

# Third Quarter 2009 Results

## Presentation

28 October 2009



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# Agenda

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

## Third quarter core net profit rose 14% YoY, down 3% QoQ – includes GLC loss of S\$213m (S\$154m net impact)

	3Q09	3Q08	YoY	2Q09	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	689	684	1	710	(3)
Non-Interest Income <sup>1/</sup>	392	462	(15)	494	(21)
<b>Total Income</b>	<b>1,081</b>	<b>1,146</b>	<b>(6)</b>	<b>1,204</b>	<b>(10)</b>
Operating Expenses	(467)	(492)	(5)	(450)	4
<b>Operating Profit</b>	<b>614</b>	<b>654</b>	<b>(6)</b>	<b>754</b>	<b>(19)</b>
Amortisation of Intangibles	(12)	(12)	-	(12)	-
Allowances	(52)	(156)	(67)	(104)	(50)
Associates & JVs	2	5	(62)	1	312
Tax & Minority Interests	(102)	(95)	7	(173)	(41)
<b>Core Net Profit</b>	<b>450</b>	<b>396</b>	<b>14</b>	<b>466</b>	<b>(3)</b>
Tax Refunds	-	6	-	-	-
<b>Reported Net Profit</b>	<b>450</b>	<b>402</b>	<b>12</b>	<b>466</b>	<b>(3)</b>

<sup>1/</sup> 3Q09 non-interest income includes loss of S\$213m relating to redemption of GreatLink Choice policies by GEH

## Core net profit for nine months up 18% YoY

	9M09	9M08	YoY
	S\$m	S\$m	+/(-)%
Net Interest Income	2,138	2,000	7
Non-Interest Income <sup>1/</sup>	1,493	1,198	25
<b>Total Income</b>	<b>3,631</b>	<b>3,198</b>	<b>14</b>
Operating Expenses	(1,330)	(1,391)	(4)
<b>Operating Profit</b>	<b>2,301</b>	<b>1,807</b>	<b>27</b>
Amortisation of Intangibles	(35)	(35)	-
Allowances	(353)	(203)	73
Associates & JVs	2	9	(77)
Tax & Minority Interests	(454)	(341)	33
<b>Core Net Profit</b>	<b>1,461</b>	<b>1,237</b>	<b>18</b>
Divestment Gains/Tax Refunds <sup>2/</sup>	-	212	-
<b>Reported Net Profit</b>	<b>1,461</b>	<b>1,449</b>	<b>1</b>

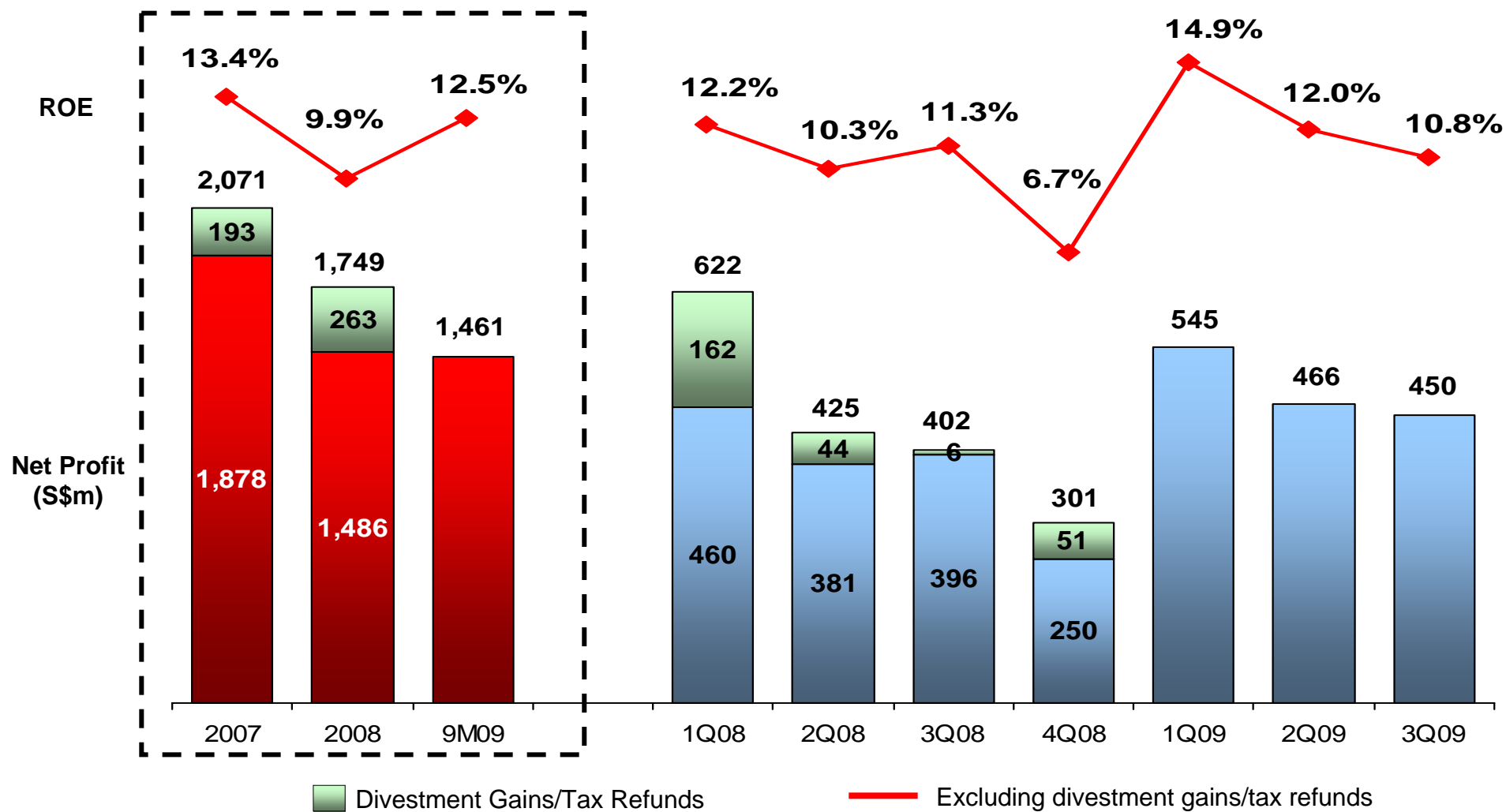
<sup>1/</sup> 9M09 non-interest income Includes GLC-related loss of S\$213m in 3Q09 and one-time insurance gains of S\$201m in 1Q09

<sup>2/</sup> Net divestment gains of S\$174m and tax refunds of S\$38m in 9M08.

## Key financial ratios - Based on core earnings

	9M09	9M08	3Q09	2Q09	3Q08
	%	%	%	%	%
Net Interest Margin	2.29	2.20	2.16	2.29	2.18
Non-Interest Income/ Total Income	41.1	37.5	36.3	41.0	40.3
Cost-to-Income Ratio	36.6	43.5	43.2	37.4	43.0
Loans-to-Deposits Ratio	79.7	84.4	79.7	80.3	84.4
NPL Ratio	1.8	1.3	1.8	2.1	1.3
Allowances/NPLs	102.8	127.8	102.8	97.1	127.8
ROE	12.5	11.6	10.8	12.0	11.3
Cash ROE	12.8	12.0	11.1	12.3	11.7

# Nine months' core earnings almost matching full year 2008; ROE improves to 12.5%

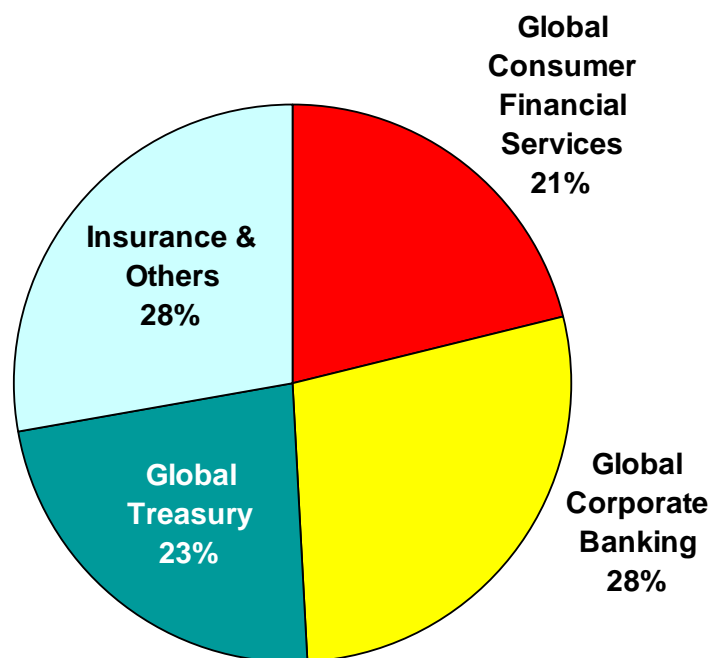


Note: 1Q09 includes net non-recurring gains of S\$175m from GEH; 3Q09 includes net GLC-related loss of S\$154m



