

# Second Quarter 2011 Results

## Presentation

4 August 2011



Ask OCBC  
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# Agenda

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Results Overview

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Performance Trends

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Appendix: Financial Highlights of  
Malaysia and Indonesia Subsidiaries

Notes: Amounts less than S\$0.5 million are shown as "0"; NM denotes not meaningful;  
Due to rounding, figures may not sum to stated totals

# Highlights

## Second quarter performance underpinned by record revenue

- Record net interest income was driven by broad-based loan growth; net interest margin compression slowed
- Strong non-interest income led by record fee income, underpinned by trade-related fees and service charges; insurance business remained strong with healthy new sales
- Prudent measures to increase portfolio allowances in view of continuing loan growth had an impact on quarterly earnings
- Asset quality improved, and loan losses remained low
- Capital position remained strong; well-positioned to meet MAS' revised requirements effective 2013

## 2Q11 core net profit of \$577m up 15% YoY, down 3% QoQ

OCBC Group	2Q11 S\$m	2Q10 S\$m	YoY +/(-)%	1Q11 S\$m	QoQ +/(-)%
Net Interest Income	827	720	15	784	6
Non-Interest Income	586	516	13	618	(5)
Total Income	1,413	1,236	14	1,402	1
Operating Expenses	(618)	(559)	11	(581)	6
<b>Operating Profit</b>	<b>795</b>	<b>677</b>	<b>17</b>	<b>821</b>	<b>(3)</b>
Amortisation of Intangibles	(16)	(11)	31	(15)	(1)
Allowances	(56)	(18)	227	(49)	16
Associates & JVs	19	(1)	NM	12	56
Tax & Non-controlling interests	(165)	(144)	15	(173)	(3)
<b>Core Net Profit</b>	<b>577</b>	<b>503</b>	<b>15</b>	<b>596</b>	<b>(3)</b>
Divestment gain, net of tax	-	-	NM	32 <sup>1/</sup>	NM
<b>Reported Net Profit</b>	<b>577</b>	<b>503</b>	<b>15</b>	<b>628</b>	<b>(8)</b>

1/ Gain from divestment of property at Bassein Road, Singapore

# 1H11 core net profit of \$1,173m, up 9% HoH, flat YoY

OCBC Group	1H11 S\$m	1H10 S\$m	YoY +/(-)%	2H10 S\$m	HoH +/(-)%
Net Interest Income	1,611	1,424	13	1,523	6
Non-Interest Income	1,204	1,197	1	1,181	2
Total Income	2,815	2,621	7	2,704	4
Operating Expenses	(1,199)	(1,061)	13	(1,193) <sup>2/</sup>	1
<b>Operating Profit</b>	<b>1,616</b>	<b>1,560</b>	<b>4</b>	<b>1,511</b>	<b>7</b>
Amortisation of Intangibles	(31)	(23)	31	(31)	(3)
Allowances	(105)	(43)	149	(92)	15
Associates & JVs	31	(1)	NM	(1)	NM
Tax & Non-controlling interests	(338)	(314)	8	(312)	8
<b>Core Net Profit</b>	<b>1,173</b>	<b>1,179</b>	<b>(0)</b>	<b>1,075</b>	<b>9</b>
Divestment gain, net of tax	32 <sup>1/</sup>	-	NM	-	NM
<b>Reported Net Profit</b>	<b>1,205</b>	<b>1,179</b>	<b>2</b>	<b>1,075</b>	<b>12</b>

1/ Gain from divestment of property at Bassein Road, Singapore

2/ Includes one-time expenses of S\$31m related to OCBC NISP-BOI merger

## Key ratios

Based on core earnings	2Q11 %	1Q11 %	2Q10 %	1H11 %	1H10 %
Net Interest Margin	1.87	1.90	1.96	1.88	2.00
Non-Interest Income / Total Income	41.4	44.1	41.8	42.8	45.7
Costs / Income	43.7	41.5	45.2	42.6	40.5
Loans / Deposits	89.1	86.8	83.7	89.1	83.7
NPL Ratio	0.8	0.9	1.3	0.8	1.3
Allowances / NPAs	123.2	123.2	111.8	123.2	111.8
ROE	11.4	12.2	10.9	11.8	13.1
Cash ROE	11.7	12.5	11.2	12.1	13.4

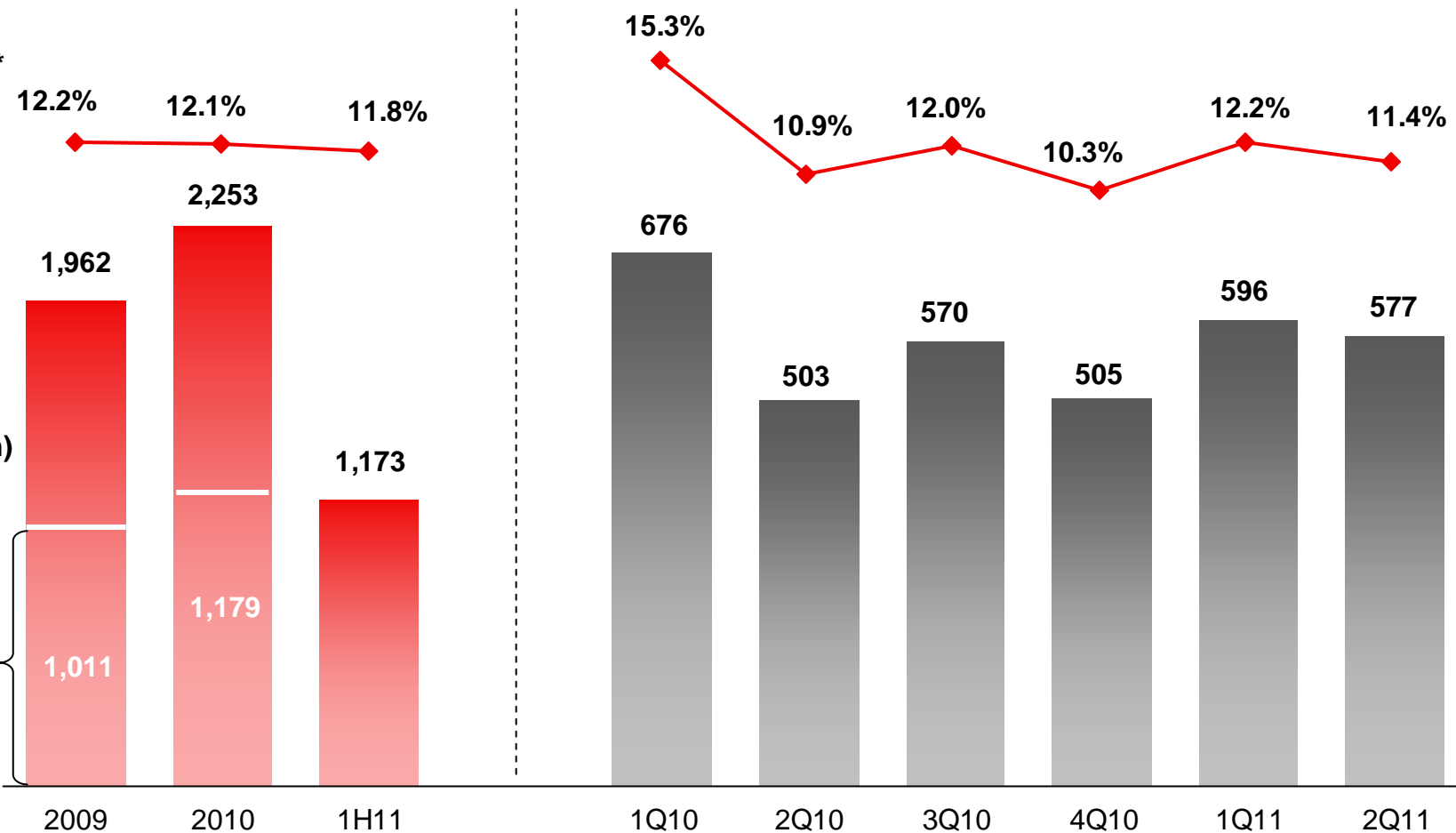
# ROE of 11.8% for 1H11

Core ROE\*

12.2%    12.1%    11.8%

Core Net Profit (S\$m)

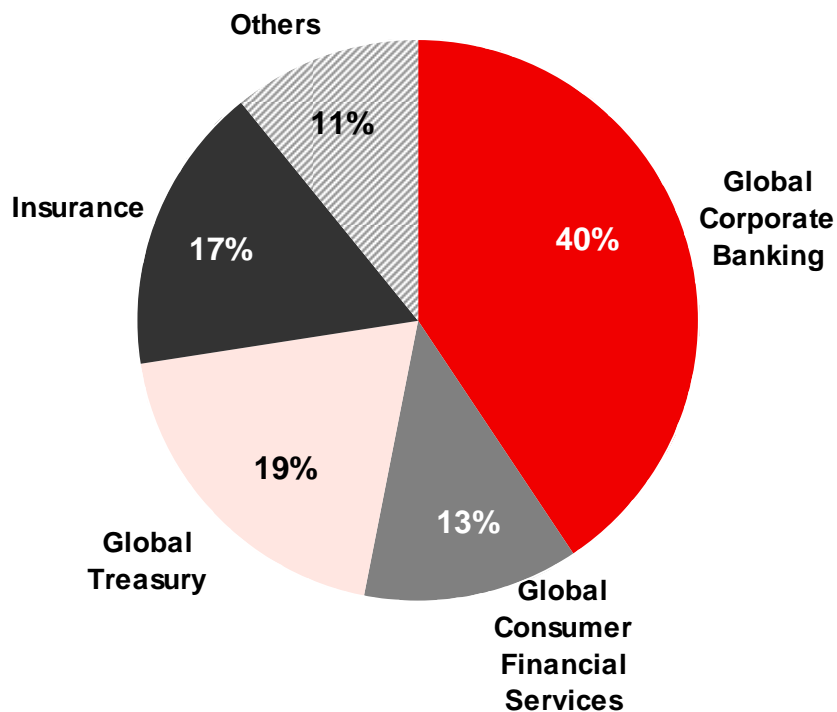
1H



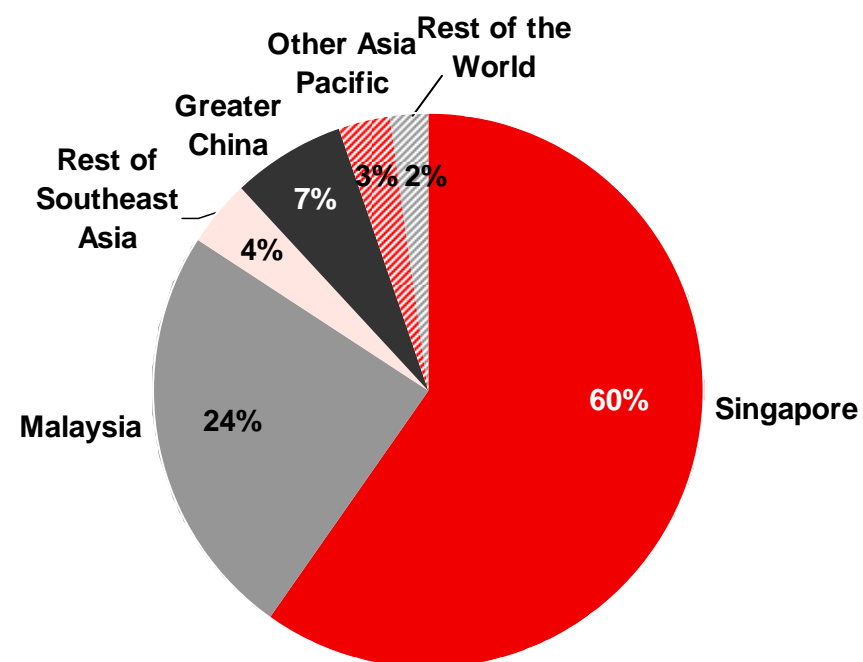
\* Annualised

# Profit contribution by business and geography

1H11 PBT  
By Business\*



1H11 PBT  
by Geography



\* Operating profit before joint income elimination and before items not attributed to business segments



## GEH: 2Q11 net profit contribution up 67% YoY

GEH Contribution	2Q11 S\$m	2Q10 S\$m	YoY +/(-)%	1Q11 S\$m	QoQ +/(-)%
Total Income	194	132	47	221	(12)
Operating Expenses	(51)	(35)	46	(40)	27
<b>Operating Profit</b>	<b>144</b>	<b>96</b>	<b>48</b>	<b>180</b>	<b>(20)</b>
Amortisation of Intangibles	(12)	(11)	0	(12)	0
Allowances	(0)	(2)	(98)	(0)	NM
Associates & JVs	(1)	(2)	(46)	1	NM
Tax & Non-controlling interests	(37)	(25)	48	(40)	(6)
<b>Net Profit Contribution</b>	<b>93</b>	<b>56</b>	<b>67</b>	<b>129</b>	<b>(28)</b>

## GEH: 1H11 net profit contribution up 10% YoY

GEH Contribution	1H11 S\$m	1H10 S\$m	YoY +/(-)%	2H10 S\$m	HoH +/(-)%
Total Income	415	379	10	395	5
Operating Expenses	(92)	(78)	19	(81)	13
<b>Operating Profit</b>	<b>323</b>	<b>301</b>	<b>7</b>	<b>313</b>	<b>3</b>
Amortisation of Intangibles	(23)	(24)	(4)	(23)	0
Allowances	(0)	(4)	(94)	0	NM
Associates & JVs	(0)	(4)	(90)	(2)	NM
Tax & Non-controlling interests	(77)	(67)	15	(87)	(11)
<b>Net Profit Contribution</b>	<b>223</b>	<b>203</b>	<b>10</b>	<b>202</b>	<b>10</b>

# Results excluding GEH: 2Q11 core net profit up 8% YoY and 4% QoQ

OCBC excluding GEH	2Q11 S\$m	2Q10 S\$m	YoY +/(-)%	1Q11 S\$m	QoQ +/(-)%
Net Interest Income	815	703	16	773	5
Non-Interest Income	403	401	0	409	(1)
Total Income	1,218	1,104	10	1,182	3
Operating Expenses	(567)	(524)	8	(541)	5
<b>Operating Profit</b>	<b>652</b>	<b>580</b>	<b>12</b>	<b>640</b>	<b>2</b>
Amortisation of Intangibles	(4)	0	NM	(4)	(3)
Allowances	(57)	(15)	272	(49)	17
Associates & JVs	20	1	NM	11	75
Tax & Non-controlling interests	(128)	(120)	8	(133)	(4)
<b>Core Net Profit</b>	<b>484</b>	<b>447</b>	<b>8</b>	<b>467</b>	<b>4</b>
Divestment gain, net of tax	-	-	NM	32 <sup>1/</sup>	NM
<b>Reported Net Profit</b>	<b>484</b>	<b>447</b>	<b>8</b>	<b>499</b>	<b>(3)</b>

