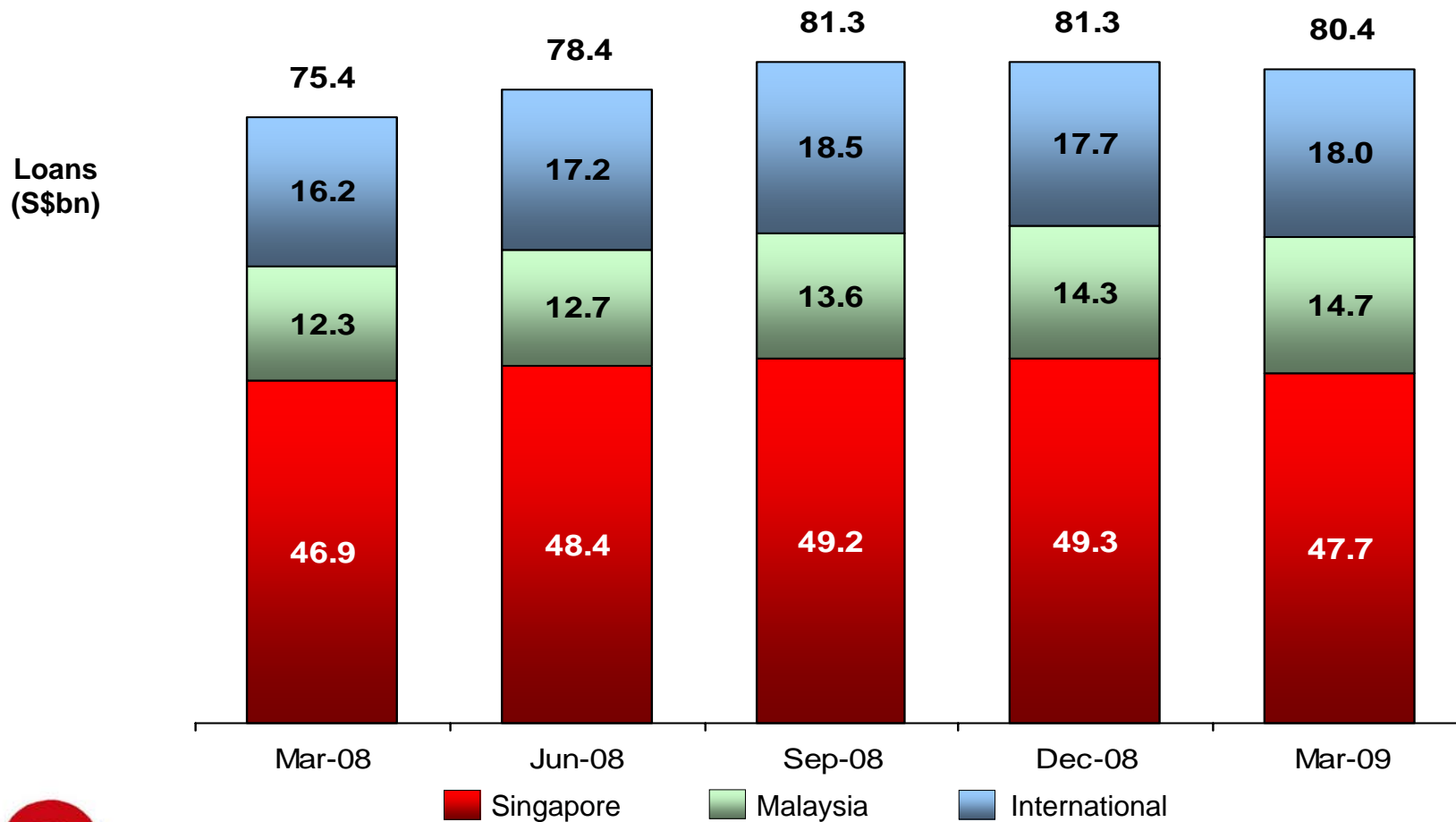
"Others" segment (not shown) accounted for -1%