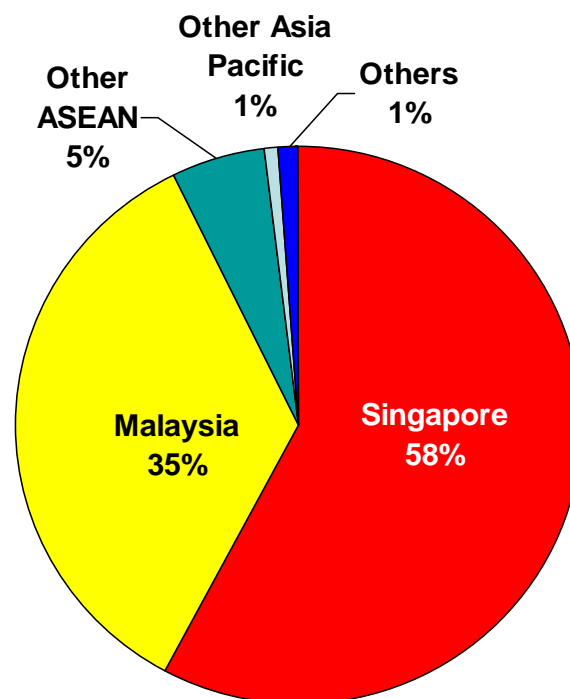
# Earnings contribution by segments

## 9M09 PBT by Business Segment



Note: Pretax profit before joint income elimination and before items not attributed to business segments

## 9M09 PBT by Geography



## Excluding GEH: Third quarter core net profit grew 49% YoY, 10% QoQ

### Excluding GEH

	3Q09	3Q08	YoY	2Q09	QoQ
	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Net Interest Income	674	665	1	694	(3)
Non-Interest Income	350	282	24	307	14
Total Income	1,024	947	8	1,001	2
Operating Expenses	(431)	(455)	(5)	(400)	8
<b>Operating Profit</b>	<b>593</b>	<b>492</b>	<b>20</b>	<b>601</b>	<b>(1)</b>
Allowances	(50)	(144)	(65)	(102)	(51)
Associates & JVs	3	8	(61)	1	165
Tax & Minority Interests	(116)	(68)	70	(110)	5
<b>Core Net Profit</b>	<b>430</b>	<b>288</b>	<b>49</b>	<b>390</b>	<b>10</b>
Tax Refunds	-	6	-	-	-
<b>Reported Net Profit</b>	<b>430</b>	<b>294</b>	<b>47</b>	<b>390</b>	<b>10</b>



## Excluding GEH: Nine months' core net profit up 4%

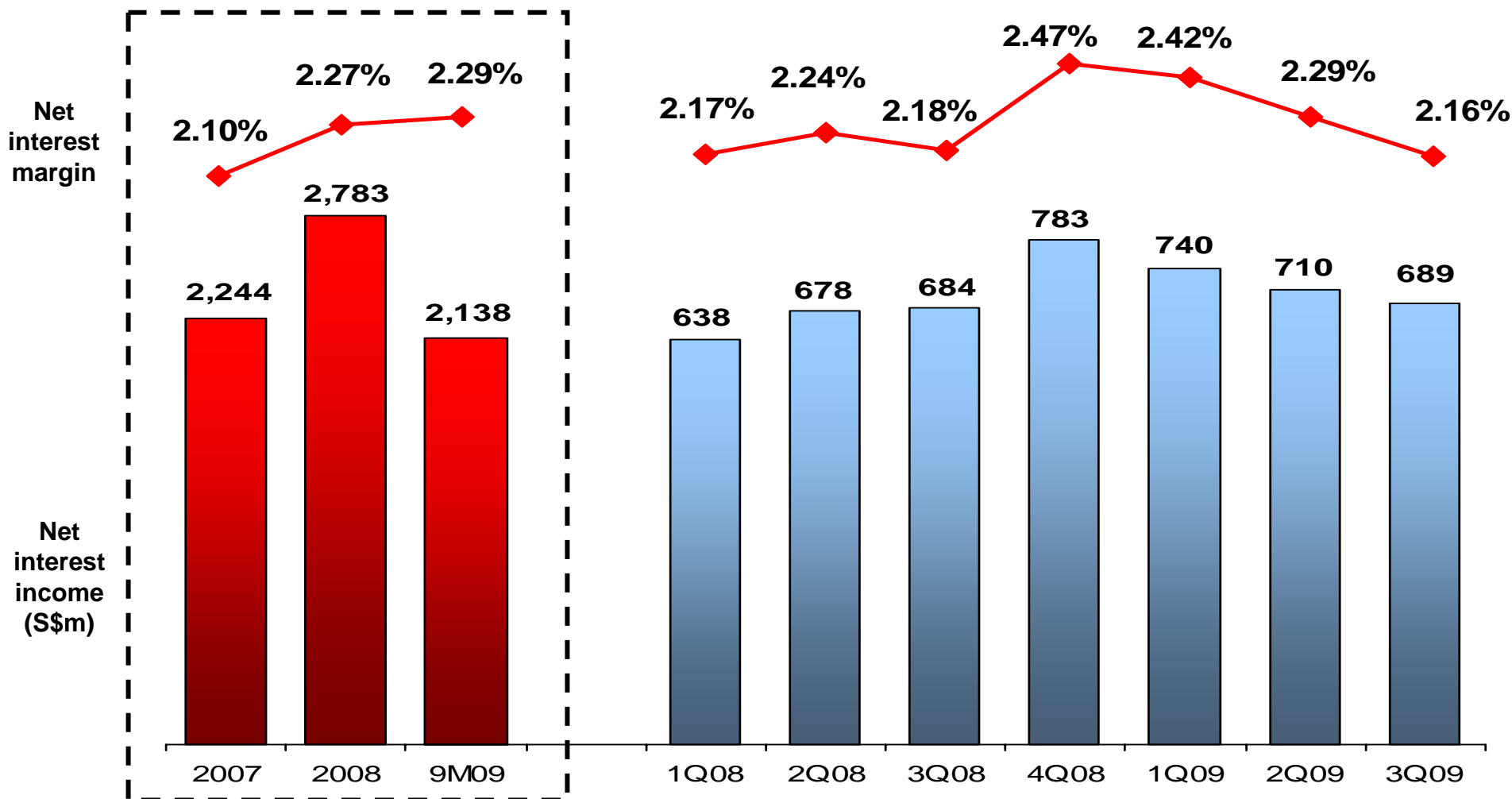
<u>Excluding GEH</u>	9M09	9M08	YoY
	S\$m	S\$m	+/(-)%
Net Interest Income	2,093	1,941	8
Non-Interest Income	970	922	5
Total Income	3,063	2,863	7
Operating Expenses	(1,219)	(1,287)	(5)
<b>Operating Profit</b>	<b>1,844</b>	<b>1,576</b>	<b>17</b>
Allowances	(347)	(188)	84
Associates & JVs	5	14	(64)
Tax & Minority Interests	(334)	(278)	20
<b>Core Net Profit</b>	<b>1,168</b>	<b>1,124</b>	<b>4</b>
Divestment Gains/Tax Refunds <sup>1/</sup>	-	183	-
<b>Reported Net Profit</b>	<b>1,168</b>	<b>1,307</b>	<b>(11)</b>

<sup>1/</sup> Net divestment gains of S\$145m and tax refunds of S\$38m in 9M08.

