

# Second Quarter 2010 Results

## Presentation

2 August 2010



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# Agenda

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Results Overview

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Performance Trends

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Malaysia and Indonesia Subsidiaries

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In Summary

## Second quarter net profit up 8% YoY

	2Q10 S\$m	2Q09 S\$m	YoY +/(-)%	1Q10 S\$m	QoQ +/(-)%
Net Interest Income	720	710	1	704	2
Non-Interest Income	516	494	5	681	(24)
Total Income	1,236	1,204	3	1,385	(11)
Operating Expenses	(559)	(450)	24	(502)	11
<b>Operating Profit</b>	<b>677</b>	<b>754</b>	<b>(10)</b>	<b>883</b>	<b>(23)</b>
Amortisation of Intangibles	(11)	(12)	-	(12)	-
Allowances	(18)	(104)	(83)	(25)	(30)
Associates & JVs	(1)	1	n.m.	(#)	n.m.
Tax & Minority Interests	(144)	(173)	(16)	(170)	(15)
<b>Net Profit</b>	<b>503</b>	<b>466</b>	<b>8</b>	<b>676</b>	<b>(26)</b>

"#" represents amounts less than S\$0.5 million

"n.m." denotes not meaningful

## First half net profit up 17% YoY

	1H10 S\$m	1H09 S\$m	YoY +/(-)%	2H09 S\$m	HoH +/(-)%
Net Interest Income	1,424	1,450	(2)	1,376	3
Non-Interest Income	1,197	1,101	9	889	35
Total Income	2,621	2,551	3	2,265	16
Operating Expenses	(1,061)	(863)	23	(933)	14
<b>Operating Profit</b>	<b>1,560</b>	<b>1,688</b>	<b>(8)</b>	<b>1,332</b>	<b>17</b>
Amortisation of Intangibles	(23)	(24)	-	(24)	-
Allowances	(43)	(301)	(86)	(129)	(67)
Associates & JVs	(1)	1	n.m.	(#)	n.m.
Tax & Minority Interests	(314)	(353)	(11)	(227)	38
<b>Net Profit</b>	<b>1,179</b>	<b>1,011</b>	<b>17</b>	<b>952</b>	<b>24</b>

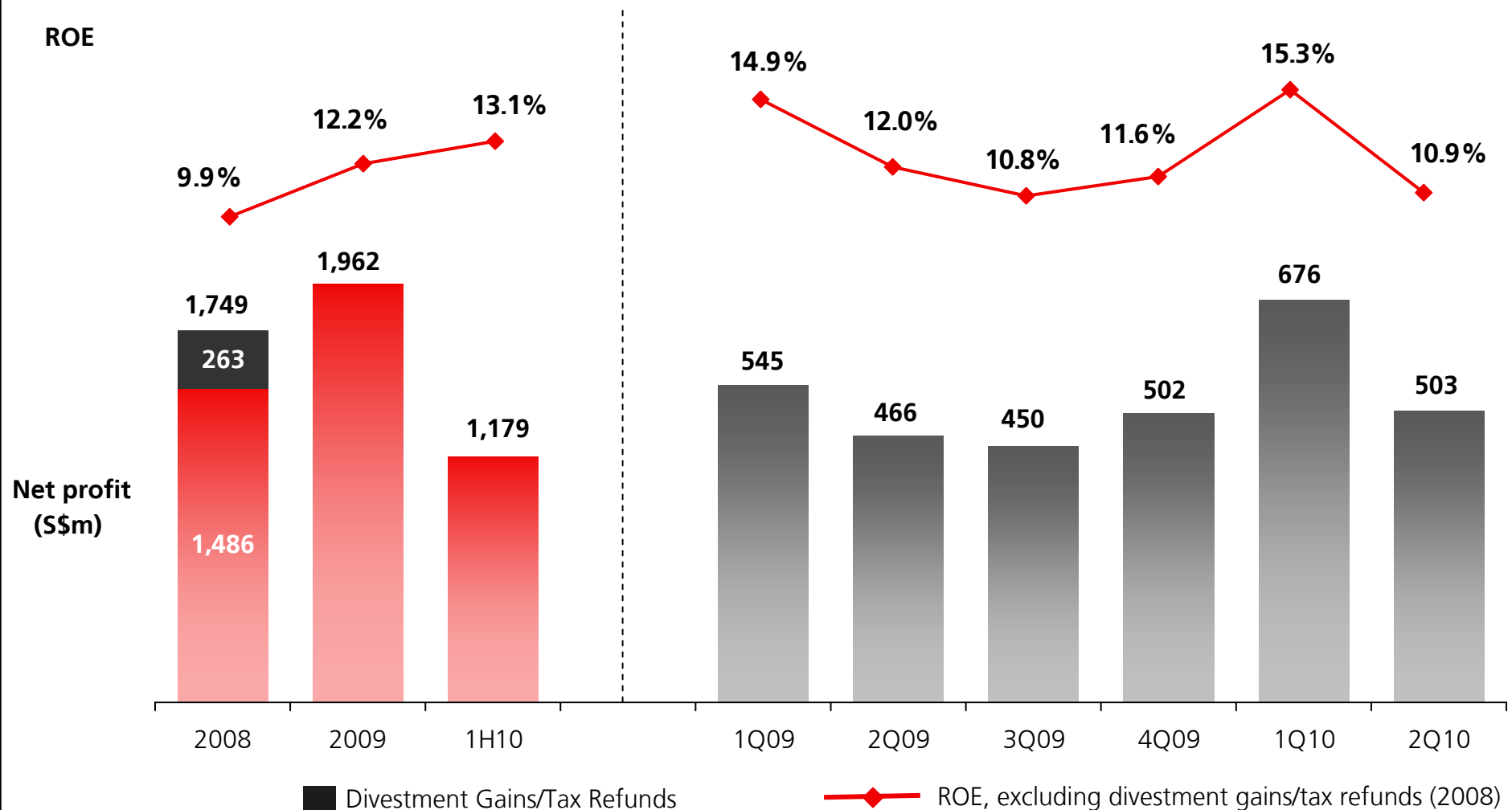
"#" represents amounts less than S\$0.5 million

"n.m." denotes not meaningful

## Key financial ratios

	1H10 %	1H09 %	2Q10 %	1Q10 %	2Q09 %
Net Interest Margin (annualised)	2.00	2.35	1.96	2.03	2.29
Non-Interest Income / Total Income	45.7	43.2	41.8	49.2	41.0
Cost-to-Income Ratio	40.5	33.8	45.2	36.2	37.4
Loans-to-Deposits Ratio	83.7	80.3	83.7	81.9	80.3
NPL Ratio	1.3	2.0	1.3	1.5	2.0
Allowances/NPAs	111.8	97.1	111.8	107.3	97.1
ROE	13.1	13.4	10.9	15.3	12.0
Cash ROE	13.4	13.7	11.2	15.6	12.3

# ROE of 13.1% for first half

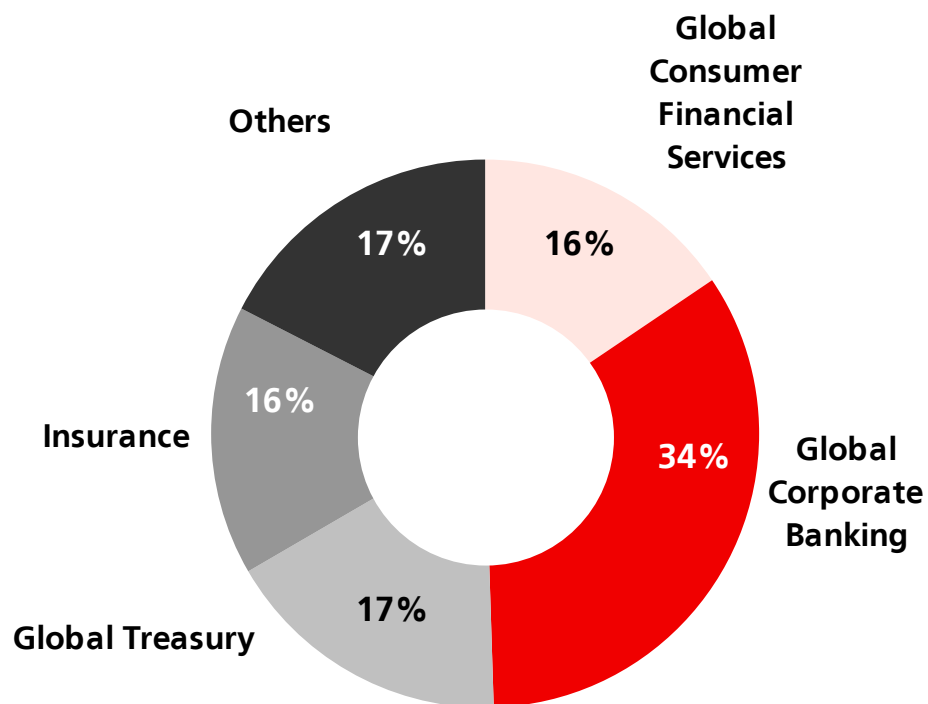


Note: 1Q09 includes net non-recurring gains of S\$175m from GEH; 3Q09 includes net one-time loss of S\$154m from GEH due to redemption of GLC products

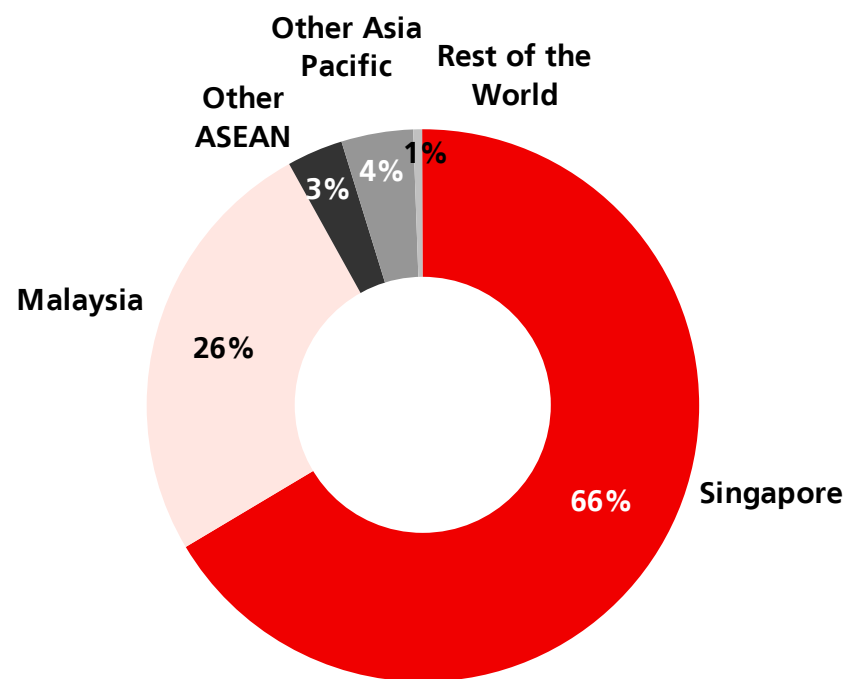


# Earnings contribution by segments

**1H10 PBT  
By Business Segment**



**1H10 PBT  
By Geography**



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

# GEH quarterly contribution declined 26% YoY due to investment market volatility, partially offset by improved underwriting profits