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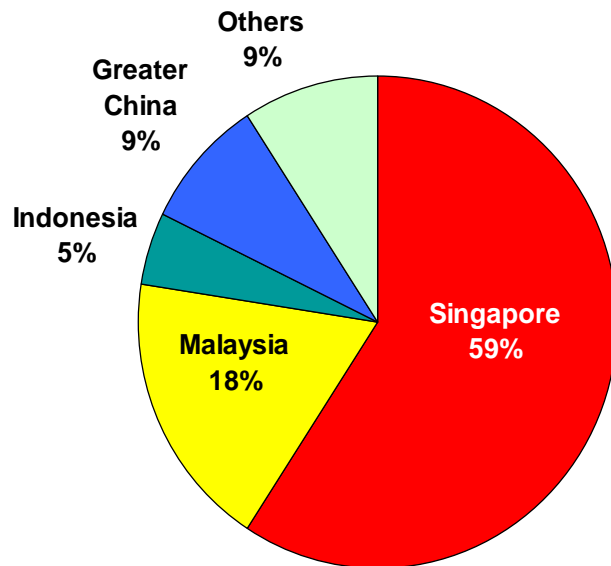
# Loans grew 7% YoY, declined 1% from previous quarter



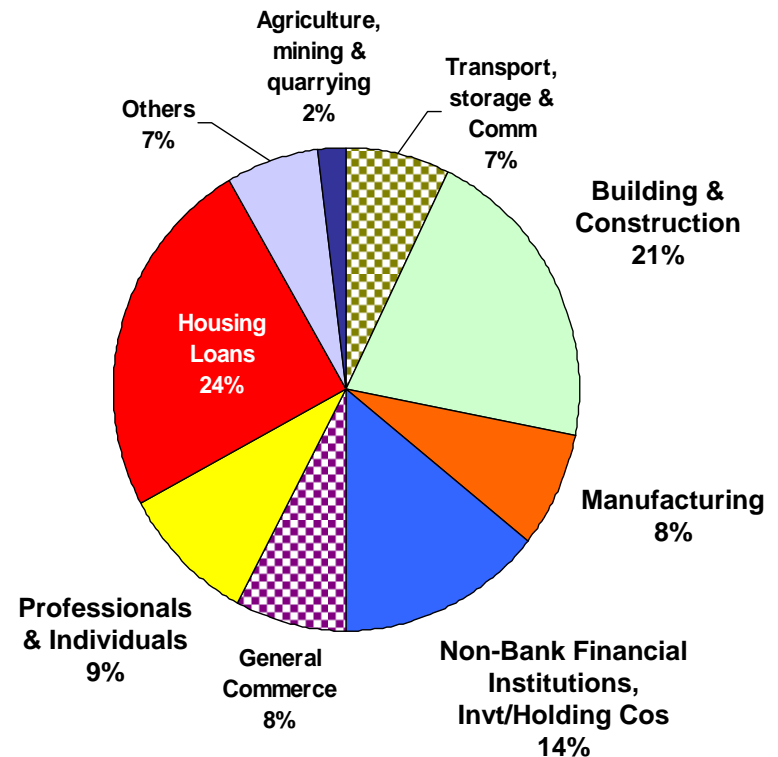
Note: Loans by geography are based on where the credit risks reside