1/ Gain from divestment of property at Bassein Road, Singapore

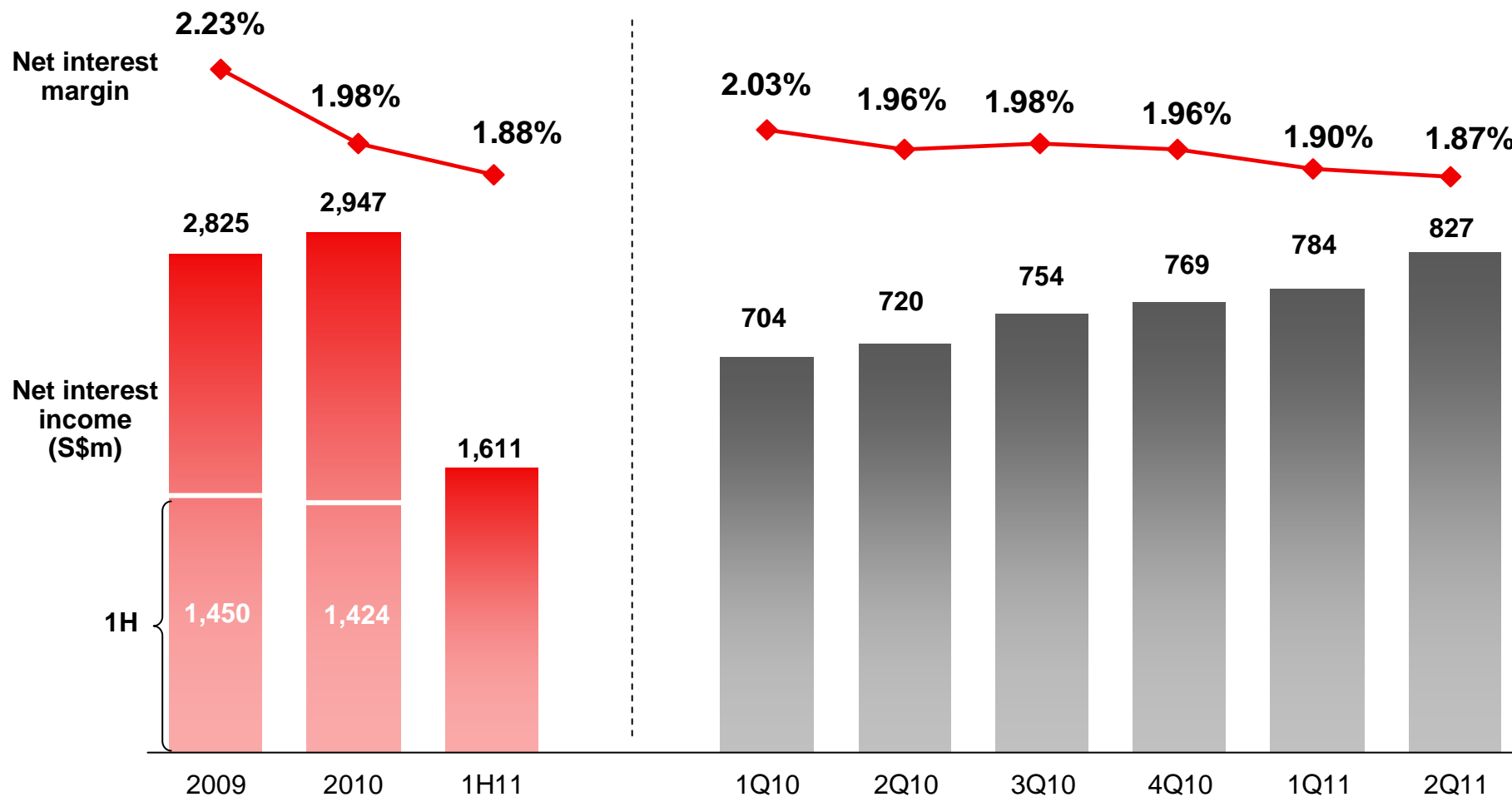
# Results excluding GEH: 1H11 core net profit up 9% HoH, down 3% YoY

OCBC excluding GEH	1H11 S\$m	1H10 S\$m	YoY +/(-)%	2H10 S\$m	HoH +/(-)%
Net Interest Income	1,587	1,389	14	1,487	7
Non-Interest Income	812	853	(5)	823	(1)
Total Income	2,400	2,242	7	2,309	4
Operating Expenses	(1,107)	(983)	13	(1,112) <sup>2/</sup>	0
<b>Operating Profit</b>	<b>1,293</b>	<b>1,259</b>	<b>3</b>	<b>1,198</b>	<b>8</b>
Amortisation of Intangibles	(7)	0	NM	(8)	0
Allowances	(105)	(38)	178	(92)	14
Associates & JVs	31	3	NM	0	NM
Tax & Non-controlling interests	(260)	(247)	5	(225)	16
<b>Core Net Profit</b>	<b>950</b>	<b>976</b>	<b>(3)</b>	<b>873</b>	<b>9</b>
Divestment gain, net of tax	32 <sup>1/</sup>	-	NM	-	NM
<b>Reported Net Profit</b>	<b>982</b>	<b>976</b>	<b>1</b>	<b>873</b>	<b>13</b>

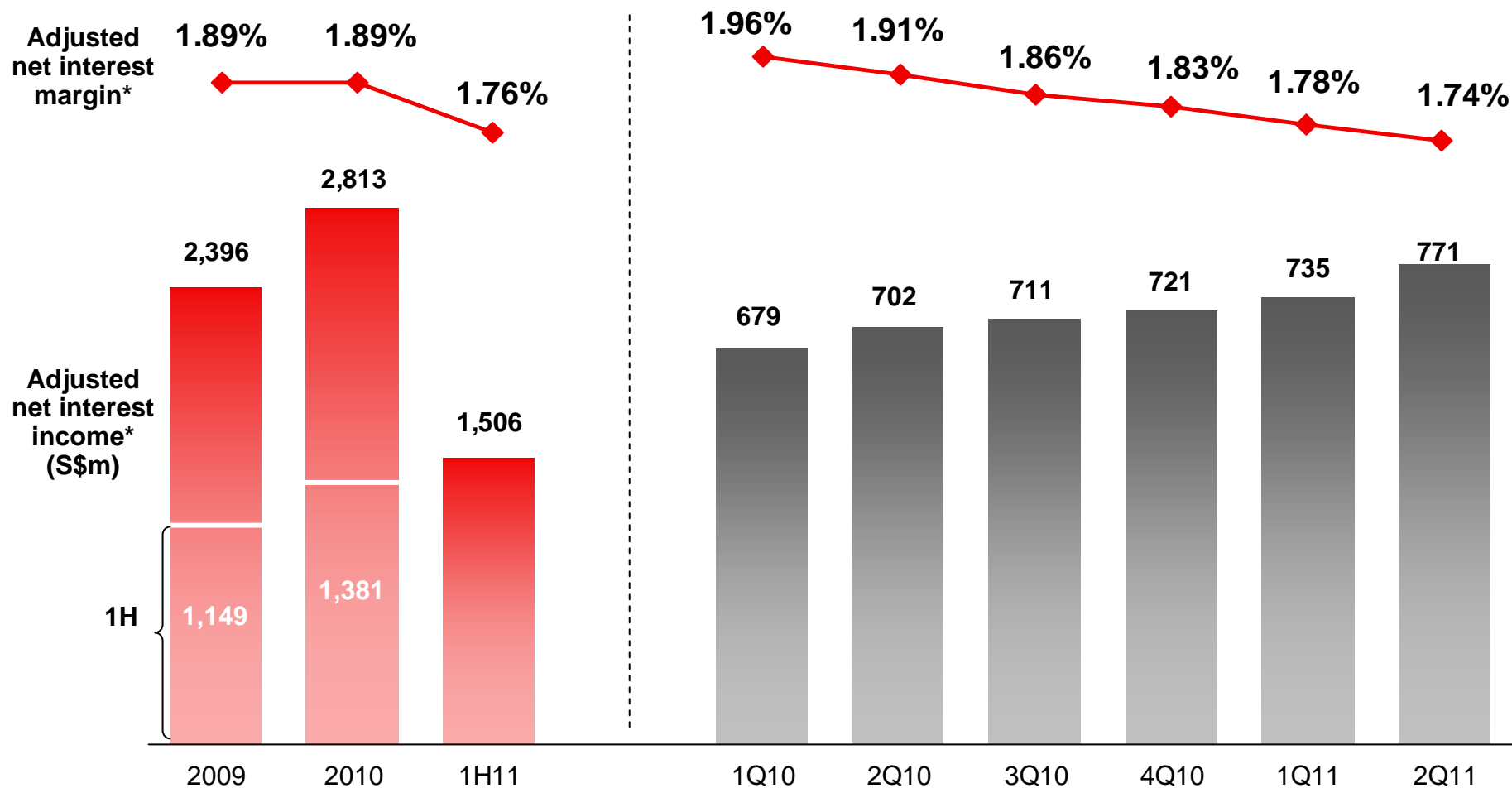
1/ Gain from divestment of property at Bassein Road, Singapore