	2Q10 S\$m	2Q09 S\$m	YoY +/(-)%	1Q10 S\$m	QoQ +/(-)%
Total Income	132	203	(35)	247	(46)
Operating Expenses	(35)	(50)	(29)	(42)	(16)
<b>Operating Profit</b>	<b>96</b>	<b>153</b>	<b>(37)</b>	<b>205</b>	<b>(53)</b>
Amortisation of Intangibles	(11)	(12)	-	(12)	-
Allowances	(2)	(2)	26	(2)	(4)
Associates & JVs	(2)	(1)	n.m.	(2)	6
Tax & Minority Interests	(25)	(62)	(60)	(42)	(40)
<b>Net Profit Contribution</b>	<b>56</b>	<b>76</b>	<b>(26)</b>	<b>147</b>	<b>(62)</b>



## GEH first half contribution declined 26% YoY; up 108% YoY excluding one-time gains of S\$175m in 1Q09

	1H10 S\$m	1H09* S\$m	YoY +/(-)%	2H09^ S\$m	HoH +/(-)%
Total Income	379	511	(26)	247	53
Operating Expenses	(78)	(74)	5	(42)	82
<b>Operating Profit</b>	<b>301</b>	<b>438</b>	<b>(31)</b>	<b>205</b>	<b>48</b>
Amortisation of Intangibles	(24)	(24)	-	(23)	-
Allowances	(4)	(5)	(3)	(11)	(61)
Associates & JVs	(4)	(1)	102	(5)	3
Tax & Minority Interests	(67)	(135)	(50)	(26)	148
<b>Net Profit Contribution</b>	<b>203</b>	<b>272</b>	<b>(26)</b>	<b>140</b>	<b>46</b>

\* 1H09 core net profit contribution includes S\$175m non-recurring gains in 1Q09

^ 2H09 core net profit includes S\$154m GLC-related loss in 3Q09

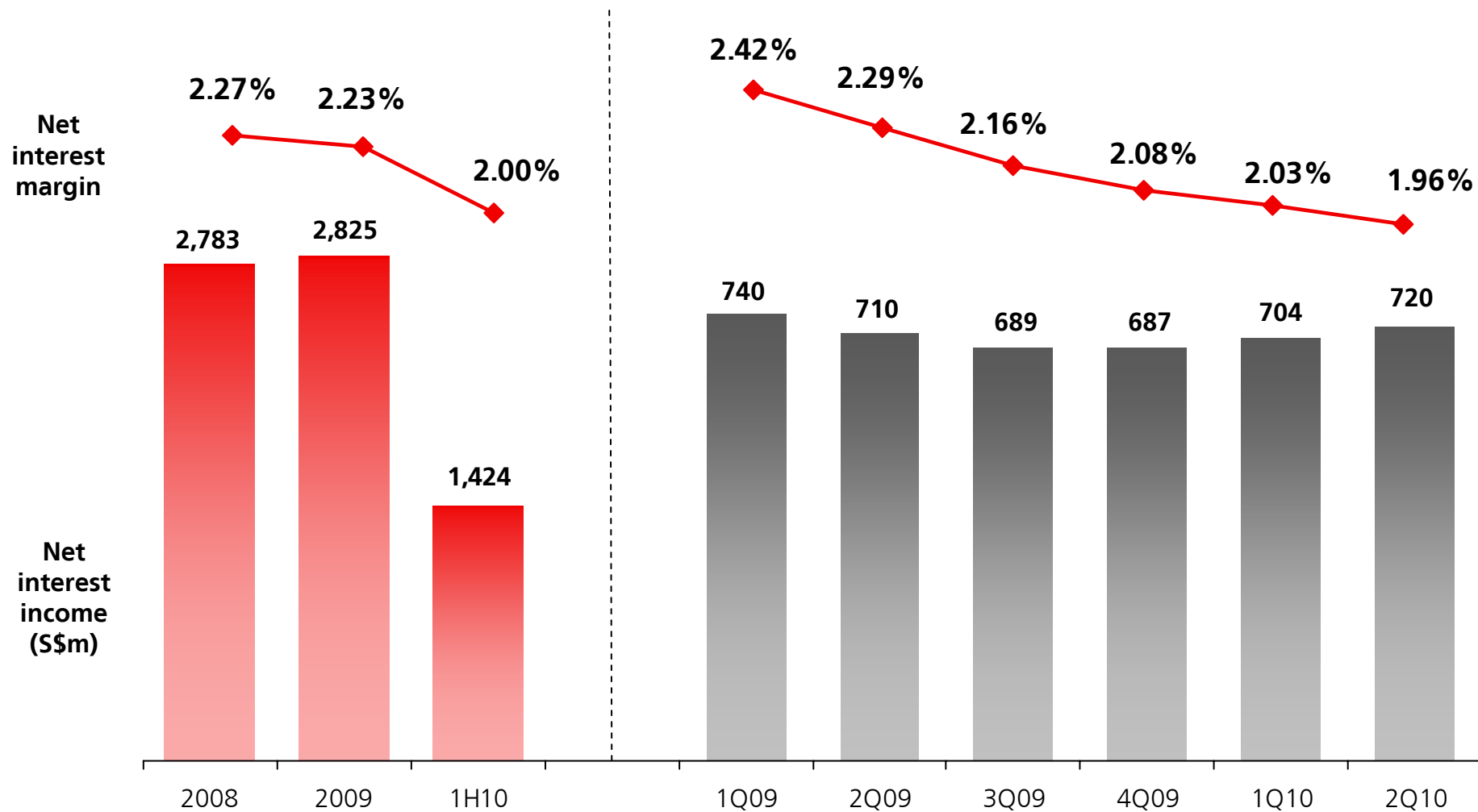
## Results excluding GEH – second quarter net profit up 15% YoY

	2Q10 S\$m	2Q09 S\$m	YoY +/(-)%	1Q10 S\$m	QoQ +/(-)%
Net Interest Income	703	694	1	686	3
Non-Interest Income	401	307	31	452	(11)
Total Income	1,104	1,001	10	1,138	(3)
Operating Expenses	(524)	(400)	31	(460)	14
<b>Operating Profit</b>	<b>580</b>	<b>601</b>	<b>(3)</b>	<b>678</b>	<b>(14)</b>
Allowances	(15)	(102)	(85)	(23)	(33)
Associates & JVs	1	1	(9)	2	(45)
Tax & Minority Interests	(120)	(110)	9	(128)	(6)
<b>Net Profit</b>	<b>447</b>	<b>390</b>	<b>15</b>	<b>529</b>	<b>(16)</b>

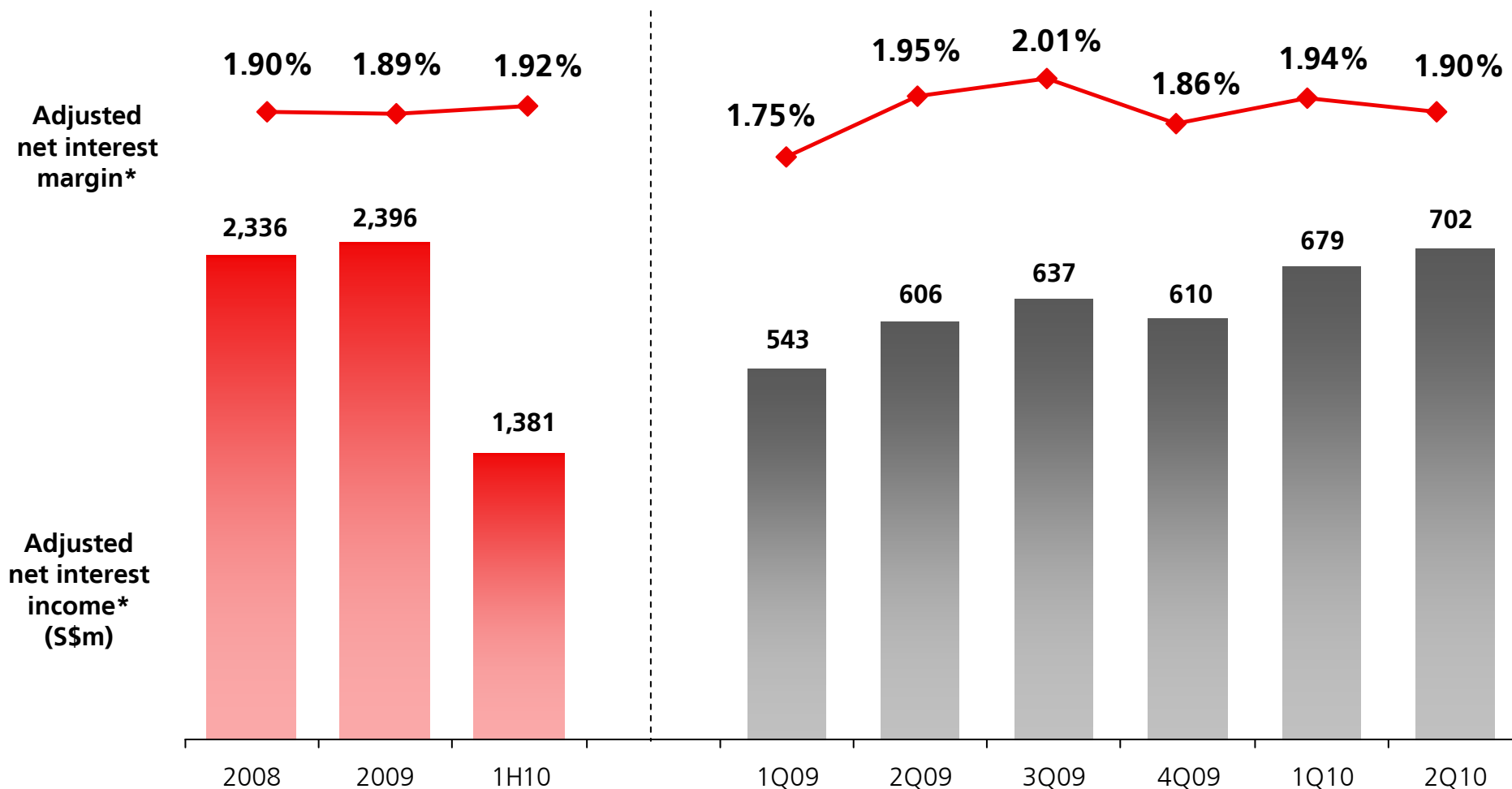
## Results excluding GEH – first half net profit up 32% YoY

	1H10 S\$m	1H09 S\$m	YoY +/(-)%	2H09 S\$m	HoH +/(-)%
Net Interest Income	1,389	1,419	(2)	1,341	4
Non-Interest Income	853	621	37	676	26
Total Income	2,242	2,040	10	2,017	11
Operating Expenses	(983)	(789)	25	(891)	10
<b>Operating Profit</b>	<b>1,259</b>	<b>1,251</b>	<b>1</b>	<b>1,126</b>	<b>12</b>
Allowances	(38)	(296)	(87)	(117)	(68)
Associates & JVs	3	2	14	4	(20)
Tax & Minority Interests	(247)	(218)	13	(201)	23
<b>Net Profit</b>	<b>976</b>	<b>739</b>	<b>32</b>	<b>812</b>	<b>20</b>

