

Second Quarter 2014 Results Presentation

5 August 2014



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Agenda

Results Overview

2Q14 Performance Trends

Appendix: Financial Highlights of Malaysian and Indonesian Subsidiaries



Note: Amounts less than S\$0.5 million are shown as "0";
"nm" denotes not meaningful;
Figures may not sum to stated totals because of rounding

2Q14 Highlights

Quarterly earnings at new high, driven by healthy business momentum

- Record total income up 26% YoY, on broad-based growth
- Net interest income 17% higher YoY from strong asset growth
- Net interest margin of 1.70% up 6 basis points YoY and stable QoQ
- Non-interest income grew 40% led by higher wealth management fees, trade-related income and trading income
- Great Eastern's net profit contribution increased, from higher mark-to-market gains in the Non-Participating Fund
- Operating expenses rose 6% YoY; continued cost discipline
- Asset quality remained sound, NPL ratio low at 0.7%
- Capital ratios strong; CET1 and Tier 1 at 14.7%, Total CAR at 17.4%

2Q14 net profit up 54% YoY to S\$921m – a new quarterly record

OCBC Group	2Q14 S\$m	2Q13 S\$m	YoY +/(-)%	1Q14 S\$m	QoQ +/(-)%
Net interest income	1,126	961	17	1,087	4
Non-interest income	850	606	40	800	6
Total income	1,976	1,567	26	1,887	5
Operating expenses	(760)	(718)	6	(706)	8
Operating profit	1,216	849	43	1,181	3
Amortisation of intangibles	(14)	(15)	(3)	(14)	-
Allowances	(66)	(83)	(22)	(41)	59
Associates & JVs	18	23	(24)	17	-
Tax & NCI	(233)	(177)	32	(244)	(5)
Net profit	921	597	54	899	3

1H14 net profit rose 41% YoY to a new high of S\$1.82b

OCBC Group	1H14 S\$m	1H13 S\$m	YoY +/(-)%	2H13 S\$m	HoH +/(-)%
Net interest income	2,213	1,873	18	2,010	10
Non-interest income	1,650	1,282	29	1,456	13
Total income	3,863	3,155	22	3,466	11
Operating expenses	(1,466)	(1,390)	5	(1,393)	5
Operating profit	2,397	1,765	36	2,073	16
Amortisation of intangibles	(28)	(29)	(3)	(29)	(3)
Allowances	(107)	(104)	2	(162)	(34)
Associates & JVs	35	36	(4)	18	91
Tax & NCI	(477)	(375)	27	(425)	12
Net profit	1,820	1,293	41	1,475	23

2Q14 net profit *before GEH* contribution (“banking operations”) grew 21% YoY to S\$720m

Banking Operations	2Q14 S\$m	2Q13 S\$m	YoY +/(-)%	1Q14 S\$m	QoQ +/(-)%
Net interest income	1,109	944	18	1,072	3
Non-interest income	548	518	6	507	8
Total income	1,657	1,462	13	1,579	5
Operating expenses	(710)	(660)	8	(657)	8
Operating profit	947	802	18	922	3
Allowances	(66)	(83)	(21)	(41)	61
Associates & JVs	20	26	(23)	19	5
Amortisation, tax & NCI	(182)	(152)	19	(192)	(6)
Net profit from banking operations	720	593	21	708	2
GEH net profit contribution	202	4	nm	190	6
OCBC Group net profit	921	597	54	899	3

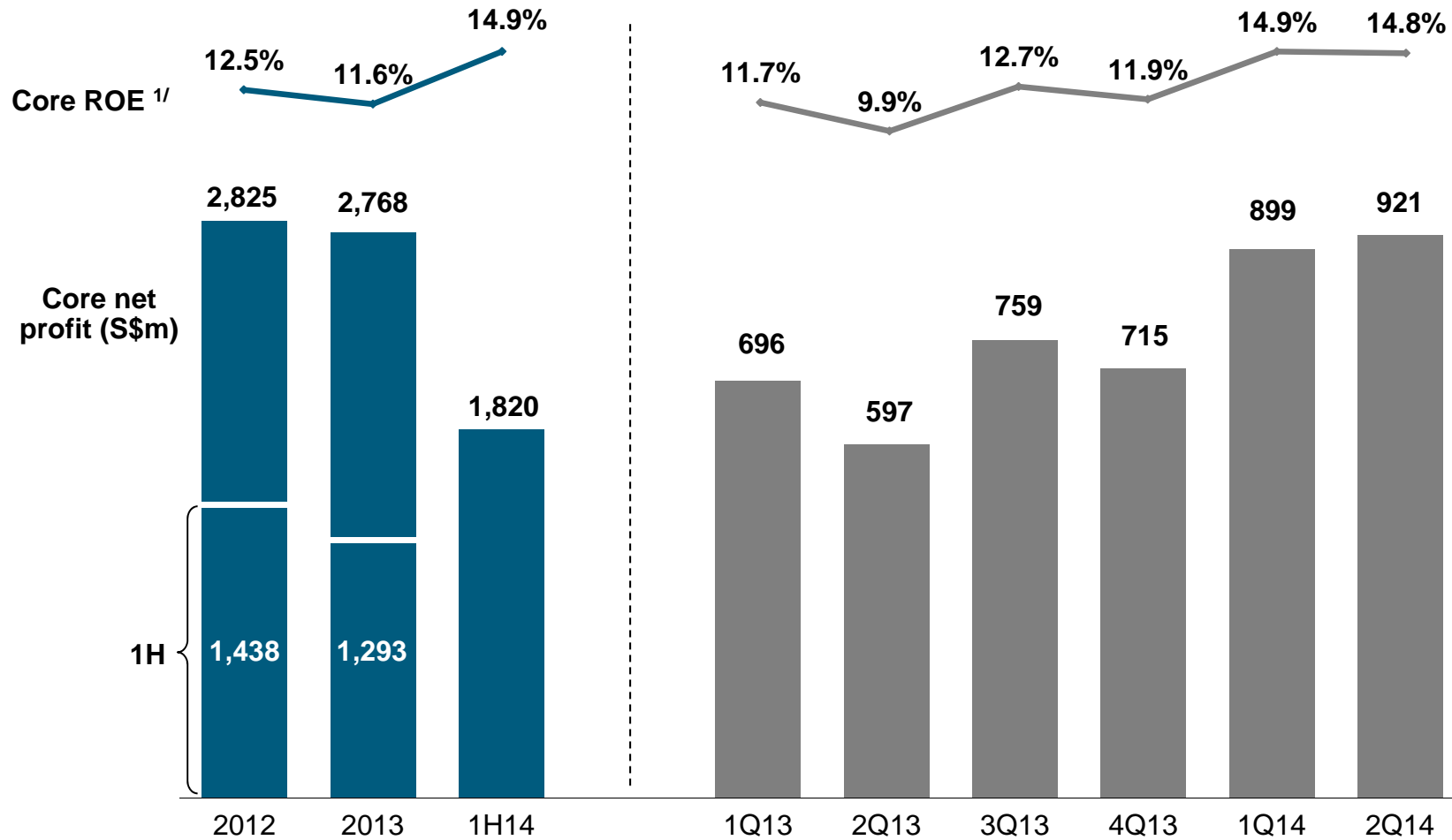
1H14 net profit before GEH contribution up 28% YoY and 29% HoH

Banking Operations	1H14 S\$m	1H13 S\$m	YoY +/(-)%	2H13 S\$m	HoH +/(-)%
Net interest income	2,181	1,839	19	1,979	10
Non-interest income	1,055	923	14	893	18
Total income	3,236	2,762	17	2,872	13
Operating expenses	(1,367)	(1,282)	7	(1,322)	3
Operating profit	1,869	1,480	26	1,550	21
Allowances	(107)	(104)	3	(161)	(34)
Associates & JVs	40	42	(6)	29	40
Amortisation, tax & NCI	(374)	(299)	25	(310)	20
Net profit from banking operations	1,428	1,120	28	1,106	29
GEH net profit contribution	392	174	126	368	7
OCBC Group net profit	1,820	1,293	41	1,475	23

Key ratios improved

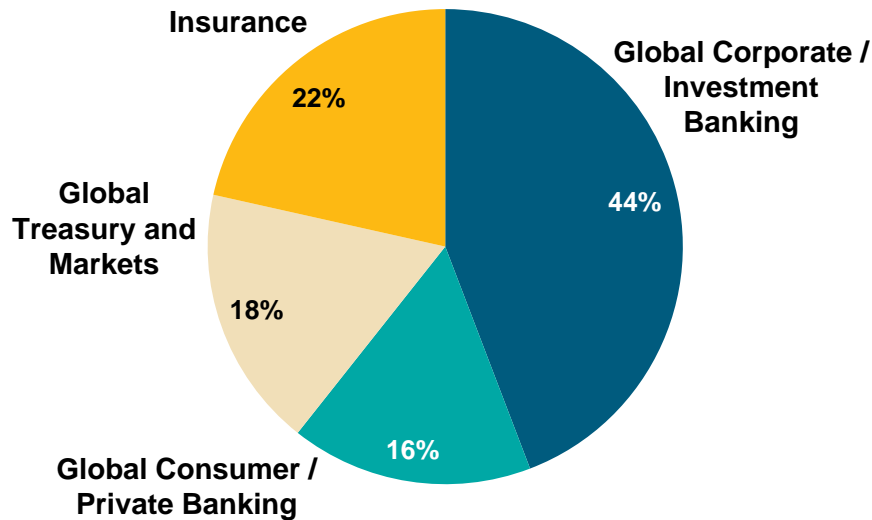
%	2Q14	2Q13	1Q14	1H14	1H13
Net interest margin	1.70	1.64	1.70	1.70	1.64
Non-interest income / Total income	43.0	38.6	42.4	42.7	40.6
Cost / Income	38.5	45.8	37.4	38.0	44.1
Loans / Deposits	87.2	89.2	87.0	87.2	89.2
NPL Ratio	0.7	0.7	0.7	0.7	0.7
Allowances / NPAs	149.1	143.9	145.0	149.1	143.9
ROE	14.8	9.9	14.9	14.9	10.9
Cash ROE	15.0	10.2	15.2	15.1	11.1

2Q14 ROE increased to 14.8%

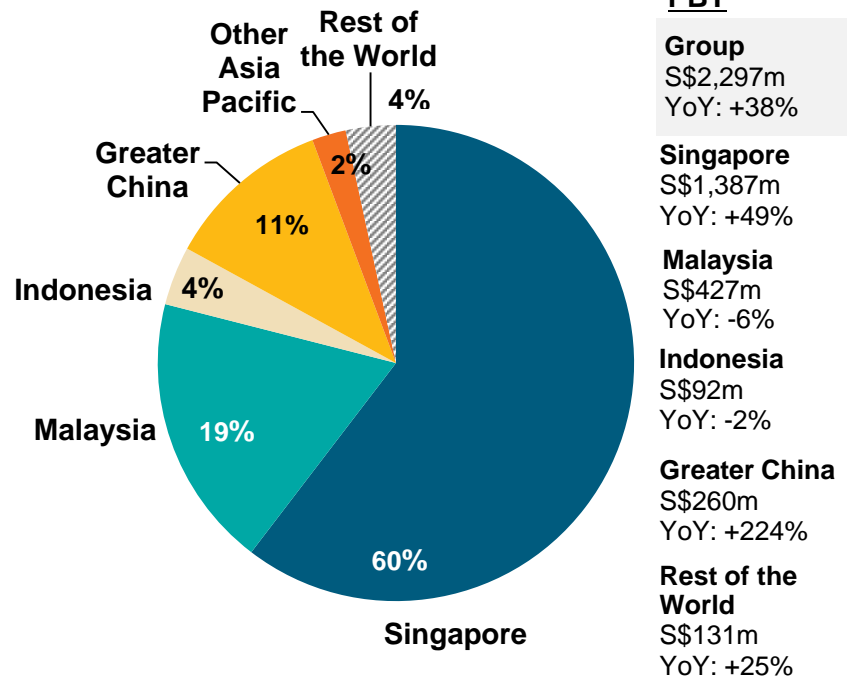


PBT breakdown at a glance

**1H14 PBT
by Business^{1/}**



**1H14 PBT
by Geography**



^{1/} Operating profit after allowances and amortisation. Excludes the Others segment, which comprises mainly property holding, investment holding, items not attributable to the business segments described above and portfolio allowances not attributed to specific business segments



