

Presentation to Media and Analysts

# Second Quarter 2007 Results

8 August 2007



- **Results Overview**
- **Performance Trends**
- **Results of Key Subsidiaries**
- **Interim Report Card**

# Second Quarter Core Net Profit up 65% YoY



|   | 2Q07         | 2Q06       | YoY         | 1Q07         | QoQ         |
|---|--------------|------------|-------------|--------------|-------------|
|   | S\$m         | S\$m       | +/(-)%      | S\$m         | +/(-)%      |
| Net Interest Income                       | 558          | 435        | 28          | 508          | 10          |
| Non-Interest Income                       | 493          | 329        | 50          | 506          | (3)         |
| <b>Total Income</b>                       | <b>1,050</b> | <b>764</b> | <b>37</b>   | <b>1,014</b> | <b>4</b>    |
| Operating Expenses                        | (416)        | (349)      | 19          | (352)        | 18          |
| <b>Operating Profit</b>                   | <b>634</b>   | <b>416</b> | <b>53</b>   | <b>662</b>   | <b>(4)</b>  |
| Amortisation of Intangibles               | (12)         | (11)       | 10          | (12)         | -           |
| (Allowances)/Write-back                   | 16           | 5          | 203         | (0.3)        | n.m.        |
| Associates & JVs                          | 4            | 1          | 419         | 16           | (73)        |
| Tax & Minority Interests                  | (125)        | (98)       | 28          | (156)        | (19)        |
| <b>Core Net Profit</b>                    | <b>518</b>   | <b>314</b> | <b>65</b>   | <b>510</b>   | <b>2</b>    |
| Divestment Gains/Tax Refunds <sup>1</sup> | 15           | 482        | (97)        | 137          | (89)        |
| <b>Reported Net Profit</b>                | <b>532</b>   | <b>795</b> | <b>(33)</b> | <b>647</b>   | <b>(18)</b> |

<sup>1/</sup> Net divestment gains of S\$90m in 1Q07 and S\$482m in 2Q06; tax refunds of S\$15m in 2Q07 and S\$47m in 1Q07.

# First Half Core Net Profit up 63% YoY



|                              | 1H07         | 1H06         | YoY       | 2H06         | HoH       |
|------------------------------|--------------|--------------|-----------|--------------|-----------|
|                              | S\$m         | S\$m         | +/(-)%    | S\$m         | +/(-)%    |
| Net Interest Income          | 1,065        | 830          | 28        | 964          | 11        |
| Non-Interest Income          | 999          | 677          | 47        | 770          | 30        |
| Total Income                 | 2,064        | 1,507        | 37        | 1,734        | 19        |
| Operating Expenses           | (768)        | (657)        | 17        | (675)        | 14        |
| <b>Operating Profit</b>      | <b>1,296</b> | <b>851</b>   | <b>52</b> | <b>1,060</b> | <b>22</b> |
| Amortisation of Intangibles  | (23)         | (21)         | 11        | (23)         | 2         |
| (Allowances)/Write-back      | 15           | 12           | 29        | (14)         | n.m.      |
| Associates & JVs             | 20           | 5            | 338       | 9            | 123       |
| Tax & Minority Interests     | (281)        | (215)        | 31        | (220)        | 28        |
| <b>Core Net Profit</b>       | <b>1,028</b> | <b>632</b>   | <b>63</b> | <b>812</b>   | <b>27</b> |
| Divestment Gains/Tax Refunds | 151          | 482          | (68)      | 77           | 97        |
| <b>Reported Net Profit</b>   | <b>1,179</b> | <b>1,113</b> | <b>6</b>  | <b>889</b>   | <b>33</b> |

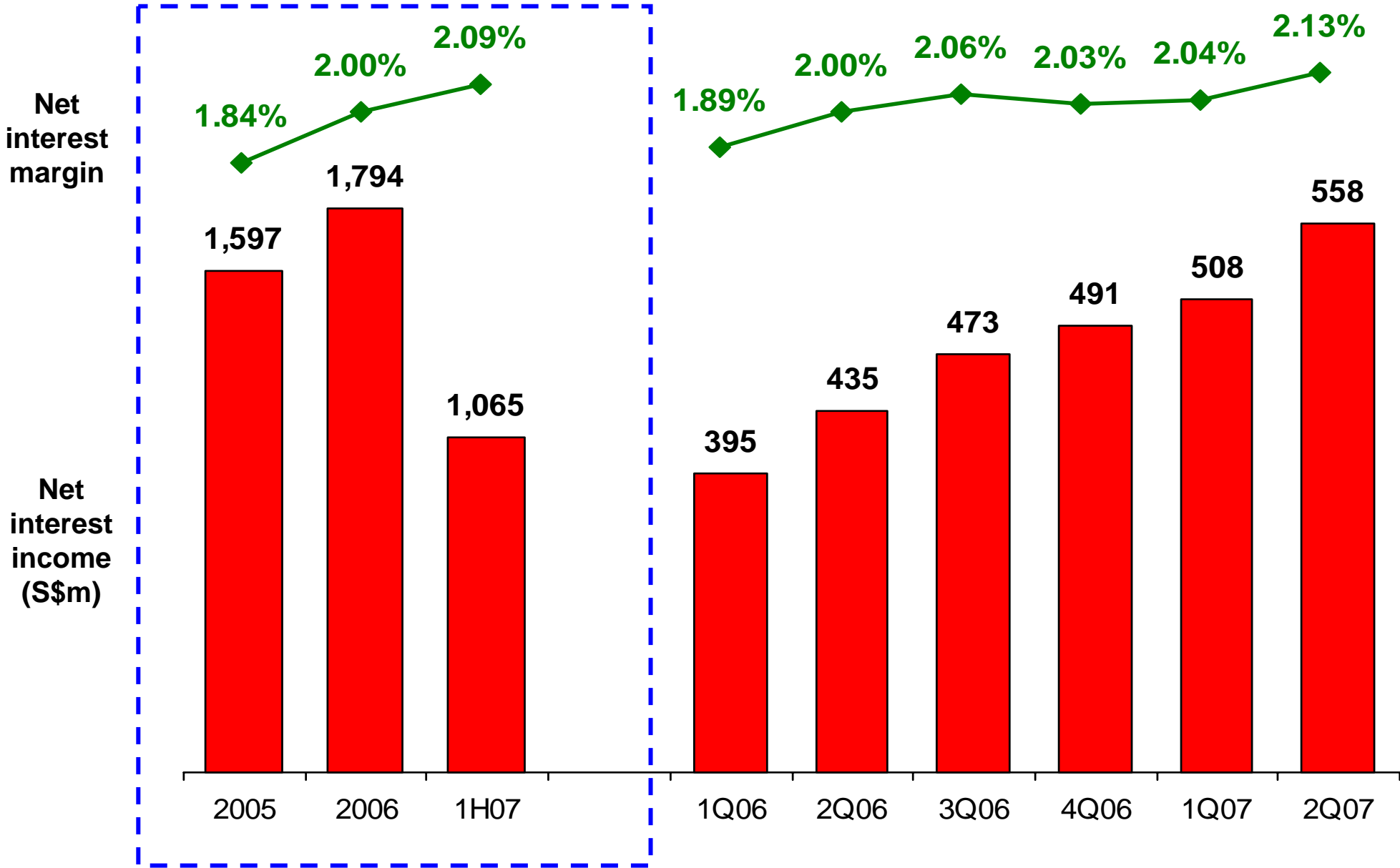
# Key Financial Ratios

## – Based on Core Earnings

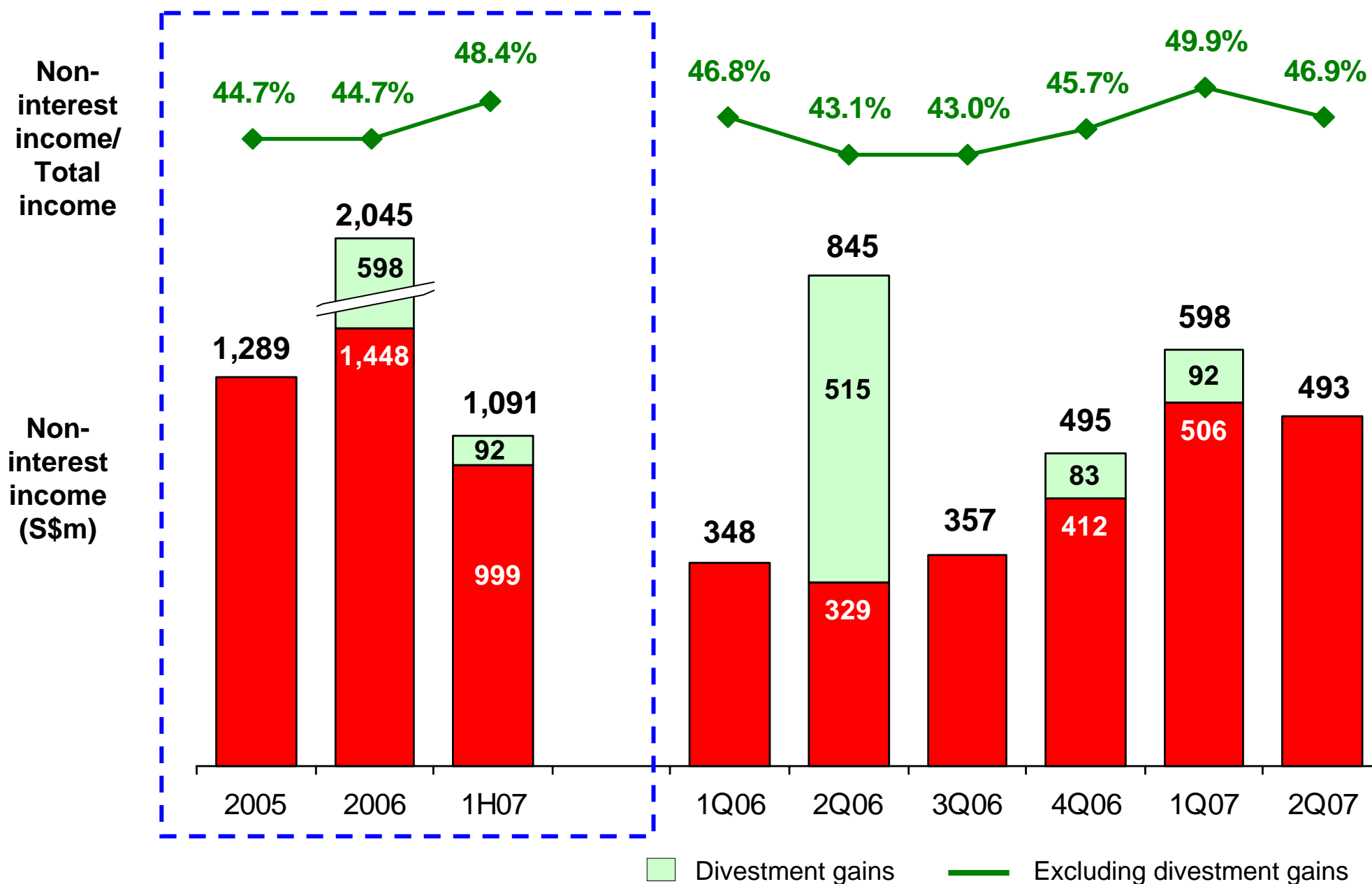
|                                      | 1H07  | 1H06 | 2Q07  | 1Q07  | 2Q06 |
|--------------------------------------|-------|------|-------|-------|------|
|                                      | %     | %    | %     | %     | %    |
| Net Interest Margin                  | 2.09  | 1.94 | 2.13  | 2.04  | 2.00 |
| Non-Interest Income/<br>Total Income | 48.4  | 44.9 | 46.9  | 49.9  | 43.1 |
| Cost-to-Income Ratio                 | 37.2  | 43.6 | 39.6  | 34.7  | 45.6 |
| Loans-to-Deposits Ratio              | 77.4  | 81.7 | 77.4  | 78.9  | 81.7 |
| NPL Ratio                            | 2.4   | 3.6  | 2.4   | 2.7   | 3.6  |
| Allowances/NPLs                      | 104.0 | 94.0 | 104.0 | 101.6 | 94.0 |
| ROE                                  | 15.6  | 10.6 | 15.4  | 15.9  | 10.4 |
| Cash ROE                             | 16.0  | 10.9 | 15.7  | 16.3  | 10.7 |