2/ Includes one-time expenses of S\$31m related to OCBC NISP-BOI merger

# Net interest income up 6% QoQ; slight narrowing in margins was partly due to strong growth in lower-risk loans

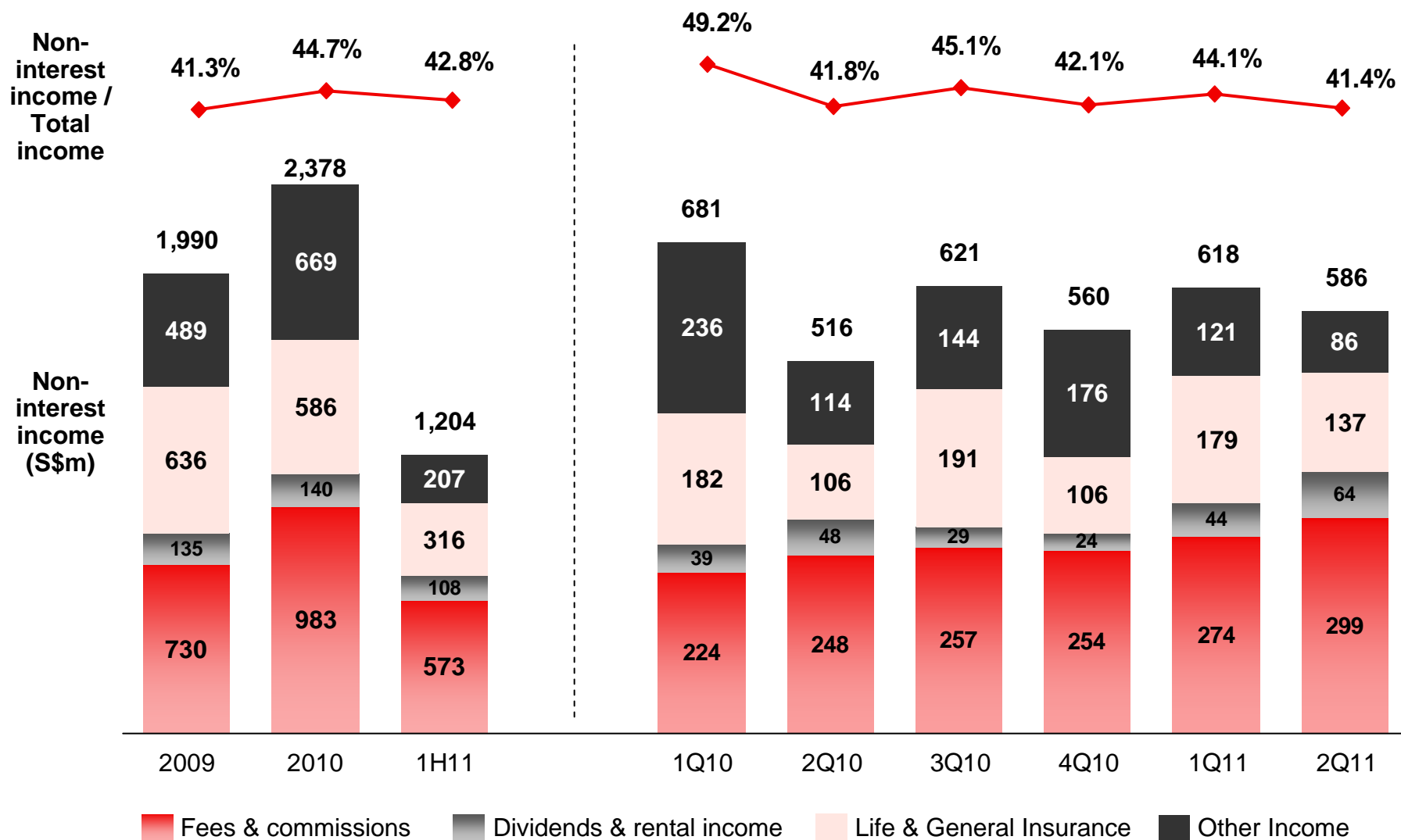


# Net interest income adjusted for allowances increased 10% YoY and 5% QoQ



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

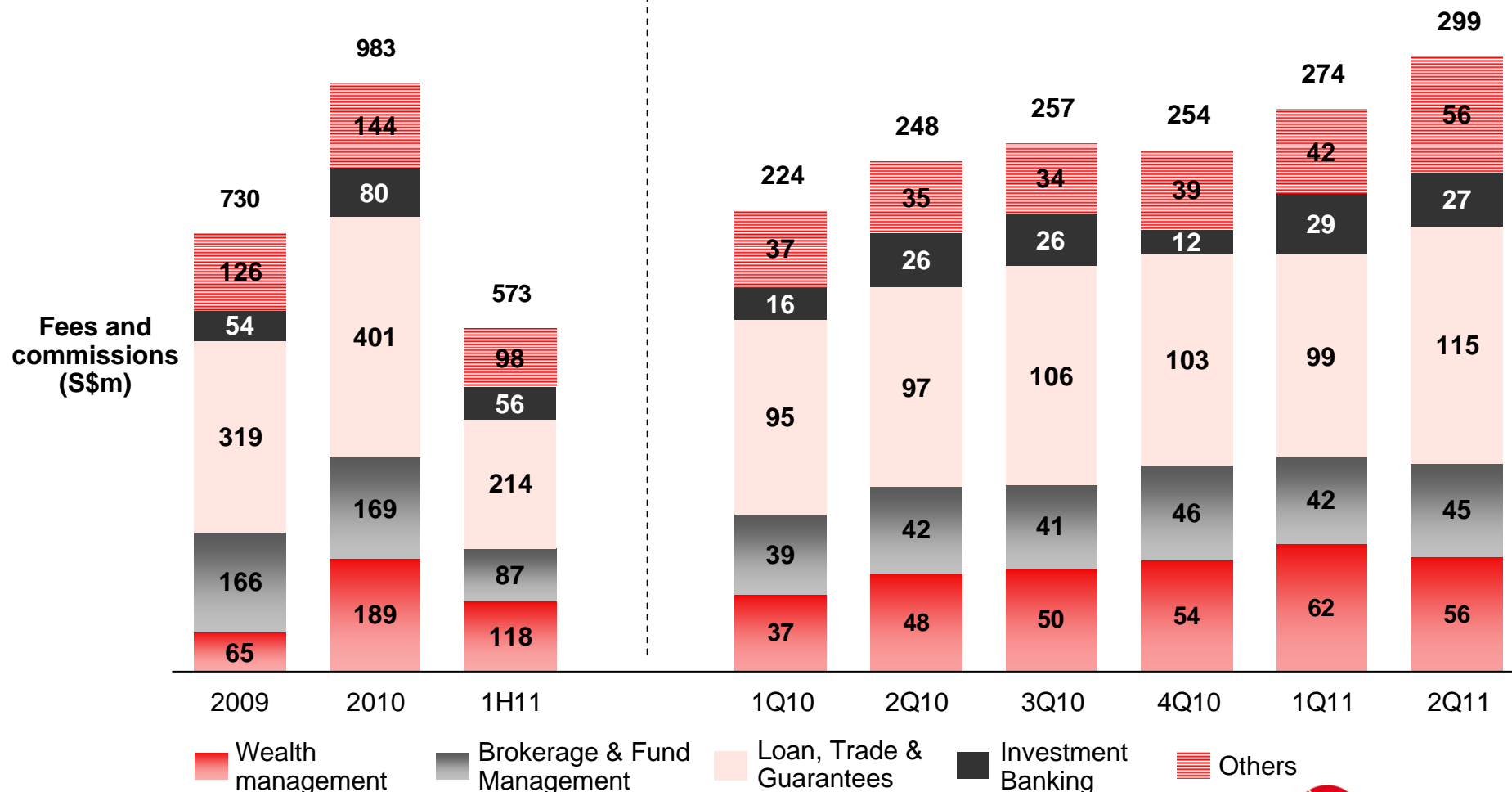
# Non-interest income up 13% YoY, strong growth in key components except other income



Note: Excludes gains from divestment of non-core assets

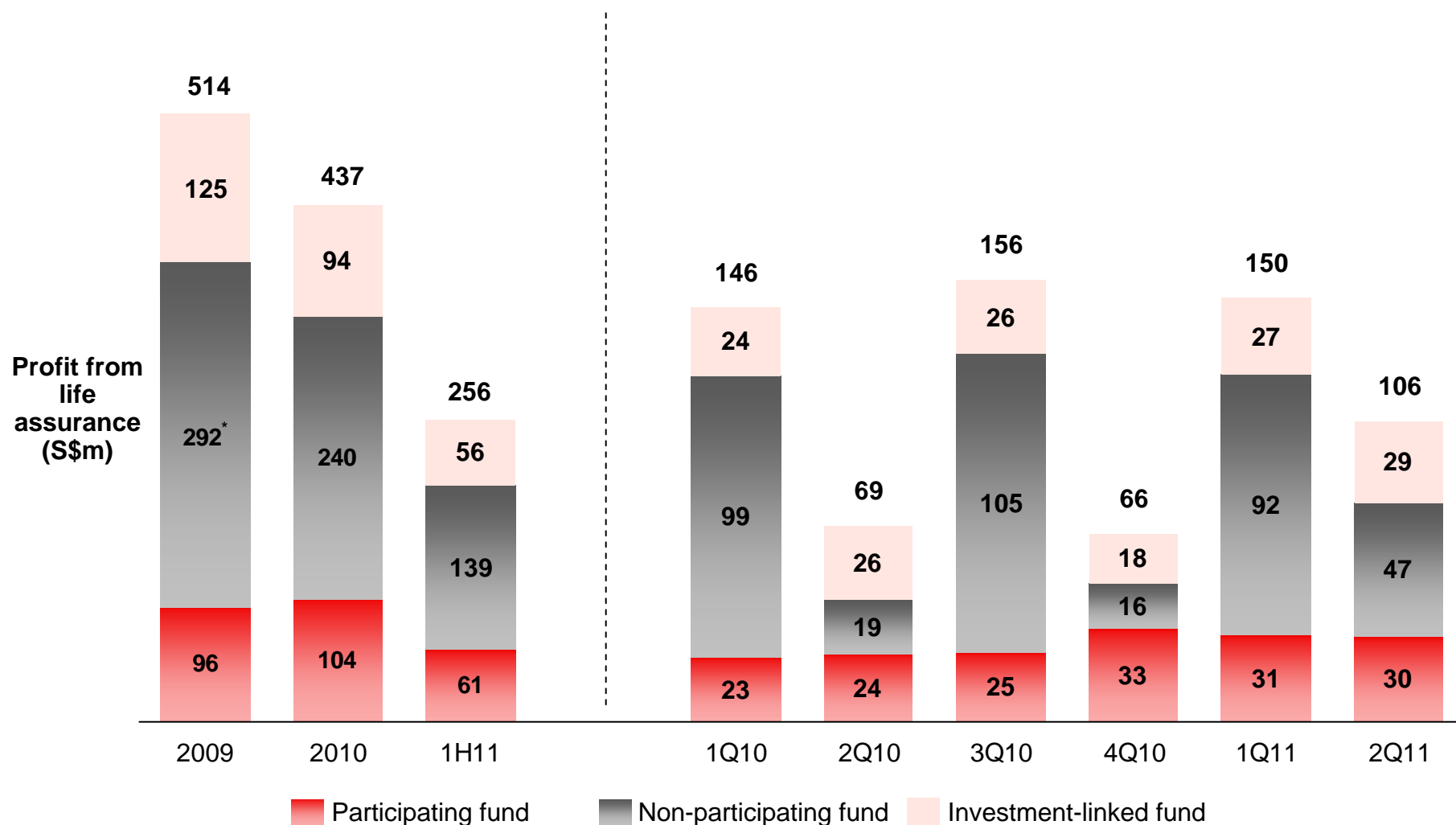


# Fee income increased 20% YoY and 9% QoQ, led by trade-related fees, service charges and fund management income



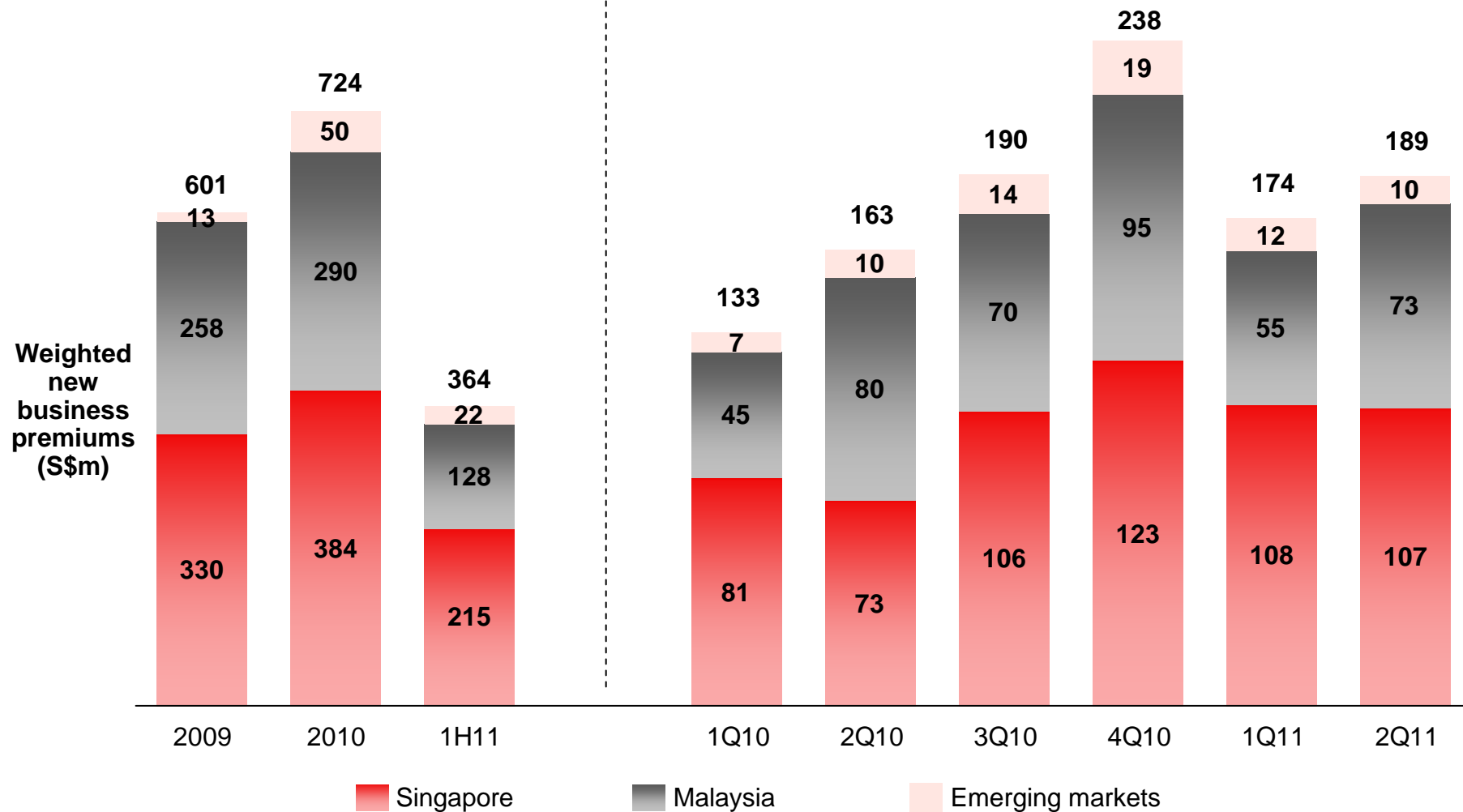


# GEH: Profit from life assurance declined QoQ as investment profit from non-participating funds were lower



\* Adjusted to include GreatLink Choice loss

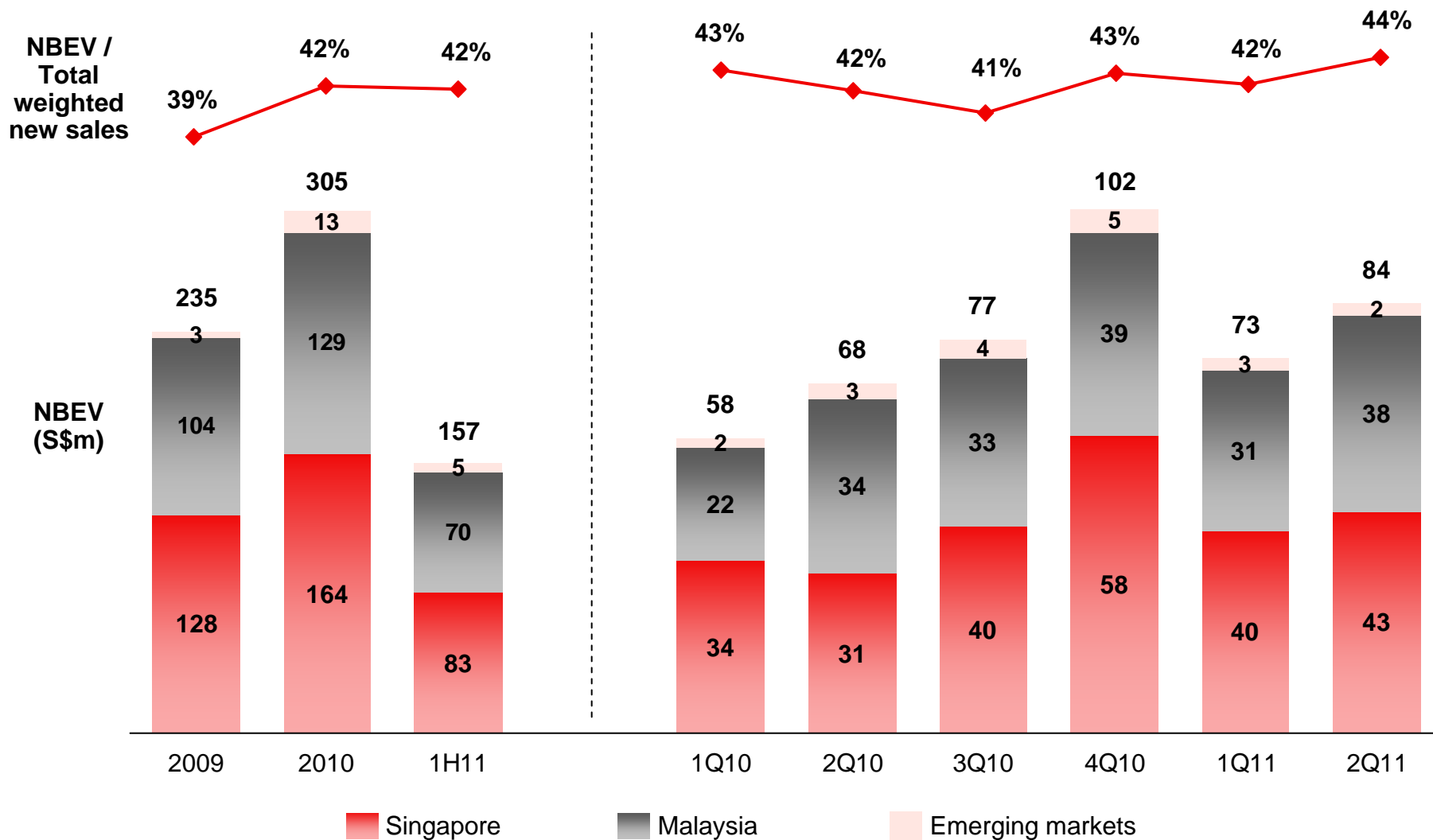
# GEH: Underlying insurance business is strong, with total weighted new sales up 16% YoY