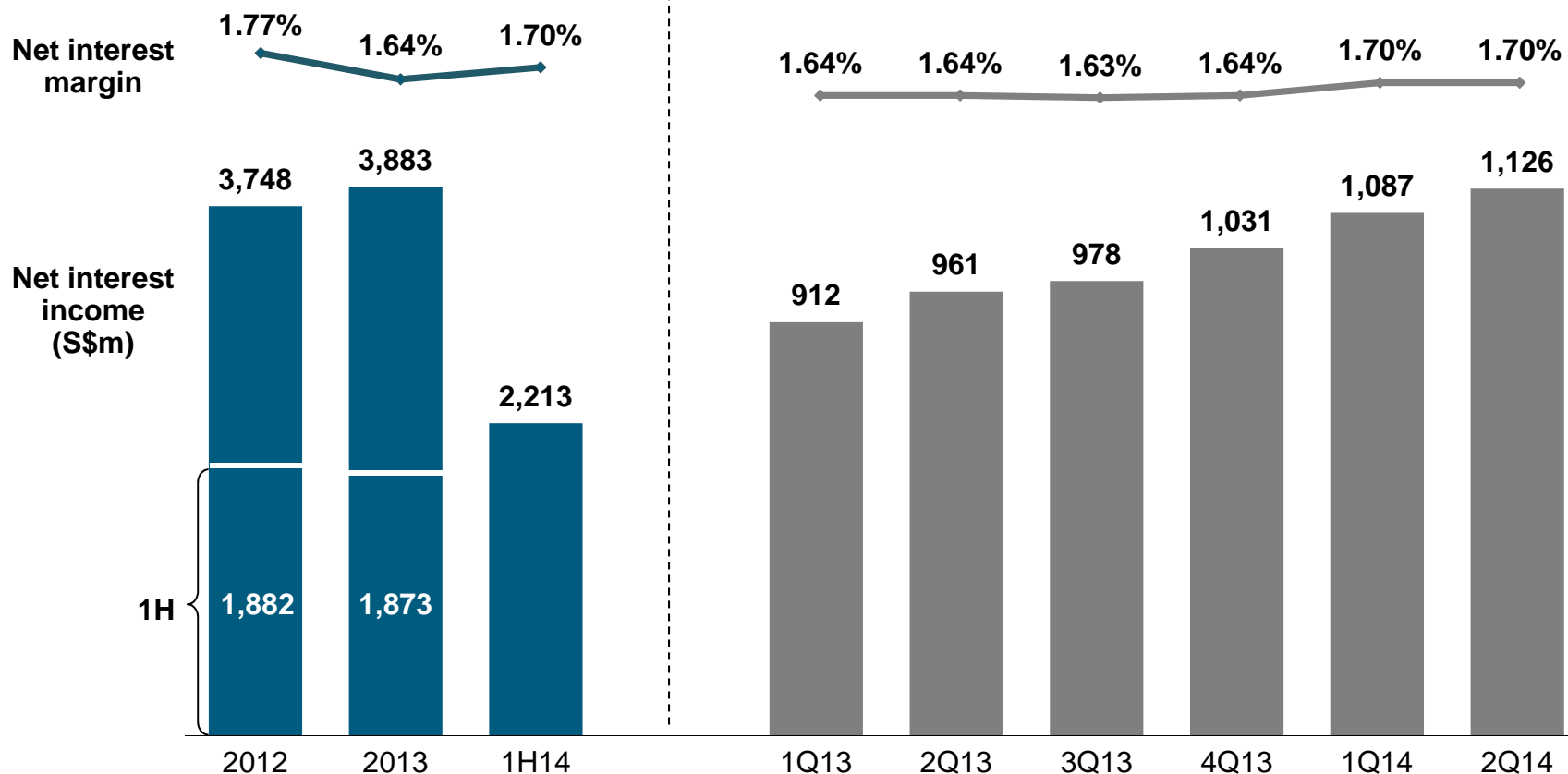
Agenda

Results Overview

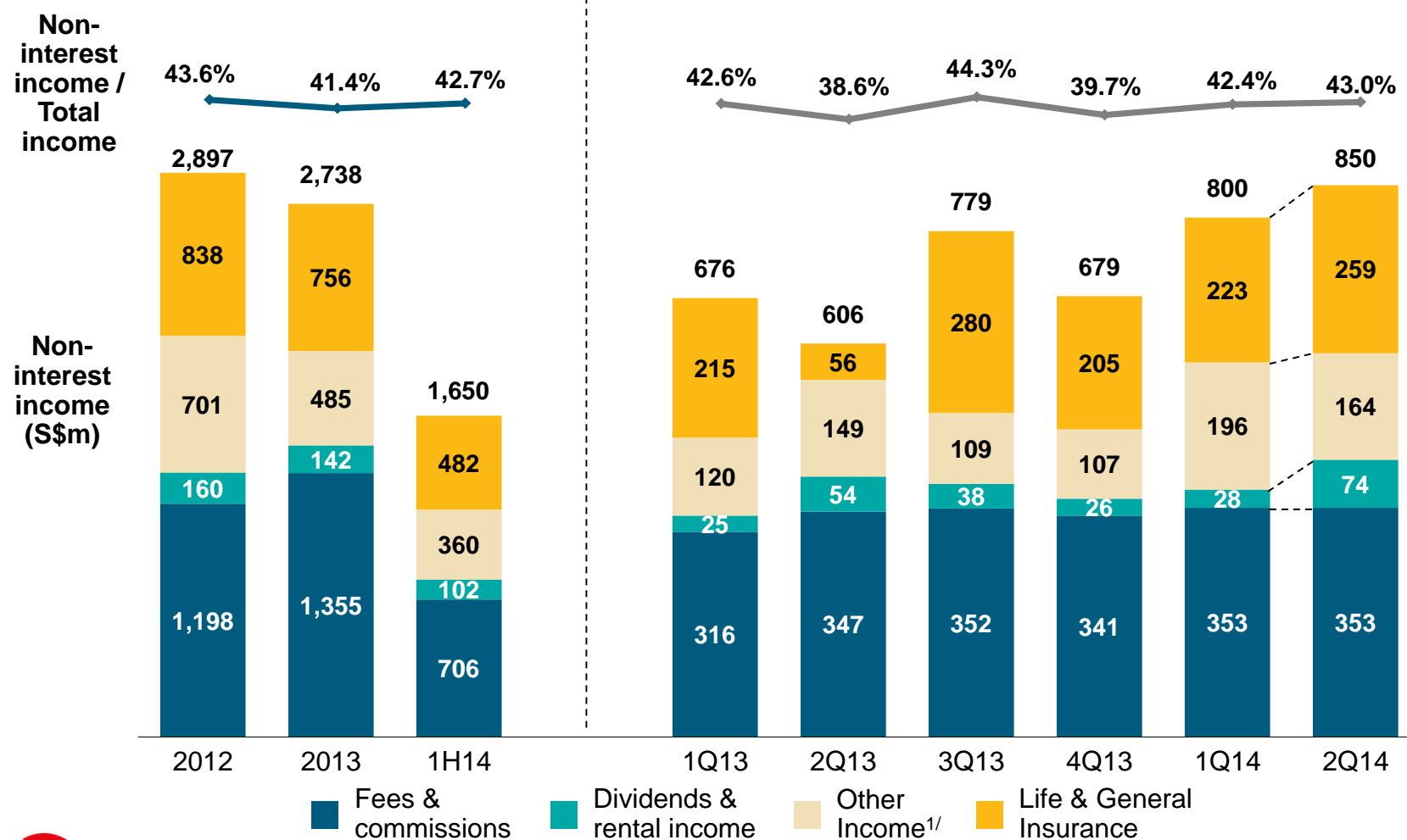
2Q14 Performance Trends

Appendix: Financial Highlights of
Malaysian and Indonesian Subsidiaries

Net interest income rose 17% YoY to a new high; NIM improved 6 bps

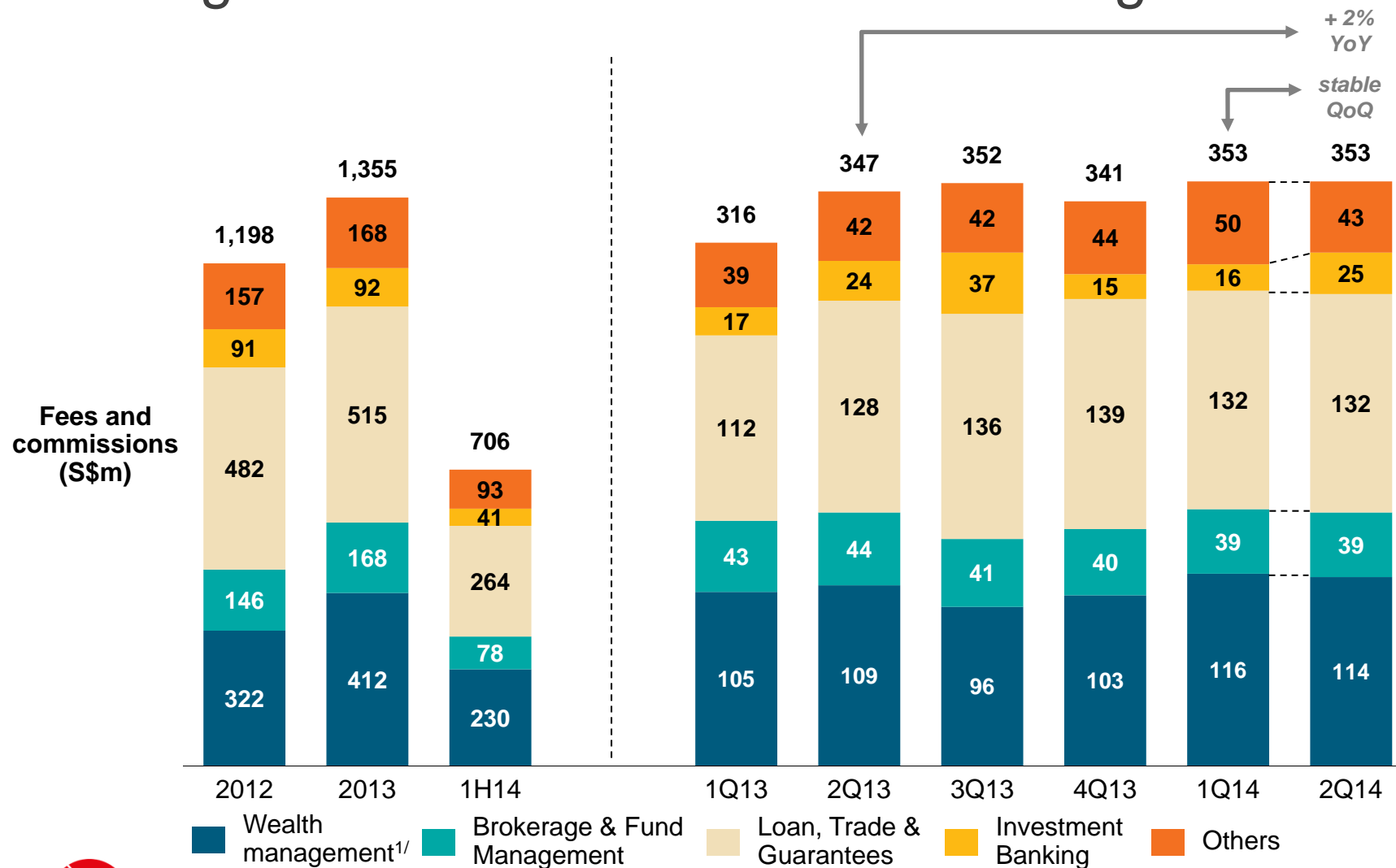


Non-interest income grew 40% YoY, from broad-based growth across all key categories