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# Strong Net Interest Income Trends, Improved Interest Margin

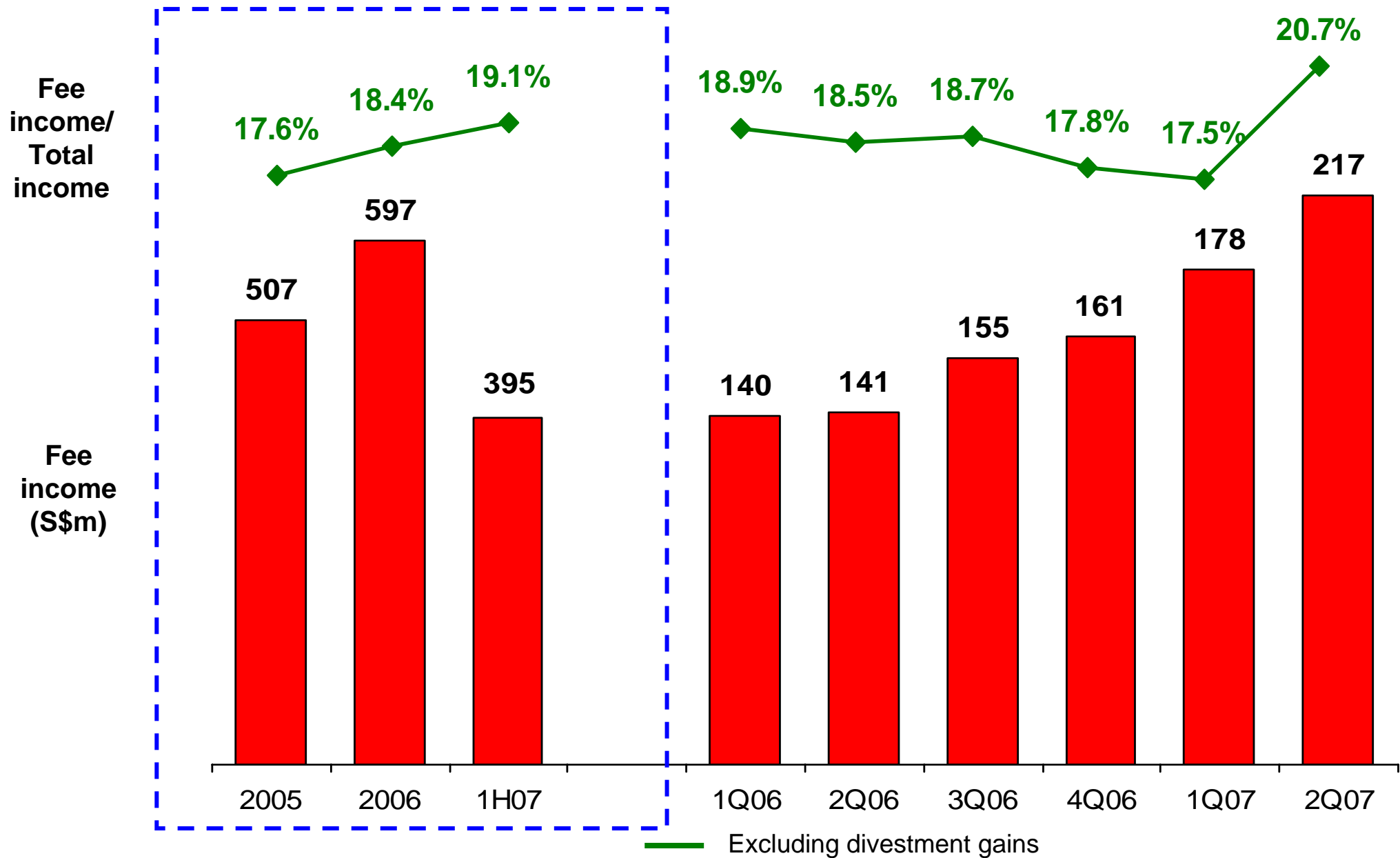


# Strong Non-interest Income in 2Q07 despite Lower Gains from Investment Securities

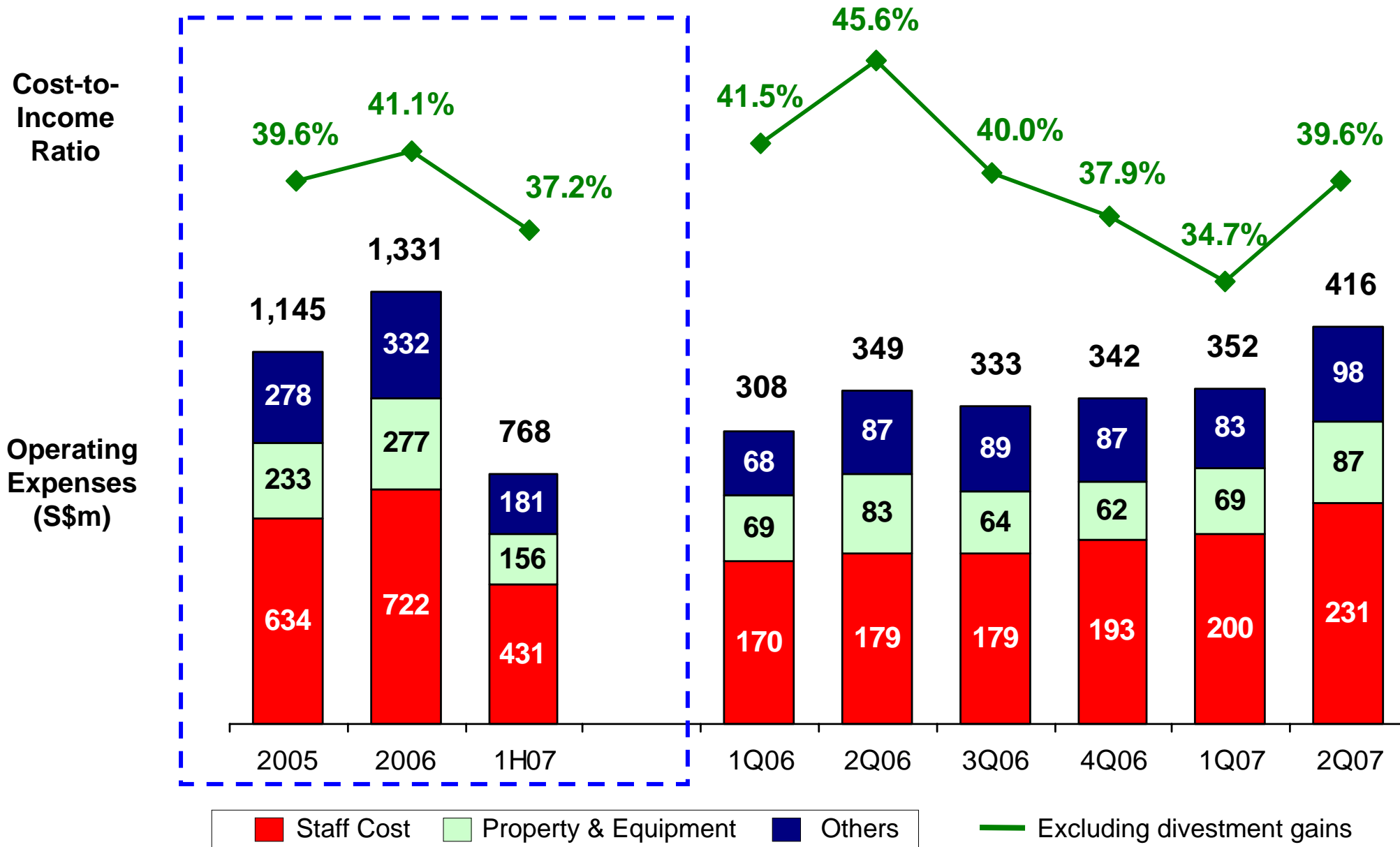




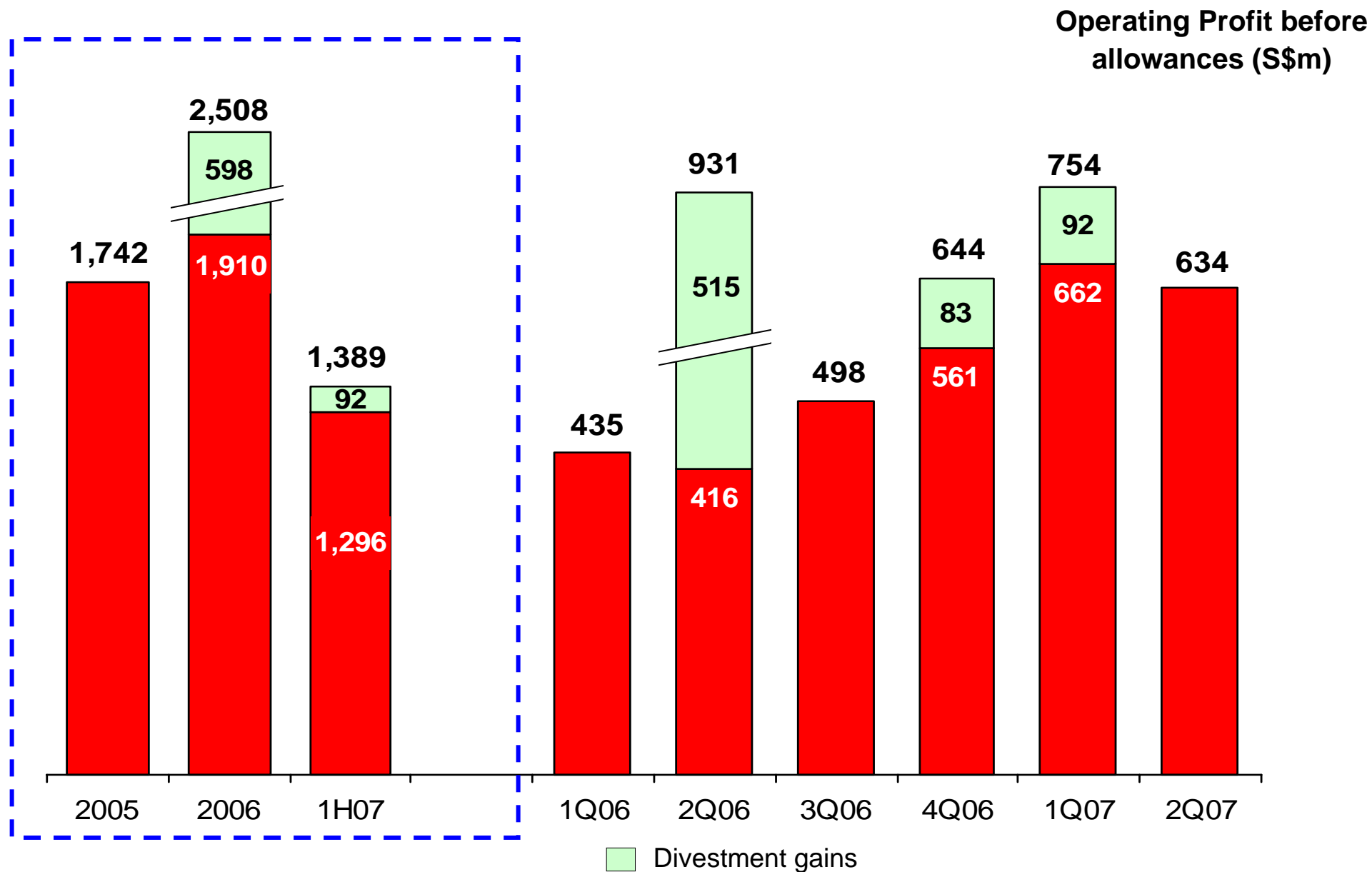
# Record Fee Income



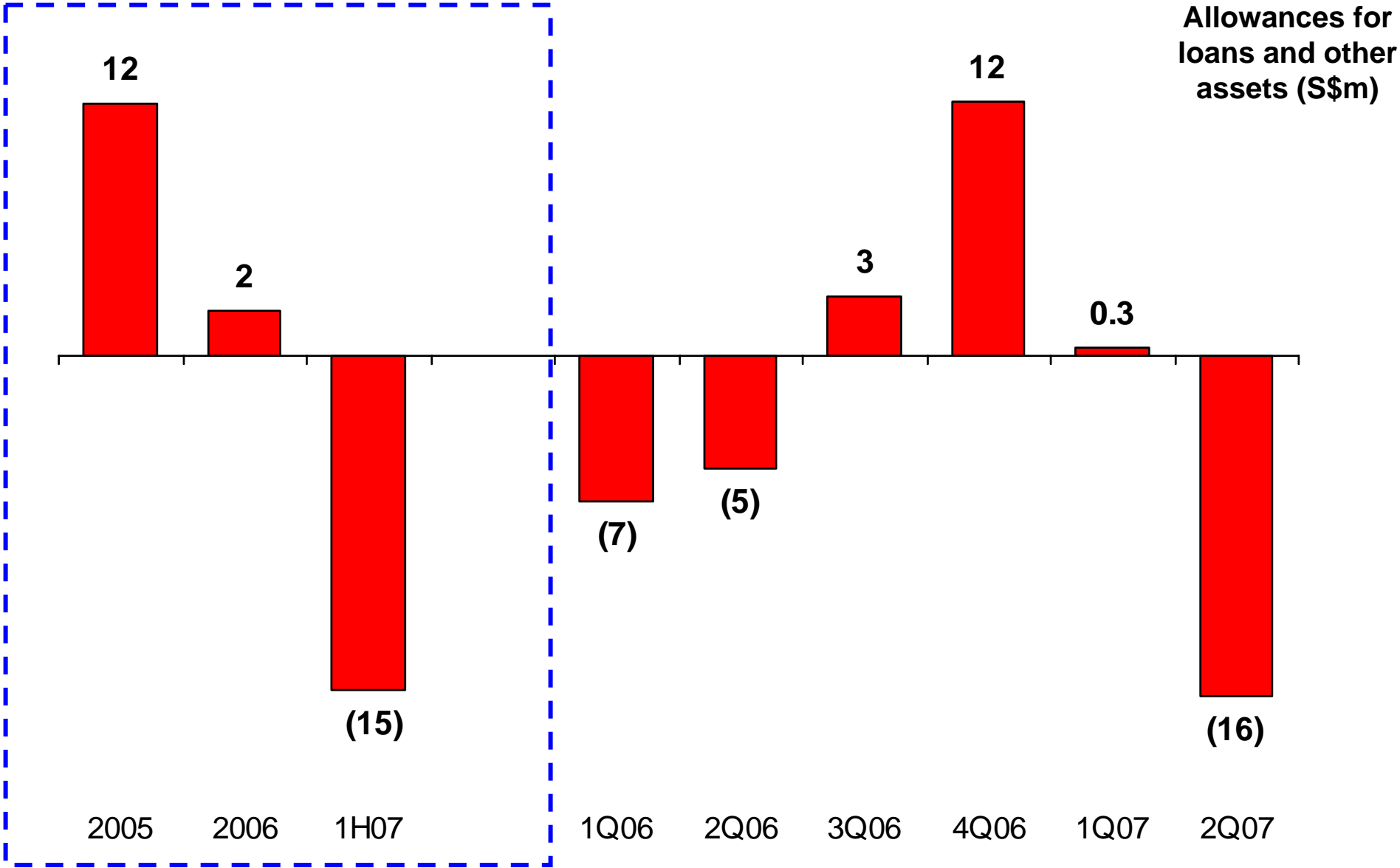
# Higher Expenses from Increased Staff Costs and Higher Business Volumes