# Net interest income supported by robust loans growth



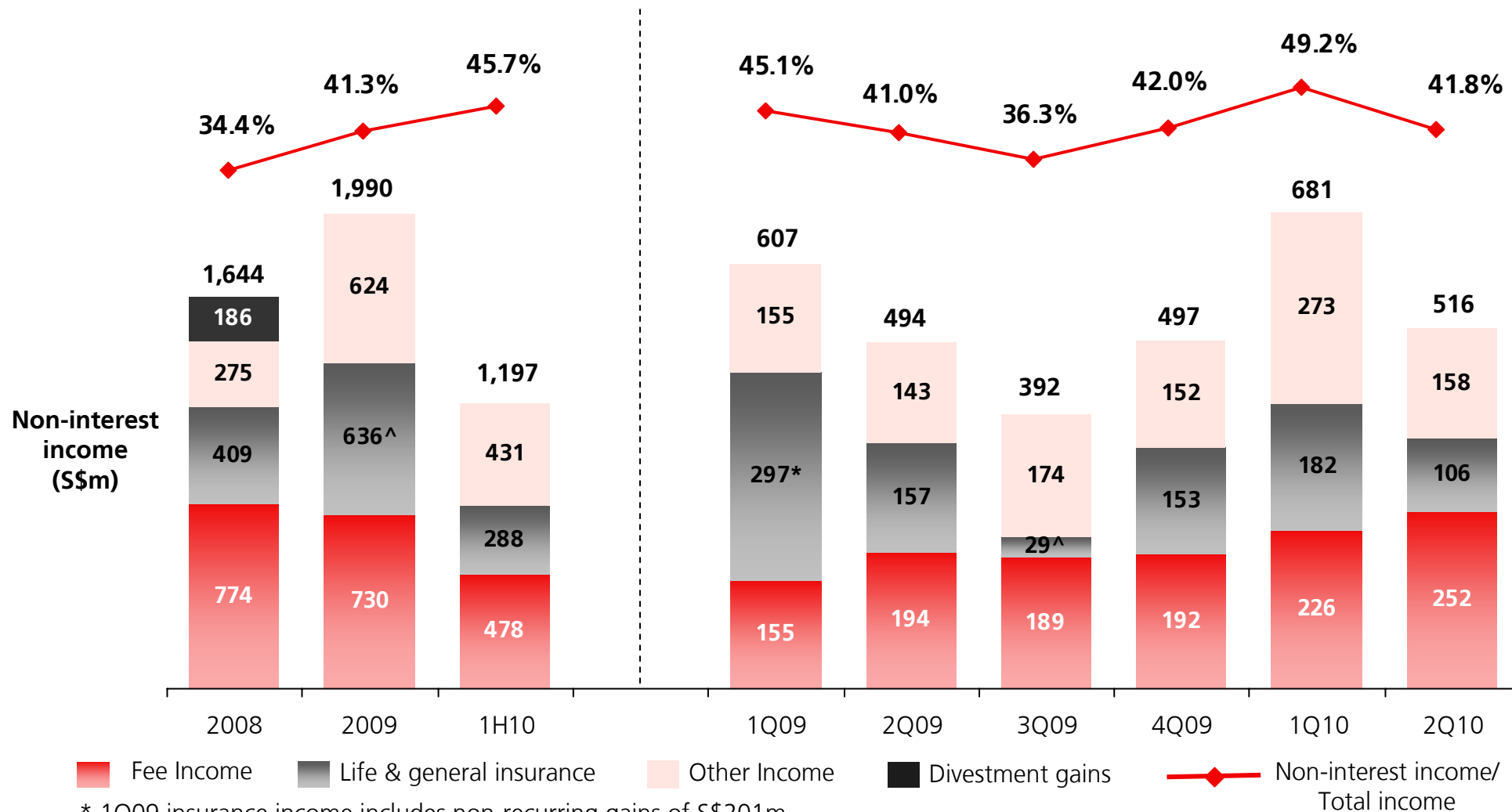
# Net interest income adjusted for allowances – continued improving trend



\* Allowances for loans and other assets deducted from net interest income



# Non-interest income up 5% YoY

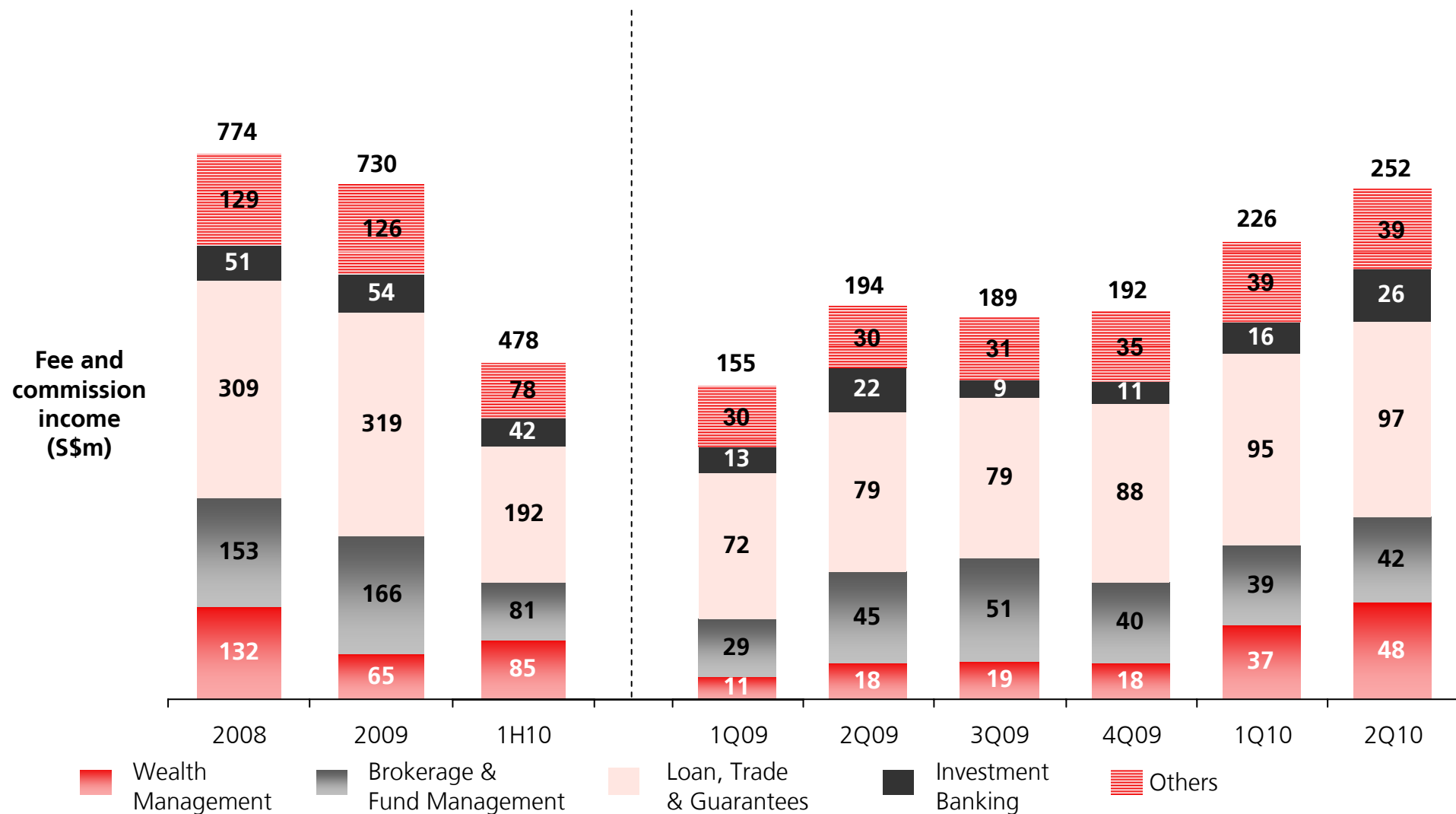


\* 1Q09 insurance income includes non-recurring gains of S\$201m

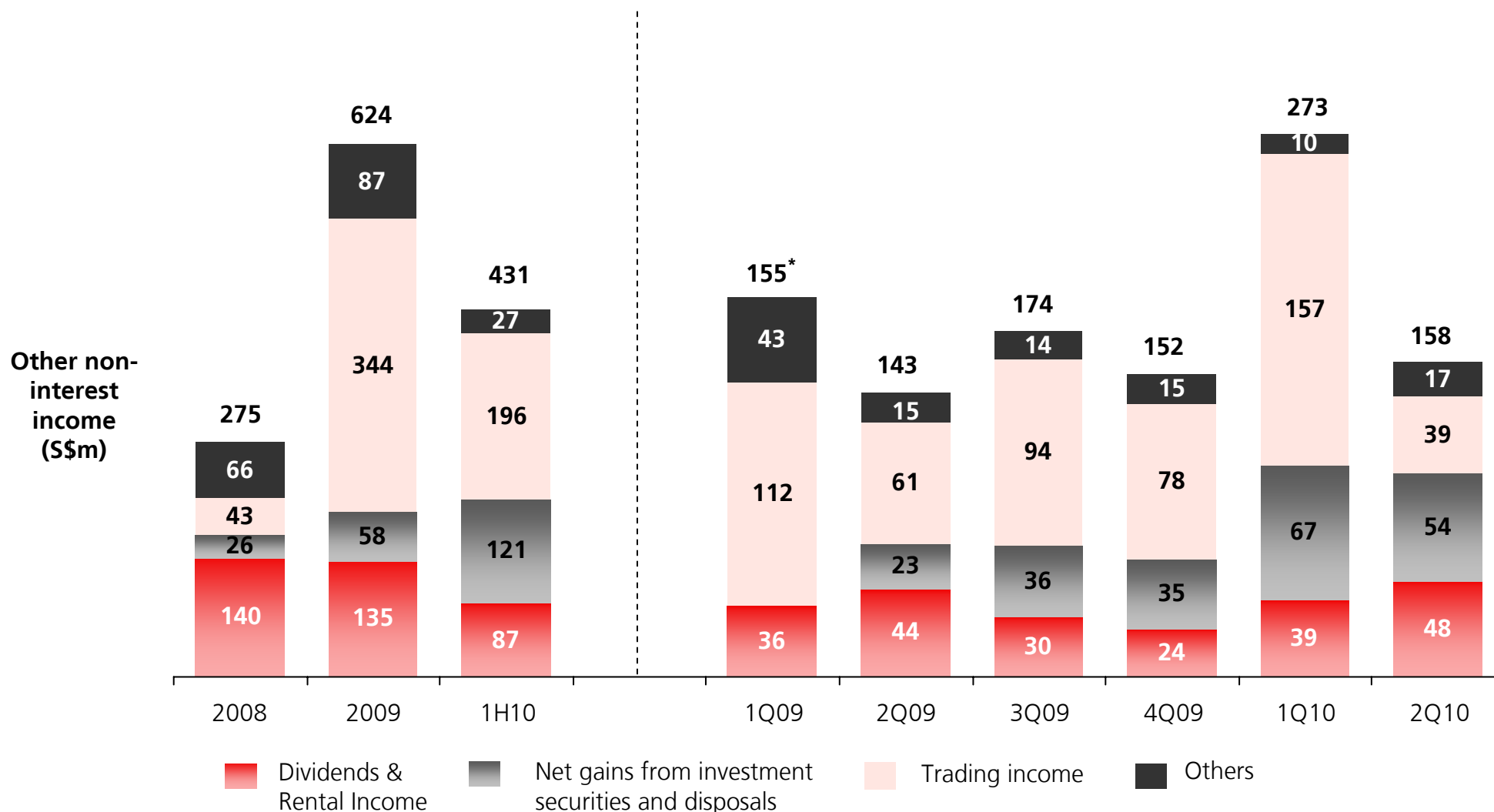
<sup>^</sup> 3Q09 insurance income includes GLC loss of S\$213m