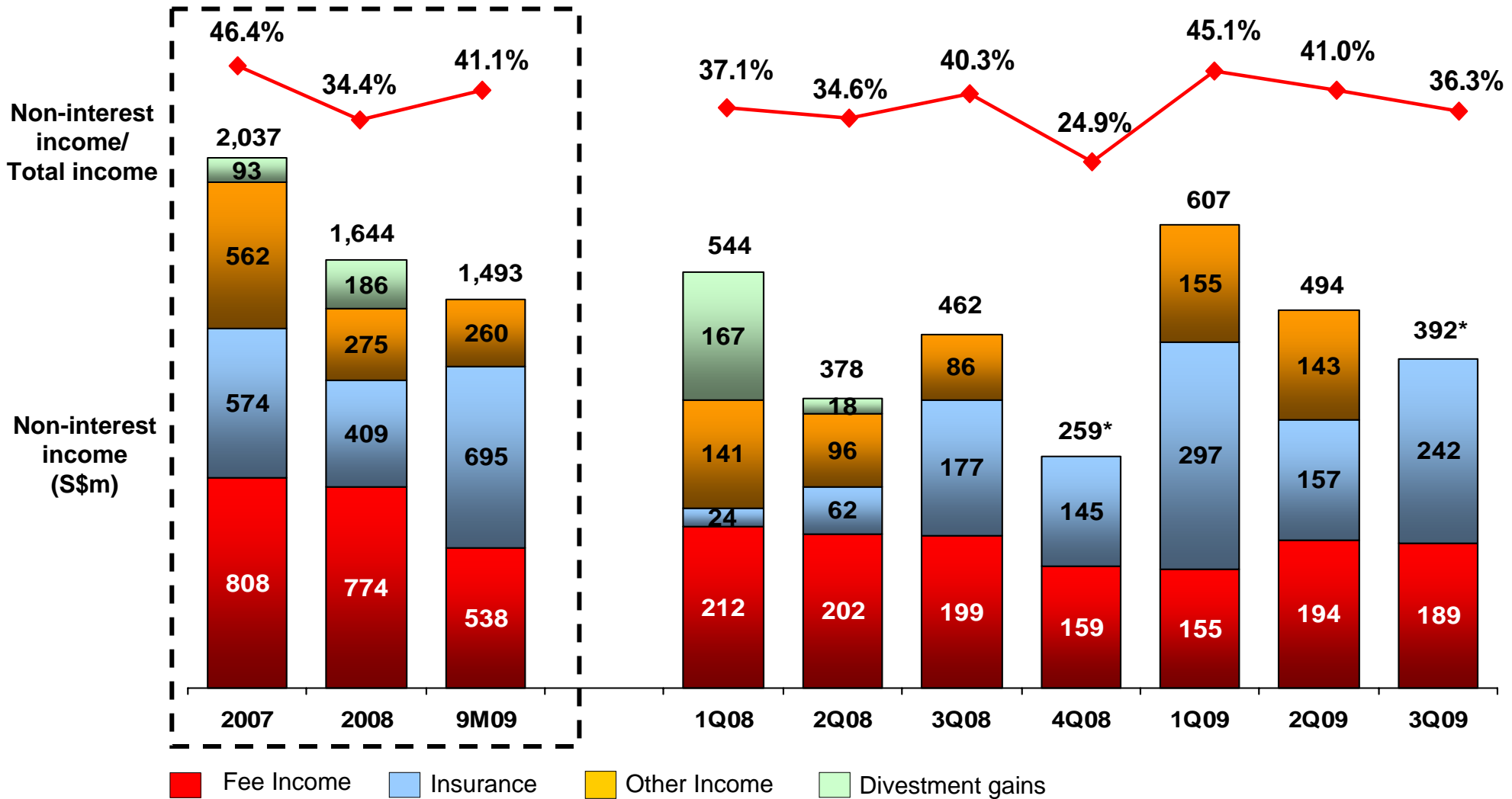
# Agenda

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# Net interest income up marginally YoY, fell 3% QoQ as margins narrowed under sustained low interest rate environment



# Non-interest income: Strong insurance, trading and investment income in 3Q09 offset by GLC loss



\* 3Q09 and 4Q08 include net losses of S\$39m and S\$45m, respectively, from "Other Income" (3Q09 includes GLC loss of S\$213m)



## GEH's life assurance profits up 68% over 2Q09

	3Q09	2Q09	3Q08	9M09	9M08
Life assurance profit from:	S\$m	S\$m	S\$m	S\$m	S\$m
- Participating Fund	20	27	26	76	75
- Non-participating Fund	163	74	103	432	63
- Investment-linked Fund	26	23	16	91	48
<b>Total life assurance profit</b>	<b>209</b>	<b>125</b>	<b>145</b>	<b>599*</b>	<b>185</b>

### Life assurance profit increased 44% YoY and 68% QoQ to S\$209m in 3Q09:

- Singapore non-par fund achieved better investment performance due to the continued recovery in equity and credit markets

### Insurance sales improved QoQ although still lower than a year ago:

- 3Q09 new business weighted premiums fell 17% YoY but increased 35% QoQ, driven by higher Singapore sales; 9M09 weighted premiums remains lower YoY (-24%)
- New business embedded value fell 12% in 3Q09 and 25% in 9M09

\* Includes non-recurring gains of S\$201m in 1Q09, mainly from adoption of Risk Based Capital framework in Malaysia

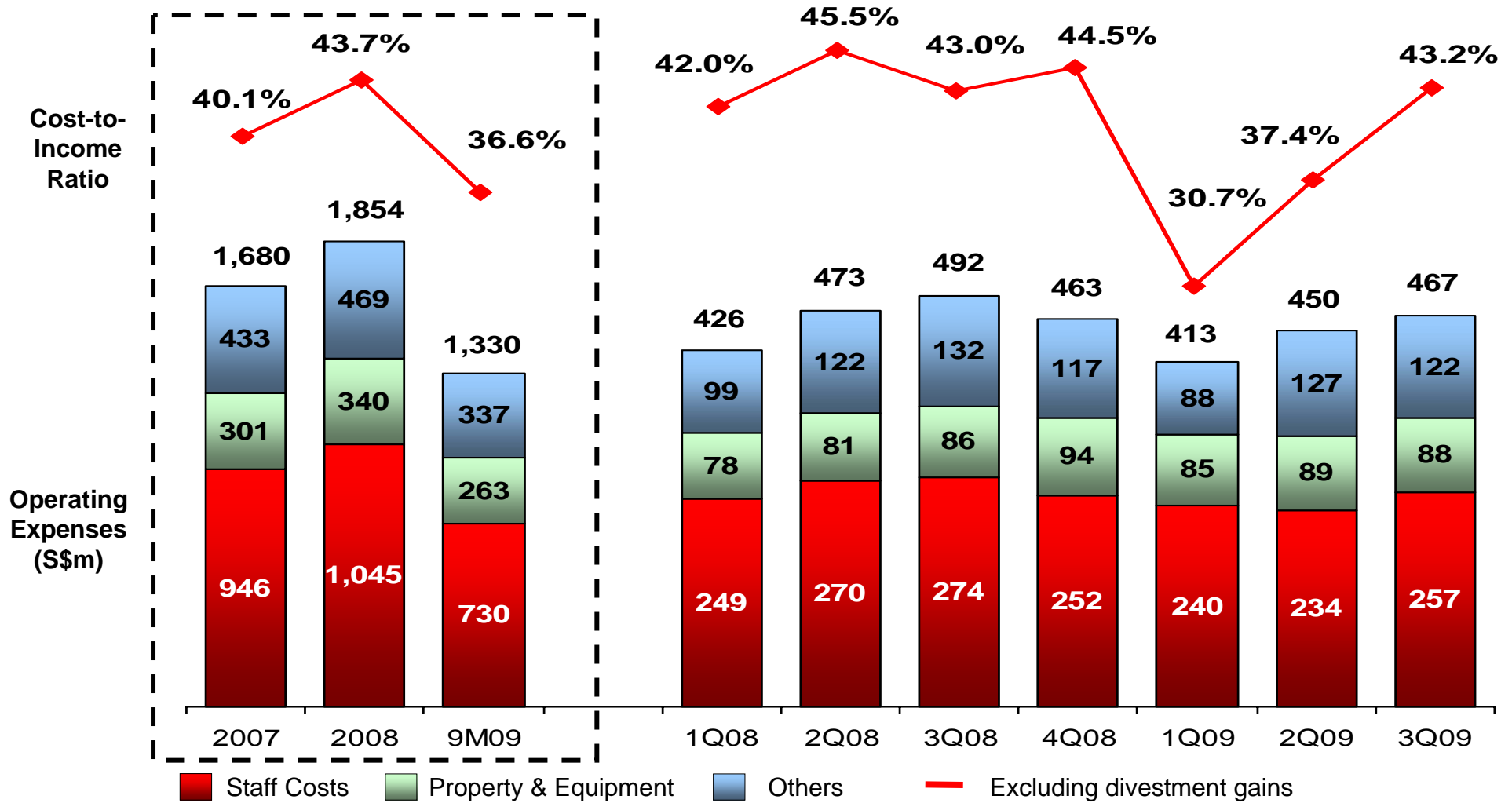
## Impact of GreatLink Choice redemption offer

- Underlying CDOs of redeemed GLC units accounted for at fair value in GEH's shareholder funds
- Carried at fair value of S\$193m as at 30 Sep 09 – mainly relating to GLC 1, 2 & 3 tranches
- Loss of S\$213m from the redemption offer was recognised in 3Q09 income statement