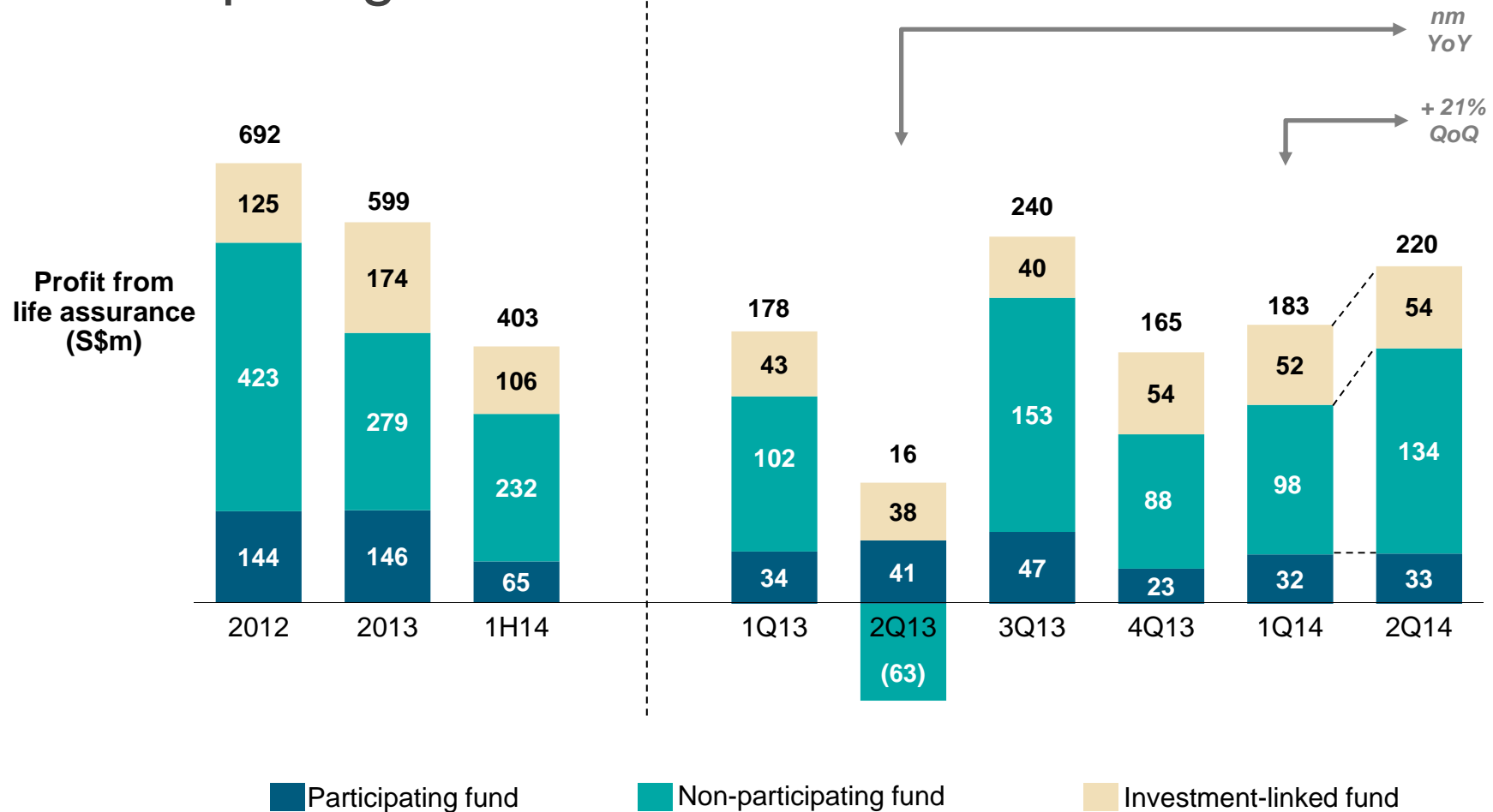
Note: Excludes gains from divestment of non-core assets
 1/ Other Income includes trading income

Fee income 2% higher YoY, boosted by wealth management and trade-related income growth

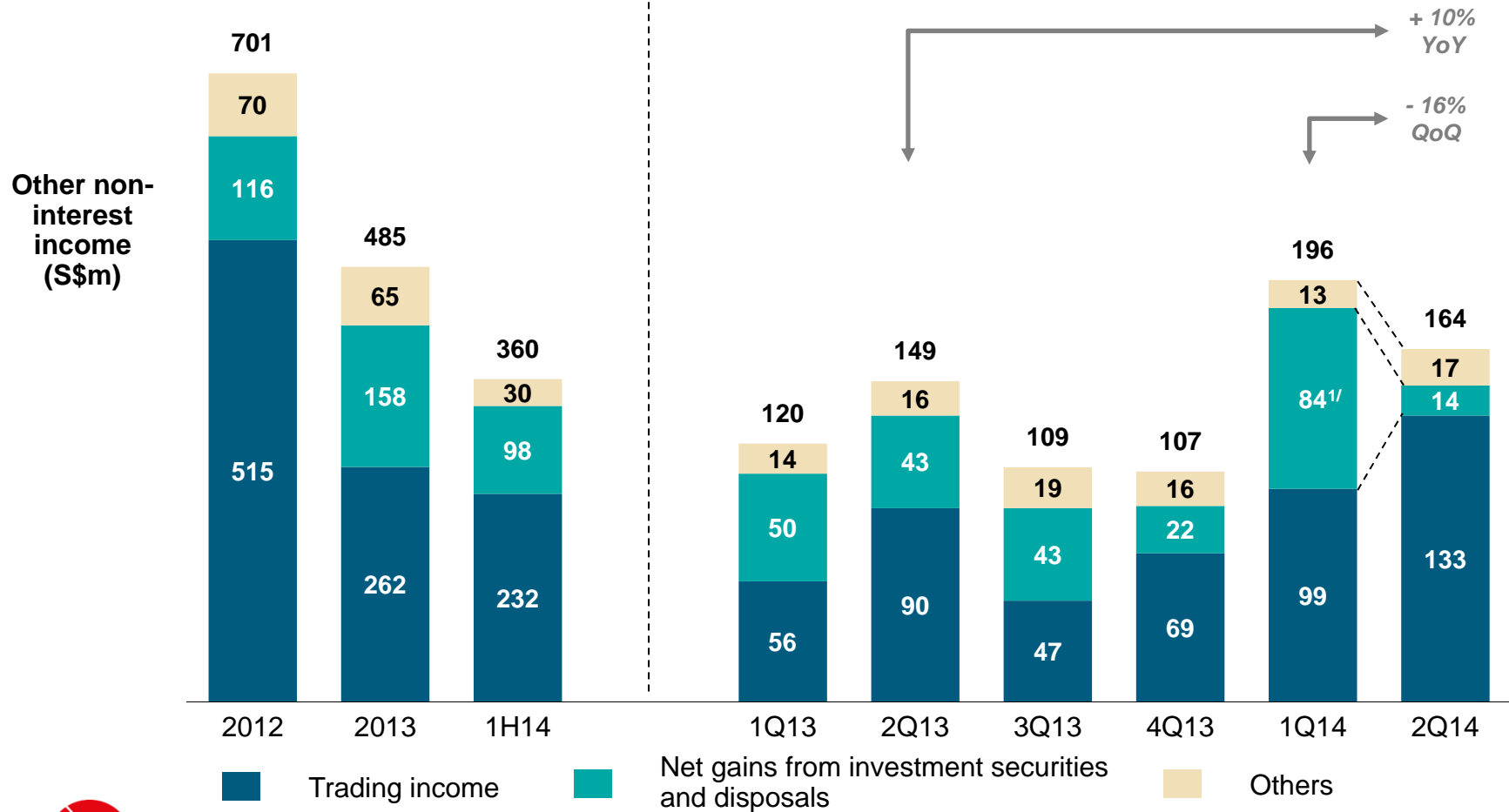


^{1/} Mainly comprising income from private banking, and sales of unit trusts, bancassurance products, structured deposits and other treasury products to consumer customers

Profit from life assurance rose to S\$220m, largely from higher mark-to-market gains in the Non-Participating Fund