Note: QoQ comparison not relevant given seasonality of insurance sales



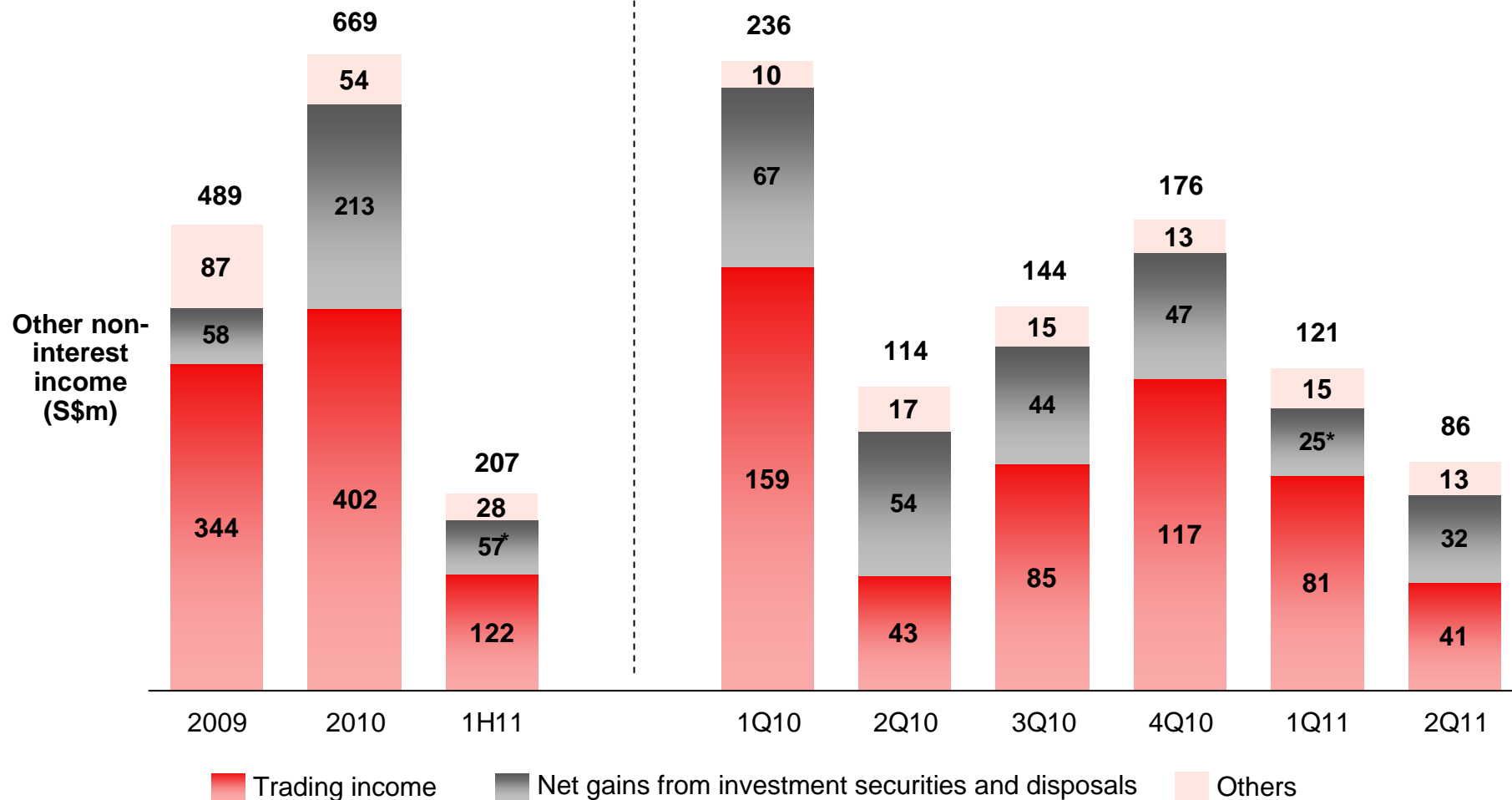
# GEH: New business embedded value up 23% YoY



Note: QoQ comparison not relevant given seasonality of insurance sales



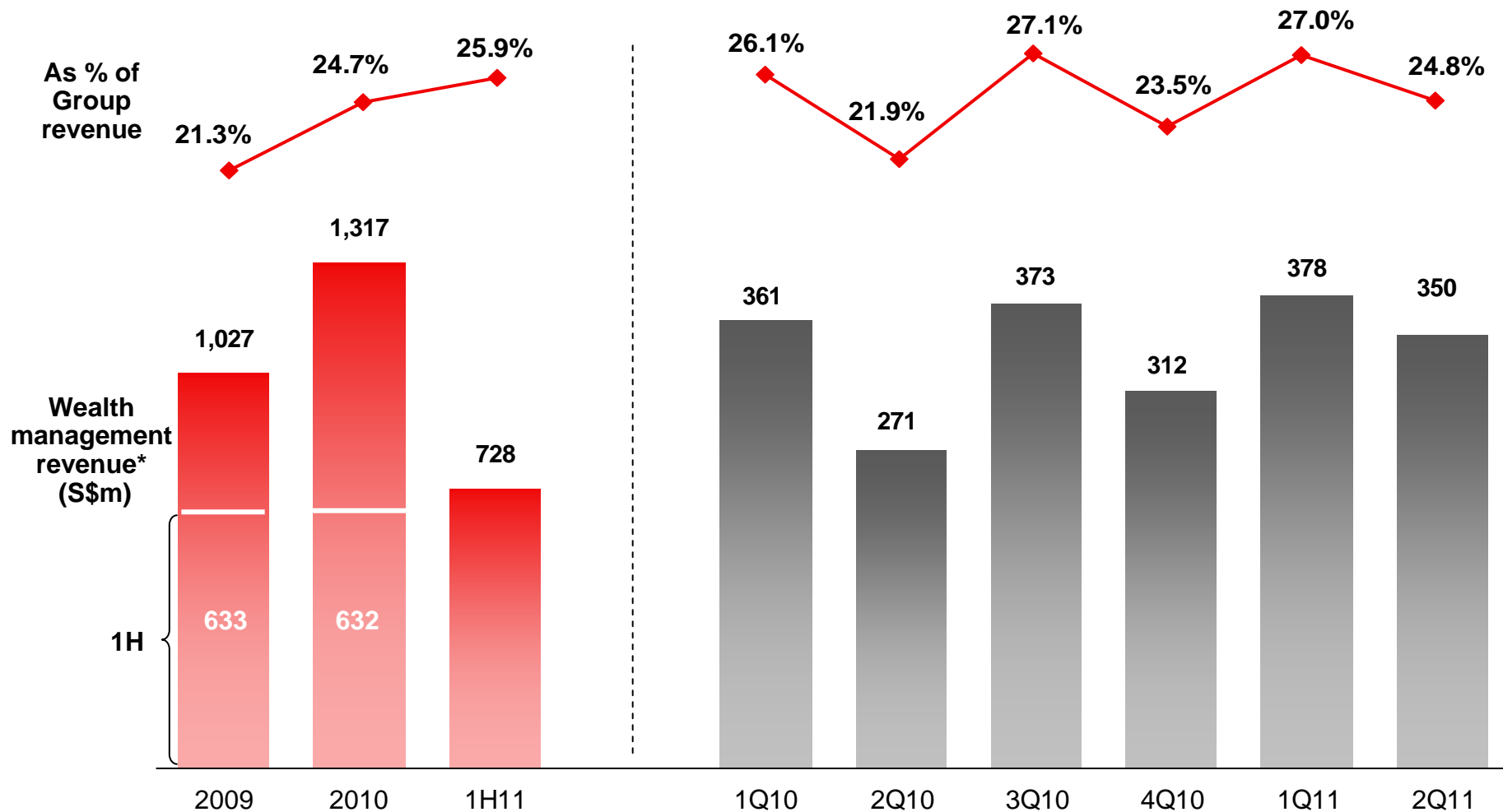
# Other non-interest income decreased 24% YoY on lower gains from investment securities and lower trading income



\* Excludes S\$39m gain from divestment of Bassein Road property

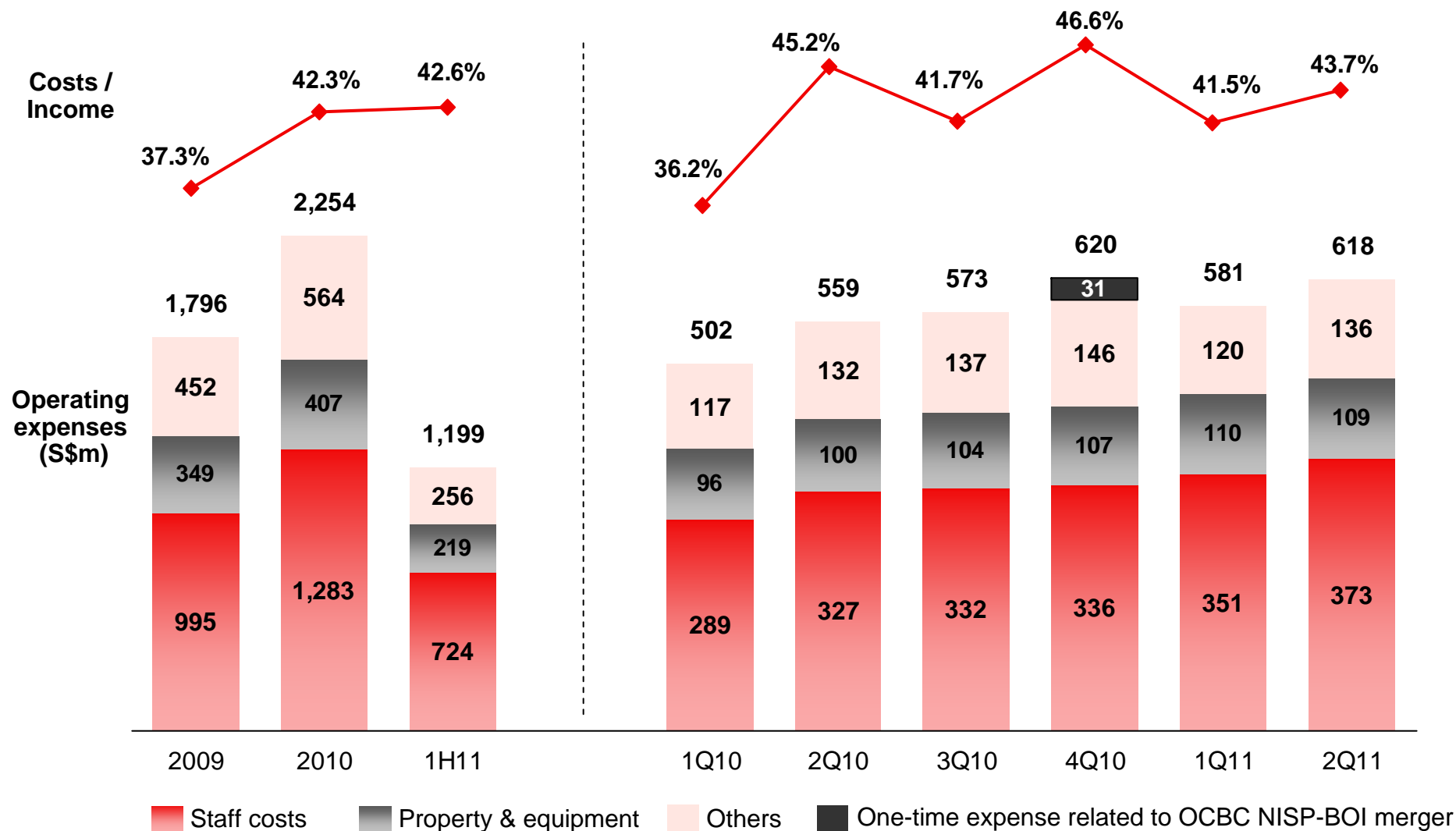


# Wealth management revenue increased 29% YoY



\* Comprises the consolidated revenue from insurance, asset management, stockbroking and private banking subsidiaries, plus the Group's revenue from the sales of unit trusts, bancassurance products, structured deposits and other treasury products to consumer customers

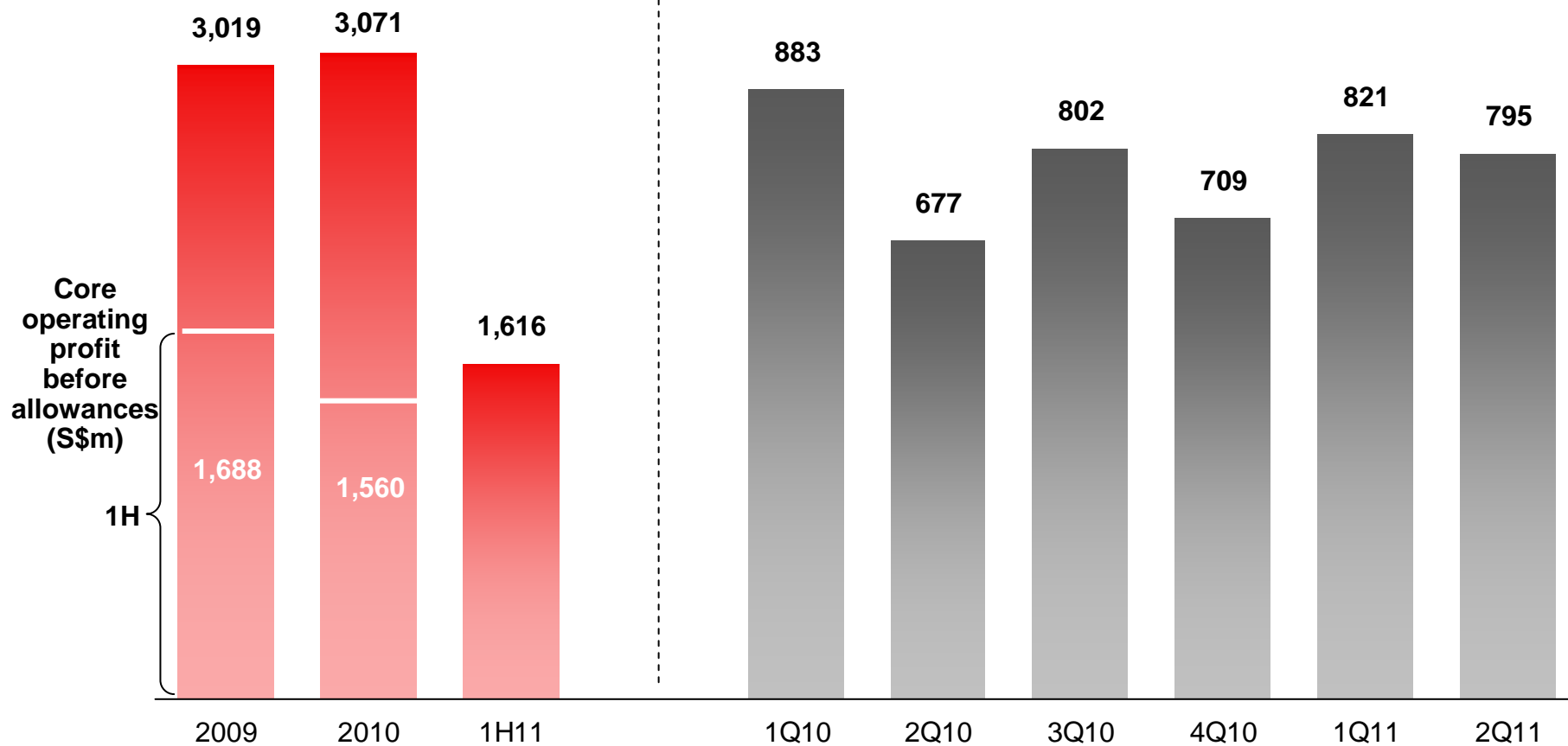
# Expenses increased 6% QoQ on higher staff costs and other expenses linked to increased business volumes