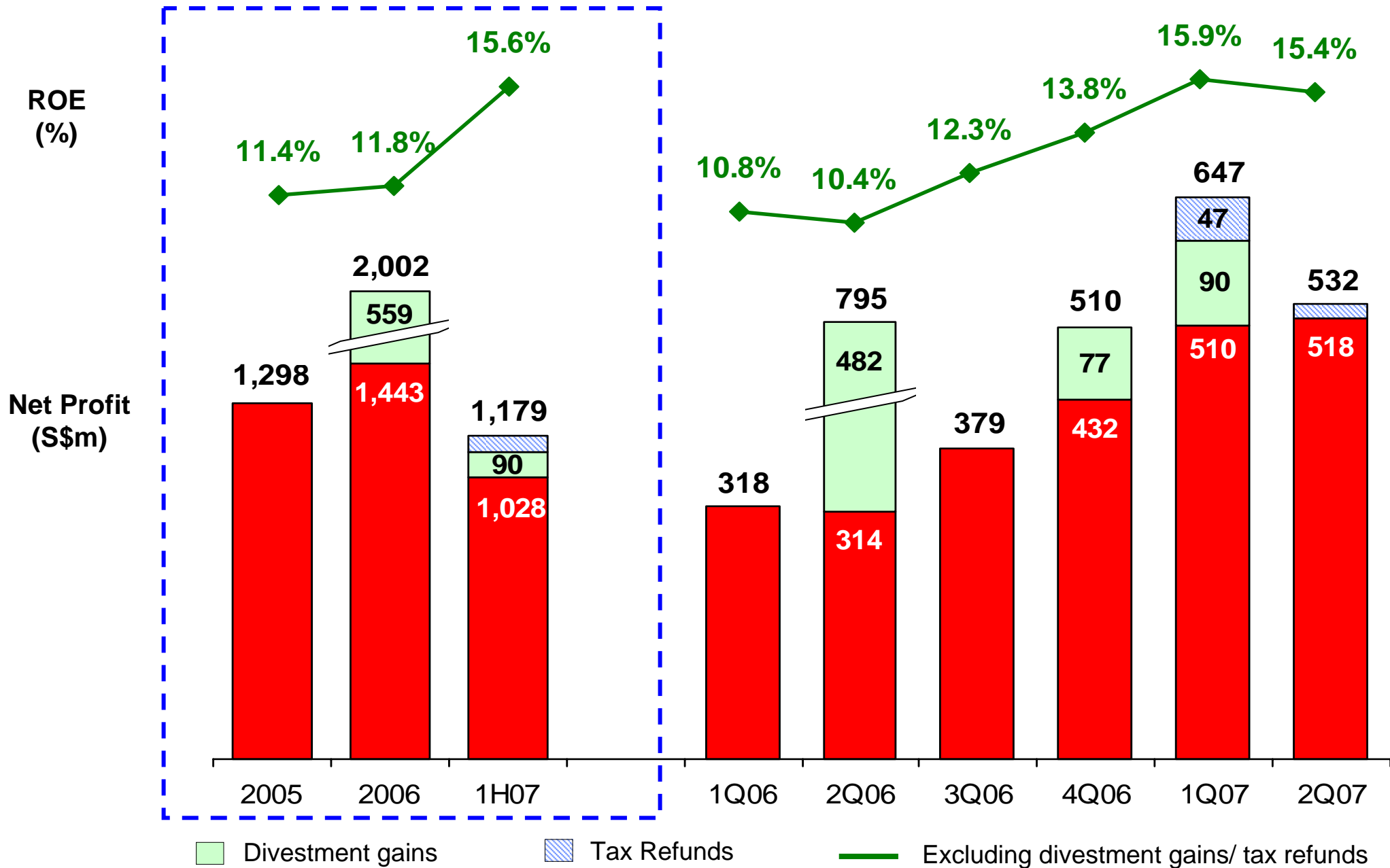
# 2Q07 Core Operating Profit up 53% YoY



# Net Write-back of Allowances due to Loan Recoveries

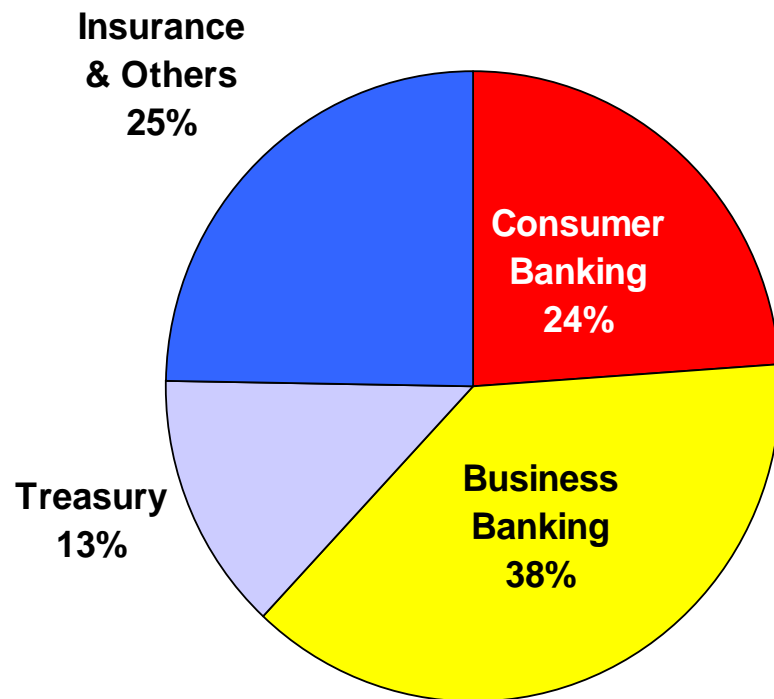


# Core Net Profit Sustained; ROE Remains Above 15%



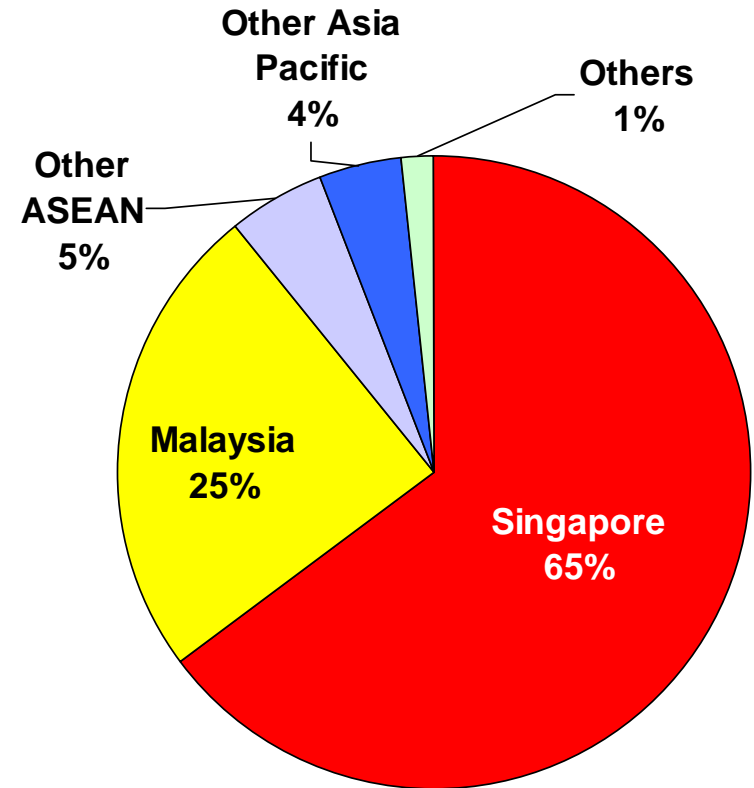
# Earnings Contribution by Segments

## PBT by Business Segment



1H2007 Profit Before Tax: S\$1,309m  
(excluding divestment gains)

## PBT by Geography

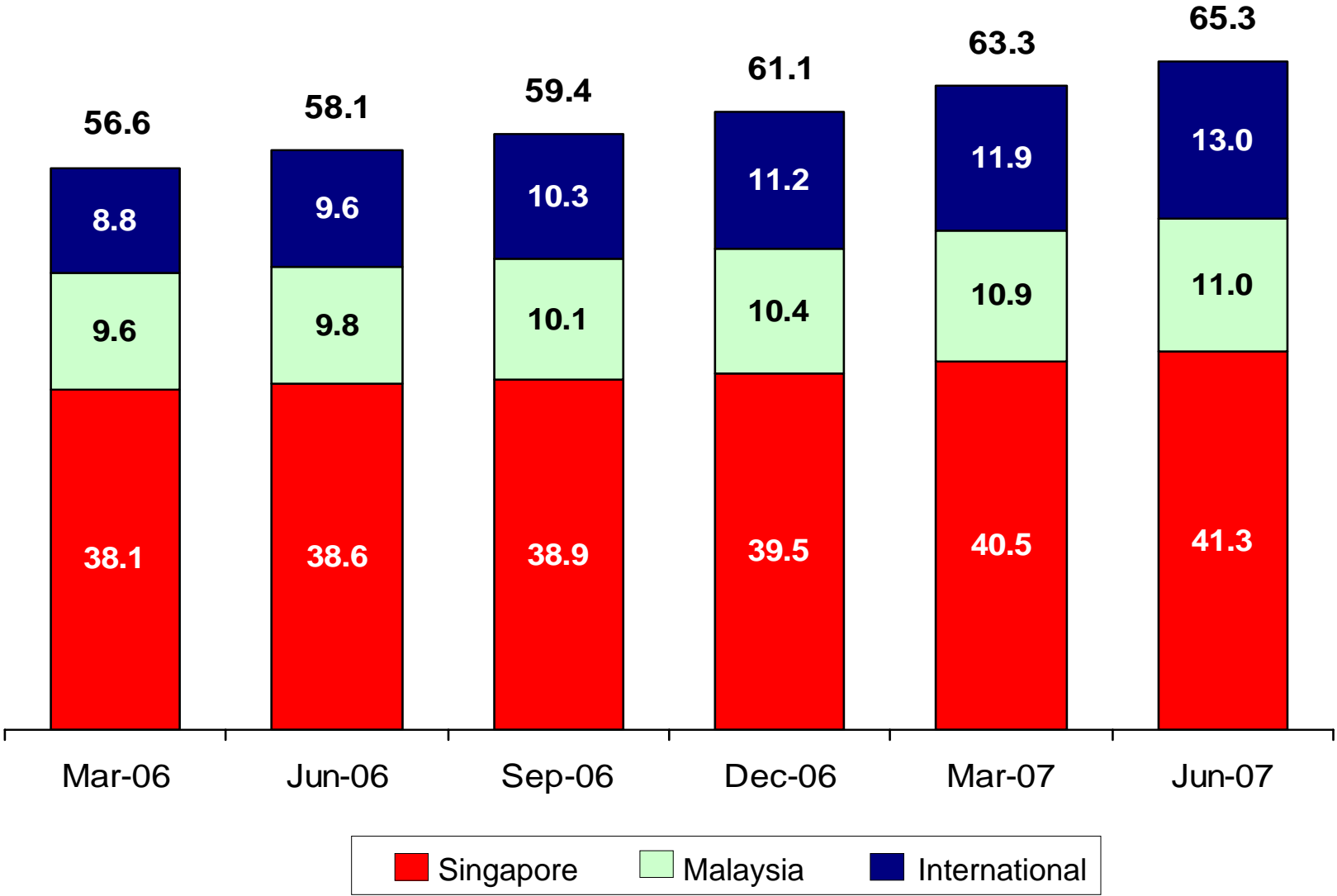


1H2007 Profit Before Tax: S\$1,309m  
(excluding divestment gains)