# Diversified loans

## Loans by Geography\*

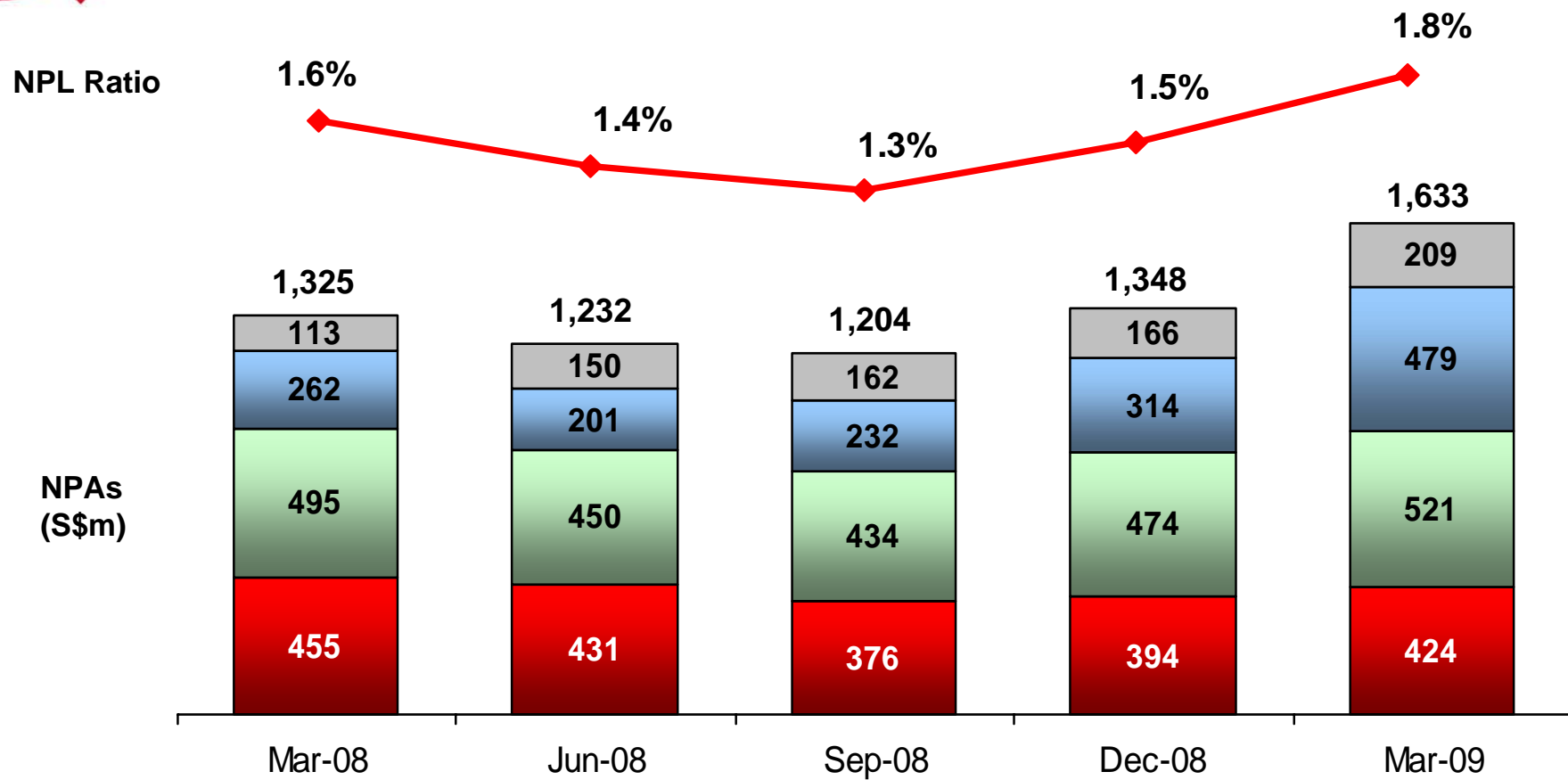


## Loans by Sector



\* 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 rising due to weak economic conditions; Singapore and Malaysia portfolios relatively resilient