# Fee and commission income up 30% YoY



# Other non-interest income up 11% YoY

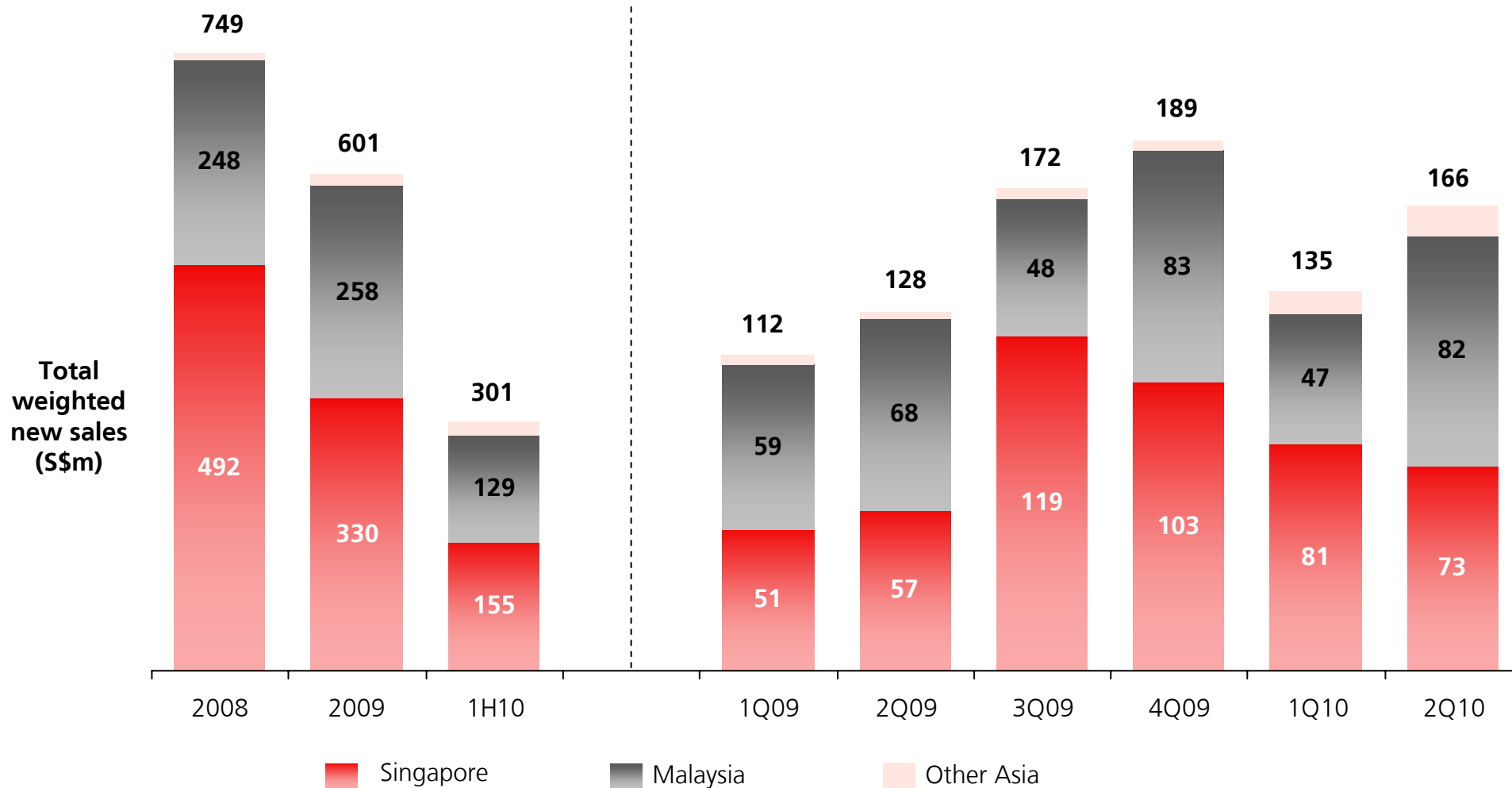


\* 1Q09 includes S\$36m net loss on sale of investment securities

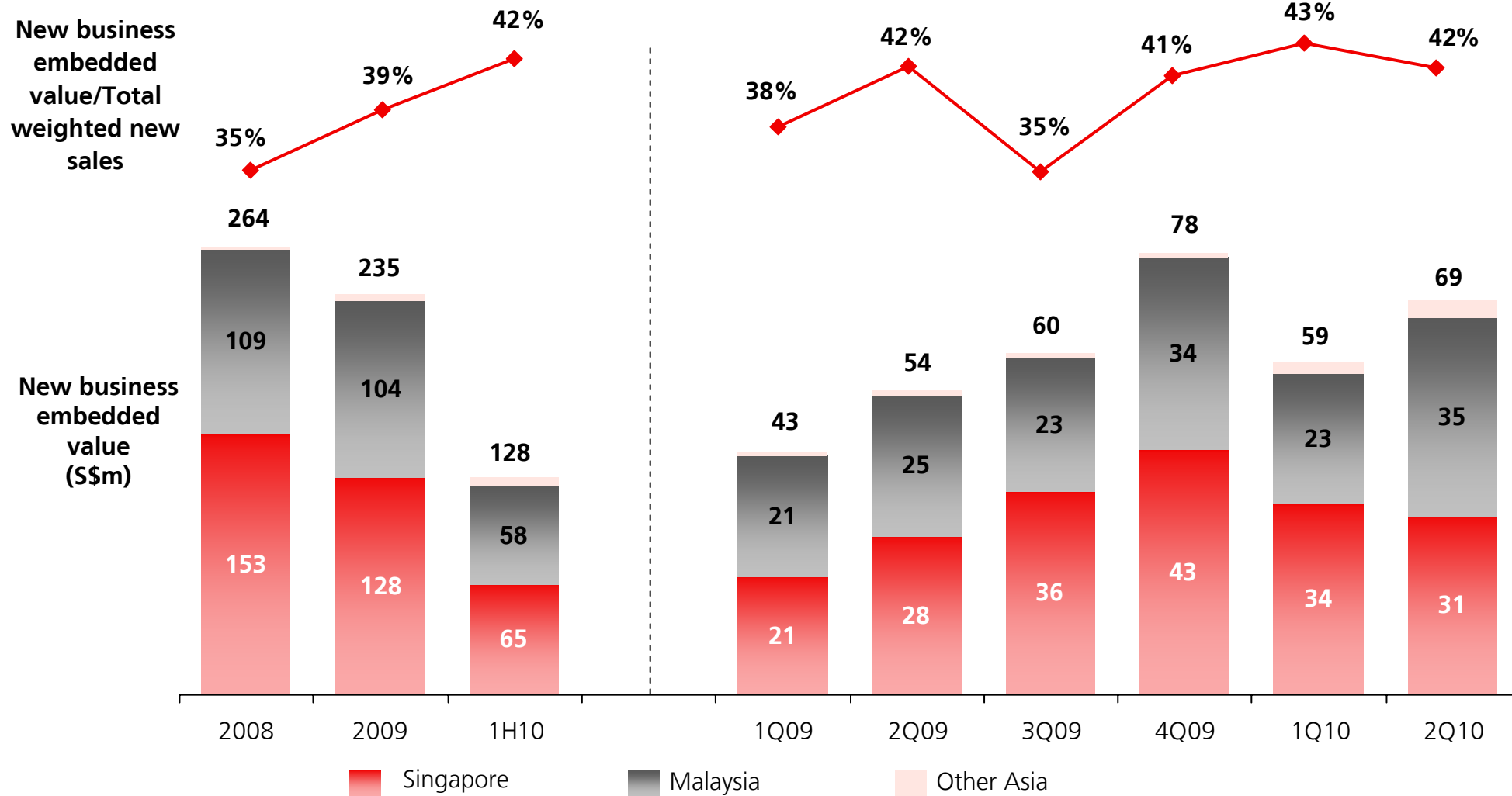




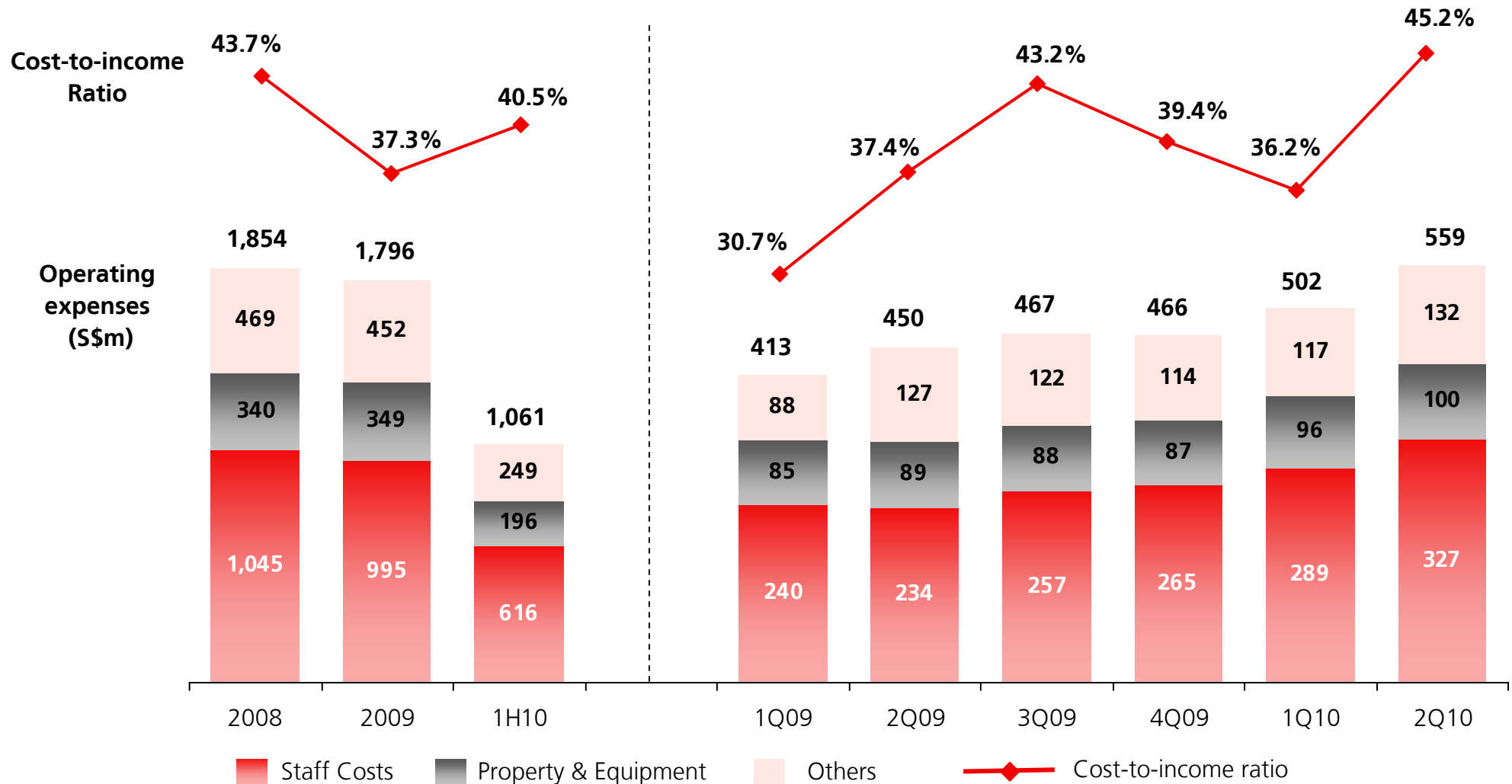
# GEH: 2Q10 total weighted new sales up 30% YoY