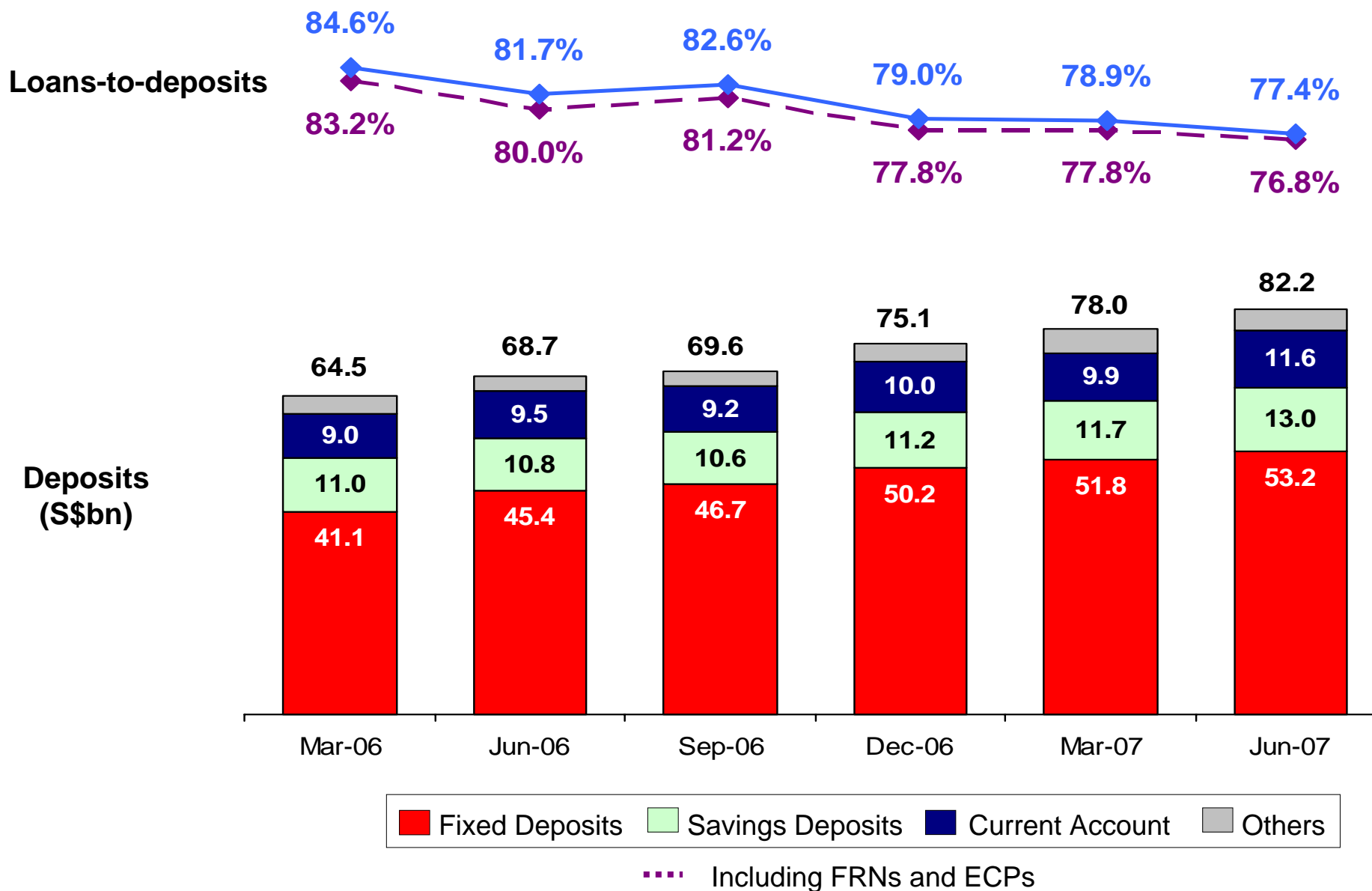
# Loans Growth of 12% YoY, 3% QoQ



Loans  
(S\$bn)