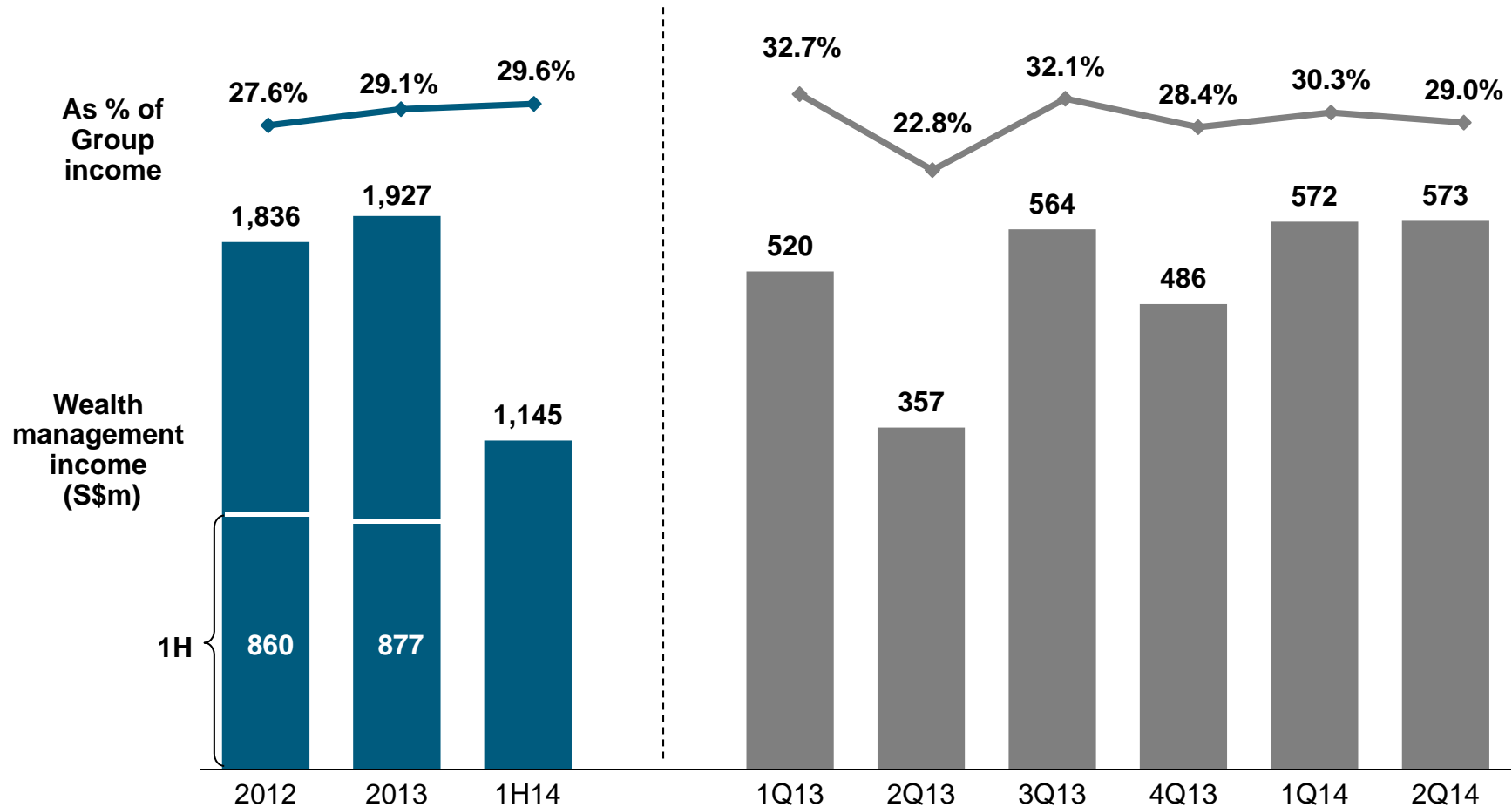


Other non-interest income growth of 10% YoY largely from higher trading income

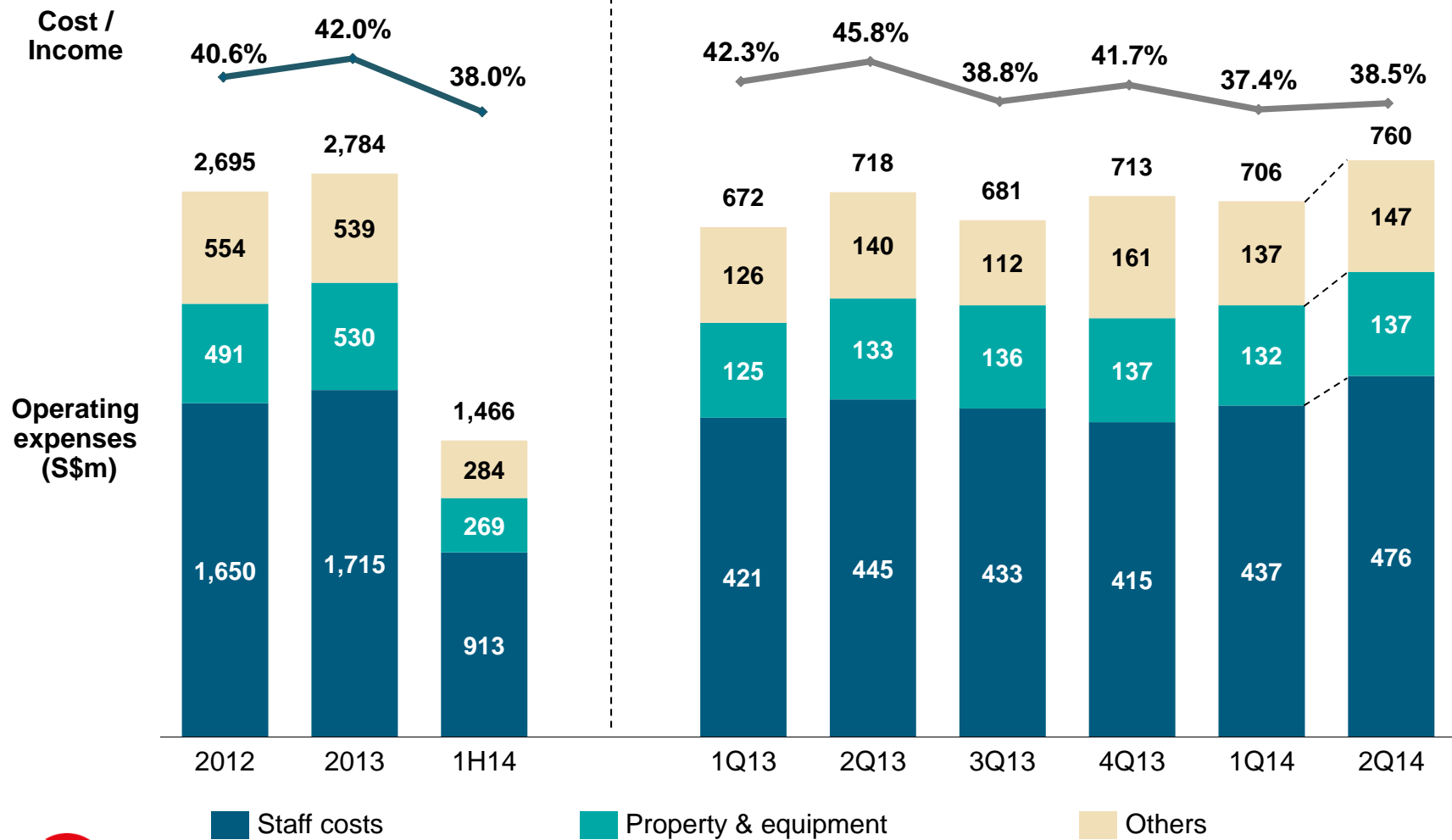


^{1/} Includes a one-off gain of S\$32 million from the partial disposal of Great Eastern Holdings' stake in its China joint venture

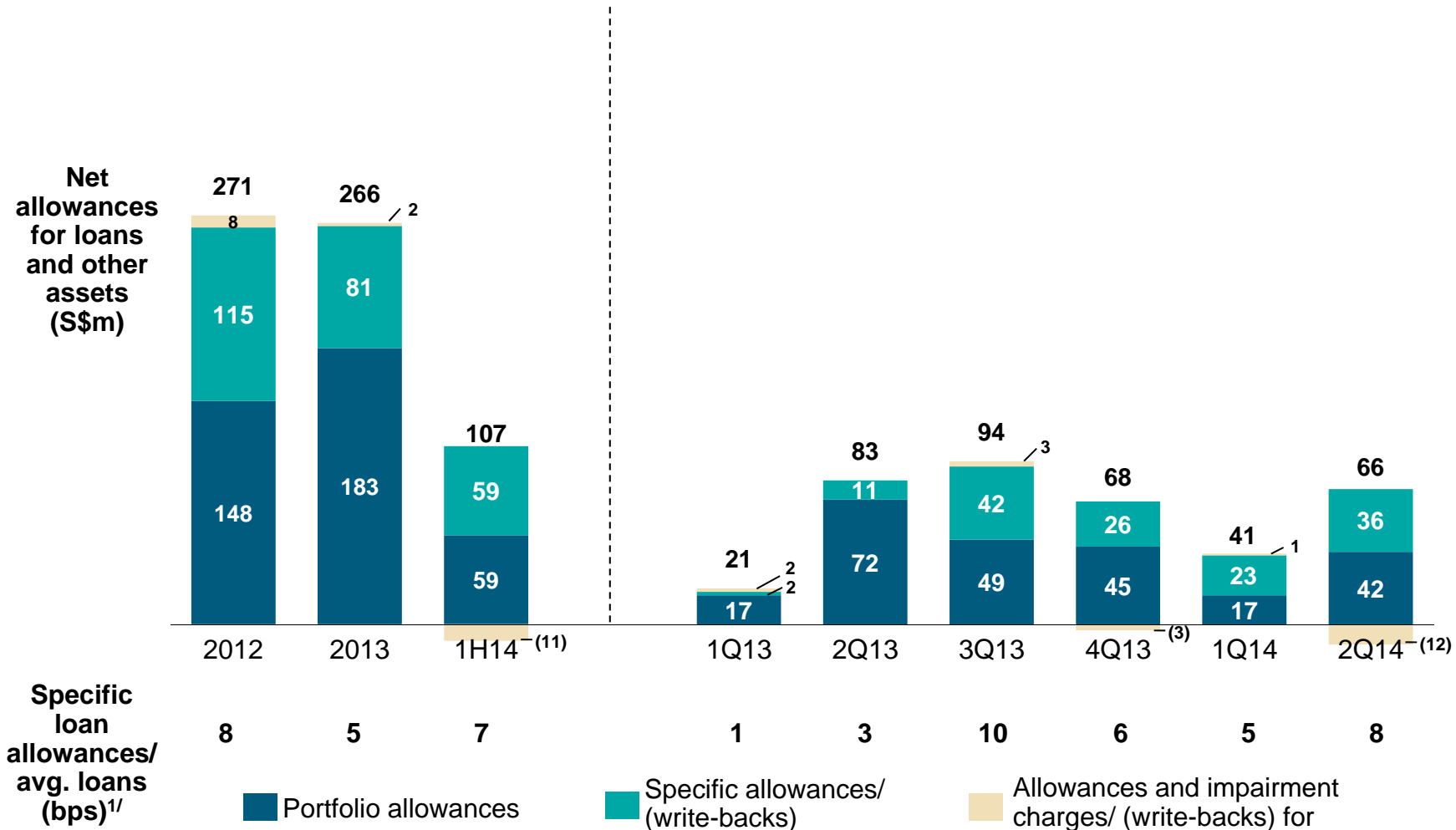
Wealth management income increased 61% YoY, contributing 29% to total Group income