# GEH: 2Q10 new business embedded value up 29% YoY

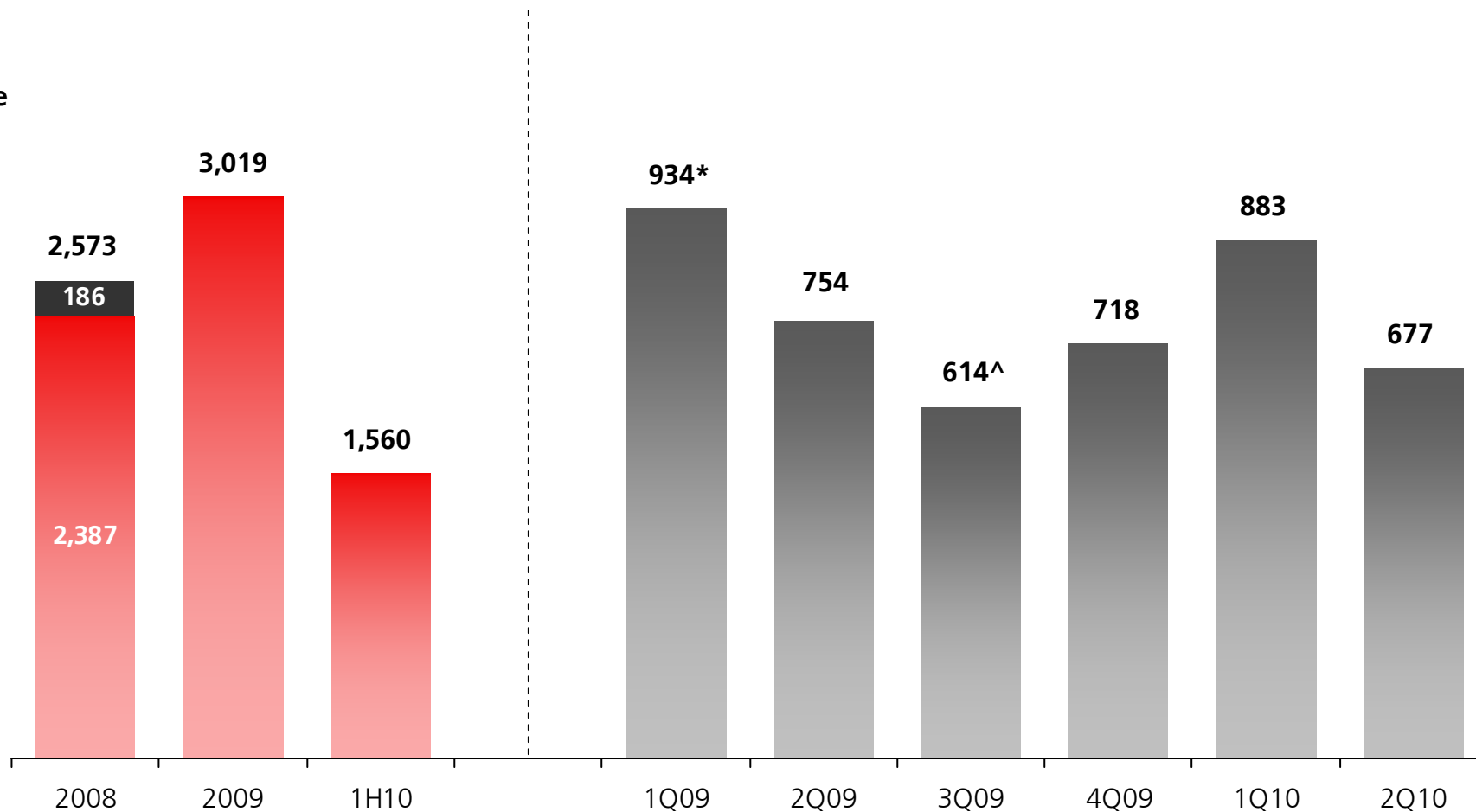


# Operating expenses increased due to renewed investments in regional expansion, consolidation of Bank of Singapore and higher business volumes



# Second quarter operating profit down 10% YoY

Operating profit before allowances (S\$m)



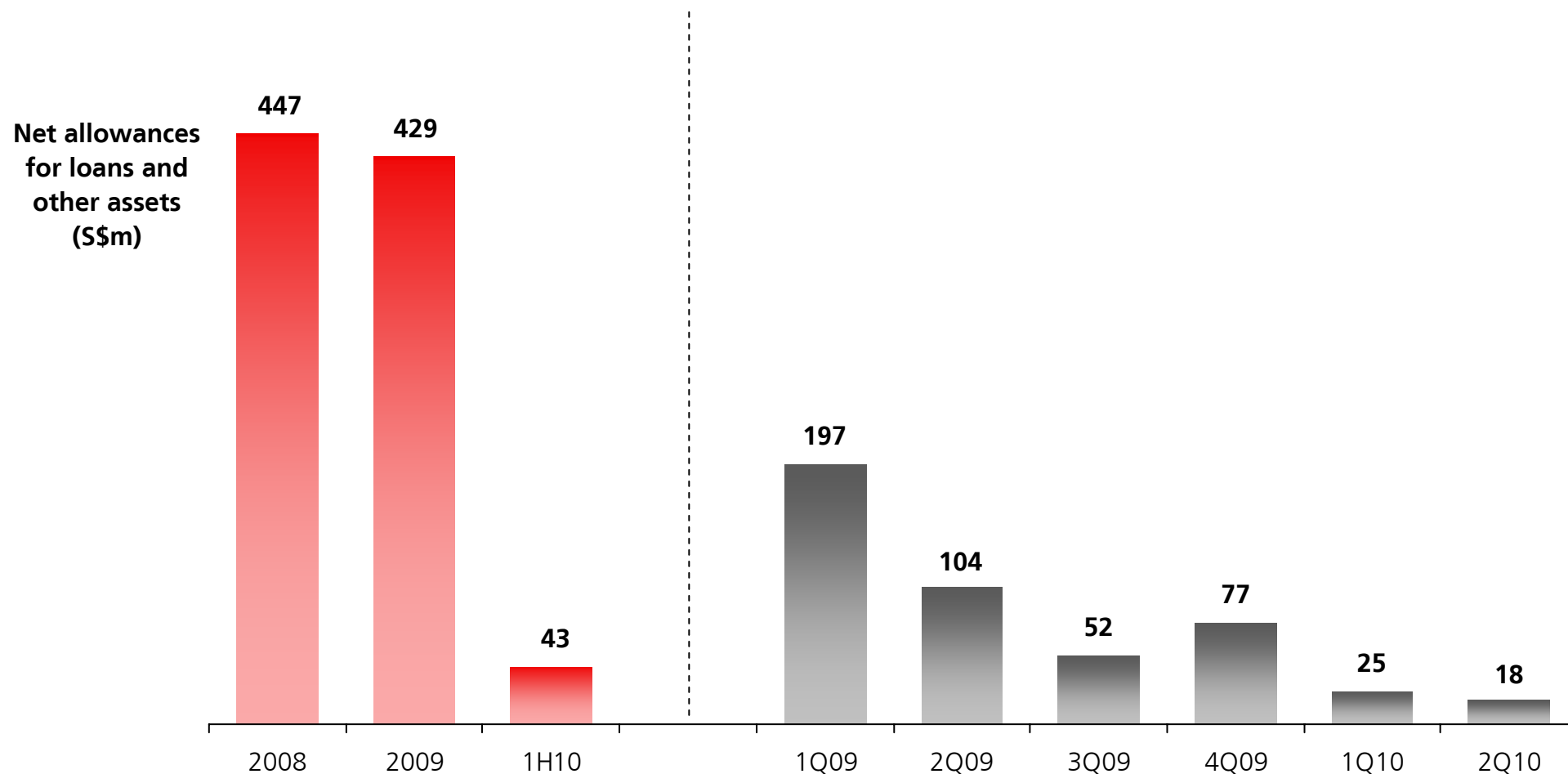
■ Divestment gains

\* Includes S\$201m non-recurring gains from GEH

^ Includes GLC loss of S\$213m from GEH



# Net allowances reflect stable overall loan credit quality



## Breakdown of allowances

	1H10 S\$m	1H09 S\$m	2Q10 S\$m	1Q10 S\$m	2Q09 S\$m
Specific allowances for loans	16	132	11	5	44
Portfolio allowances for loans	35	7	5	30	5
Allowances for CDOs (Write-back)	(8)	92	(1)	(7)	(2)
Allowances for other assets (Write-back)	(#)	70	3	(3)	57
<b>Total net allowances</b>	<b>43</b>	<b>301</b>	<b>18</b>	<b>25</b>	<b>104</b>
Specific loan allowances/ average loans (bps)*	4	33	5	2	22

\* Annualised

# represents amounts less than S\$0.5 million

## Movement in specific allowances for loans

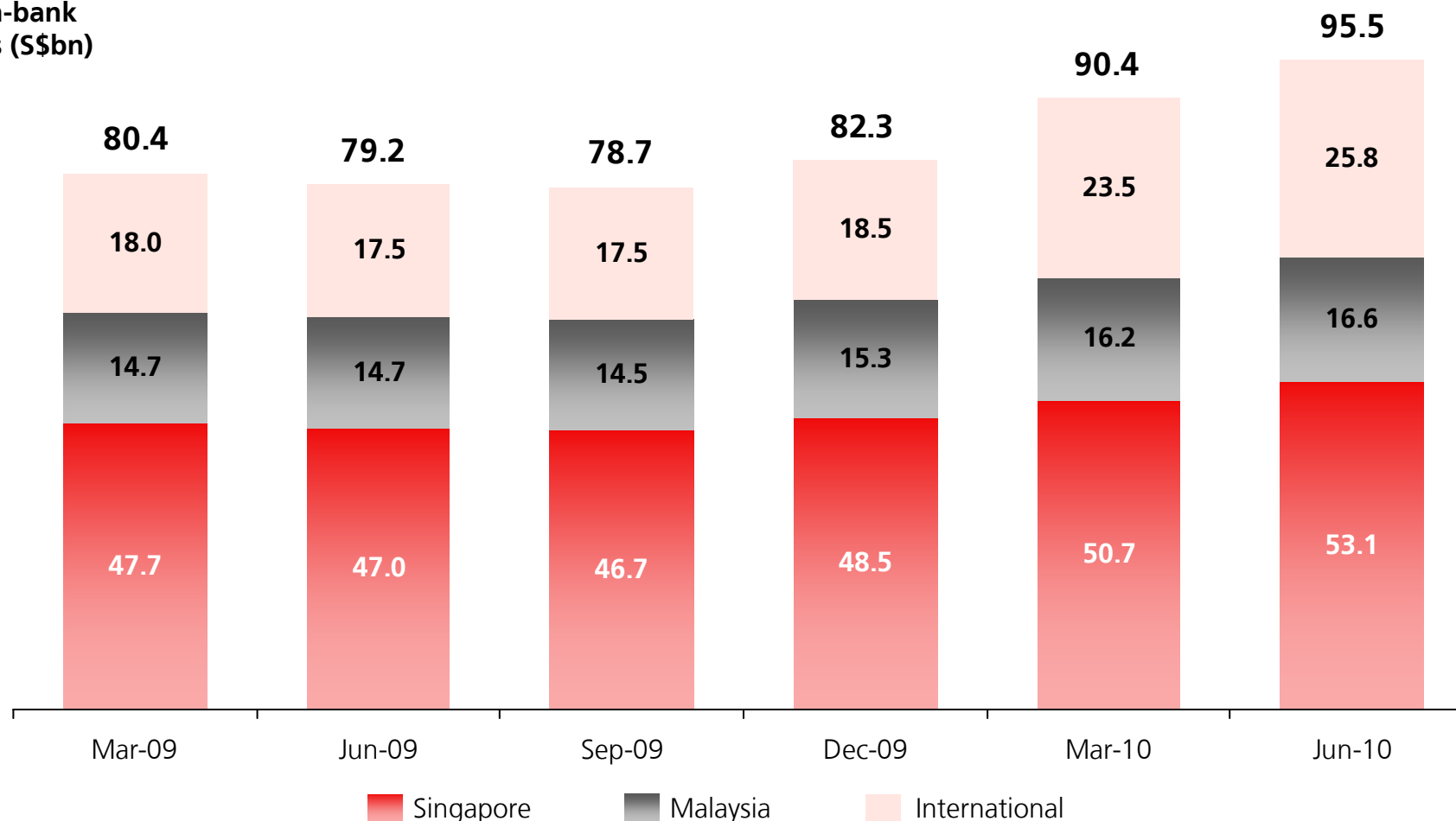
	1H10 S\$m	1H09 S\$m	2Q10 S\$m	1Q10 S\$m	2Q09 S\$m
Allowances for new and existing NPLs	123	242	55	68	104
Write-backs <sup>1/</sup>	(87)	(93)	(32)	(54)	(51)
Recoveries <sup>2/</sup>	(21)	(18)	(12)	(9)	(10)
<b>Net Specific Allowances</b>	<b>16</b>	<b>132</b>	<b>11</b>	<b>5</b>	<b>44</b>