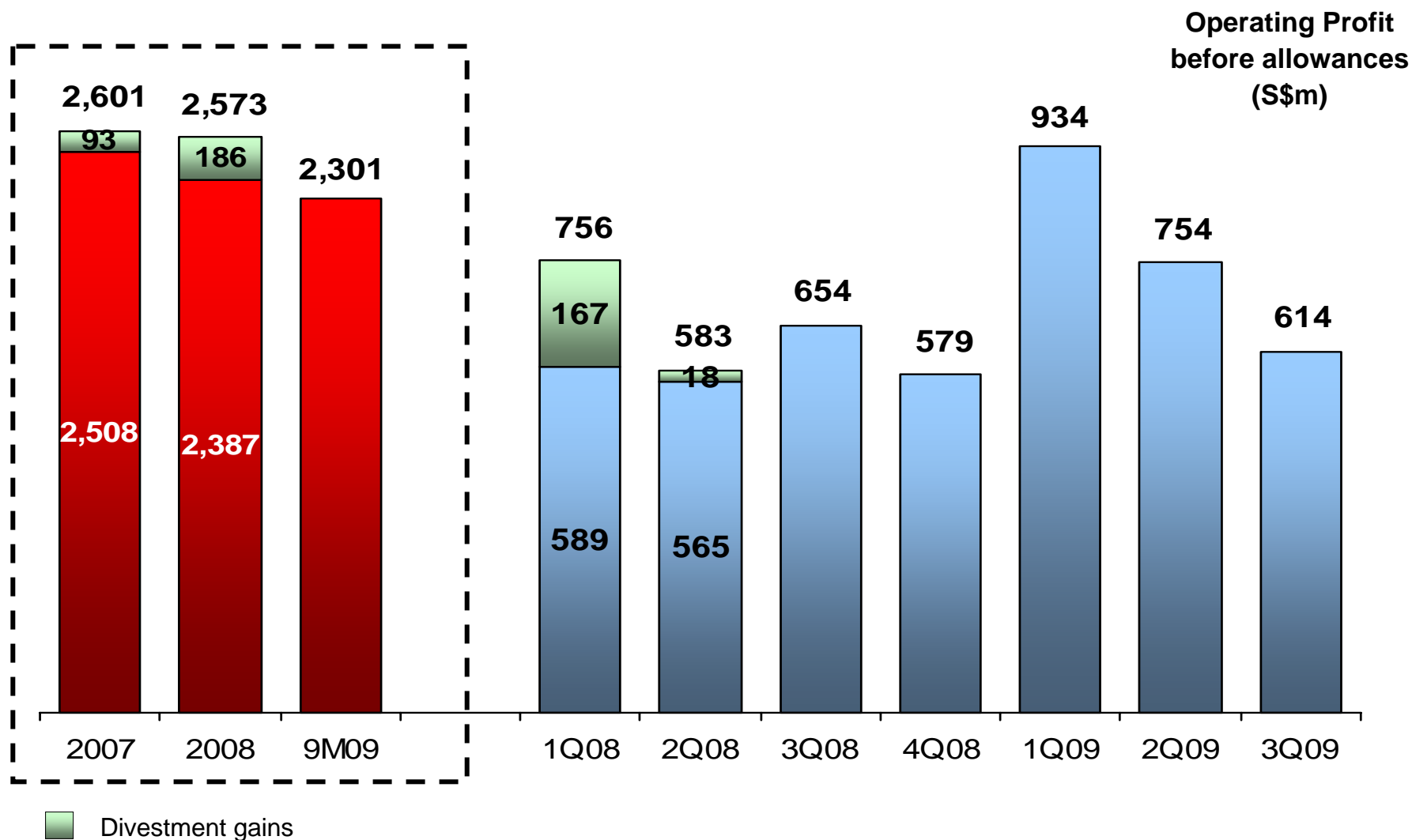
	Amount (S\$m)
Inforce single premiums invested*	592
<b>Nominal value of units redeemed*</b>	<b>514</b>
Less: Total annual payouts to-date	(40)
Redemption amount paid to policyholders	474
Less:	
- Recoveries	(25)
- Sale proceeds of principal portion of CDO (GLC 4, 5)	(42)
- Fair value of CDOs as at 30 Sep 09	(193)
<b>Loss on GLC Redemption</b>	<b>213</b>
<b>Net loss impact on OCBC Group's results (after tax and minorities)</b>	<b>154</b>

\* Based on S\$1.00 per GLC unit

# Expenses down 5% YoY in 3Q09, up 4% QoQ



# Core operating profit for nine months up 27%

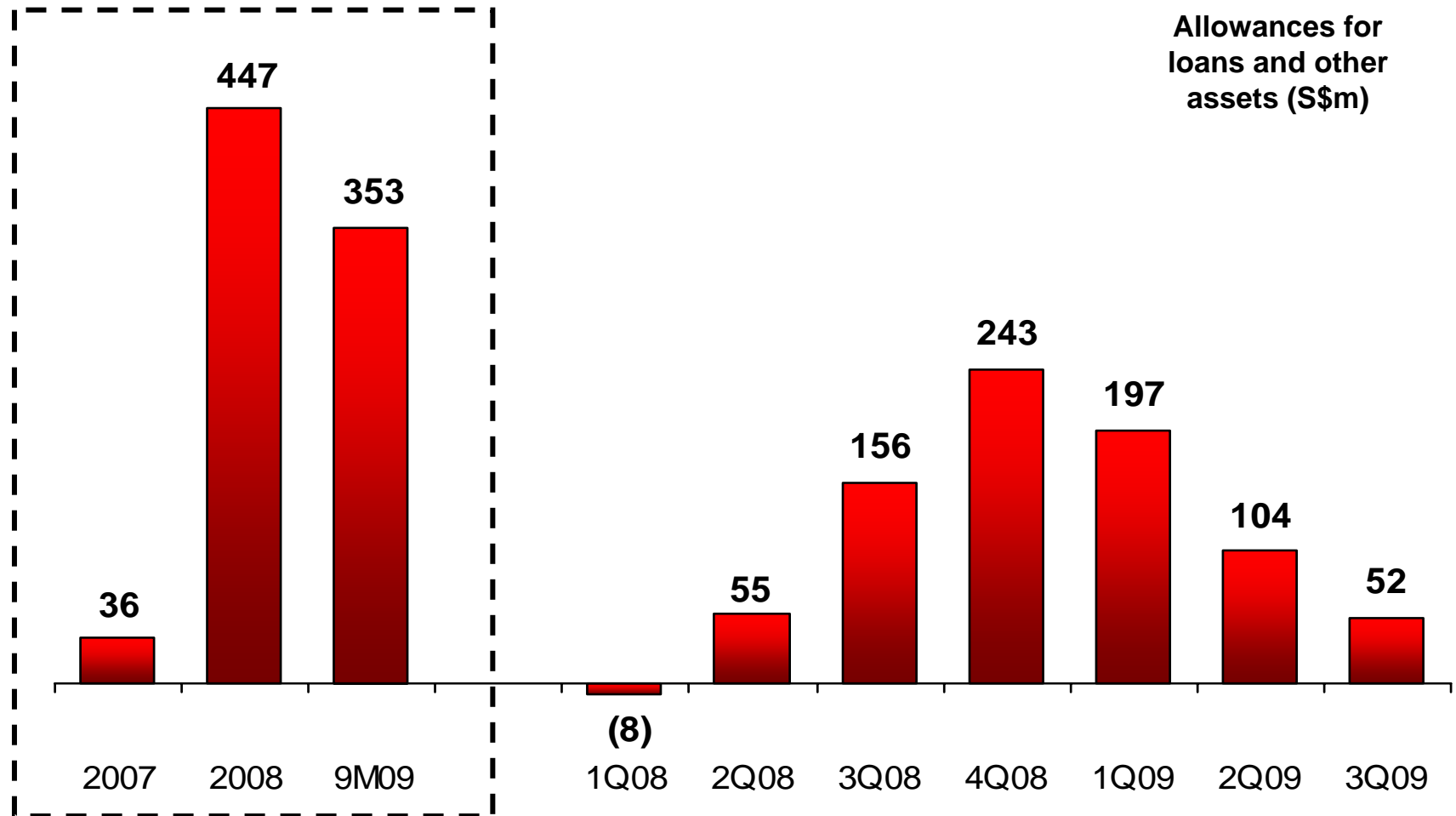


Note: 1Q09 includes S\$201m non-recurring gains from GEH; 3Q09 includes GLC-related loss of S\$213m





# Net allowances for loans and other assets: Declining trend since 4Q08



## Breakdown of allowances

	9M09	9M08	3Q09	2Q09	3Q08
	S\$m	S\$m	S\$m	S\$m	S\$m
Specific allowances for loans	181	5	49	44	30
Portfolio allowances for loans	12	9	5	5	9
Allowances for CDOs/(write-back)	86	71	(6)	(2)	4
Allowances for other assets	74	118	4	57	113
<b>Total net allowances</b>	<b>353</b>	<b>203</b>	<b>52</b>	<b>104</b>	<b>156</b>
Specific loan allowances/ average loans (bps)*	30	1	25	22	15