Operating expenses remained well-managed, up 6% YoY



Net allowances lower YoY; credit quality remained sound

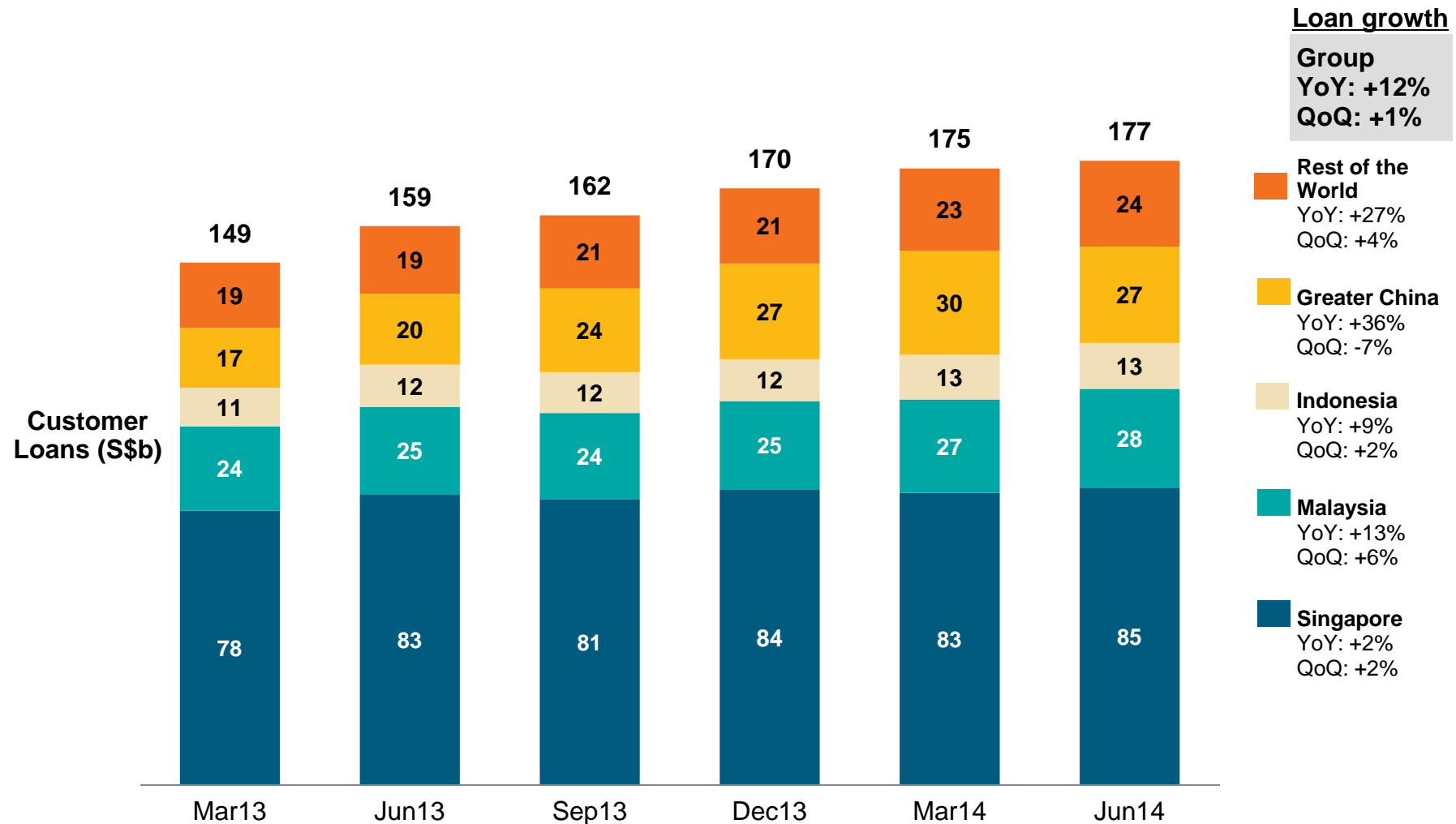


1/ Quarterly figures annualised

Net specific allowances higher YoY mainly from increase in allowances for new and existing NPLs

	2Q14 S\$m	2Q13 S\$m	1Q14 S\$m	1H14 S\$m	1H13 S\$m
Allowances for new and existing NPLs	71	51	54	125	100
Write-backs ^{1/}	(23)	(28)	(20)	(43)	(54)
Recoveries ^{2/}	(12)	(12)	(11)	(23)	(33)
Net specific allowances	36	11	23	59	13

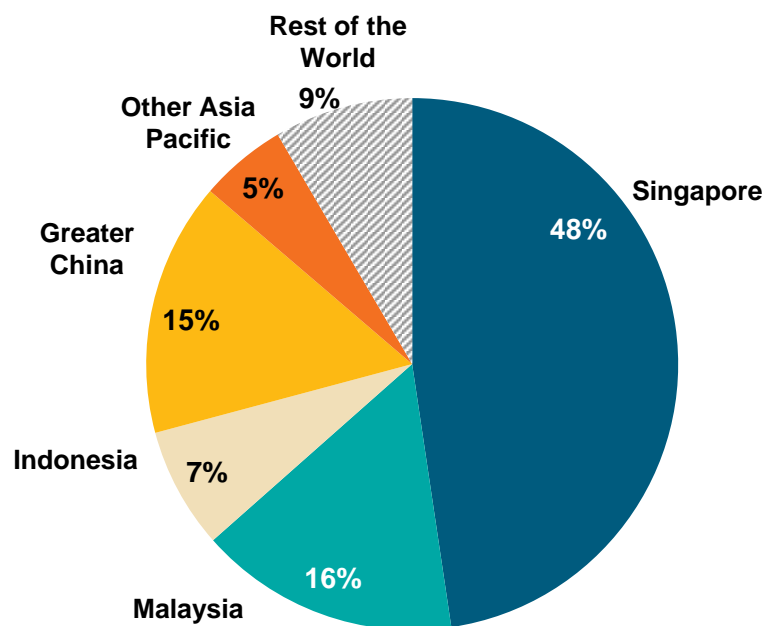
Customer loans grew 12% YoY and 1% QoQ



Note: Loans by Geography 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 loan book remained diversified across geographies and sectors

**Customer Loans by Geography
As of 30 June 2014**



Total: S\$177b

**Customer Loans by Industry
As of 30 June 2014**

Industry

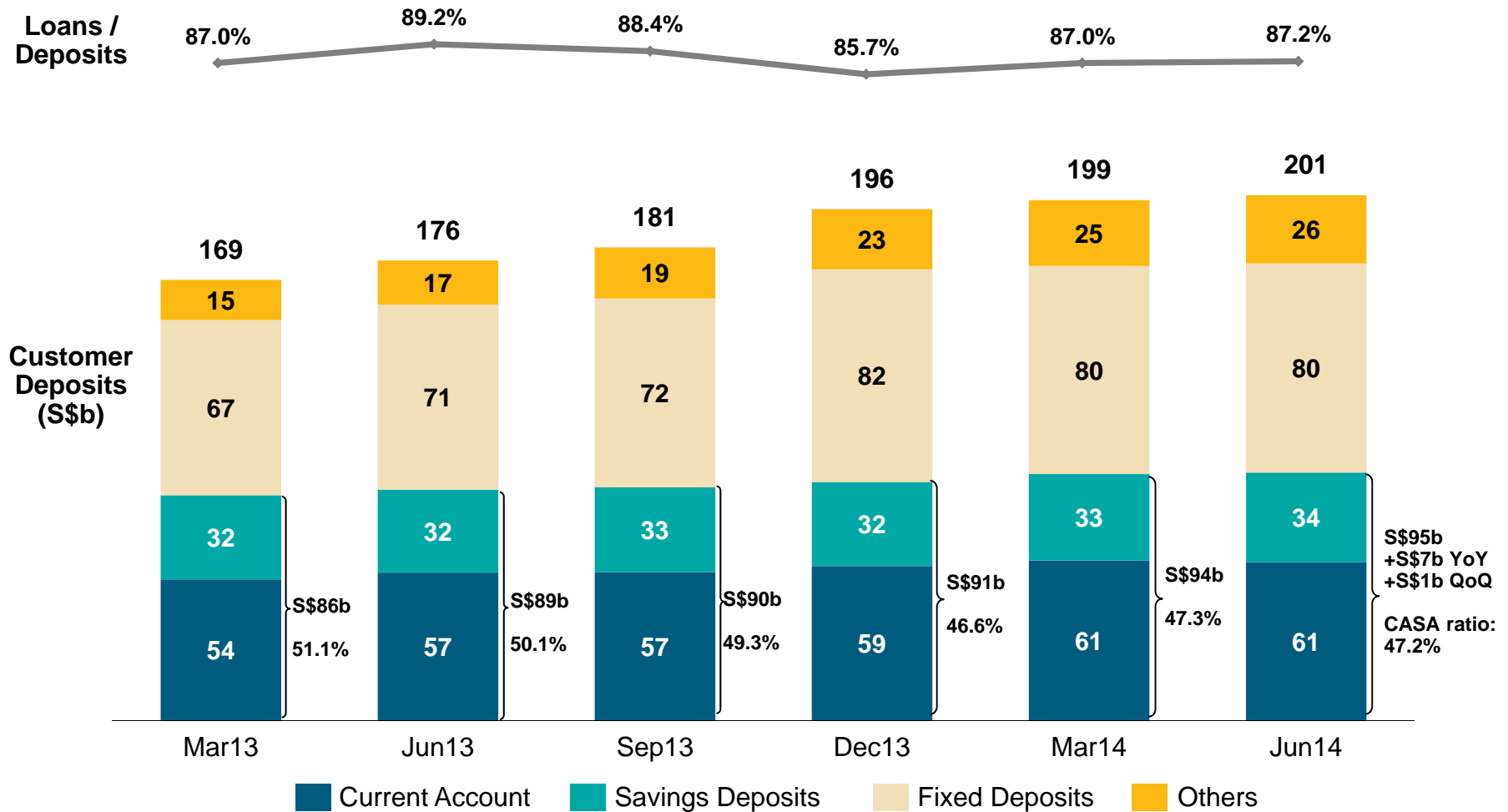
- Housing loans
- Professionals & individuals
- General commerce
- FIs, investment & holding cos
- Building & construction
- Manufacturing
- Tpt, storage & comm
- Agri, mining & quarrying
- Others

	As of 30 Jun 2014		As of 30 Jun 2013	
	S\$b	%	S\$b	%
Housing loans	44	25	41	25
Professionals & individuals	19	11	16	10
General commerce	27	15	23	15
FIs, investment & holding cos	25	13	22	14
Building & construction	25	14	24	15
Manufacturing	10	6	9	6
Tpt, storage & comm	10	6	11	7
Agri, mining & quarrying	7	4	5	3
Others	10	6	8	5
Total	177	100	159	100