<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 grew 21% YoY and 6% QoQ

Non-bank loans (S\$bn)

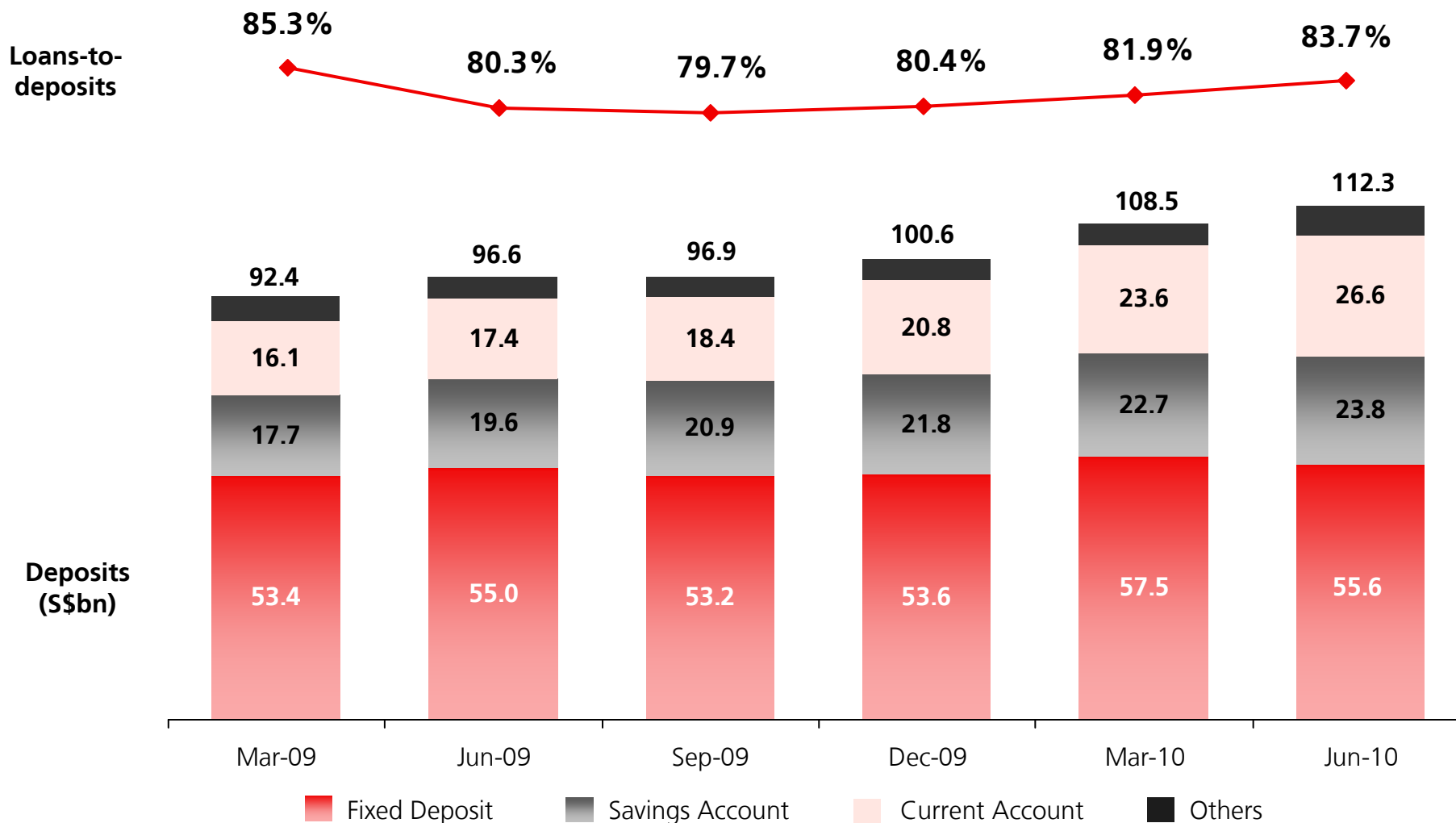


Note: Loans by geography are based on where the credit risks reside



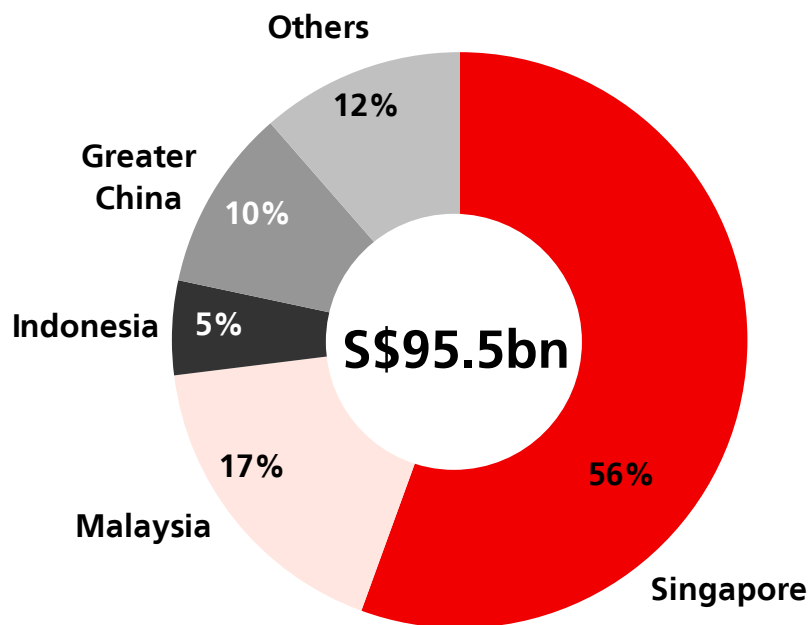


# Led by current accounts / savings accounts, customer deposits grew 16% YoY and 3% QoQ

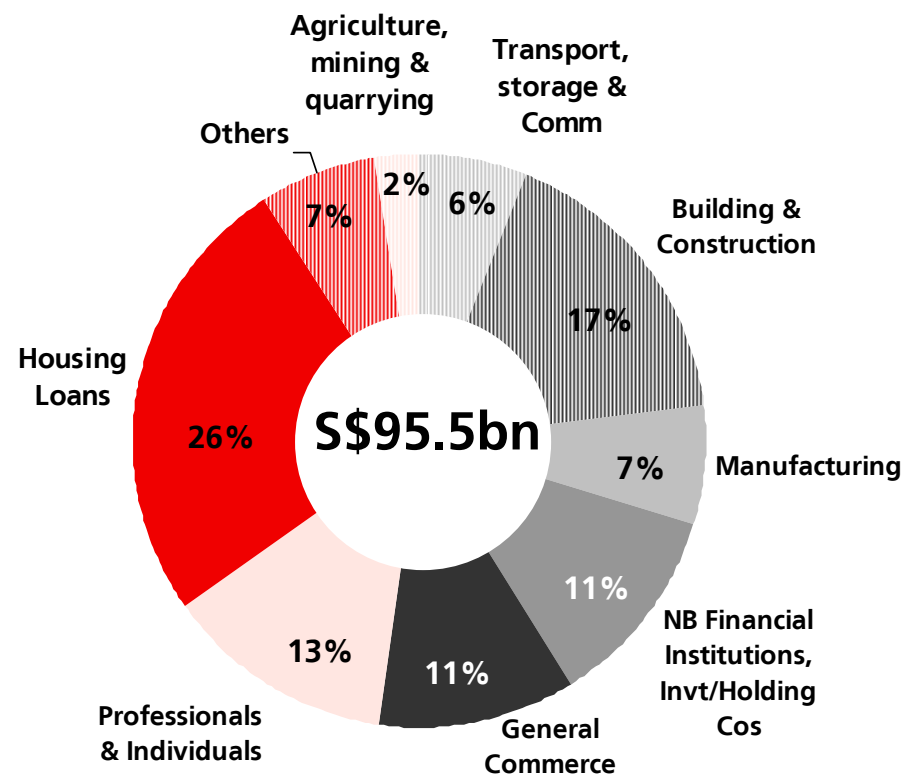


# Diversified loan book

**Customer Loans by Geography\***  
As at 30 June 2010

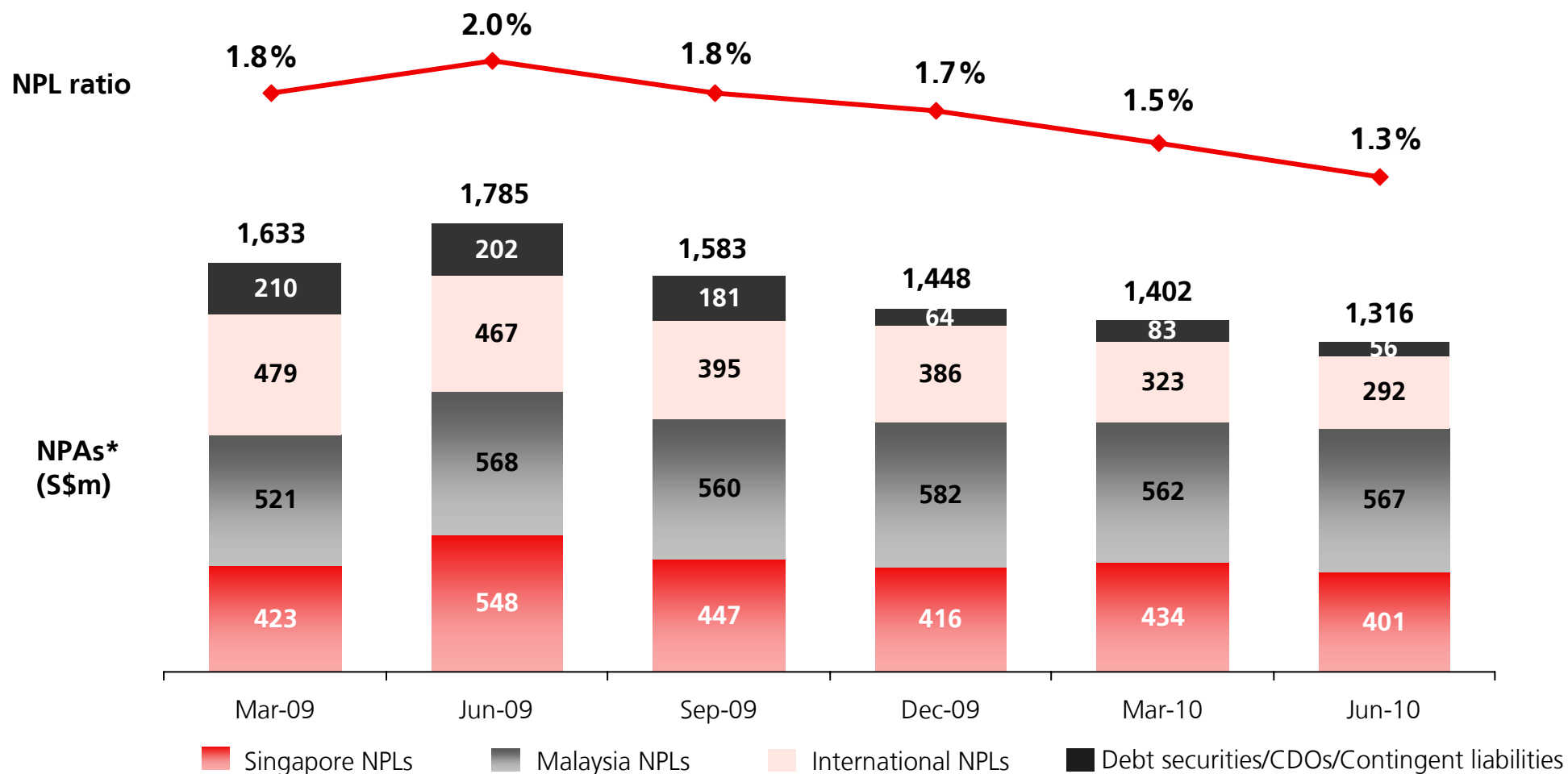


**Customer Loans by Sector**  
As at 30 June 2010



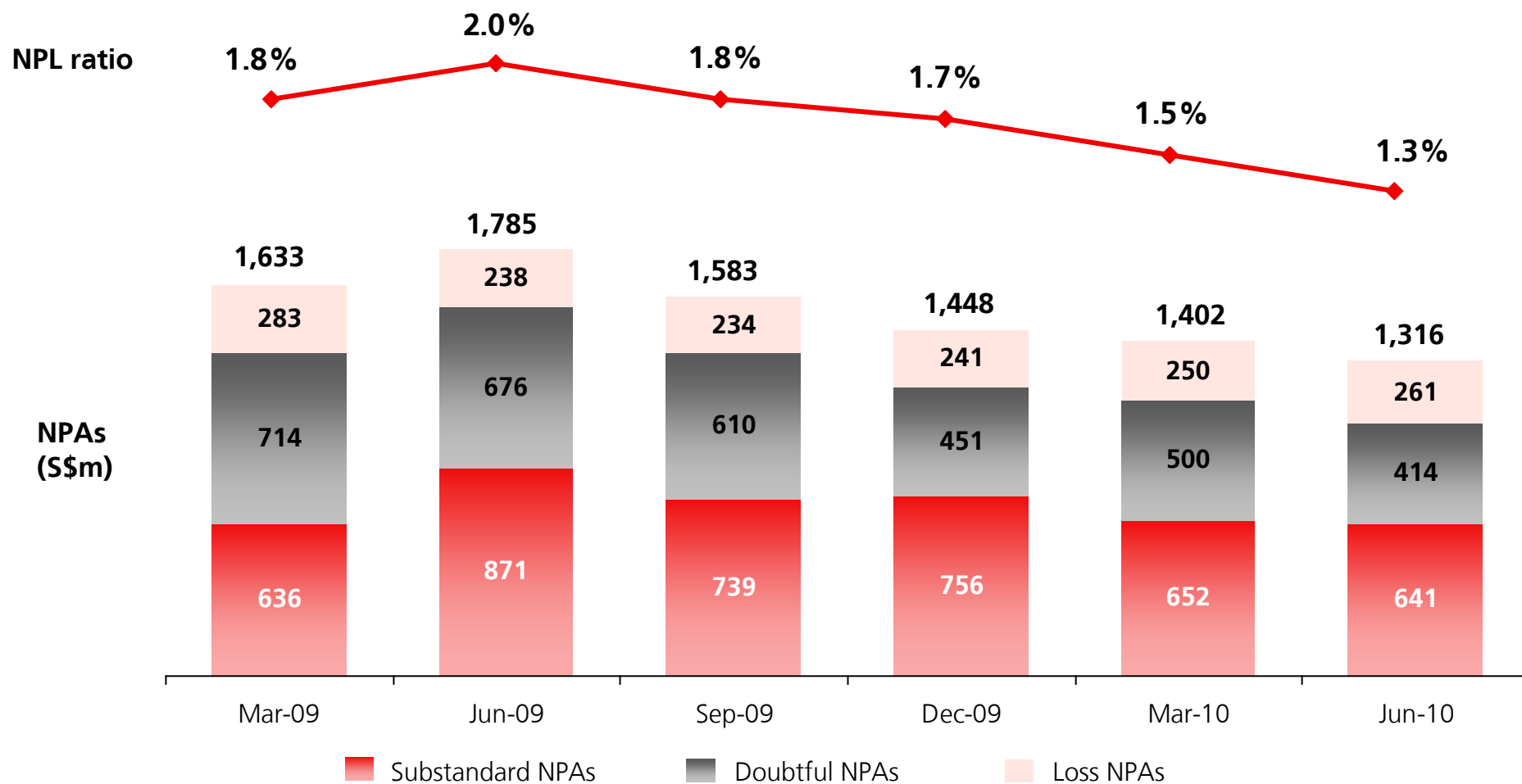
\* Based on where the credit risks reside, which may be different from the country of the borrower or where the loans are booked

# NPL ratio continues to decline



\* NPAs comprise NPLs and classified debt securities/CDOs/contingent liabilities. NPLs for prior periods have been restated to comprise loans only.