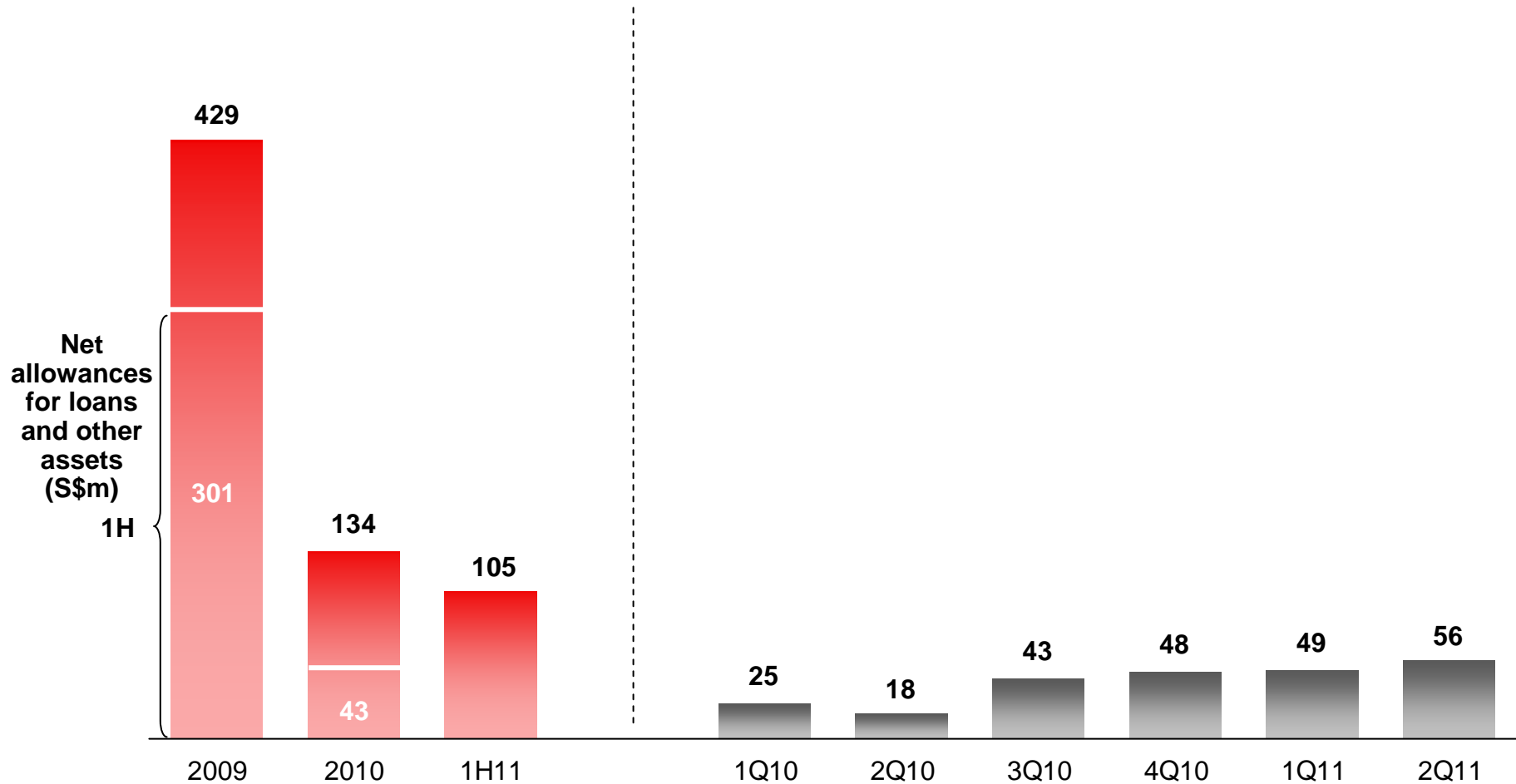
Note: Cost-to-income ratio excludes gains from divestment of non-core assets



# Core operating profit increased 17% YoY



# Net allowances increased as portfolio allowances grew in line with loan growth, impacting quarterly earnings





## Breakdown of allowances

	2Q11 S\$m	1Q11 S\$m	2Q10 S\$m	1H11 S\$m	1H10 S\$m
Specific allowances for loans	3	12	11	15	16
Portfolio allowances for loans	54	30	5	84	35
Allowances for other assets (Write-back)	(1)	7	2	6	(8)
<b>Total net allowances</b>	<b>56</b>	<b>49</b>	<b>18</b>	<b>105</b>	<b>43</b>
Specific loan allowances/ average loans (bps)*	1	4	5	3	4

\* Annualised

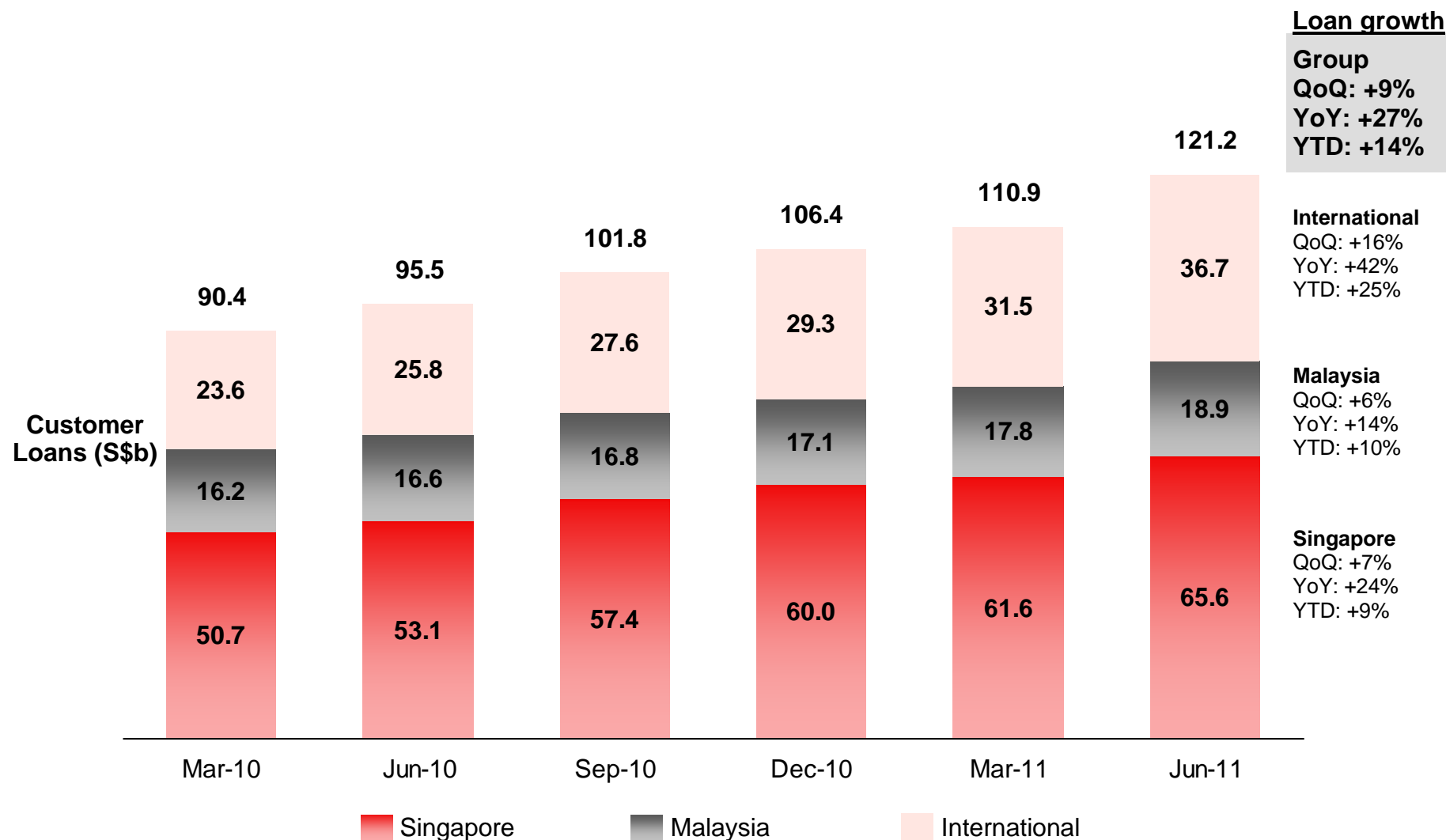
## Movement in specific allowances for loans

	2Q11 S\$m	1Q11 S\$m	2Q10 S\$m	1H11 S\$m	1H10 S\$m
Allowances for new and existing NPLs	41	54	55	95	123
Write-backs <sup>1/</sup>	(26)	(29)	(32)	(54)	(87)
Recoveries <sup>2/</sup>	(12)	(13)	(12)	(26)	(22)
<b>Net Specific Allowances</b>	<b>3</b>	<b>12</b>	<b>11</b>	<b>15</b>	<b>16</b>

1/ Write-backs of specific allowances for existing NPLs due to settlements and repayments