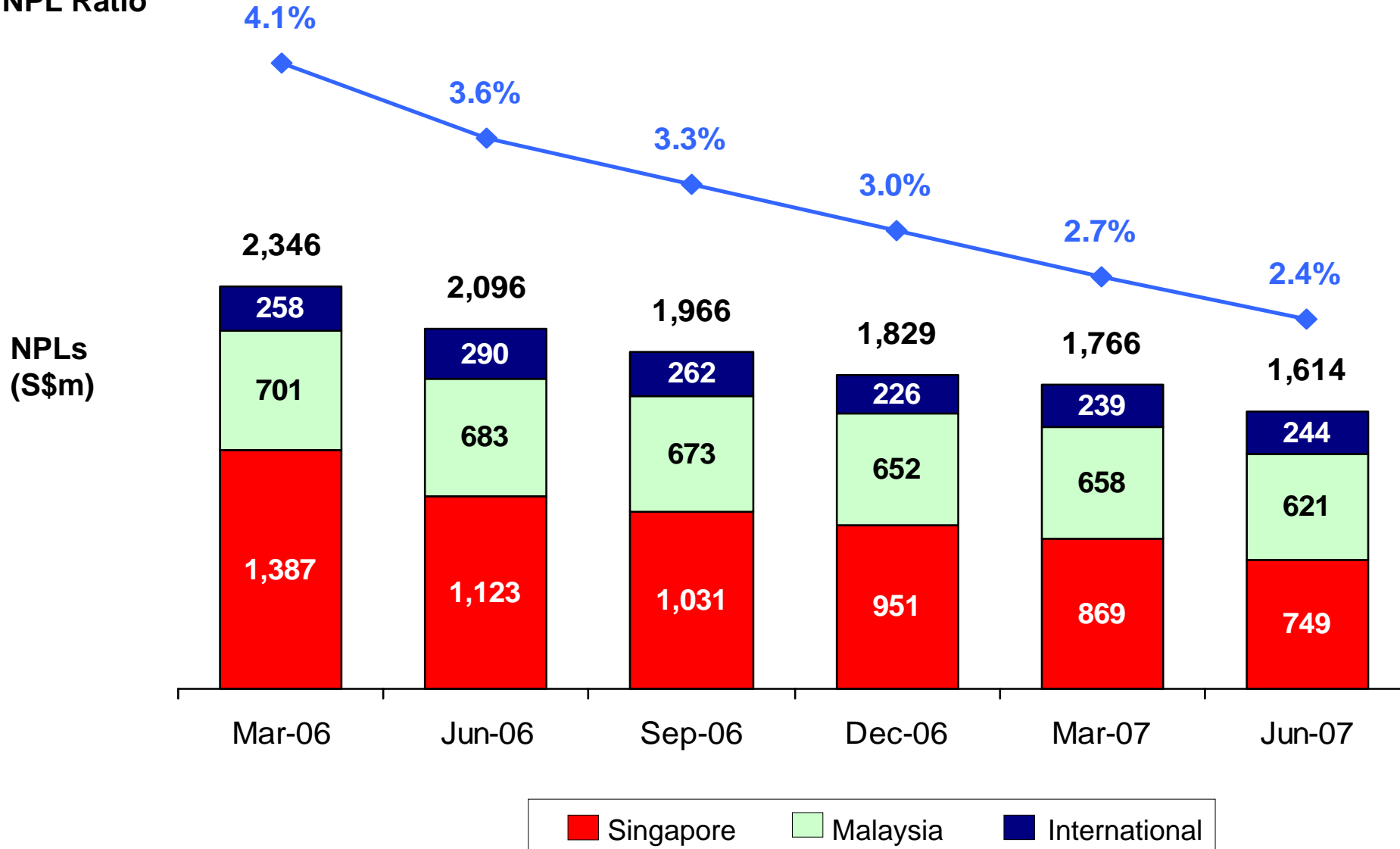
# Deposits Up 20% YoY, 5% QoQ



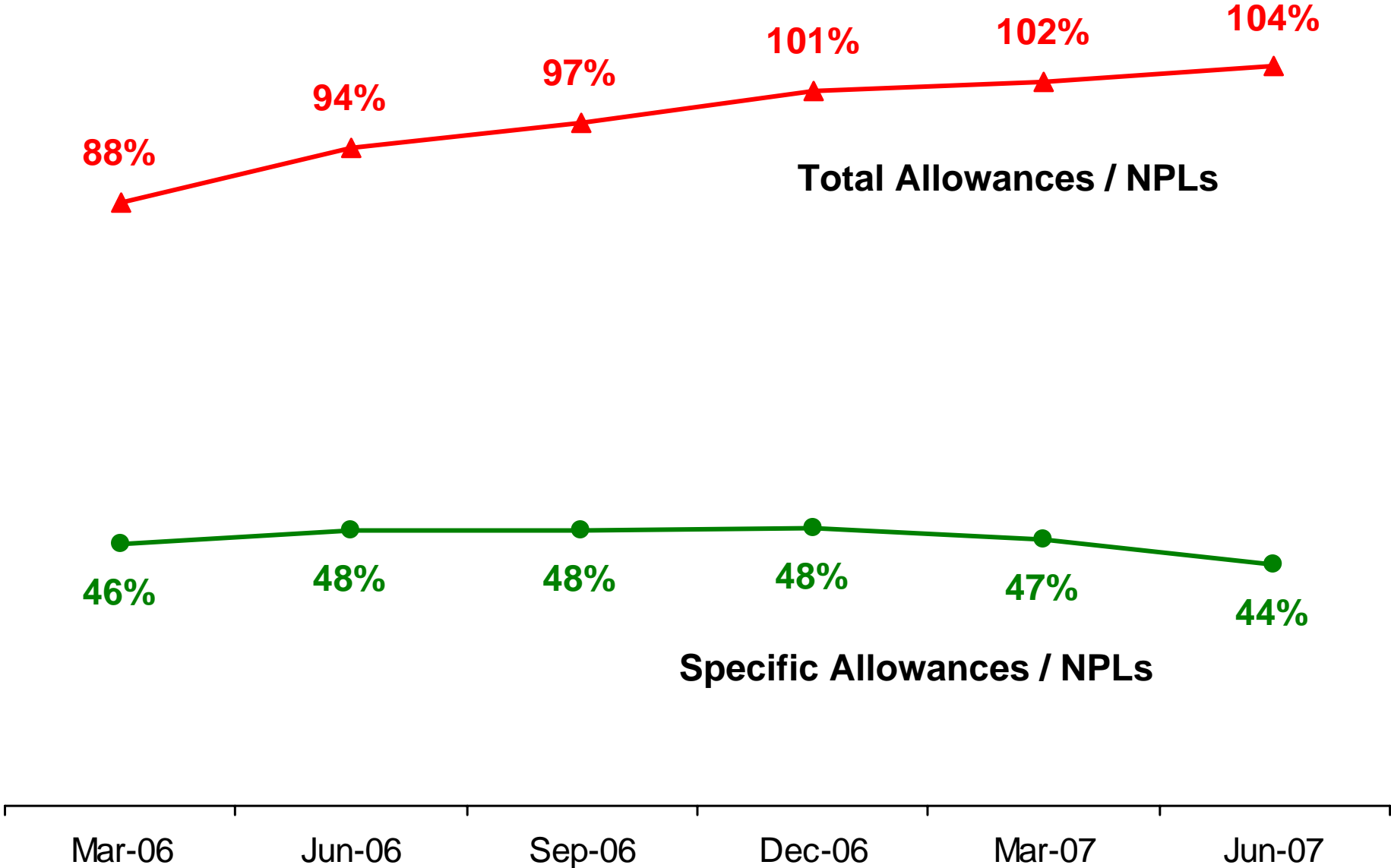


# NPL Ratio at 2.4%

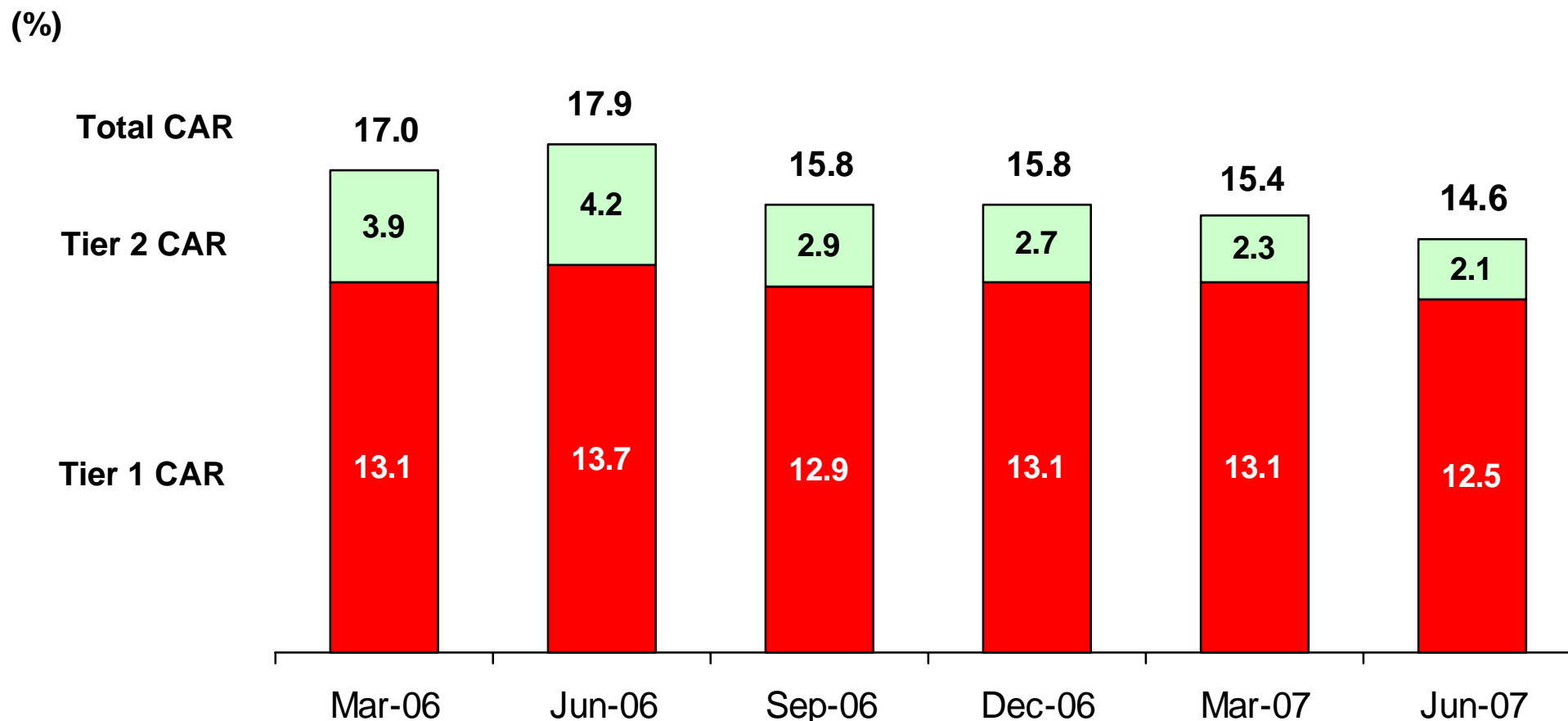
NPL Ratio



# Allowances Coverage at 104%



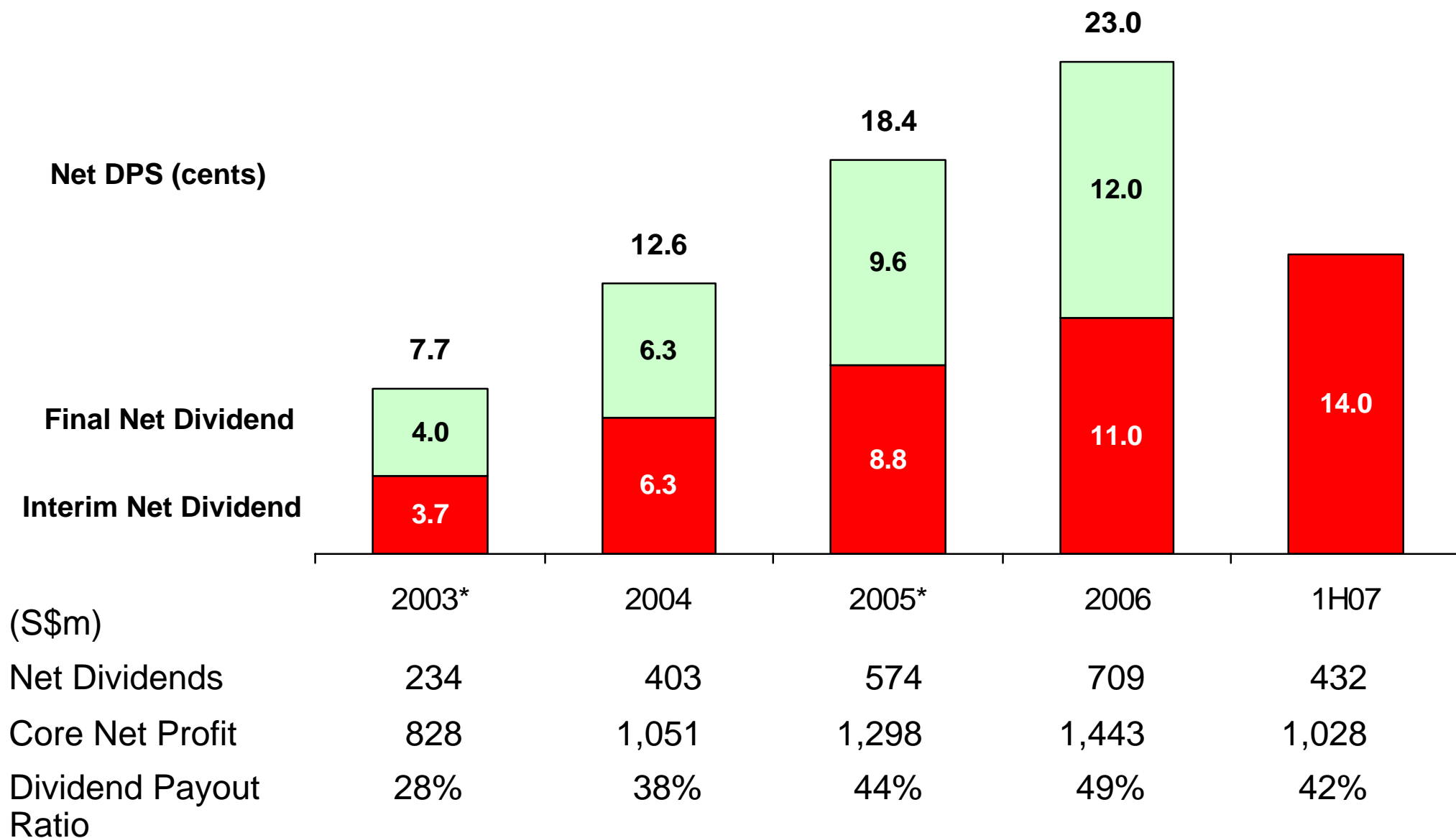
# Strong Capital Position



(S\$m)

|                      |        |        |        |        |        |        |
|----------------------|--------|--------|--------|--------|--------|--------|
| Tier-1 Capital       | 9,268  | 9,881  | 9,575  | 10,057 | 10,738 | 11,049 |
| Risk Weighted Assets | 70,545 | 72,136 | 74,024 | 76,514 | 81,878 | 87,846 |

# Interim Net Dividend of 14 cents – up 27% over 1H06



\* Excludes Special Dividend of S\$0.6378 per share in 2003 and Bonus Dividend of S\$1.25 per share in 2005 (unadjusted)

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# OCBC Malaysia: Quarterly Results



|                           | 2Q07       | 2Q06       | YoY       | 1Q07       | QoQ         |
|---------------------------|------------|------------|-----------|------------|-------------|
| <u>Unaudited Results*</u> | RM m       | RM m       | +/(-)%    | RM m       | +/(-)%      |
| Net Interest Income       | 216        | 186        | 16        | 202        | 7           |
| Islamic Banking Income    | 20         | 13         | 54        | 18         | 7           |
| Non Interest Income       | 78         | 65         | 20        | 96         | (18)        |
| Total Income              | 314        | 264        | 19        | 316        | (1)         |
| Operating Expenses        | (131)      | (99)       | 32        | (109)      | 20          |