# Largest NPA segment classified as "Substandard" – typically well-collateralised and / or no overdues

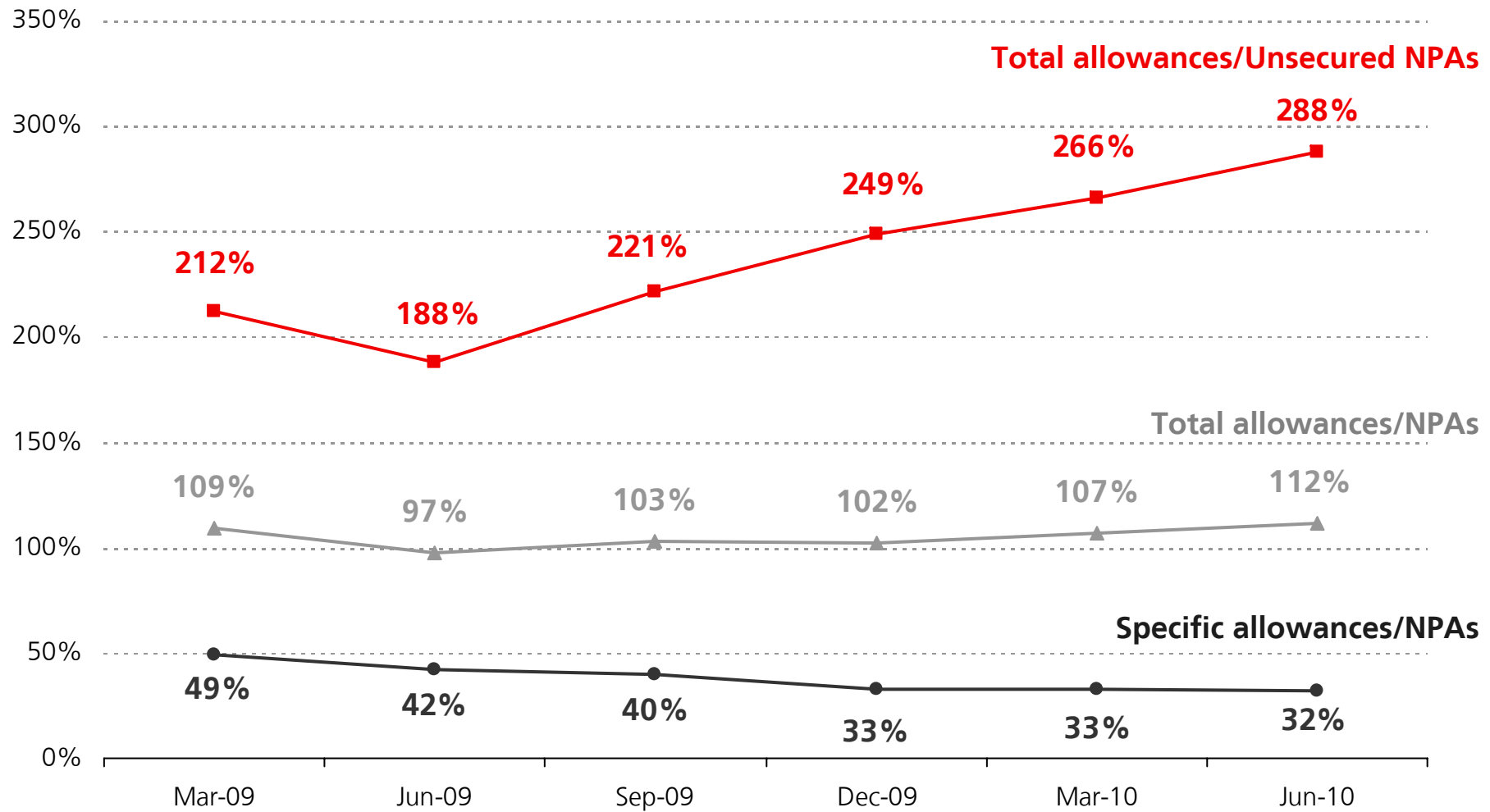


## Inflow of new NPAs remains low

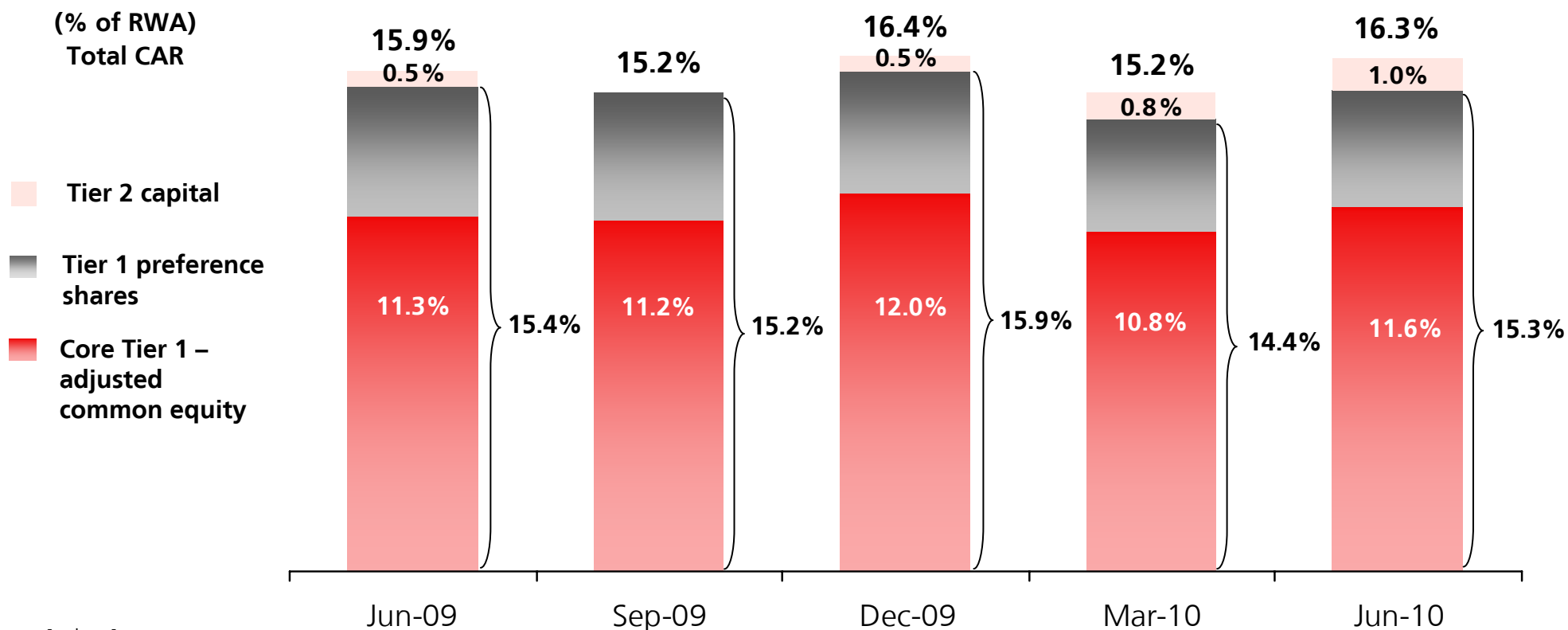
	1H10 S\$m	1H09 S\$m	2Q10 S\$m	1Q10 S\$m	2Q09 S\$m
Opening Balance (excluding CDOs)	1,442	1,239	1,396	1,442	1,462
New NPAs	247	841	124	123	417
Net Recoveries/Upgrades	(266)	(283)	(155)	(111)	(160)
Write-offs	(114)	(139)	(56)	(58)	(61)
<b>Closing Balance (excl CDOs)</b>	<b>1,309</b>	<b>1,658</b>	<b>1,309</b>	<b>1,396</b>	<b>1,658</b>
Add: Classified CDOs	7	127	7	6	127
<b>Closing Balance (incl CDOs)</b>	<b>1,316</b>	<b>1,785</b>	<b>1,316</b>	<b>1,402</b>	<b>1,785</b>

Note: BOS included from 1Q10 onwards

# Allowance coverage continued to improve



# Tier 1 and Core Tier 1 ratios strengthened



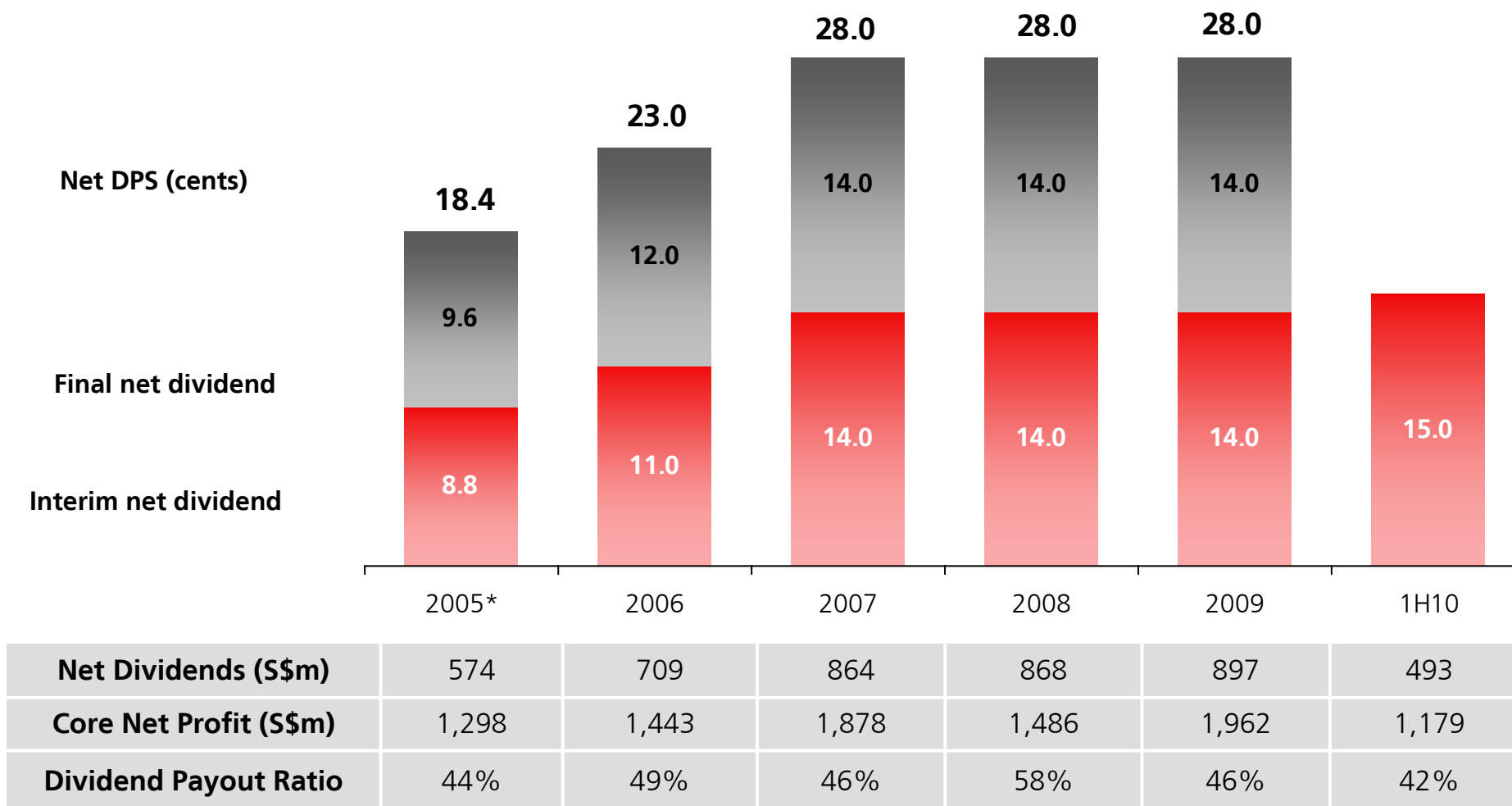
(\$m)

	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
<b>Tier 1 Capital</b>	15,018	14,988	15,962	15,716	16,161
<b>Tier 1 Prefs</b>	3,958	3,957	3,958	3,965	3,966
<b>RWA</b>	97,424	98,088	100,013	108,505	105,073

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



## Interim dividend increased to 15 cents per share



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



## OCBC Malaysia: quarterly results

### UNAUDITED RESULTS\*

	2Q10 RM m	2Q09 RM m	YoY +/(-)%	1Q10 RM m	QoQ +/(-)%
Net Interest Income	281	253	11	264	6
Islamic Banking Income	39	28	39	42	(6)
Non-Interest Income	102	65	57	139	(27)
Total Income	422	346	22	445	(5)
Operating Expenses	(171)	(141)	21	(144)	19
<b>Operating Profit</b>	<b>251</b>	<b>205</b>	<b>22</b>	<b>301</b>	<b>(17)</b>
Allowances	(32)	(38)	(14)	(21)	54
Tax	(56)	(43)	31	(71)	(21)
<b>Net Profit</b>	<b>163</b>	<b>125</b>	<b>30</b>	<b>209</b>	<b>(22)</b>

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

# OCBC Malaysia: half-year results

## UNAUDITED RESULTS\*

	1H10 RM m	1H09 RM m	YoY +/(-)%	2H09 RM m	HoH +/(-)%
Net Interest Income	545	505	8	531	3
Islamic Banking Income	81	61	33	83	(3)
Non-Interest Income	241	238	1	177	36
Total Income	867	804	8	791	10
Operating Expenses	(315)	(280)	12	(317)	(1)
<b>Operating Profit</b>	<b>552</b>	<b>524</b>	<b>5</b>	<b>474</b>	<b>16</b>
Allowances	(54)	(81)	(34)	(104)	(49)
Tax	(127)	(113)	12	(92)	38
<b>Net Profit</b>	<b>372</b>	<b>330</b>	<b>13</b>	<b>278</b>	<b>34</b>