\* Annualised

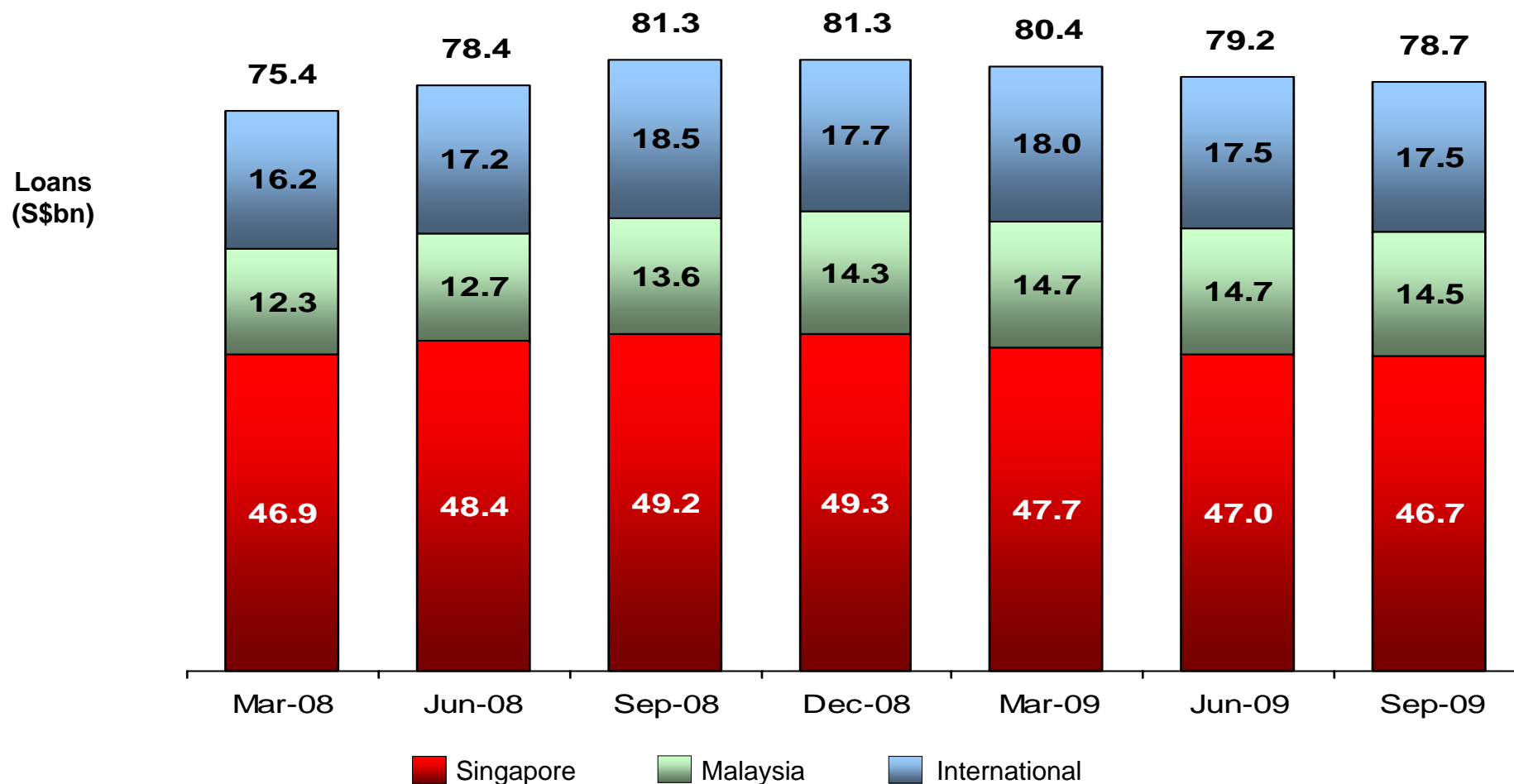
## Movement in specific allowances for loans

	9M09	9M08	3Q09	2Q09	3Q08
	S\$m	S\$m	S\$m	S\$m	S\$m
Allowances for new and existing NPLs	360	211	118	104	71
Write-backs <sup>1/</sup>	(144)	(157)	(51)	(51)	(34)
Recoveries <sup>2/</sup>	(36)	(49)	(17)	(10)	(7)
<b>Net Specific Allowances/ (Write-backs)</b>	<b>181</b>	<b>5</b>	<b>49</b>	<b>44</b>	<b>30</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

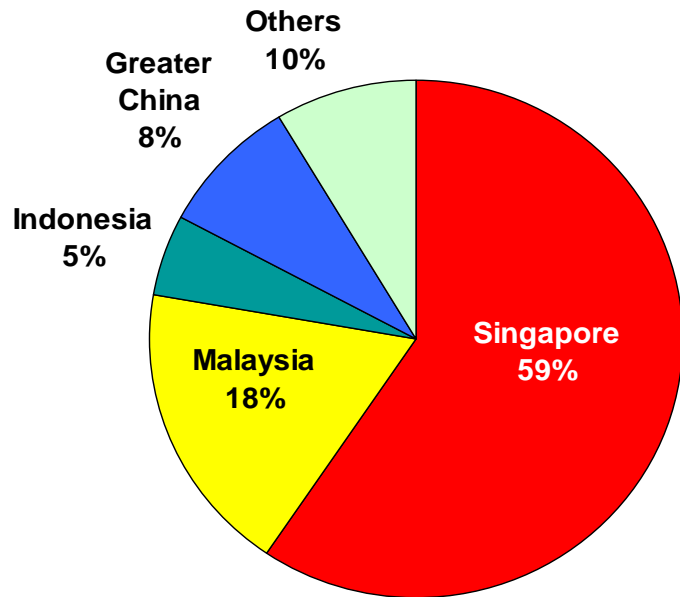
# Loans down 3% YoY due to loan repayments and subdued corporate loan demand