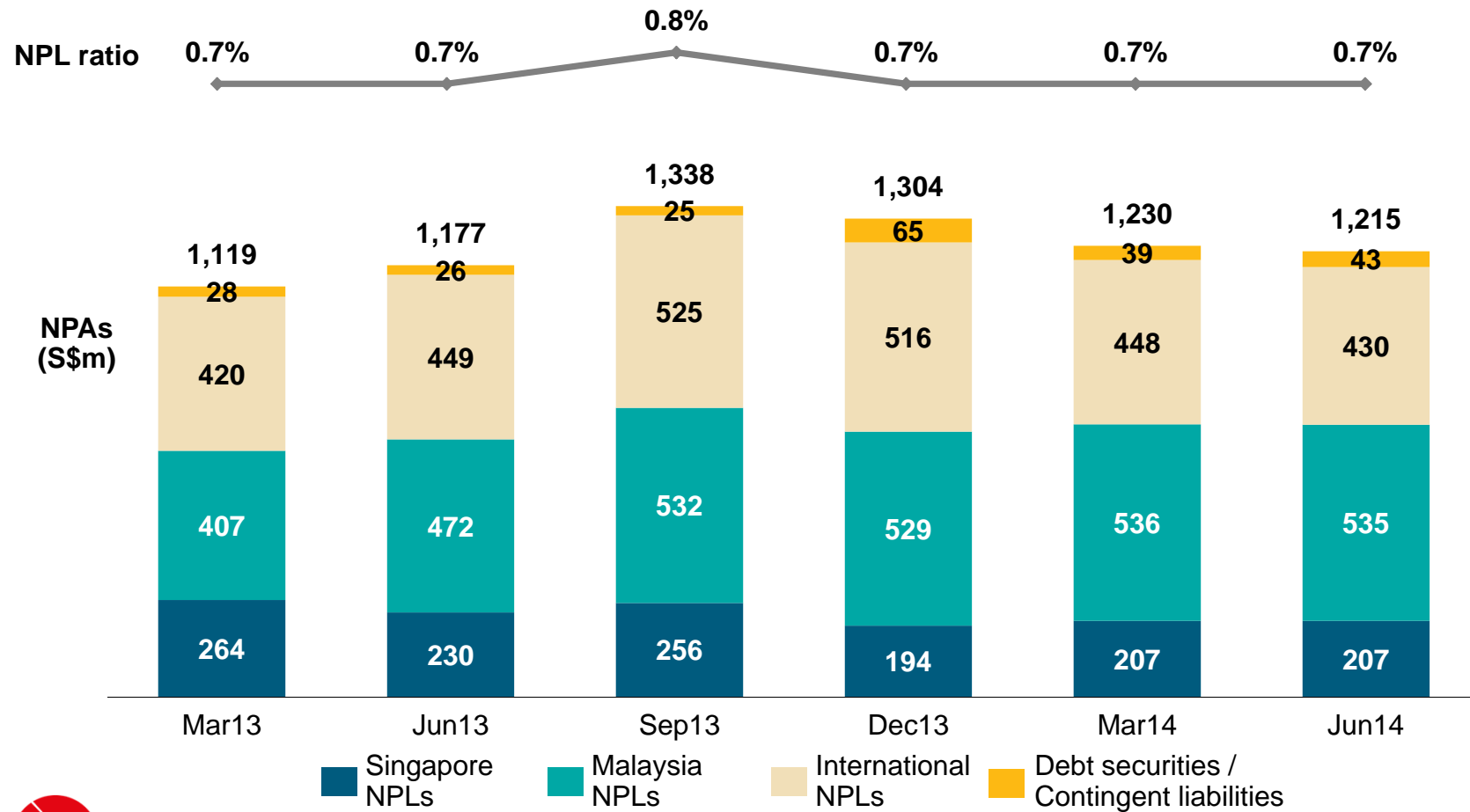
Note: Loans by Geography based on where the credit risks reside, which may be different from the borrower's country of residence or the booking location of the loans

Customer deposits up 14% YoY and 1% QoQ, supported by 7% YoY growth in CASA deposits



Note: CASA ratio refers to the ratio of current and savings deposits to total customer deposits

Asset quality sound; NPL ratio remained low at 0.7%

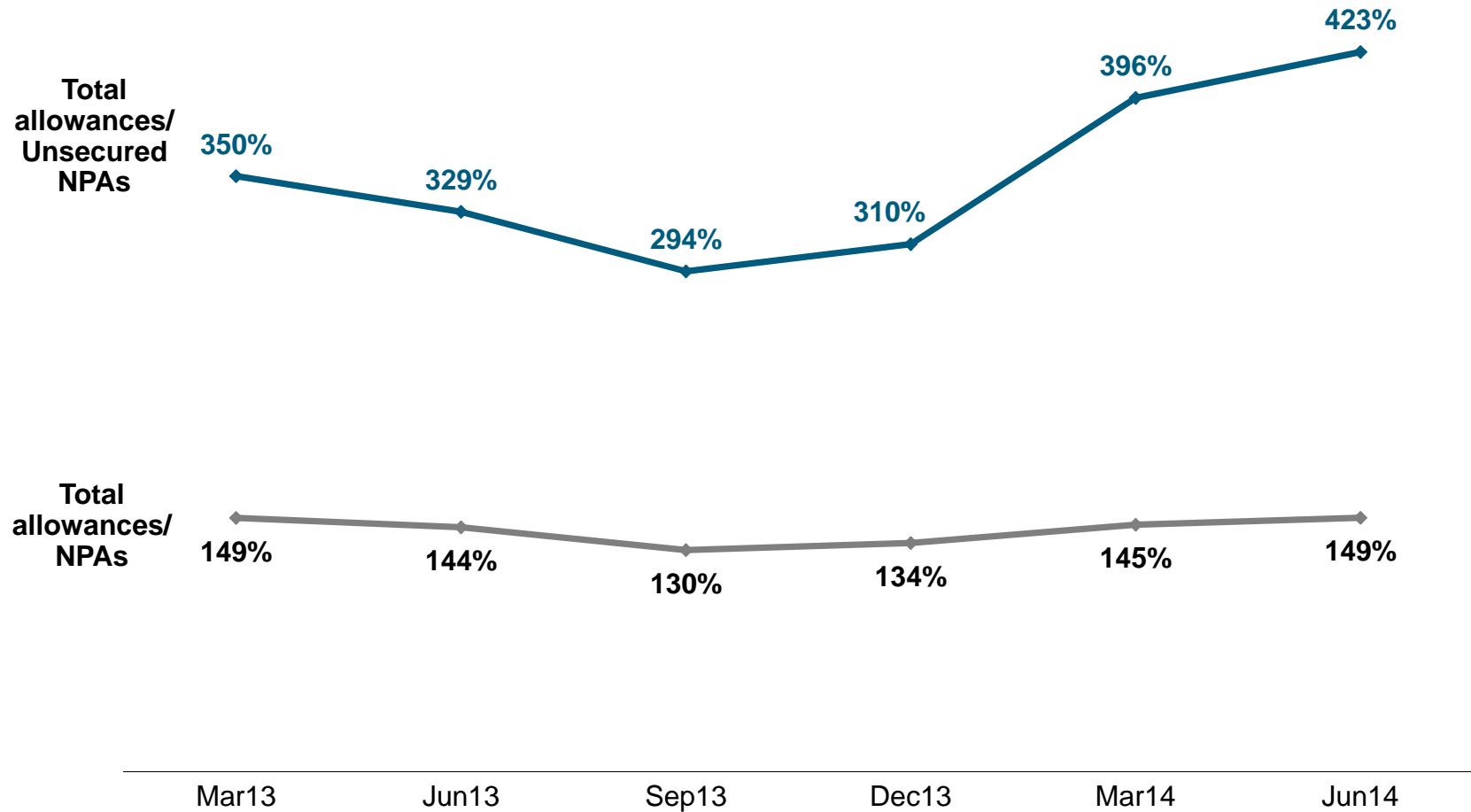


Note: NPAs comprise NPLs and classified debt securities/contingent liabilities

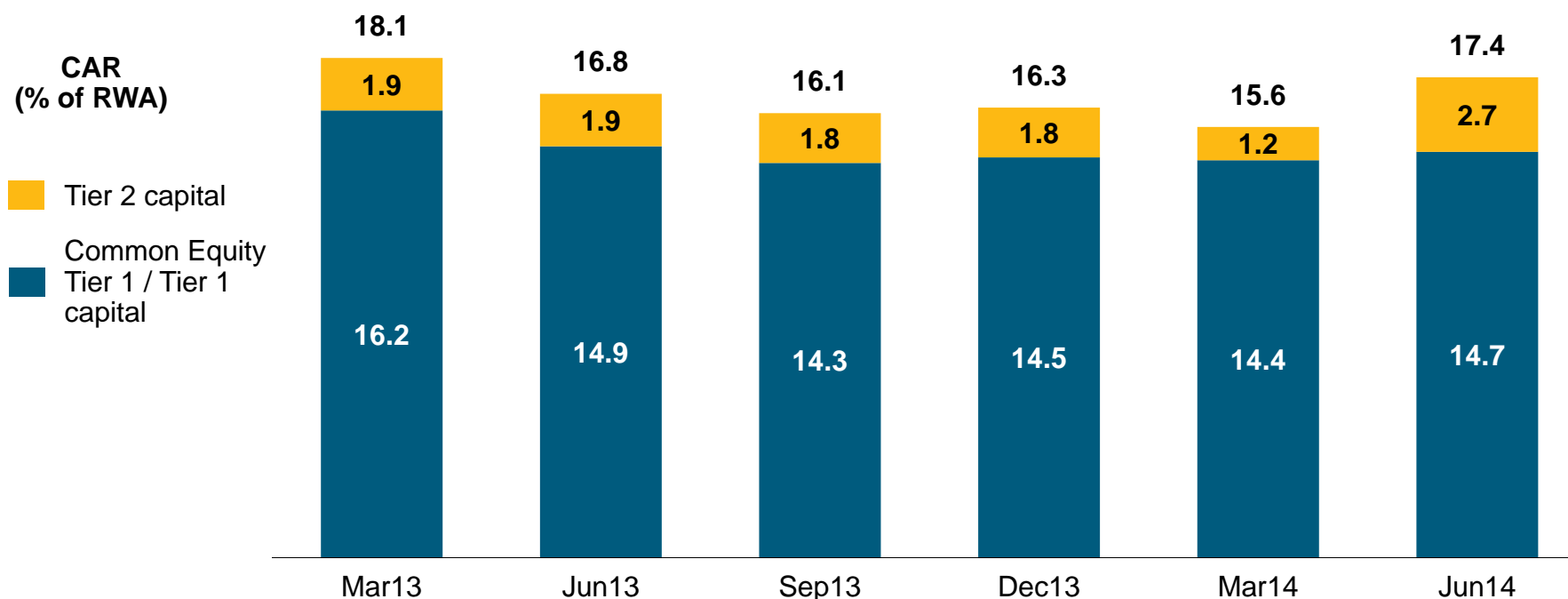
NPAs lower QoQ

	2Q14 S\$m	2Q13 S\$m	1Q14 S\$m	1H14 S\$m	1H13 S\$m
NPAs – Opening balance	1,230	1,119	1,304	1,304	1,172
New NPAs	227	253	185	412	375
New recoveries/upgrades	(183)	(140)	(228)	(411)	(284)
Write-offs	(59)	(55)	(31)	(90)	(86)
NPAs – Closing balance	1,215	1,177	1,230	1,215	1,177