2/ Recoveries of allowances for loans that had been written off

# Loan growth of 27% YoY and 9% QoQ; strong momentum in all key markets

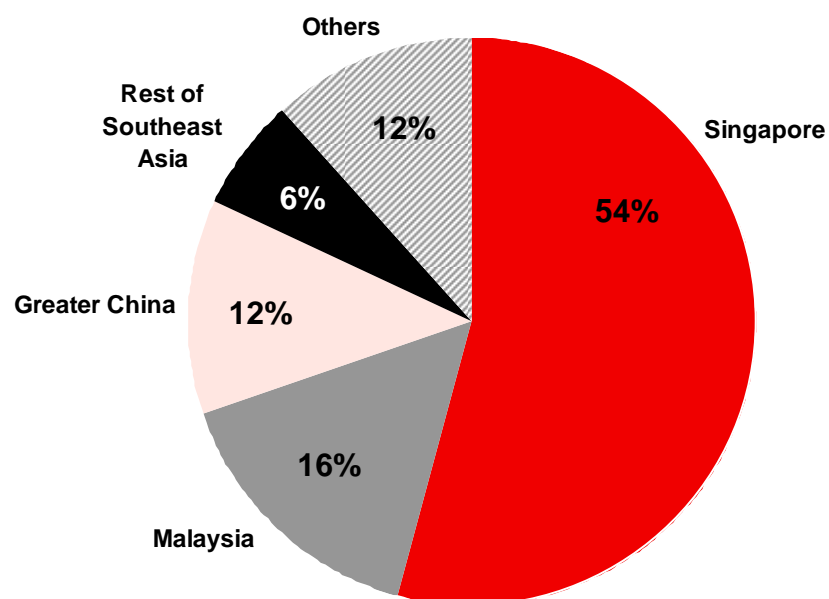


Note: Loans by geography are based on where the credit risks reside

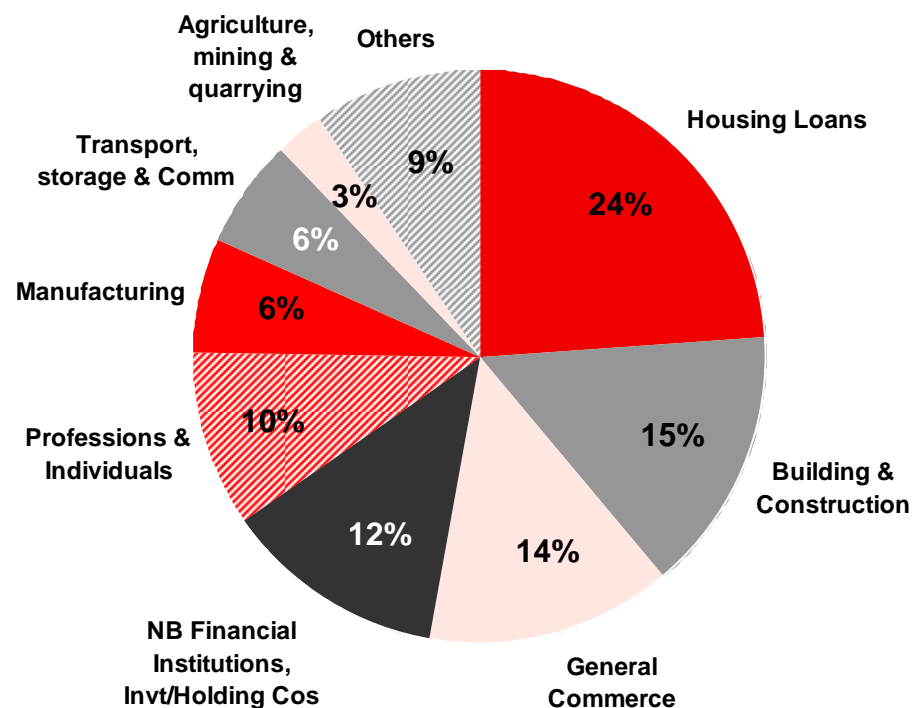


# Loan book remains diversified across geographies and sectors

**Customer Loans by Geography\***  
As at 30 June 2011

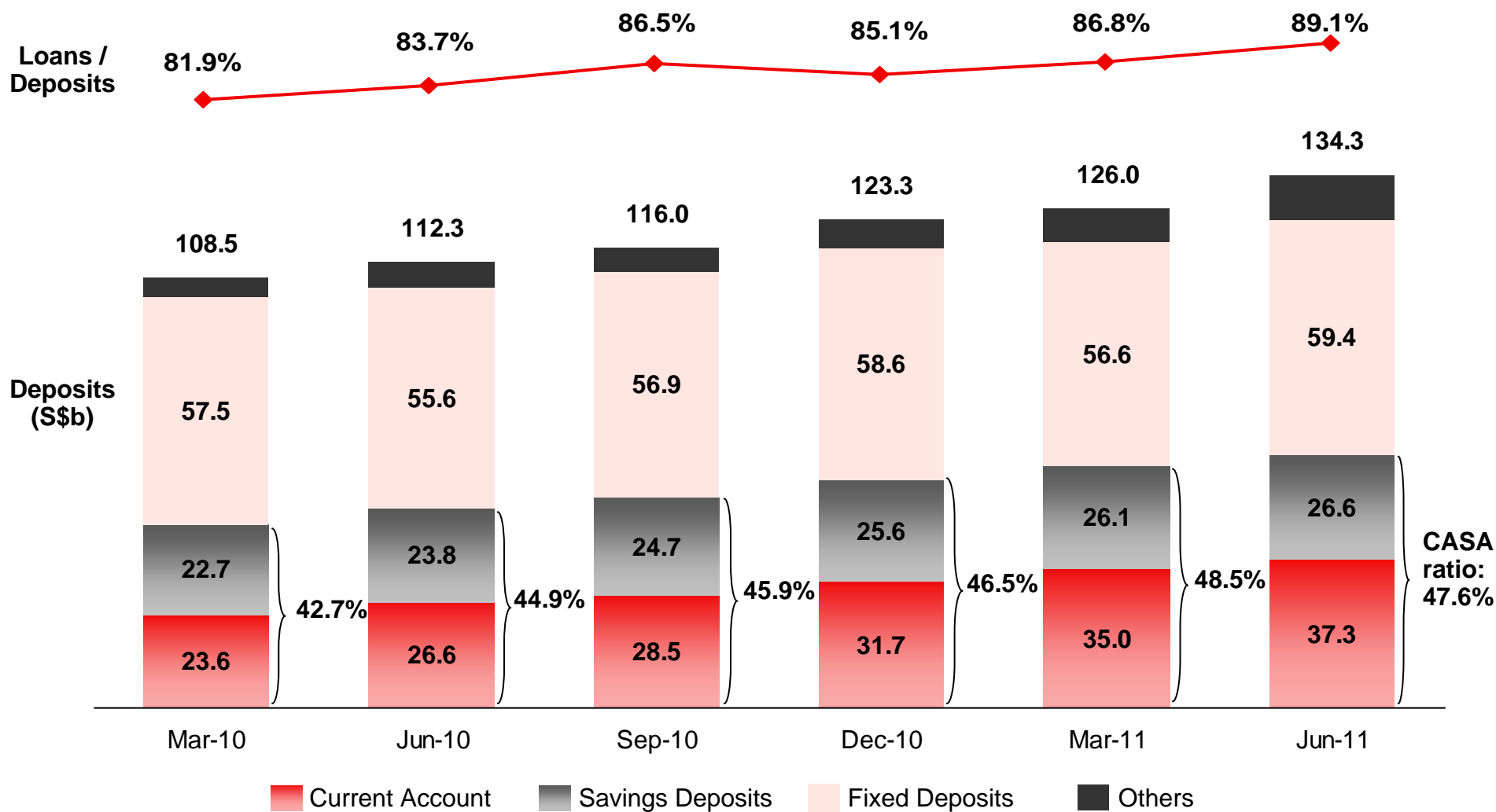


**Customer Loans by Industry**  
As at 30 June 2011

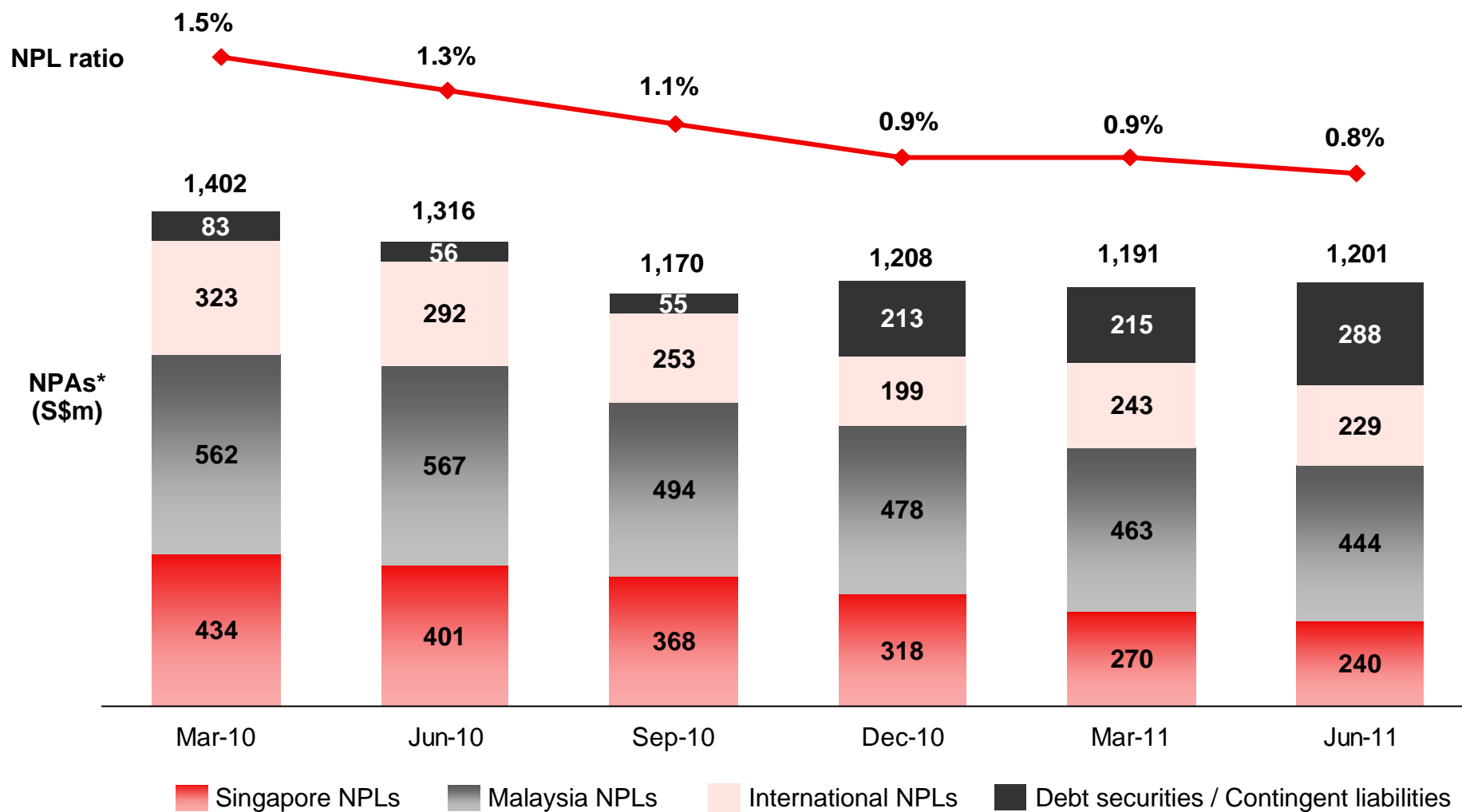


\* Based on where the credit risks reside, which may be different from the borrower's country of residence or the booking location of the loans