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

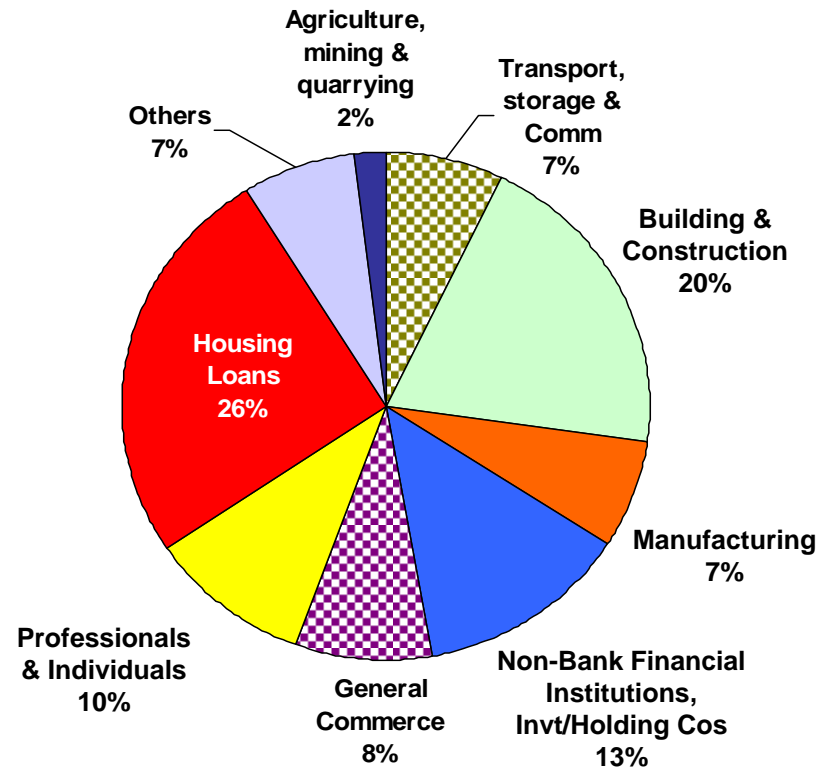
# Diversified loans

## Loans by Geography\*



As at 30 September 2009

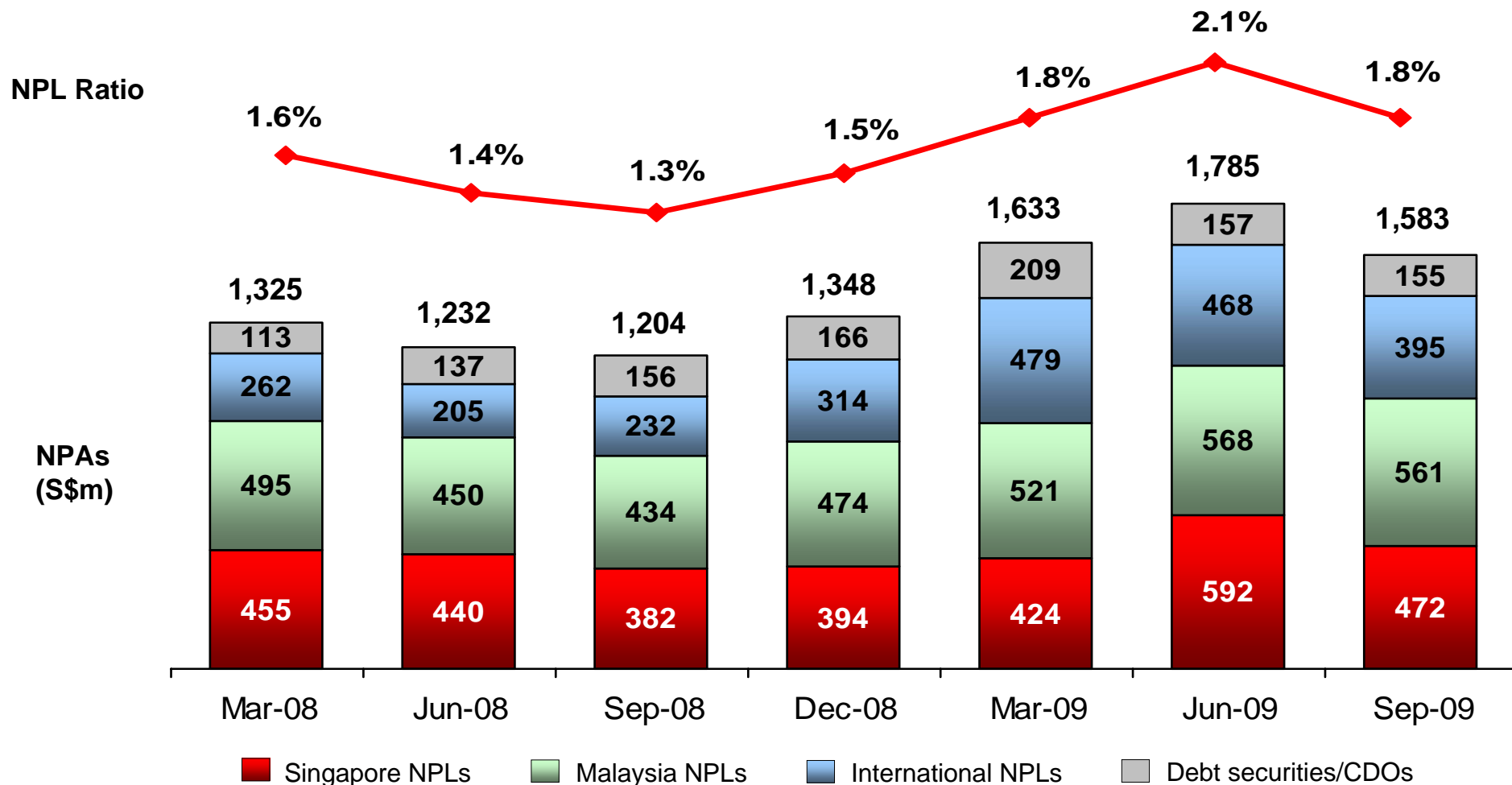
## Loans by Sector



As at 30 September 2009

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

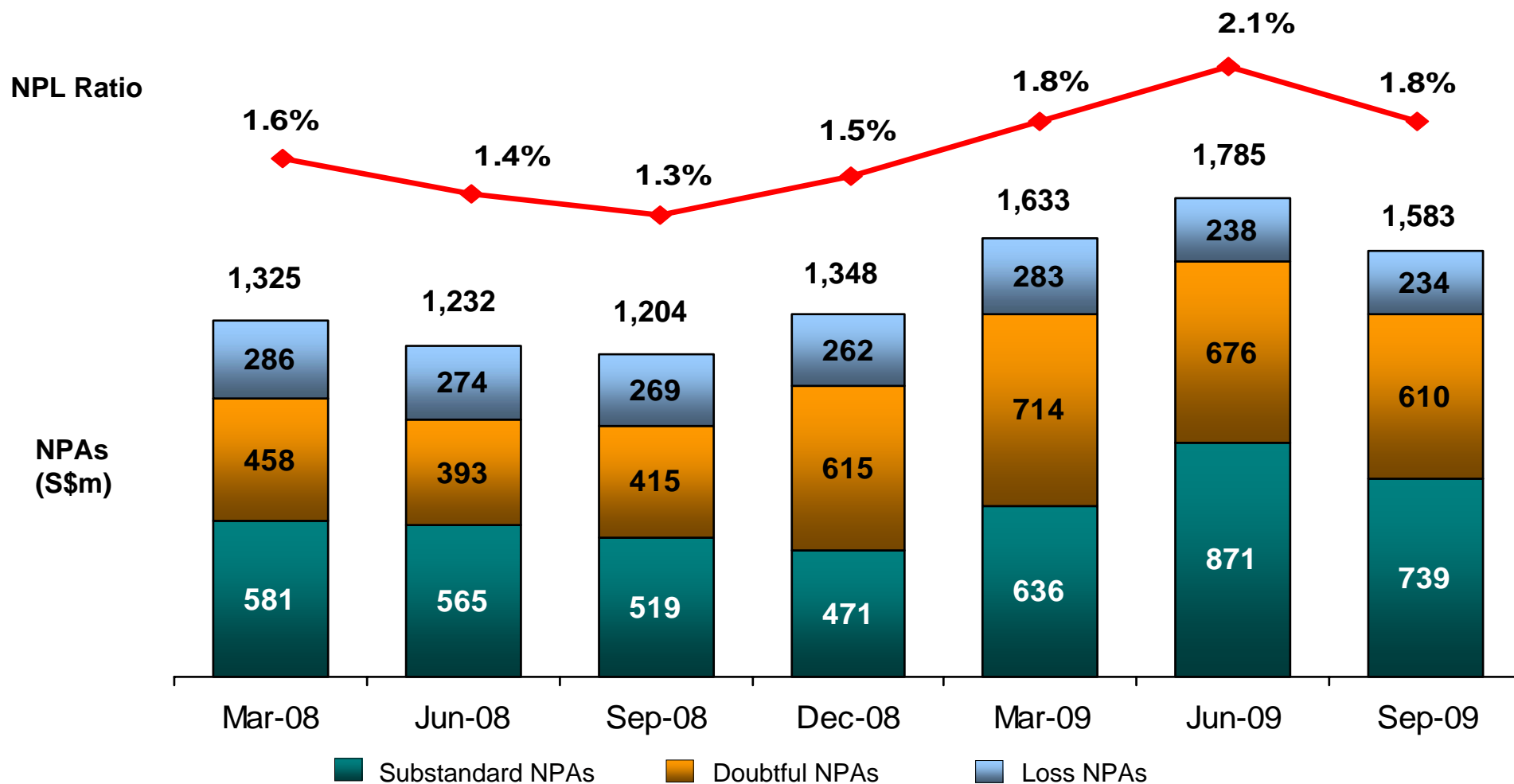
# NPLs declined 12% QoQ, NPL ratio improves to 1.8%



Note: NPAs comprise NPLs and classified debt securities/CDOs



# NPA's declined QoQ across all categories



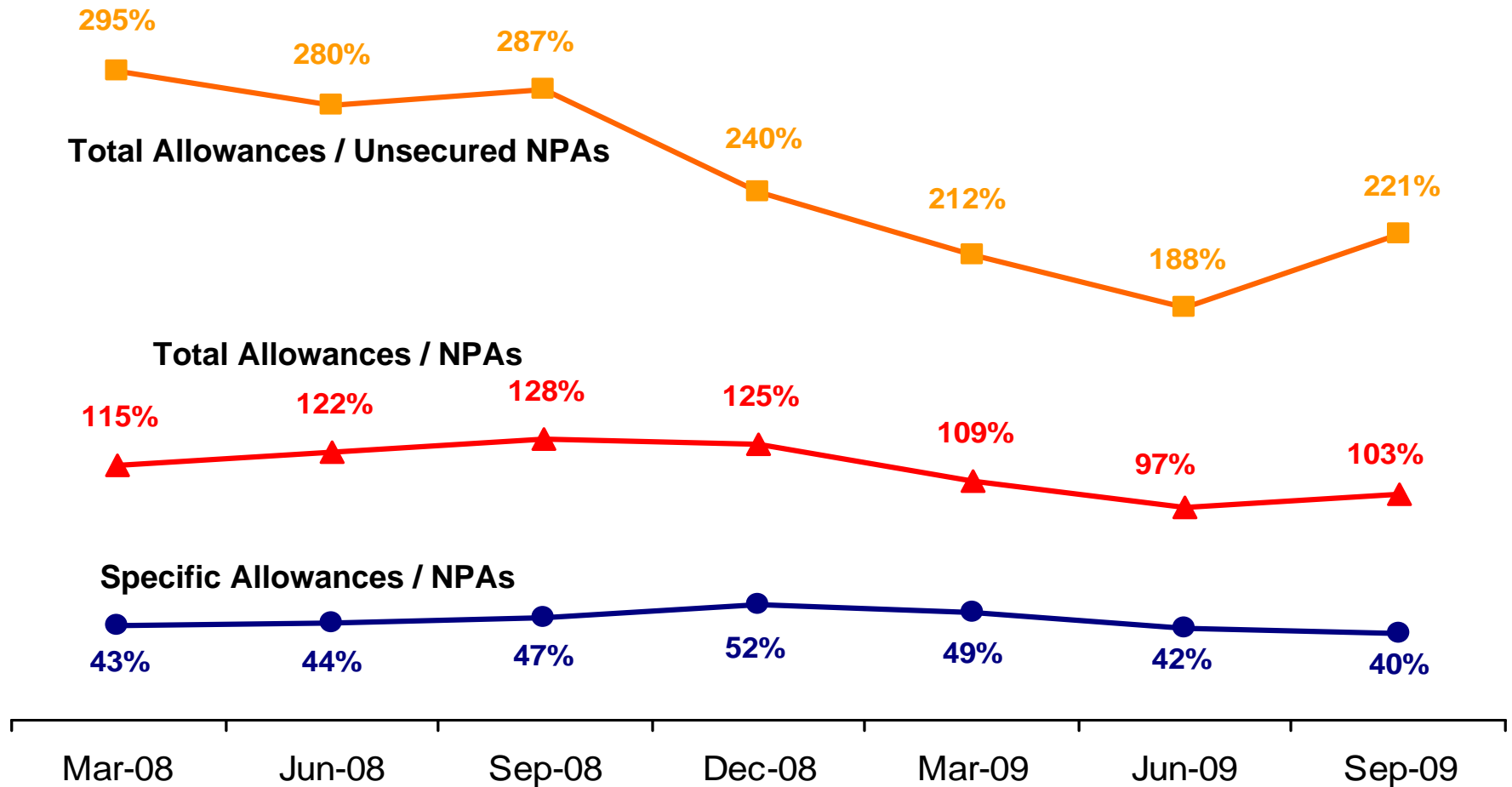
## New NPA formation has slowed in third quarter