| <b>Operating Profit</b>   | <b>183</b> | <b>165</b> | <b>11</b> | <b>207</b> | <b>(12)</b> |
| (Allowances)/Write-back   | 8          | (33)       | n.m.      | (24)       | n.m.        |
| Tax                       | (54)       | (38)       | 42        | (55)       | (2)         |
| <b>Net Profit</b>         | <b>138</b> | <b>94</b>  | <b>46</b> | <b>128</b> | <b>7</b>    |

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

# OCBC Malaysia: Half-Year Results



|                           | 1H07       | 1H06       | YoY       | 2H06       | HoH       |
|---------------------------|------------|------------|-----------|------------|-----------|
| <u>Unaudited Results*</u> | RM m       | RM m       | +/(-)%    | RM m       | +/(-)%    |
| Net Interest Income       | 418        | 352        | 18        | 396        | 5         |
| Islamic Banking Income    | 38         | 25         | 49        | 26         | 43        |
| Non Interest Income       | 174        | 138        | 26        | 145        | 21        |
| Total Income              | 630        | 516        | 22        | 567        | 11        |
| Operating Expenses        | (240)      | (190)      | 26        | (227)      | 5         |
| <b>Operating Profit</b>   | <b>390</b> | <b>326</b> | <b>20</b> | <b>340</b> | <b>15</b> |
| Allowances                | (16)       | (26)       | (41)      | (37)       | (58)      |
| Tax                       | (108)      | (86)       | 26        | (86)       | 27        |
| <b>Net Profit</b>         | <b>266</b> | <b>214</b> | <b>24</b> | <b>217</b> | <b>23</b> |