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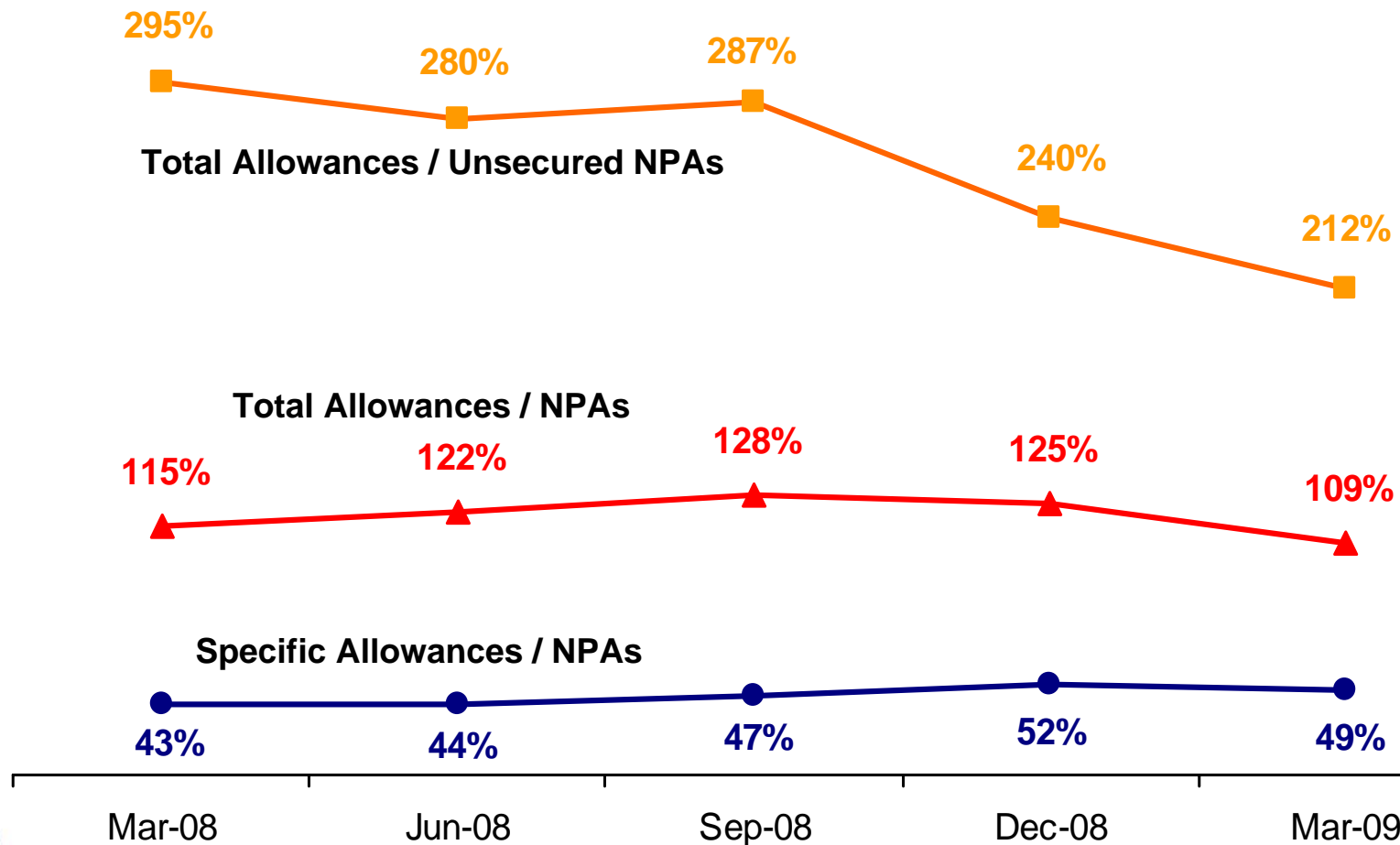
■ Singapore NPLs    
 ■ Malaysia NPLs    
 ■ International NPLs    
 ■ Debt securities/CDOs



# Movement in NPAs

	1Q09	4Q08	1Q08	2008
	S\$m	S\$m	S\$m	S\$m
Opening Balance (excluding CDOs)	1,239	1,089	1,268	1,268
New NPAs	423	343	200	873
Net Recoveries/Upgrades	(123)	(169)	(185)	(779)
Write-offs	(77)	(24)	(41)	(123)
<b>Closing Balance (excl CDOs)</b>	<b>1,462</b>	<b>1,239</b>	<b>1,242</b>	<b>1,239</b>
Add: Classified CDOs	171	109	83	109
<b>Closing Balance (including CDOs)</b>	<b>1,633</b>	<b>1,348</b>	<b>1,325</b>	<b>1,348</b>