### NPAs

	9M09	9M08	3Q09	2Q09	3Q08
	S\$m	S\$m	S\$m	S\$m	S\$m
Opening Balance (excluding CDOs)	1,239	1,268	1,658	1,462	1,122
New NPAs	999	529	158	417	168
Net Recoveries/Upgrades	(467)	(608)	(183)	(160)	(181)
Write-offs	(314)	(100)	(175)	(61)	(20)
<b>Closing Balance (excl CDOs)</b>	<b>1,458</b>	<b>1,089</b>	<b>1,458</b>	<b>1,658</b>	<b>1,089</b>
Add: Classified CDOs	125	115	125	127	115
<b>Closing Balance (incl CDOs)</b>	<b>1,583</b>	<b>1,204</b>	<b>1,583</b>	<b>1,785</b>	<b>1,204</b>



# Allowance coverage increased to 103% over total NPAs and 221% over unsecured NPAs

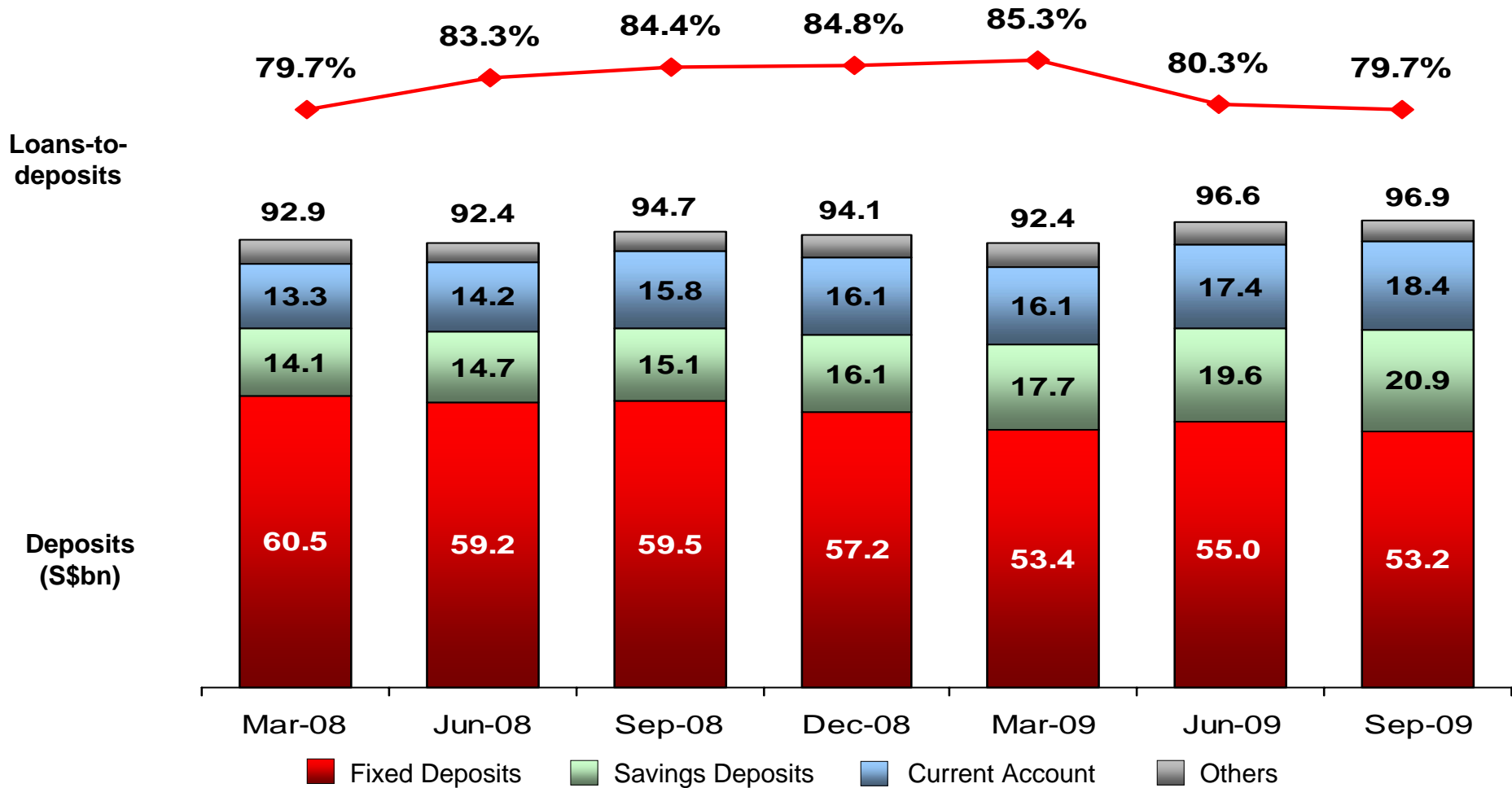


## AFS Portfolio – Fair value reserves increased by S\$168m QoQ

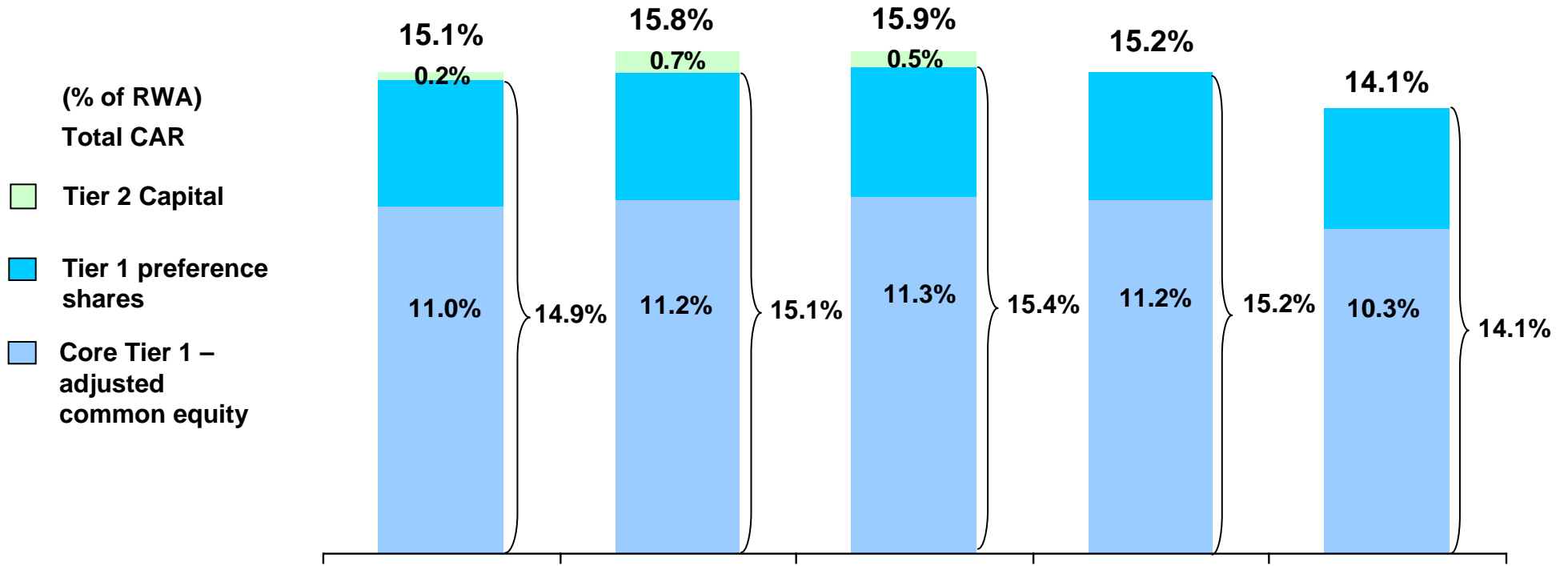
	Sep-09	Jun-09	Sep-08
	S\$m	S\$m	S\$m
<u>Available-for-Sale Securities</u>			
Corporate Debt Securities	7,152	6,795	8,267
Equities & investment funds	2,430	2,342	1,909
Government Securities	13,698	15,029	10,795
- Singapore	10,186	11,031	8,474
- Others	3,512	3,998	2,321
<b>Total AFS Securities</b>	<b>23,280</b>	<b>24,166</b>	<b>20,971</b>
<b>FV reserves at end period *</b>	<b>1,128</b>	<b>960</b>	<b>225</b>
<b>QoQ Change in FV reserves</b>	<b>+168</b>	<b>+580</b>	<b>-410</b>