# Customer deposits increased 20% YoY and 7% QoQ

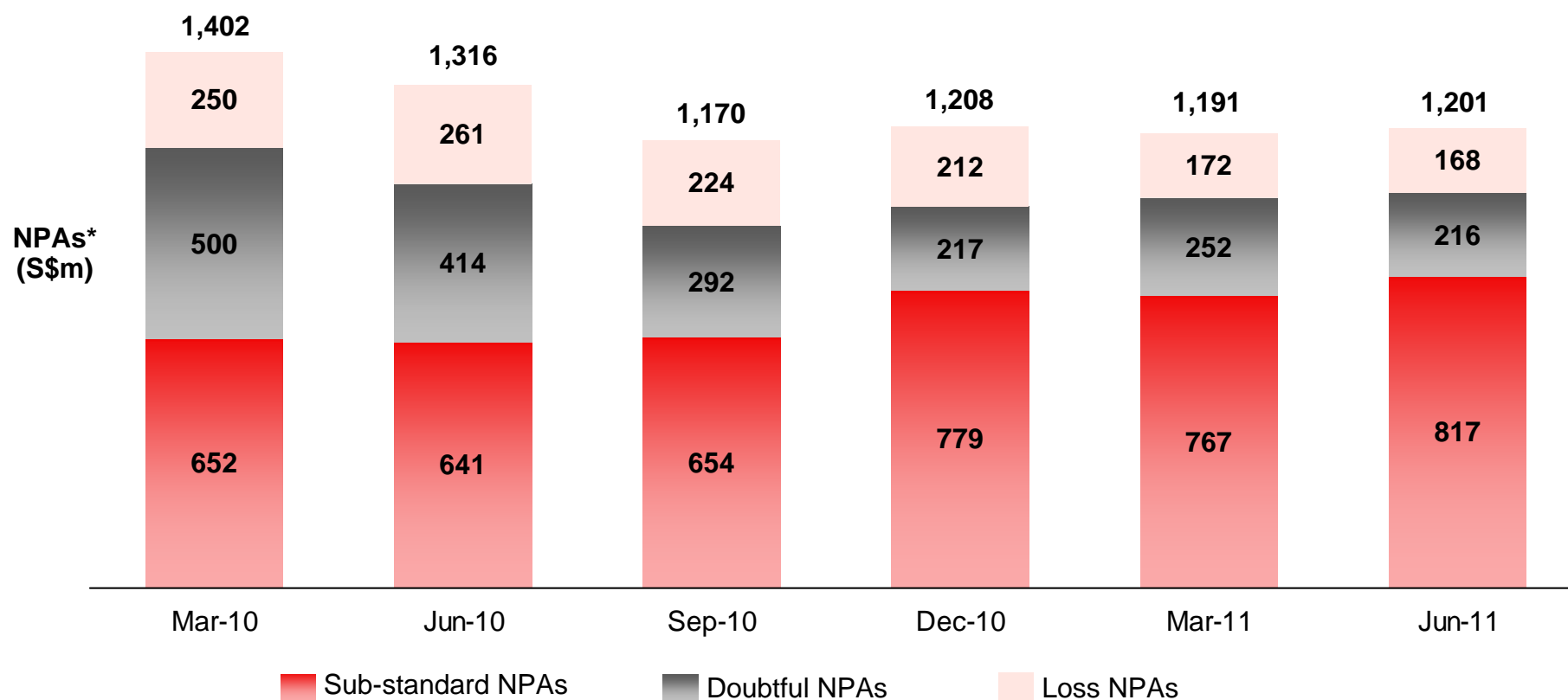


# NPL ratio improved to 0.8%



\* NPAs comprise NPLs and classified debt securities/contingent liabilities

# 68% of NPAs in the “substandard” category – typically well-collateralised or no overdues



\* NPAs comprise NPLs and classified debt securities/contingent liabilities

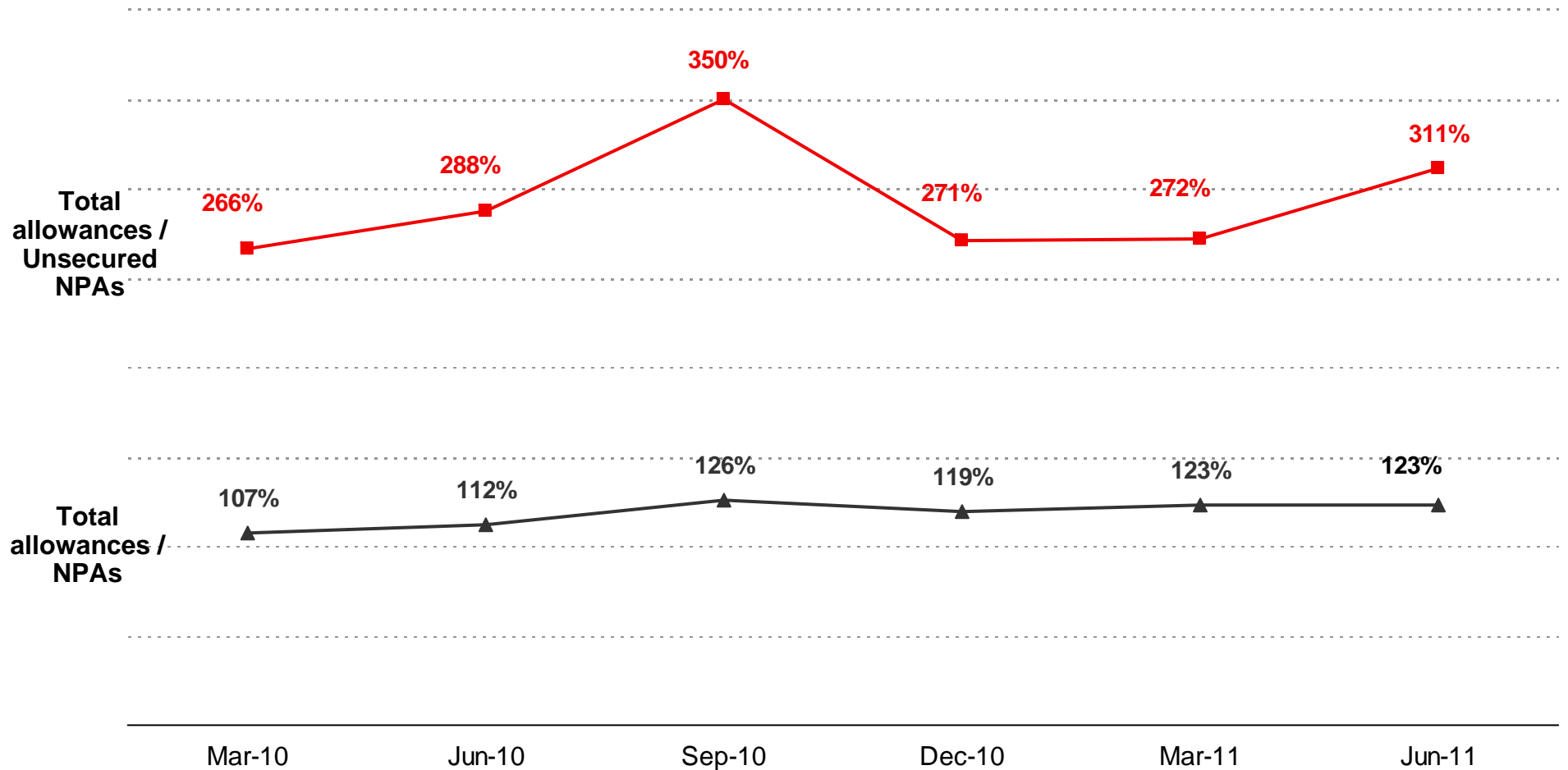


## Movement in NPAs

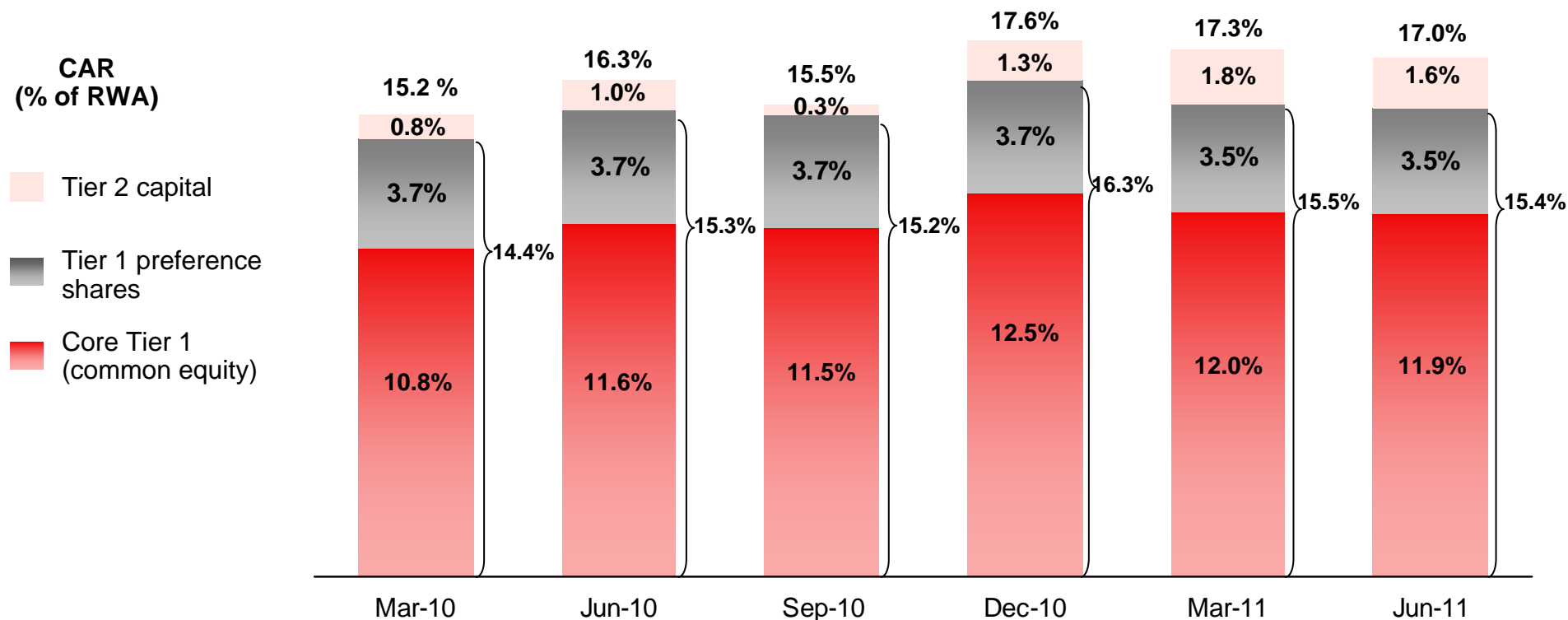
	2Q11 S\$m	1Q11 S\$m	2Q10 S\$m	1H11 S\$m	1H10 S\$m
NPAs - Opening Balance	1,191	1,208	1,403	1,208	1,449
New NPAs	222	135	124	357	247
Net Recoveries/Upgrades	(170)	(129)	(155)	(299)	(266)
Write-offs	(42)	(23)	(56)	(65)	(114)
<b>NPAs - Closing Balance</b>	<b>1,201</b>	<b>1,191</b>	<b>1,316</b>	<b>1,201</b>	<b>1,316</b>



# Allowance coverage ratios of 123% of total NPAs and 311% of unsecured NPAs



# Capital ratios remained strong: Tier 1 ratio of 15.4% and Core Tier 1 of 11.9%

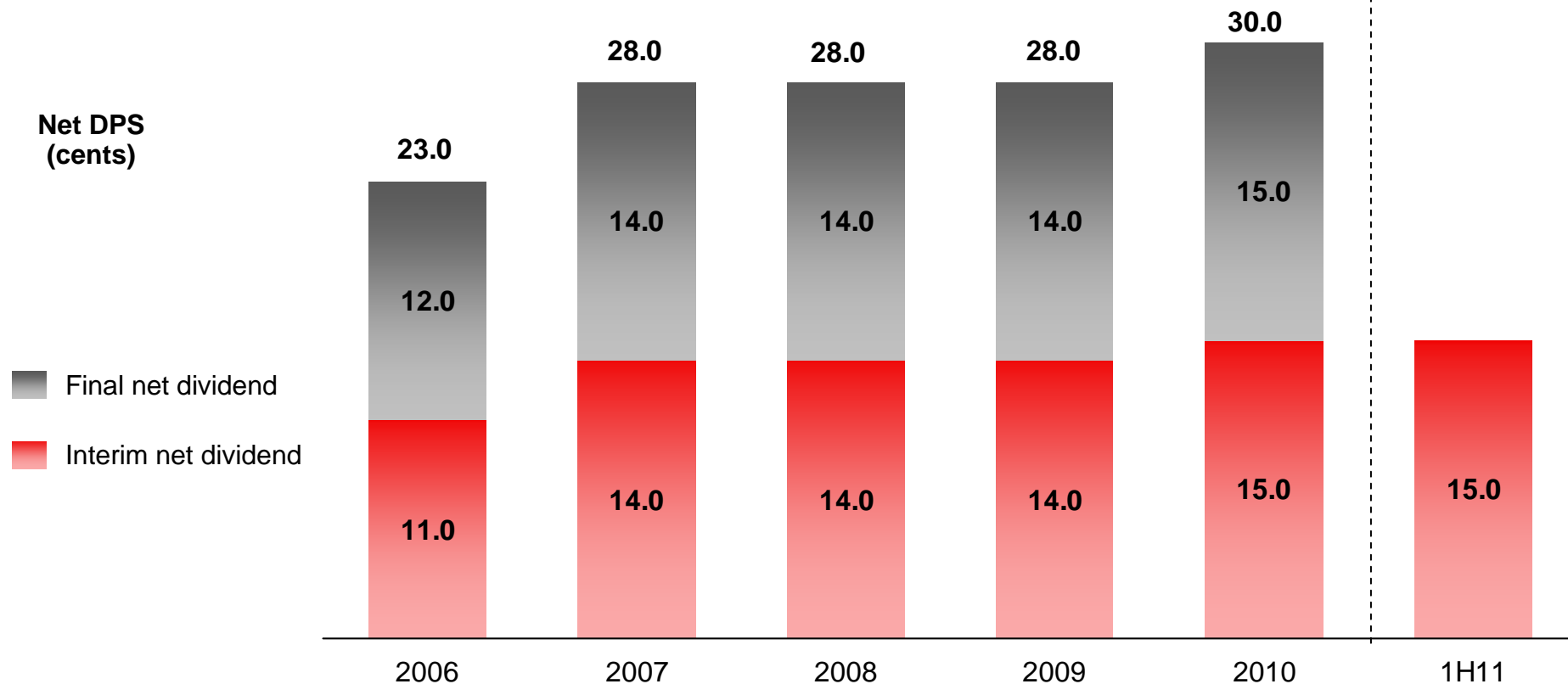


	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<b>Tier 1 Capital (S\$m)</b>	15,716	16,161	16,219	17,148	17,469	17,764
<b>Tier 1 Prefs. (S\$m)</b>	3,965	3,966	3,965	3,961	3,961	3,957
<b>RWA (S\$m)</b>	108,505	105,073	106,666	105,062	112,558	115,318

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



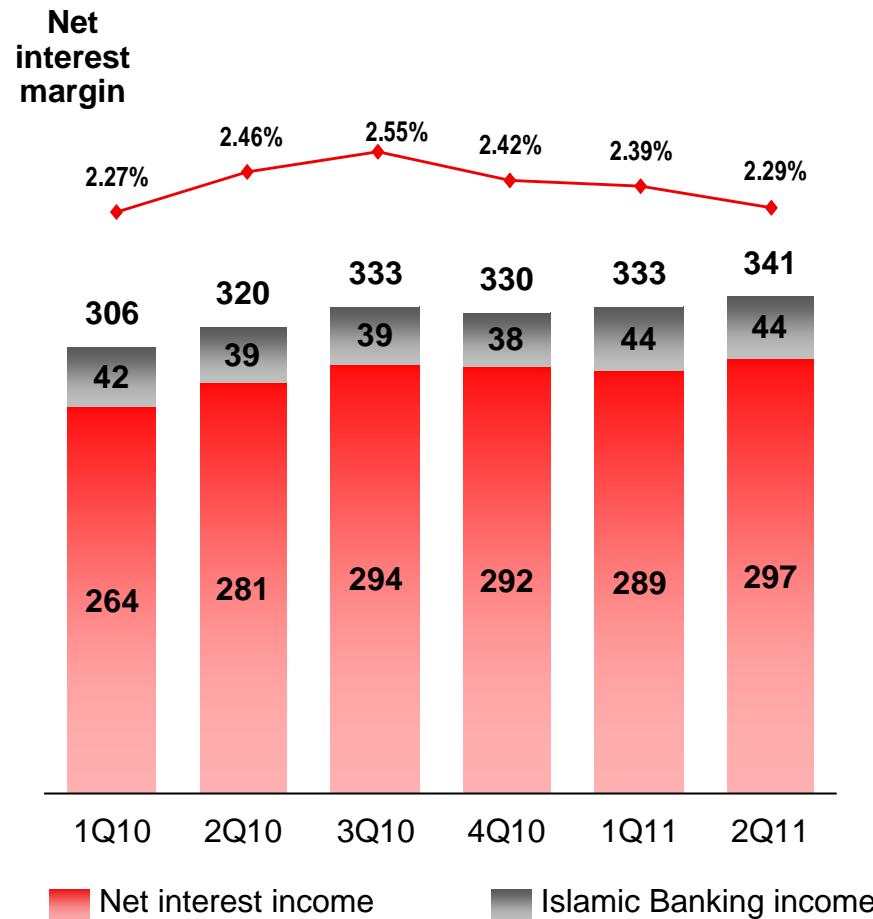
# Interim dividend of 15 cents per share



<b>Net Dividends (S\$m)</b>	709	864	868	897	994	508
<b>Core Net Profit (S\$m)</b>	1,443	1,878	1,486	1,962	2,253	1,173
<b>Dividend Payout Ratio</b>	49%	46%	58%	46%	44%	43%

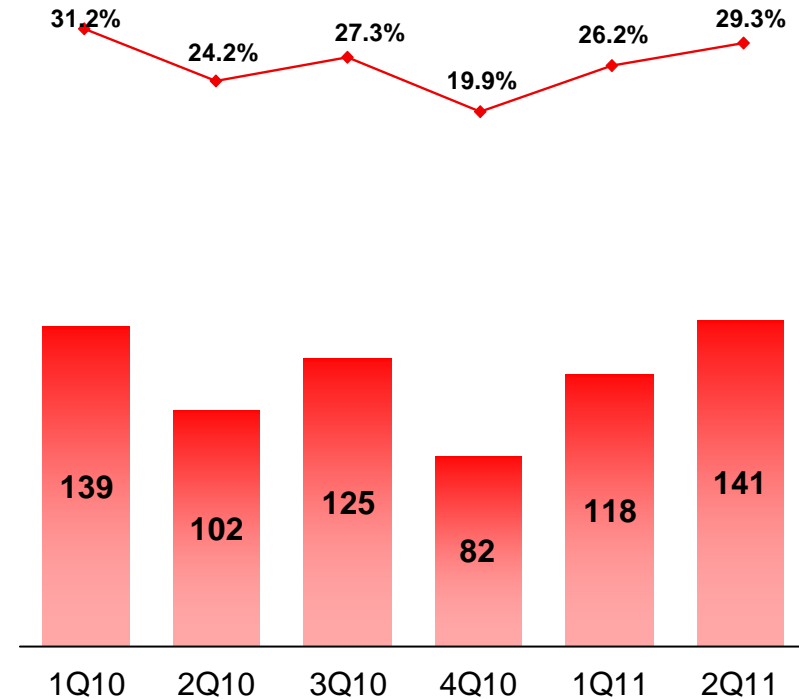
# OCBC Malaysia: Net interest income up 6% YoY, Non-interest income up 38% YoY

**Net Interest Income and Islamic Banking Income (RM m)**



**Non-Interest Income (RM m)**

Non-int. income/  
Total income

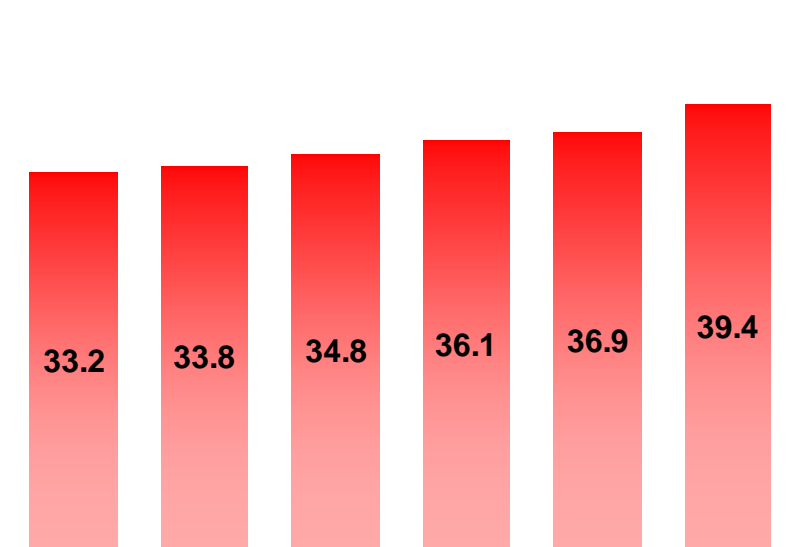
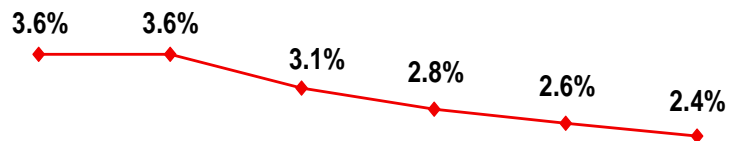


Note: Based on Bank Negara Malaysia's guidelines and Malaysia accounting standards