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

# OCBC Malaysia: Financial Ratios



|                                    | 1H07 | 1H06 | 2Q07 | 1Q07 | 2Q06 |
|------------------------------------|------|------|------|------|------|
| <u>Unaudited Results*</u>          | %    | %    | %    | %    | %    |
| Net Interest Margin                | 2.53 | 2.56 | 2.50 | 2.56 | 2.60 |
| Non-Interest Income / Total Income | 27.6 | 26.7 | 25.0 | 30.4 | 24.6 |
| Cost-to-Income Ratio               | 38.0 | 36.8 | 41.7 | 34.5 | 37.5 |
| RM Loans-to-Deposits Ratio         | 78.0 | 82.7 | 78.0 | 78.1 | 82.7 |
| Gross NPL Ratio                    | 5.0  | 6.0  | 5.0  | 5.3  | 6.0  |
| Loans Growth (YoY)                 | 9.0  | 10.8 | 9.0  | 11.5 | 10.8 |
| ROE                                | 23.9 | 21.0 | 24.6 | 23.1 | 18.7 |

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



# GEH: Quarterly Contribution

## GEH's Contribution to

## OCBC's Results

|                                | 2Q07       | 2Q06 ^    | YoY       | 1Q07       | QoQ        |
|--------------------------------|------------|-----------|-----------|------------|------------|
|                                | S\$m       | S\$m      | %         | S\$m       | %          |
| Total Income                   | 204        | 149       | 37        | 192        | 6          |
| Operating Expenses             | (28)       | (31)      | (9)       | (29)       | (1)        |
| Operating Profit               | 175        | 118       | 48        | 163        | 7          |
| Amortisation of Intangibles    | (12)       | (11)      | 10        | (12)       | -          |
| Associates & JVs               | -          | -         | n.m.      | 11         | (97)       |
| Tax                            | (27)       | (26)      | 5         | (27)       | 1          |
| Minority Interests             | (20)       | (16)      | 29        | (19)       | 6          |
| <b>Net Profit contribution</b> | <b>117</b> | <b>65</b> | <b>79</b> | <b>117</b> | <b>(1)</b> |

^ 2Q06 include S\$24m (S\$16m net of tax) divestment gains

# GEH Contributed 23% of Core Net Profit in 1H07

## GEH's Contribution to OCBC's Results

|                                | 1H07       | 1H06 <sup>^</sup> | YoY       | 2H06       | HoH      |
|--------------------------------|------------|-------------------|-----------|------------|----------|
|                                | S\$m       | S\$m              | %         | S\$m       | %        |
| Total Income                   | 395        | 290               | 36        | 369        | 7        |
| Operating Expenses             | (57)       | (58)              | (1)       | (43)       | 31       |
| Operating Profit               | 338        | 233               | 45        | 325        | 4        |
| Amortisation of Intangibles    | (23)       | (21)              | 11        | (23)       | 2        |
| Associates & JVs               | 11         | (1)               | n.m.      | -          | n.m.     |
| Tax                            | (54)       | (45)              | 20        | (41)       | 33       |
| Minority Interests             | (39)       | (32)              | 23        | (38)       | 4        |
| <b>Net Profit contribution</b> | <b>233</b> | <b>134</b>        | <b>75</b> | <b>223</b> | <b>4</b> |

<sup>^</sup> 1H06 include S\$24m (S\$16m net of tax) divestment gains

# Bank NISP: Quarterly Results



|                           | 2Q07      | 2Q06      | YoY       | 1Q07      | QoQ         |
|---------------------------|-----------|-----------|-----------|-----------|-------------|
| <u>Unaudited Results*</u> | RP bn     | RP bn     | +/(-)%    | RP bn     | +/(-)%      |
| Net Interest Income       | 291       | 211       | 38        | 263       | 11          |
| Non Interest Income       | 87        | 38        | 126       | 96        | (9)         |
| Expenses                  | (253)     | (164)     | 54        | (221)     | 14          |
| Operating Profit          | 125       | 85        | 46        | 138       | (9)         |
| Allowances                | (45)      | (15)      | 193       | (23)      | 98          |
| <b>Net Profit</b>         | <b>59</b> | <b>50</b> | <b>18</b> | <b>82</b> | <b>(28)</b> |
| Gross Loans               | 17,706    | 12,810    | 38        | 16,226    | 9           |
| Net Interest Margin (%)   | 5.17      | 4.69      | 48bps     | 4.40      | 77bps       |

\* Bank NISP's contribution to Group net profit was S\$7m in 2Q07, S\$11m in 1Q07 and S\$5m in 2Q06.

# Bank NISP: Half-Year Results



|                           | 1H07       | 1H06       | YoY       | 2H06       | HoH      |
|---------------------------|------------|------------|-----------|------------|----------|
| <u>Unaudited Results*</u> | RP bn      | RP bn      | +/(-)%    | RP bn      | +/(-)%   |
| Net Interest Income       | 554        | 411        | 35        | 492        | 13       |
| Non Interest Income       | 183        | 75         | 143       | 139        | 31       |
| Expenses                  | (474)      | (323)      | 47        | (408)      | 16       |
| Operating Profit          | 263        | 164        | 61        | 224        | 17       |
| Allowances                | (68)       | (11)       | n.m.      | (45)       | 50       |
| <b>Net Profit</b>         | <b>141</b> | <b>104</b> | <b>35</b> | <b>133</b> | <b>6</b> |
| Gross Loans               | 17,706     | 12,810     | 38        | 15,633     | 13       |
| Net Interest Margin (%)   | 4.78       | 4.59       | 19bps     | 4.76       | 2bps     |

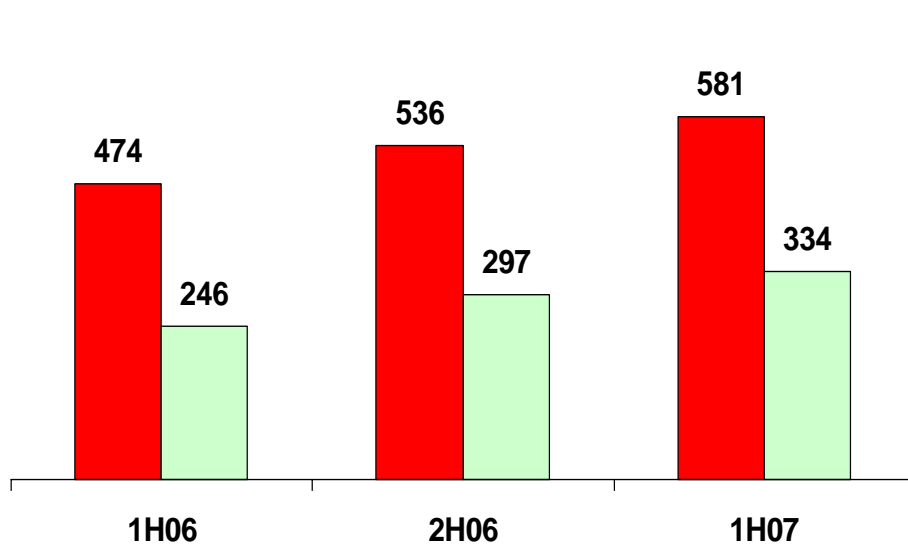
\* Bank NISP's contribution to Group net profit was S\$18m in 1H07 and S\$11m in 1H06.

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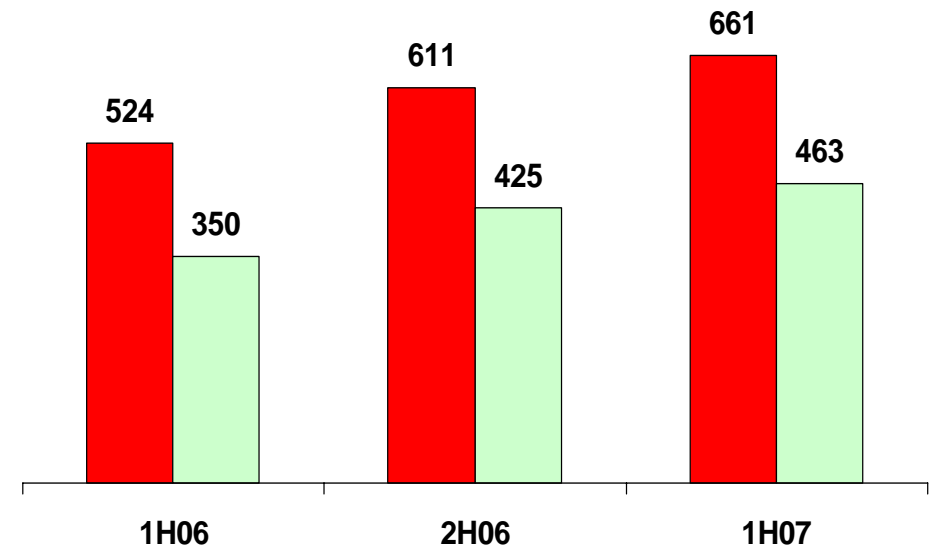
# Broad-based Growth Across Business Units

(S\$m)