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

# Deposits grew 2% YoY; share of low cost deposits has increased over time



# Capital position remains strong



(S\$m)

Tier 1 Capital

14,261

14,475

15,018

14,988

14,594

Tier 1 Prefs

3,796

3,796

3,958

3,957

3,957

RWA

95,522

95,397

97,424

98,088

103,093

\* Adjusted for: (a) issue of new shares pursuant to 1H09 scrip dividend option; and (b) acquisition of ING's Asia private banking business, expected to be completed around end-2009

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



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- Results Overview
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## GEH: Third quarter contribution

<u>GEH's Contribution to</u>	<b>3Q09<sup>^</sup></b>	<b>3Q08</b>	<b>YoY</b>	<b>2Q09</b>	<b>QoQ</b>
<u>OCBC's Results</u>	S\$m	S\$m	+/(-)%	S\$m	+/(-)%
Total Income	57	199	(71)	203	(72)
Operating Expenses	(36)	(37)	(5)	(50)	(26)
<b>Operating Profit</b>	<b>21</b>	<b>162</b>	<b>(87)</b>	<b>153</b>	<b>(86)</b>
Amortisation of Intangibles	(12)	(12)	-	(12)	-
Allowances	(2)	(12)	(83)	(2)	16
Associates & JVs	(1)	(3)	(60)	(1)	71
Tax & Minority Interests	14	(27)	(151)	(62)	(122)
<b>Core Net Profit contribution</b>	<b>20</b>	<b>108</b>	<b>(82)</b>	<b>76</b>	<b>(74)</b>

<sup>^</sup> 3Q09 core net profit includes S\$154m loss (after tax and minorities) from the redemption of GLC policies.

## GEH: Nine months contribution

### GEH's Contribution to

### OCBC's Results

	9M09*	9M08	YoY
	S\$m	S\$m	+/(-)%
Total Income	568	335	70
Operating Expenses	(111)	(104)	6
<b>Operating Profit</b>	<b>457</b>	<b>231</b>	<b>98</b>
Amortisation of Intangibles	(35)	(35)	-
Allowances	(6)	(15)	(58)
Associates & JVs	(3)	(5)	(42)
Tax & Minority Interests	(120)	(63)	91
<b>Core Net Profit contribution</b>	<b>293</b>	<b>113</b>	<b>160</b>

\* 9M09 core net profit contribution includes S\$175m non-recurring gains in 1Q09 and S\$154m GLC-related loss in 3Q09.

## OCBC Malaysia: Quarterly results

	3Q09	3Q08	YoY	2Q09	QoQ
<u>Unaudited Results*</u>	RM m	RM m	+/(-)%	RM m	+/(-)%
Net Interest Income	269	254	6	253	6
Islamic Banking Income	28	28	1	28	(1)
Non-Interest Income	92	81	13	65	42
<b>Total Income</b>	<b>389</b>	<b>363</b>	<b>7</b>	<b>346</b>	<b>12</b>
Operating Expenses	(146)	(153)	(5)	(141)	4
<b>Operating Profit</b>	<b>243</b>	<b>210</b>	<b>16</b>	<b>205</b>	<b>18</b>
Allowances	(42)	(25)	68	(38)	11
Tax	(49)	(48)	1	(43)	14
<b>Net Profit</b>	<b>153</b>	<b>137</b>	<b>11</b>	<b>125</b>	<b>22</b>

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



# OCBC Malaysia: Nine months results

	9M09	9M08	YoY
<u>Unaudited Results*</u>	RM m	RM m	+/(-)%
Net Interest Income	774	733	6
Islamic Banking Income	89	81	9
Non-Interest Income	330	312	6
<b>Total Income</b>	<b>1,193</b>	<b>1,126</b>	<b>6</b>
Operating Expenses	(426)	(440)	(3)
<b>Operating Profit</b>	<b>767</b>	<b>686</b>	<b>12</b>
Allowances	(122)	(15)	742
Tax	(162)	(177)	(8)
<b>Net Profit</b>	<b>482</b>	<b>494</b>	<b>(2)</b>

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

## OCBC Malaysia: Financial ratios

	3Q09	2Q09	3Q08	9M09	9M08
	%	%	%	%	%
Net Interest Margin	2.37	2.35	2.57	2.39	2.51
Non-Interest Income / Total Income	23.7	18.8	22.4	27.7	27.7
Cost-to-Income Ratio	37.5	40.8	42.1	35.7	39.1
Loans-to-Deposits Ratio	78.8	80.3	90.5	78.8	90.5
Gross NPL Ratio	3.8	3.8	3.2	3.8	3.2
Loans Growth (YoY)	2.6	5.1	14.3	2.6	14.3
ROE	17.6	15.1	19.6	19.4	24.6

## Bank OCBC NISP: Quarterly results

	3Q09	3Q08	YoY	2Q09	QoQ
<u>Unaudited Results*</u>	RP bn	RP bn	+/(-)%	RP bn	+/(-)%
Net Interest Income	456	356	28	430	6
Non Interest Income	110	94	17	159	(31)
Expenses	(346)	(302)	15	(347)	(0)
<b>Operating Profit</b>	<b>220</b>	<b>148</b>	<b>49</b>	<b>242</b>	<b>(9)</b>
Allowances	(13)	(34)	(62)	(112)	(88)
<b>Net Profit</b>	<b>148</b>	<b>80</b>	<b>85</b>	<b>89</b>	<b>66</b>

\* Bank OCBC NISP's contribution to Group net profit was S\$20m in 3Q09, S\$16m in 2Q09 and S\$13m in 3Q08

## Bank OCBC NISP: Nine months results

	9M09	9M08	YoY
<u>Unaudited Results*</u>	RP bn	RP bn	+/(-)%
Net Interest Income	1,285	1,011	27
Non Interest Income	389	280	39
Expenses	(1,029)	(898)	15
<b>Operating Profit</b>	<b>645</b>	<b>393</b>	<b>64</b>
Allowances	(205)	(70)	193
<b>Net Profit</b>	<b>310</b>	<b>227</b>	<b>36</b>

\* Bank OCBC NISP's contribution to Group net profit was S\$51m in 9M09 and S\$26m in 9M08

## Bank OCBC NISP: Financial ratios

	3Q09	2Q09	3Q08	9M09	9M08
	%	%	%	%	%
Net Interest Margin	6.17	5.41	5.62	5.53	5.46
Non-Interest Income / Total Income	19.7	27.0	21.1	23.2	21.7
Cost-to-Income Ratio	61.0	59.0	67.1	61.5	69.4
Loans-to-Deposits Ratio	76.5	69.4	94.9	76.5	94.9
Gross NPL Ratio	3.9	3.9	2.3	3.9	2.3
Loans Growth (YoY)	(5.8)	(6.4)	15.8	(5.8)	15.8
ROE	15.9	9.8	9.2	11.3	8.8

## In Summary

- Strong results year-to-date despite a challenging environment – nine months' core earnings almost matching full year 2008
- Healthy revenues and strict cost discipline have lifted operating profits by 27% year-to-date
- Prudent risk management has contained credit losses and NPLs
- Acquisition of ING's Asia private banking business and increased investment in Bank of Ningbo will strengthen our competitive position and provide further growth opportunities

# Third Quarter 2009 Results

## Thank You



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