# OCBC Malaysia: Loan growth of 17% YoY and 7% QoQ; NPL ratio continued to improve

## Gross Loans (RM b)

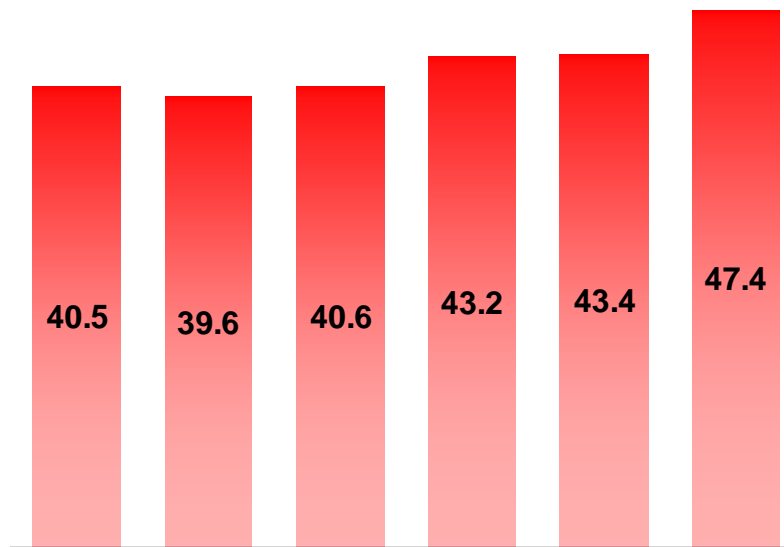
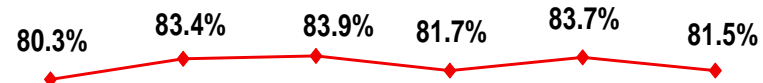
### NPL Ratio



Mar-10 Jun-10 Sep-10 Dec-10 Mar-11 Jun-11

## Deposits (RM b)

### Loans / Deposits

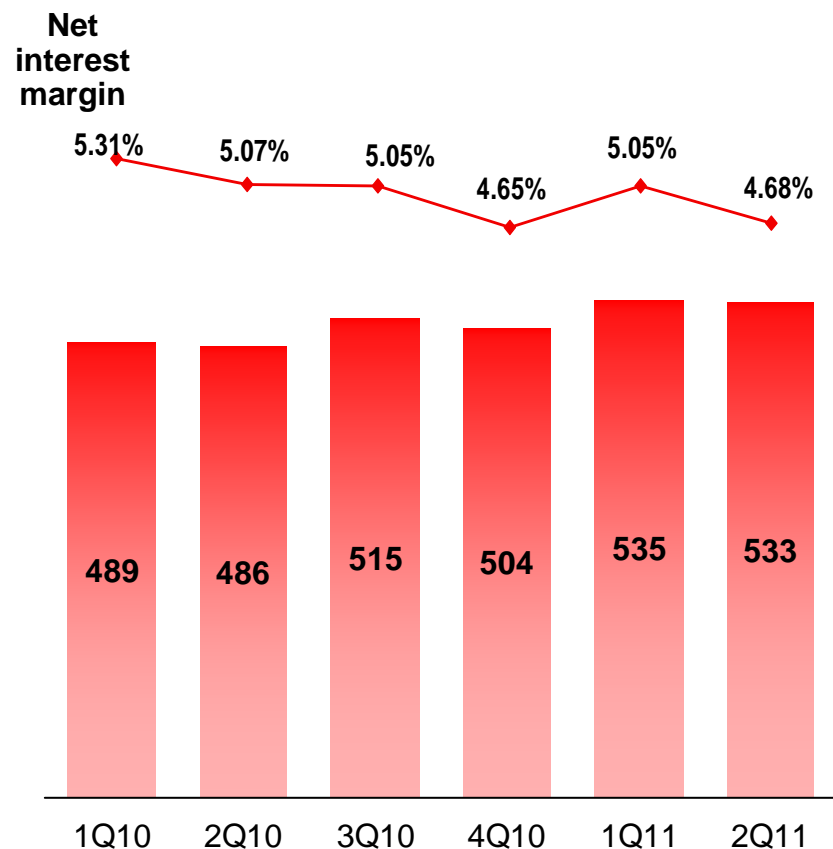


Mar-10 Jun-10 Sep-10 Dec-10 Mar-11 Jun-11

Note: Based on Bank Negara Malaysia's guidelines and Malaysia accounting standards

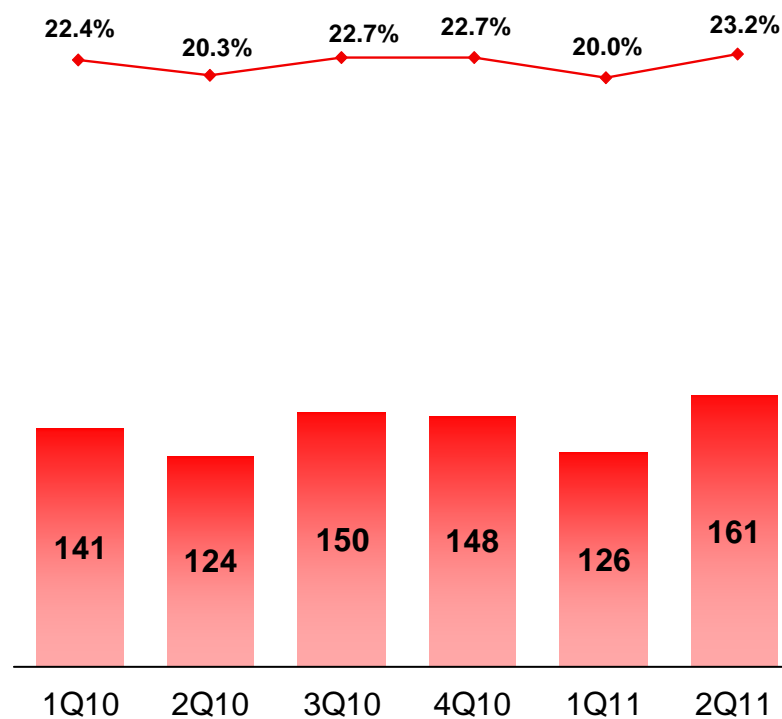
# OCBC NISP: Net interest income up 10% YoY, Non-interest income up 30% YoY

## Net Interest Income (Rp b)



## Non-Interest Income (Rp b)

Non-int. income/  
Total income

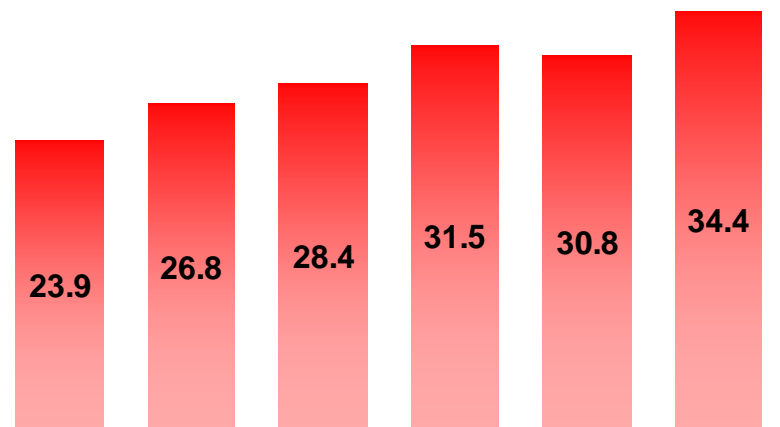
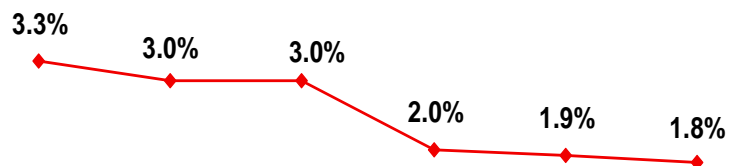


Note: 2010 figures restated to include former Bank OCBC Indonesia

# OCBC NISP: Loan growth of 28% YoY and 12% QoQ; NPL ratio continued to improve

## Gross Loans (Rp t)

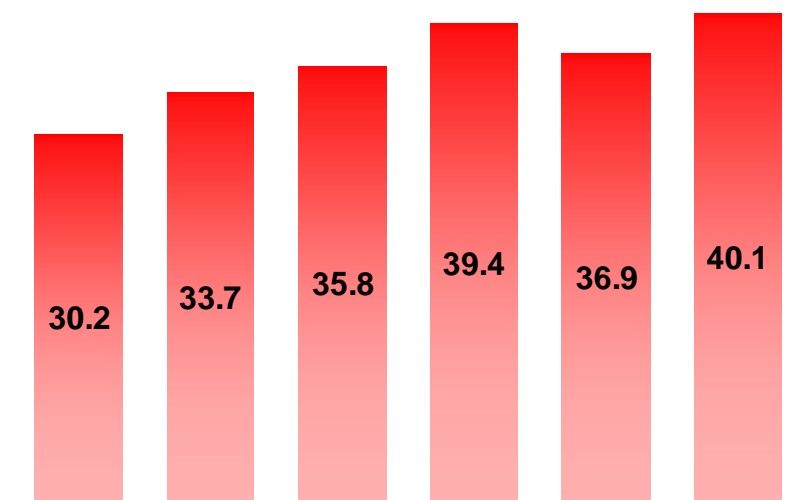
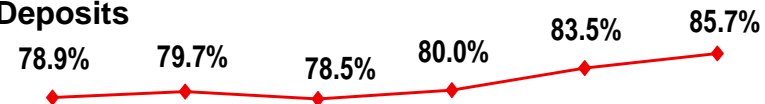
### NPL Ratio



Mar-10 Jun-10 Sep-10 Dec-10 Mar-11 Jun-11

## Deposits (Rp t)

### Loans/ Deposits



Mar-10 Jun-10 Sep-10 Dec-10 Mar-11 Jun-11

### CASA Ratio

56.2% 59.4% 55.8% 56.3% 60.1% 61.1%

Note: 2010 figures restated to include former Bank OCBC Indonesia



# Appendix

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OCBC Malaysia: Financial Highlights

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OCBC NISP: Financial Highlights



## OCBC Malaysia: 2Q11 net profit up 25% YoY and 9% QoQ

OCBC Malaysia	2Q11 RM m	2Q10 RM m	YoY +/(-)%	1Q11 RM m	QoQ +/(-)%
Net Interest Income	297	281	6	289	3
Islamic Banking Income	44	39	13	44	-
Non-Interest Income	141	102	38	118	19
Total Income	482	422	14	452	7
Operating Expenses	(178)	(171)	4	(169)	5
<b>Operating Profit</b>	<b>304</b>	<b>251</b>	<b>21</b>	<b>283</b>	<b>8</b>
Allowances	(39)	(32)	20	(33)	17
Tax	(62)	(56)	12	(63)	(2)
<b>Net Profit</b>	<b>203</b>	<b>163</b>	<b>25</b>	<b>187</b>	<b>9</b>

Note: Based on Bank Negara Malaysia's guidelines and Malaysia accounting standards

## OCBC Malaysia: 1H11 net profit up 5% YoY and 17% HoH

OCBC Malaysia	1H11 RM m	1H10 RM m	YoY +/(-)%	2H10 RM m	HoH +/(-)%
Net Interest Income	586	545	7	585	0
Islamic Banking Income	89	81	10	77	15
Non-Interest Income	260	241	8	207	26
Total Income	934	867	8	869	7
Operating Expenses	(347)	(315)	10	(341)	2
<b>Operating Profit</b>	<b>587</b>	<b>552</b>	<b>6</b>	<b>529</b>	<b>11</b>
Allowances	(72)	(54)	35	(75)	(4)
Tax	(125)	(127)	(1)	(119)	6
<b>Net Profit</b>	<b>390</b>	<b>372</b>	<b>5</b>	<b>334</b>	<b>17</b>

Note: Based on Bank Negara Malaysia's guidelines and Malaysia accounting standards

## OCBC Malaysia: Key ratios

OCBC Malaysia	2Q11 %	1Q11 %	2Q10 %	1H11 %	1H10 %
Net Interest Margin	2.29	2.39	2.46	2.34	2.36
Non-Interest Income / Total Income	29.3	26.2	24.2	27.8	27.8
Costs / Income	36.9	37.4	40.5	37.1	36.3
Loans / Deposits	81.5	83.7	83.4	81.5	83.4
NPL Ratio	2.4	2.6	3.6	2.4	3.6
ROE	18.5	17.1	16.6	17.8	19.4

## Bank OCBC NISP: 2Q11 net profit up 15% YoY and 14% QoQ

Bank OCBC NISP	2Q11 RP b	2Q10 RP b	YoY +/(-)%	1Q11 RP b	QoQ +/(-)%
Net Interest Income	533	486	10	535	(0)
Non-Interest Income	161	124	30	126	28
Total Income	694	610	14	661	5
Operating Expenses	(425)	(403)	5	(419)	1
<b>Operating Profit</b>	<b>269</b>	<b>207</b>	<b>30</b>	<b>242</b>	<b>11</b>
Allowances	(52)	(20)	160	(58)	(10)
Non Op Income / (Expenses)	2	4	(50)	11	(82)
Tax	(53)	(47)	13	(49)	8
<b>Net Profit</b>	<b>166</b>	<b>144</b>	<b>15</b>	<b>146</b>	<b>14</b>

Note: 2010 figures restated to include former Bank OCBC Indonesia

# Bank OCBC NISP: 1H11 net profit up 6% YoY and more than doubled HoH

Bank OCBC NISP	1H11 RP b	1H10 RP b	YoY +/(-)%	2H10 RP b	HoH +/(-)%
Net Interest Income	1,068	975	10	1,018	5
Non-Interest Income	287	265	8	299	(4)
Total Income	1,355	1,240	9	1,317	3
Operating Expenses	(844)	(787)	7	(807)	5
<b>Operating Profit</b>	<b>511</b>	<b>453</b>	13	<b>510</b>	0
Allowances	(110)	(66)	67	(142)	(23)
Non Op Income / (Expenses)	13	6	117	(195)*	NM
Tax	(102)	(99)	3	(48)	113
<b>Net Profit</b>	<b>312</b>	<b>294</b>	<b>6</b>	<b>125</b>	<b>150</b>

\*Includes costs related to merger with Bank OCBC Indonesia in 4Q10  
 Note: 2010 figures restated to include former Bank OCBC Indonesia

## Bank OCBC NISP: Key ratios

Bank OCBC NISP	2Q11 %	1Q11 %	2Q10 %	1H11 %	1H10 %
Net Interest Margin	4.68	5.05	5.07	4.85	5.19
Non-Interest Income / Total Income	23.1	20.0	20.3	21.2	21.4
Costs / Income	61.2	63.9	66.1	62.3	63.5
Loans / Deposits	85.7	83.5	79.7	85.7	79.7
NPL Ratio	1.8	1.9	2.9	1.8	2.9
ROE	11.5	10.3	11.3	10.9	11.7

Note: 2010 figures restated to include former Bank OCBC Indonesia

# Second Quarter 2011 Results

## Thank You



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