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

## OCBC Malaysia: key financial ratios

	1H10 %	1H09 %	2Q10 %	1Q10 %	2Q09 %
Net Interest Margin	2.36	2.41	2.46	2.27	2.35
Non-Interest Income / Total Income	27.8	29.6	24.2	31.2	18.8
Cost-to-Income Ratio	36.3	34.8	40.5	32.3	40.8
Loans-to-Deposits Ratio	83.4	80.3	83.4	80.3	80.3
Gross NPL Ratio	3.6	3.8	3.6	3.6	3.8
Loans Growth (YoY)	9.2	5.1	9.2	7.0	5.1
ROE	19.4	20.3	16.6	22.3	15.1

# Bank OCBC NISP: quarterly results

## UNAUDITED RESULTS

	2Q10 RP bn	2Q09 RP bn	YoY +/(-)%	1Q10 RP bn	QoQ +/(-)%
Net Interest Income	442	430	3	445	(1)
Non-Interest Income	111	159	(30)	119	(7)
Total Income	553	589	(6)	564	(2)
Operating Expenses	(377)	(347)	9	(358)	5
<b>Operating Profit</b>	<b>176</b>	<b>242</b>	<b>(27)</b>	<b>206</b>	<b>(15)</b>
Allowances	(26)	(112)	(77)	(39)	(33)
Tax	(38)	(42)	(10)	(42)	(10)
<b>Net Profit</b>	<b>114</b>	<b>89</b>	<b>28</b>	<b>126</b>	<b>(9)</b>

# Bank OCBC NISP: half-year results

## UNAUDITED RESULTS

	1H10 RP bn	1H09 RP bn	YoY +/(-)%	2H09 RP bn	HoH +/(-)%
Net Interest Income	887	829	7	897	(1)
Non Interest Income	230	278	(17)	219	5
Total Income	1,117	1,107	(1)	1,116	0
Operating Expenses	(735)	(682)	8	(695)	6
<b>Operating Profit</b>	<b>382</b>	<b>425</b>	<b>(10)</b>	<b>421</b>	<b>(9)</b>
Allowances	(65)	(192)	(66)	(45)	44
Tax	(80)	(71)	13	(105)	(24)
<b>Net Profit</b>	<b>240</b>	<b>162</b>	<b>48</b>	<b>274</b>	<b>(12)</b>

## Bank OCBC NISP: key financial ratios

	1H10 %	1H09 %	2Q10 %	1Q10 %	2Q09 %
Net Interest Margin	5.31	5.22	5.21	5.42	5.41
Non-Interest Income / Total Income	20.6	25.1	20.0	21.2	27.1
Cost-to-Income Ratio	65.8	61.6	68.1	63.5	59.0
Loans-to-Deposits Ratio	77.5	69.4	77.5	76.6	69.4
Gross NPL Ratio	3.0	3.9	3.0	3.3	3.9
Loans Growth (YoY)	26.7	(6.4)	26.7	9.7	(6.4)
ROE	11.6	9.0	10.9	12.3	9.8

## In Summary

- Broad-based loans growth in our key markets drove increase in net interest income
- Bank of Singapore expanding as planned, boosting wealth management income
- Dealing income impacted by volatile financial markets
- Great Eastern delivering robust growth in new business sales and EV
- Effective credit portfolio management continues to deliver results: NPLs and allowances remain low
- On balance, we are positive on the outlook for the rest of the year in our key markets