# Allowance coverage of 109% over total NPAs and 212% over unsecured NPAs



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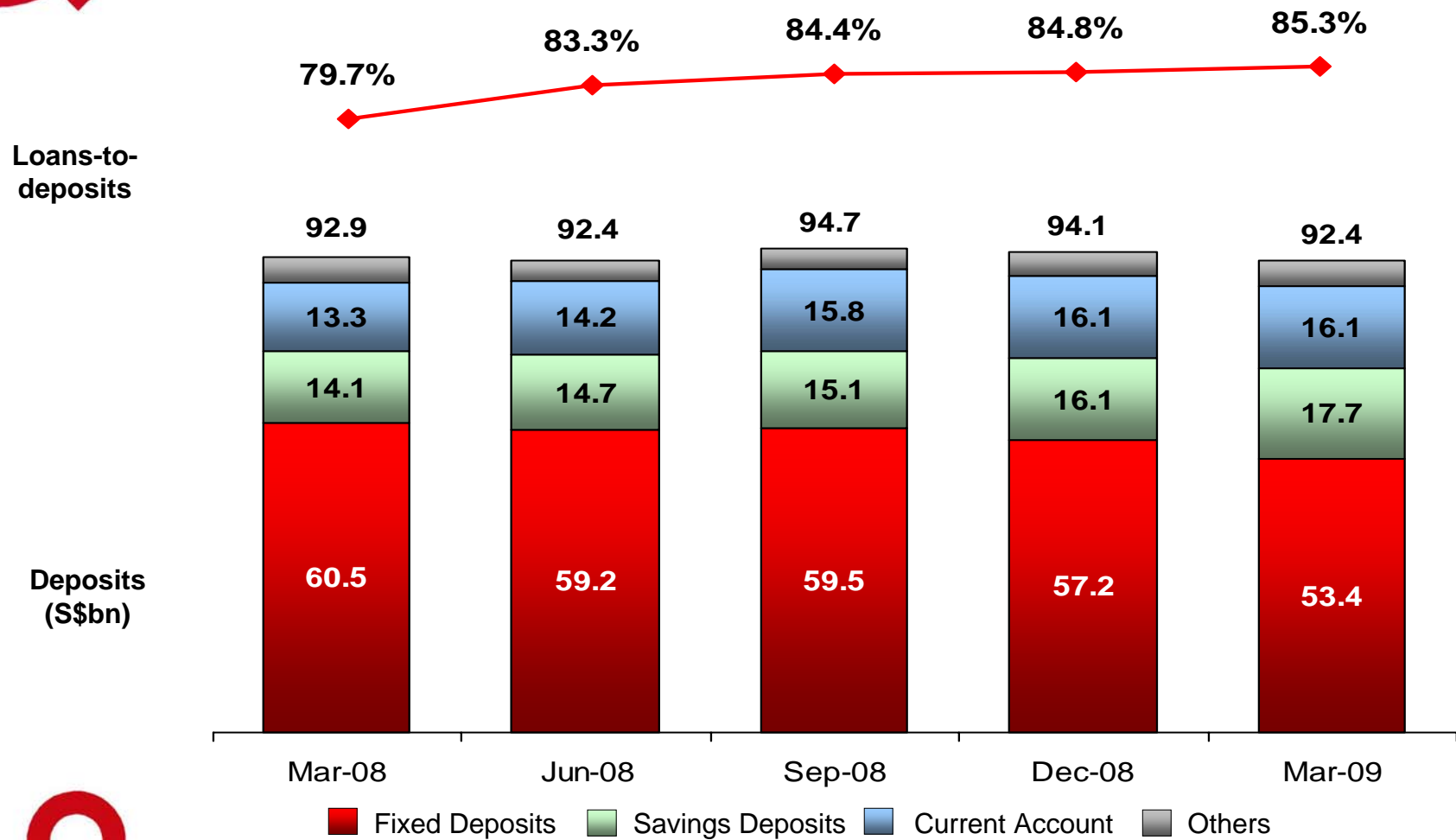
# AFS Portfolio and Fair Value Reserves