Allowance coverage ratios remained healthy



Strong capital adequacy ratios, well-positioned to meet regulatory requirements

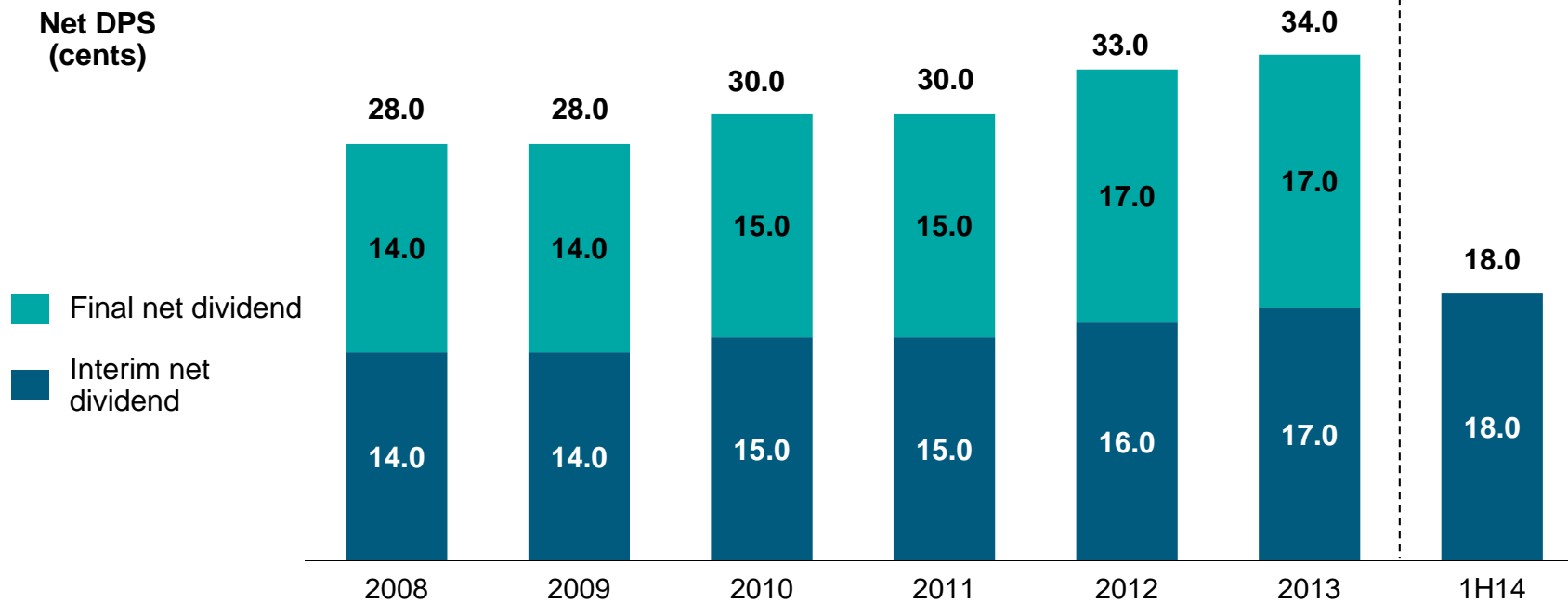


CET1 capital (S\$m)	22,794	22,146	21,036	21,884	22,765	23,541
Tier 1 capital (S\$m)	22,794	22,146	21,036	21,884	22,765	23,541
RWA (S\$m)	140,395	148,131	146,957	150,325	157,078	159,184



Note: Capital ratios are computed based on Basel III transitional arrangements

Interim dividend increased to 18 cents per share



Net Dividends (\$m)	868	898	994	1,024	1,133	1,167	628
Core Net Profit (\$m)	1,486	1,962	2,253	2,280	2,825	2,768	1,820
Dividend Payout Ratio	58%	46%	44%	45%	40%	42%	35%

GEH: 2Q14 earnings contribution of S\$202m

GEH Contribution	2Q14 S\$m	2Q13 S\$m	YoY +/(-)%	1Q14 S\$m	QoQ +/(-)%
Profit from insurance business	230	18	nm	194	19
- Operating profit ^{1/}	143	155	(8)	143	-
- Non-operating profit/(loss) ^{2/}	72	(156)	146	33	116
- Others ^{3/}	15	19	(19)	17	(10)
Profit from Shareholders' Fund	39	30	31	65	(41)
Sub-total	269	47	471	259	4
Amortisation of intangibles	(12)	(12)	-	(12)	-
Allowances	0	(0)	-	(0)	-
Associates & JVs	(1)	(1)	-	0	-
Tax & non-controlling interests	(55)	(29)	88	(57)	(3)
Net profit contribution	202	4	nm	190	6

1/ Operating Profit (net of tax) is defined as premiums less claims, surrenders, commissions, expenses and changes in reserves, plus investment income (dividends, coupons, etc)

2/ Non-operating profit / loss (net of tax) mainly comprises changes in the fair value of assets and liabilities, realised gains / losses on sale of investments, changes in liability discount rates and other non-recurring items

3/ Mainly tax

GEH: 1H14 earnings contribution

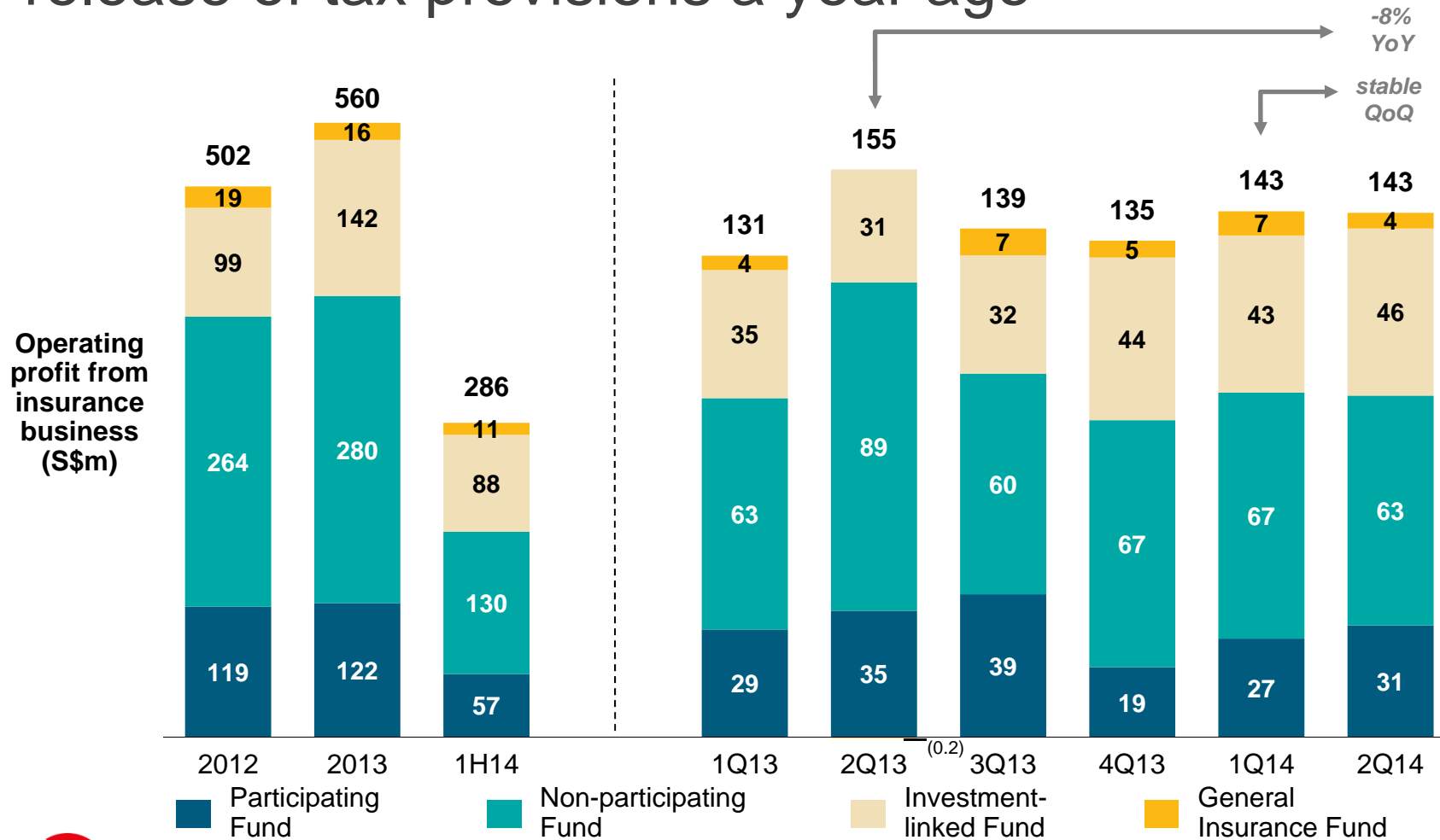
GEH Contribution	1H14 S\$m	1H13 S\$m	YoY +/(-)%	2H13 S\$m	HoH +/(-)%
Profit from insurance business	424	205	107	428	(1)
- Operating profit ^{1/}	286	286	-	274	4
- Non-operating profit/(loss) ^{2/}	106	(117)	190	106	(1)
- Others ^{3/}	32	36	(12)	48	(34)
Profit from Shareholders' Fund	104	81	29	94	11
Sub-total	528	285	85	524	1
Amortisation of intangibles	(23)	(23)	-	(23)	-
Allowances	0	(0)	-	(1)	-
Associates & JVs	(1)	(2)	-	(6)	(85)
Tax & non-controlling interests	(112)	(86)	31	(125)	(10)
Net profit contribution	392	174	126	368	7

1/ Operating Profit (net of tax) is defined as premiums less claims, surrenders, commissions, expenses and changes in reserves, plus investment income (dividends, coupons, etc)

2/ Non-operating profit / loss (net of tax) mainly comprises changes in the fair value of assets and liabilities, realised gains / losses on sale of investments, changes in liability discount rates and other non-recurring items

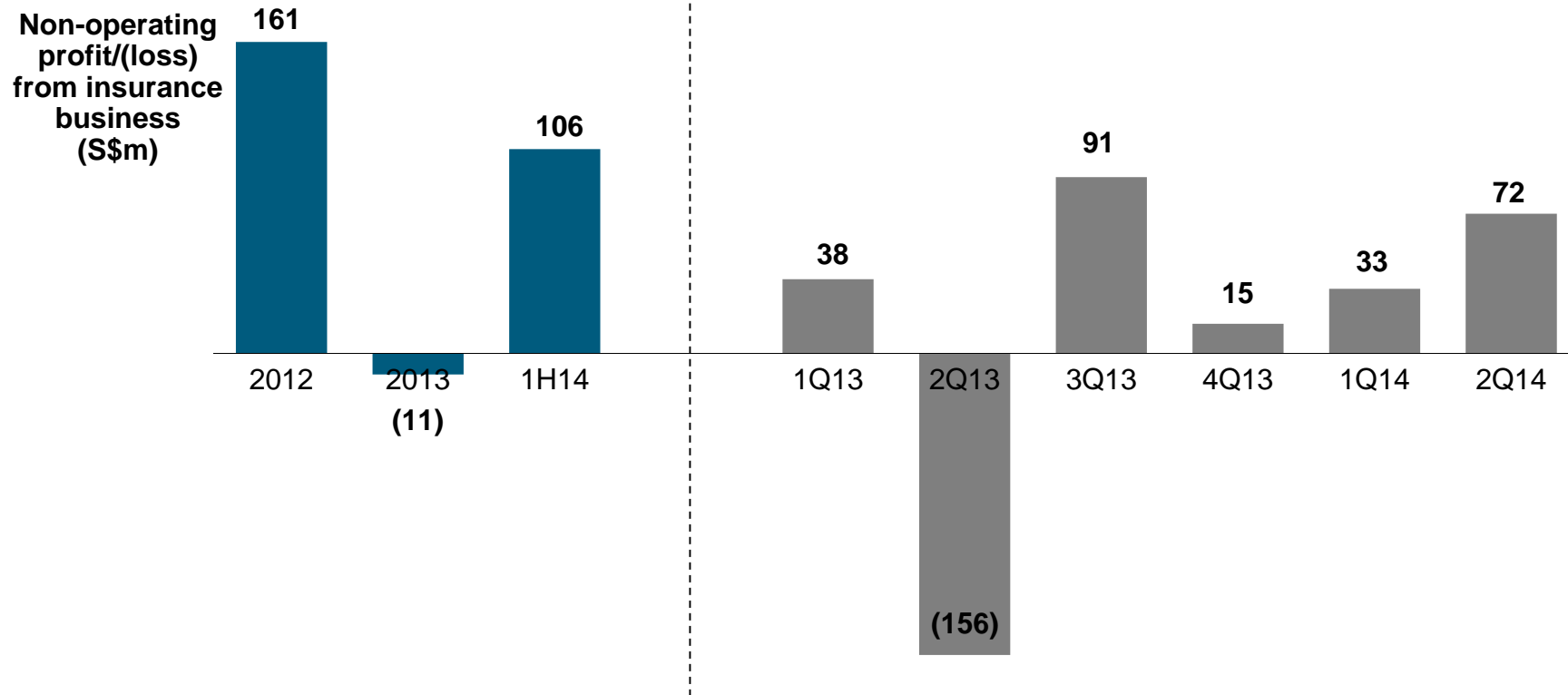
3/ Mainly tax

GEH: *Operating profit* supported by in-force business growth and lower claims; but lower YoY from larger release of tax provisions a year ago