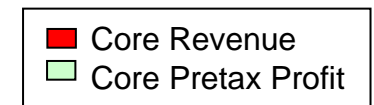
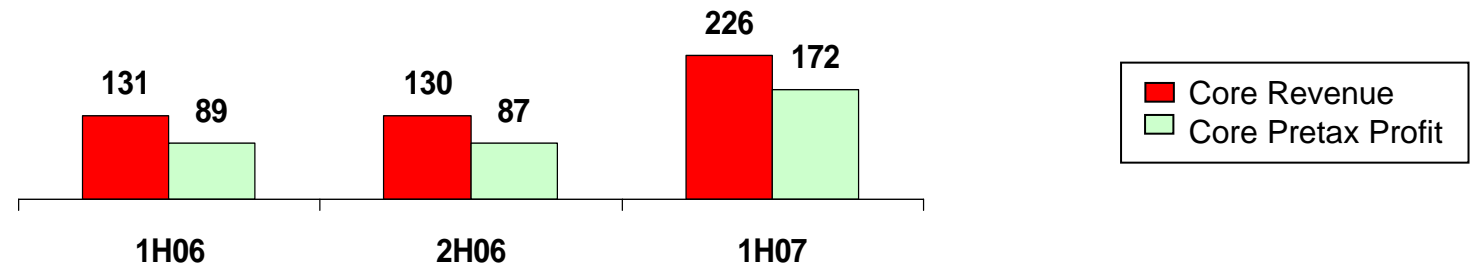
## Group Consumer Banking



## Group Business Banking

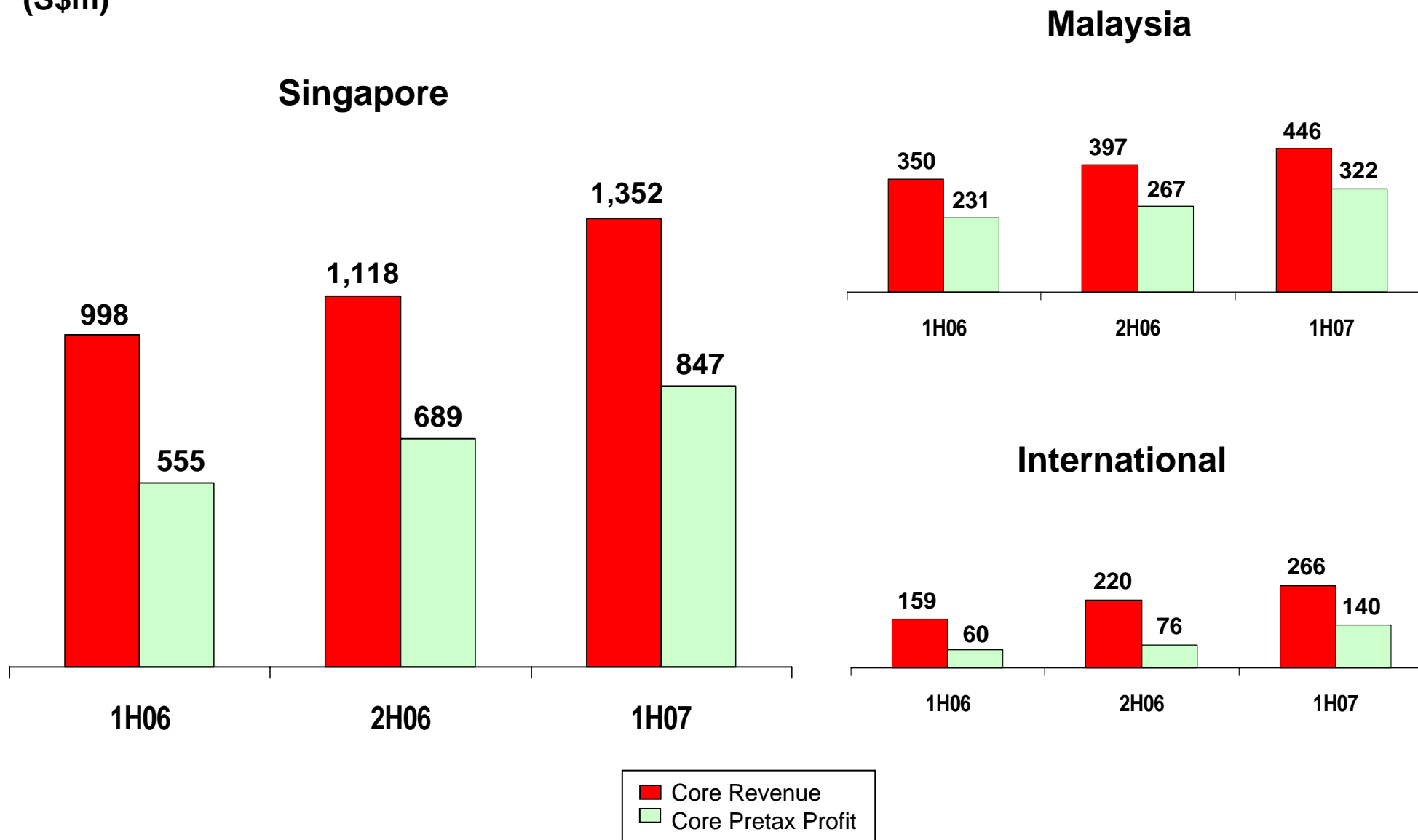


## Group Treasury



# Broad-based Growth Across Geographies

(S\$m)



- **Singapore & Malaysia consumer customer base +3% YTD, SME customers +6% (Singapore +11%)**
  
- **Recent initiatives achieved good response and underscore our differentiation strategy**
  - Full Service Sunday Banking extended to 10 branches
  - Launched supermarket banking with *Fairprice Plus*
  - Launched branch transformation project
  - 7 Business Banking Centres opened to better serve SME customers
  - *Business Term Loan* sign-ups increased by 144%
  - Hassle-free opening, low maintenance *Business Entrepreneur Account* introduced for new businesses
  - Offsite quick cheque deposit boxes increased from 4 to 9 locations



# Branch Transformation

- ❑ New branch design unveiled in July 07, offering customers higher level of service, interaction and convenience
- ❑ Outcome of extensive research and customer surveys
- ❑ 89 branches in Singapore and Malaysia to be transformed by end-2008



- ❑ Continues to sustain double-digit net profit growth
- ❑ Double digit loans growth expected for full year
- ❑ Opened Bukit Damansara branch in KL, increasing branch network to 29
- ❑ Sunday banking to be extended to more branches
- ❑ Introduced contract financing for large infrastructure contracts
- ❑ *Easi-CheckDrop* at five high-traffic Petronas service stations for SME & corporate customers
- ❑ *Easi-Alerts* SMS service for corporate and SMEs
- ❑ Islamic Banking income up 49% in 1H07. Launched Shariah-compliant equity-linked structured investment product

# Indonesia – Rapid Network and Business Expansion

- ❑ Bank NISP sustains earnings and loans growth of above 30%
- ❑ Rapid network and headcount expansion continues
  - 26 offices (to 285) and 51 ATMs (to 397) added in 1H07
  - Staff strength +29% YoY to 5,000
- ❑ 2Q07 rights issue raised Rp 702 bn, raising CAR to 18.9%
- ❑ Deposit franchise improving: savings deposits +34% YoY, demand deposits +43% YoY
- ❑ New core banking system implemented in 2Q07
- ❑ Product/service innovation and capability transfer from OCBC continues, e.g. micro banking project, bancassurance with GE, industry loan segmentation, enhanced trade finance services, new wealth management products, deposit campaigns

- ❑ Wholly-owned subsidiary OCBC China officially opened 1 Aug; registered capital of RMB 3.5bn (S\$700m)
- ❑ Long term goal is to build China as a major growth engine
- ❑ To offer RMB commercial and retail banking products & services, focusing on mass affluent individuals, foreign and local companies
- ❑ Leverage on Bank of Ningbo partnership
- ❑ 2 new main branches per year and more sub-branches, focusing on Greater Shanghai, Pearl River Delta and Sichuan regions
- ❑ Target staff strength > 1,000 by 2010, from >200 currently

## Bank of Ningbo

- BoN listed on 19 July 2007 on Shenzhen Stock Exchange
- 12.2% stake (250m shares @ RMB 2.28 cost) diluted to 10.0% post- IPO
- Current share price @ RMB 29.77 implies significant mark-to-market gains of RMB 6,870m (S\$1.37bn). MTM gains at prevailing price will be reflected in s/h equity (fair value reserves) from 3Q07

## VP Bank

- Invested additional S\$7m in July 2007 rights issue and maintained 10% stake

### BoN – 1H2007 Key Financial Indicators

|            |                         |     |       |
|------------|-------------------------|-----|-------|
| Assets     | S\$13.4 bn<br>(+18%YTD) | NPL | 0.35% |
| Loans      | S\$6.7 bn<br>(+20%YTD)  | CAR | 11%   |
| Net Profit | S\$76.7 m<br>(+41%YoY)  | LDR | 60%   |

# Addendum: CDO Exposure

- To-date, no losses or ratings downgrades for any of the CDO investments of OCBC Bank and GEH, as well as CDOs under management by Lion Capital
- Due to low liquidity in CDO market, portfolio has been marked down by US\$33m in fair value reserves (s/h equity) as at Jun 07

## (a) CDO Exposure of OCBC Bank and GEH

| Entity | Total CDO exposure    | of which:<br>ABS CDOs   | Remarks  |
|--------|-----------------------|---|--|
| Bank   | US\$430m<br>(S\$650m) | US\$181m (S\$270m),<br>with various subprime<br>exposures;<br>75% HG CDO, 25%<br>Mezzanine. | Of the US\$430m total: 21%<br>AAA; 22% AA; 46% A; 11%<br>BBB.  |
| GEH    | S\$177m               | S\$28m, with subprime<br>exposure   | Of S\$177m: S\$11m<br>invested from GEH s/h<br>funds, rest are from life<br>funds (S\$38bn asset size) |

## (b) CDOs managed on behalf of ILP policyholders / other investors

| Entity          | CDO Fund Size                           | of which:<br>ABS CDOs  | Remarks  |
|-----------------|---|--|--|
| GEH – ILP Funds | S\$400m in ILPs                         | Nil  | Risks borne by ILP policyholders. Funds managed by Lion Capital.   |
| Lion Capital    | S\$5.7bn ** out of total AUM of S\$32bn | S\$1.5bn, with subprime exposure; underlying securities rated AA and A | CDOs originated and structured by investment banks, Lion Capital engaged as collateral manager. Risks are borne by CDO investors. No hedge fund structure, no leverage employed. |

\*\* Includes S\$260m from OCBC, S\$177m from GEH’s investments, S\$400m from GEH ILP funds.  
ILP: Investment-linked insurance products

*Note: For more details, please refer to our 6 Aug 07 SGX announcement*

# Second Quarter 2007 Results

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Thank You