	Mar-09	Dec-08	Mar-08
	S\$m	S\$m	S\$m
<u>Available-for-Sale Securities</u>			
Corporate Debt Securities	6,912	7,563	8,178
Equities	1,767	1,621	2,237
Government Securities	15,741	12,703	10,291
- Singapore	11,392	8,693	7,783
- Others	4,349	4,010	2,508
<b>Total</b>	<b>24,420</b>	<b>21,887</b>	<b>20,706</b>
<b>Fair Value Reserves *</b>	<b>380</b>	<b>222</b>	<b>1,124</b>

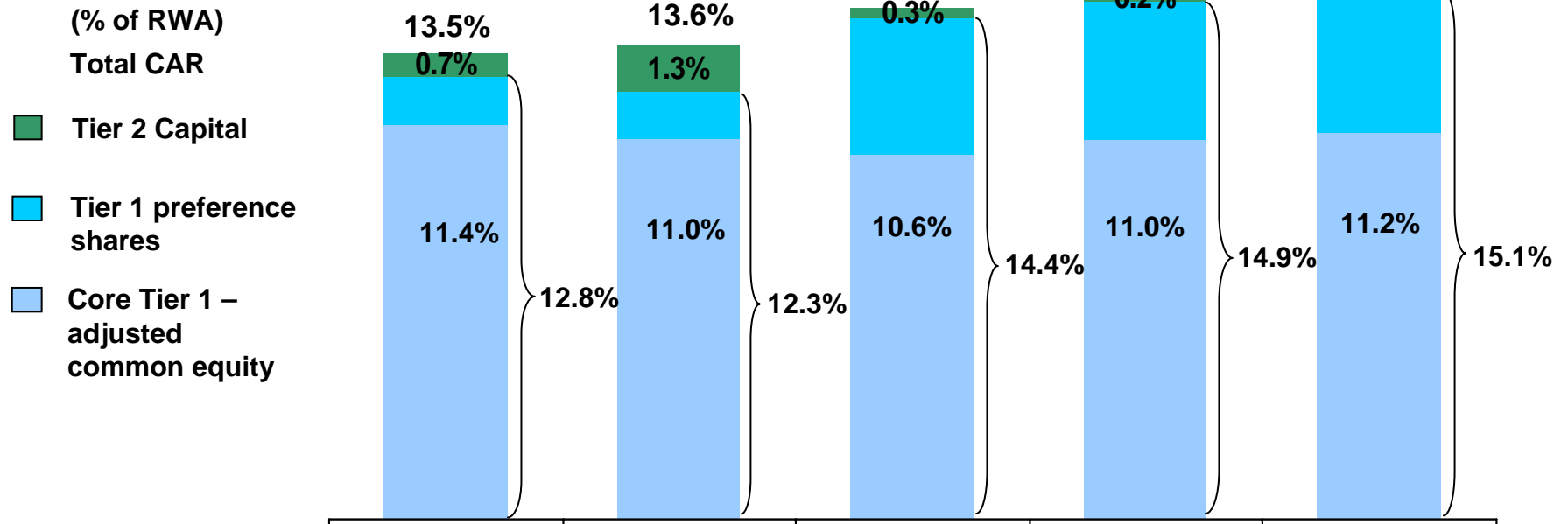
\* Net unrealised fair value gains on the AFS book, included in shareholders' equity



# Strong growth in savings and current deposits offset by decline in FDs



# Strong Tier 1 ratio of 15.1%, core Tier 1 of 11.2%



(S\$m)	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
Tier 1 Capital	11,530	11,531	14,085	14,261	14,475
Tier 1 Prefs	1,296	1,296	3,796	3,796	3,796
RWA	89,645	93,331	97,488	95,522	95,397

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



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# GEH: Quarterly contribution

## GEH's Contribution to OCBC's Results

	1Q09	1Q08	YoY	4Q08	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Total Income	308	67	368	147	110
Operating Expenses	(24)	(29)	(15)	(48)	(49)
Operating Profit	284	38	664	99	187
Amortisation of Intangibles	(12)	(12)	1	(12)	0
Allowances	(3)	(3)	(3)	(40)	(93)
Associates & JVs	(1)	(2)	47	(6)	79
Tax & Minority Interests	(71)	(20)	263	6	n.m.
<b>Core Net Profit contribution *</b>	<b>197</b>	<b>1</b>	<b>n.m.</b>	<b>47</b>	<b>315</b>

\* Core profit contribution excludes S\$10m tax writebacks in 4Q08 and S\$28m gains from divestment of Straits Trading shares in 1Q08



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# OCBC Malaysia: 1Q09 results

	1Q09	1Q08	YoY	4Q08	QoQ
<u>Unaudited Results*</u>	RM m	RM m	+/(-)%	RM m	+/(-)%
Net Interest Income	252	233	8	262	(4)
Islamic Banking Income	33	27	20	32	3
Non-Interest Income	173	149	17	120	44
<b>Total Income</b>	<b>458</b>	<b>409</b>	<b>12</b>	<b>414</b>	<b>11</b>
Operating Expenses	(140)	(143)	(2)	(158)	(12)
<b>Operating Profit</b>	<b>319</b>	<b>266</b>	<b>20</b>	<b>256</b>	<b>24</b>
Allowances	(43)	(17)	160	(88)	(51)
Tax	(71)	(68)	4	(45)	55
<b>Net Profit</b>	<b>205</b>	<b>181</b>	<b>13</b>	<b>123</b>	<b>67</b>

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



# OCBC Malaysia: Financial ratios

	1Q09	4Q08	1Q08
	%	%	%
Net Interest Margin	2.46	2.61	2.46
Non-Interest Income / Total Income	37.8	29.0	36.3
Cost-to-Income Ratio	30.5	38.2	35.0
Loans-to-Deposits Ratio	79.0	83.2	84.3
Gross NPL Ratio	3.6	3.4	3.7
Loans Growth (YoY)	8.8	13.3	15.3
ROE	25.8	16.5	28.4



# Bank OCBC NISP: 1Q09 Results

	1Q09	1Q08	YoY	4Q08	QoQ
	RP bn	RP bn	+/(-)%	RP bn	+/(-)%
<u>Unaudited Results*</u>					
Net Interest Income	399	302	32	390	2
Non Interest Income	119	88	35	194	(39)
Expenses	(335)	(308)	9	(342)	(2)
<b>Operating Profit</b>	<b>183</b>	<b>82</b>	<b>123</b>	<b>242</b>	<b>(24)</b>
Allowances	(79)	(6)	n.m.	(112)	(29)
<b>Net Profit</b>	<b>73</b>	<b>54</b>	<b>35</b>	<b>90</b>	<b>(18)</b>

\* Bank OCBC NISP's contribution to Group net profit was S\$14m in 1Q09, S\$10m in 4Q08 and S\$5m in 1Q08

# Bank OCBC NISP: Financial ratios

	1Q09	4Q08	1Q08
	%	%	%
Net Interest Margin	5.04	5.23	4.99
Non-Interest Income / Total Income	23.0	33.2	22.5
Cost-to-Income Ratio	64.6	58.7	77.8
Loans-to-Deposits Ratio	71.0	76.7	91.3
Gross NPL Ratio	3.6	2.7	2.6
Loans Growth (YoY)	3.0	8.9	16.6
ROE	8.2	10.2	6.5







## In Summary

- **Operating profit grew strongly on higher revenues and tighter cost control**
- **Trading income recovered following an exceptionally difficult fourth quarter**
- **CDO portfolio written down completely**
- **Loan and securities portfolios fairly resilient given the difficult times**
- **Outlook however remains uncertain; vigilant risk management, cost discipline and supporting customers remain our key priorities**





# First Quarter 2009 Results

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