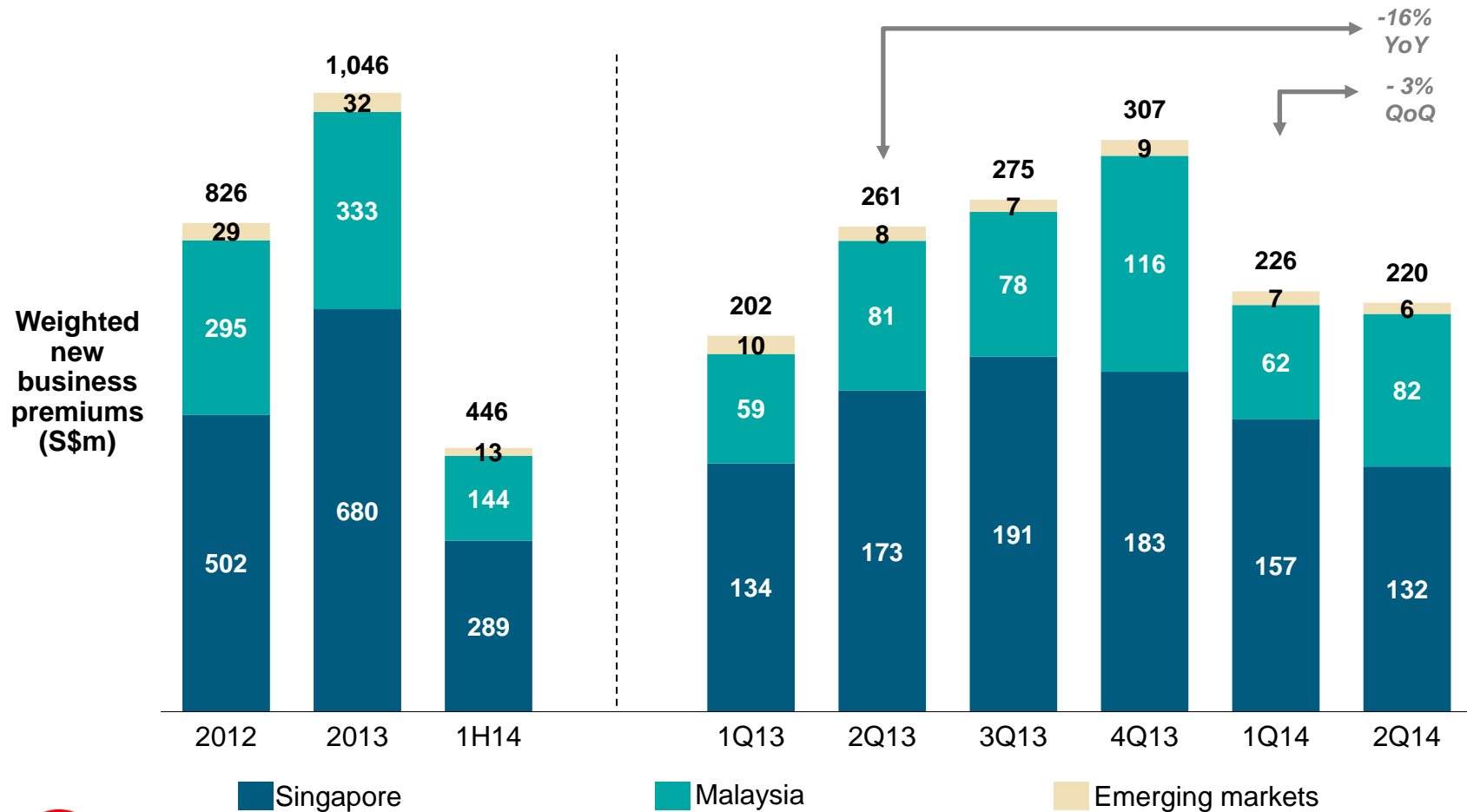


Note: Operating Profit (net of tax) is defined as premiums less claims, surrenders, commissions, expenses and changes in reserves, plus investment income (dividends, coupons, etc)

GEH: *Non-operating profit* of S\$72m due to mark-to-market gains from favourable interest rate movements and narrowing of credit and swap spreads

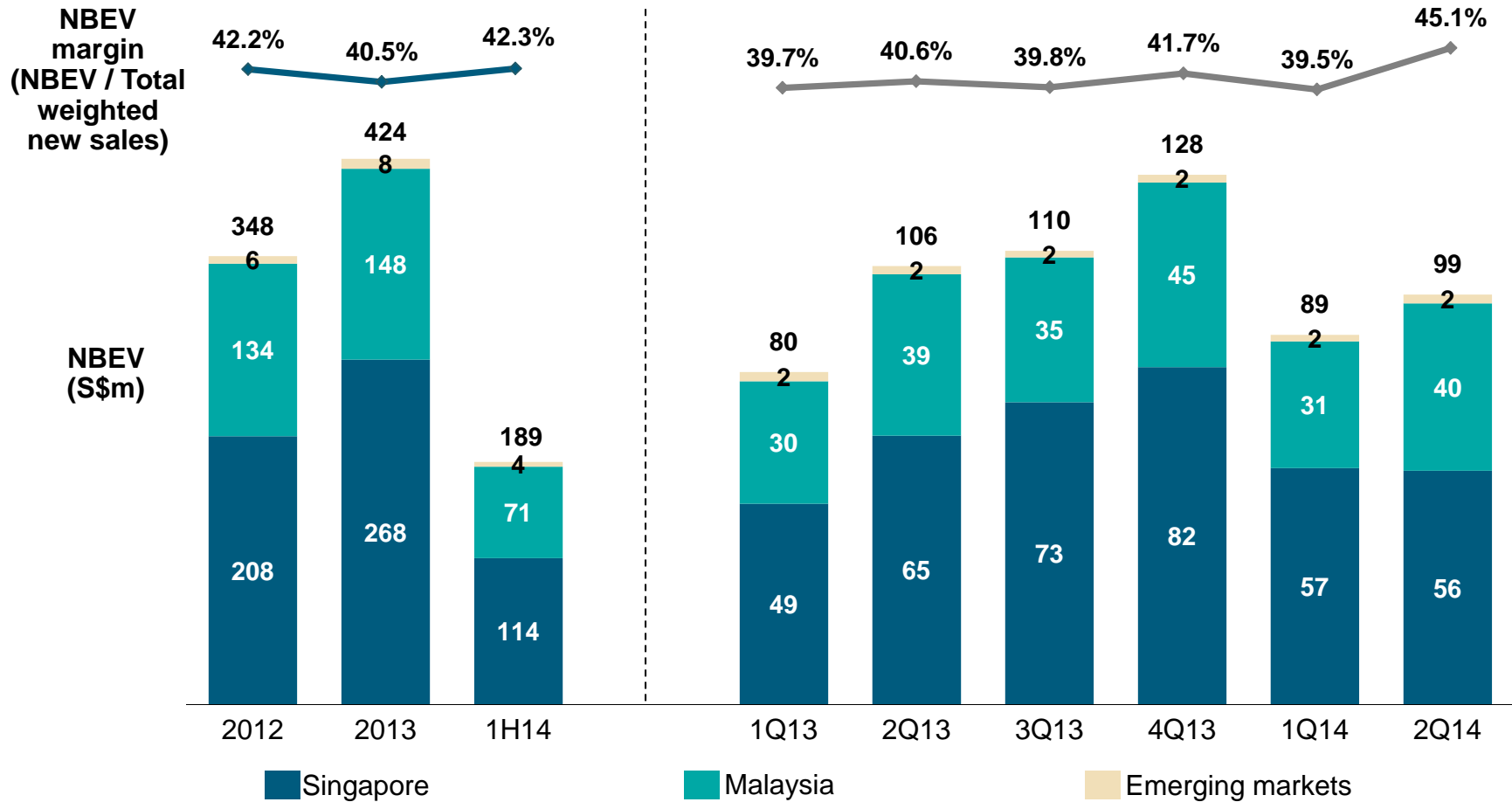


GEH: Total weighted new sales of S\$220m as Singapore sales normalised after recapture of a high volume of maturing policies in 2013



Note: QoQ comparison not relevant given seasonality of insurance sales. For comparative reasons, total weighted new sales figures for periods prior to 1Q14 have been restated using exchange rates as at 30 June 2014. Following completion of the sale of 25% stake in the Great Eastern's joint venture in China, sales of emerging markets from 1Q14 reflects reduced stake of 25%

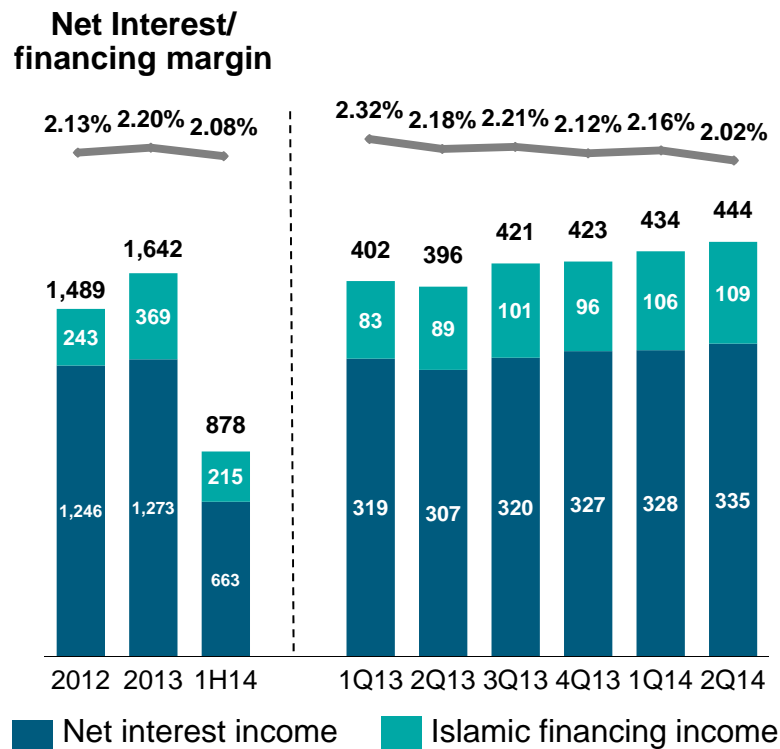
GEH: Increase in *new business embedded value margins*, brought about by a positive shift in product and channel mix in Singapore



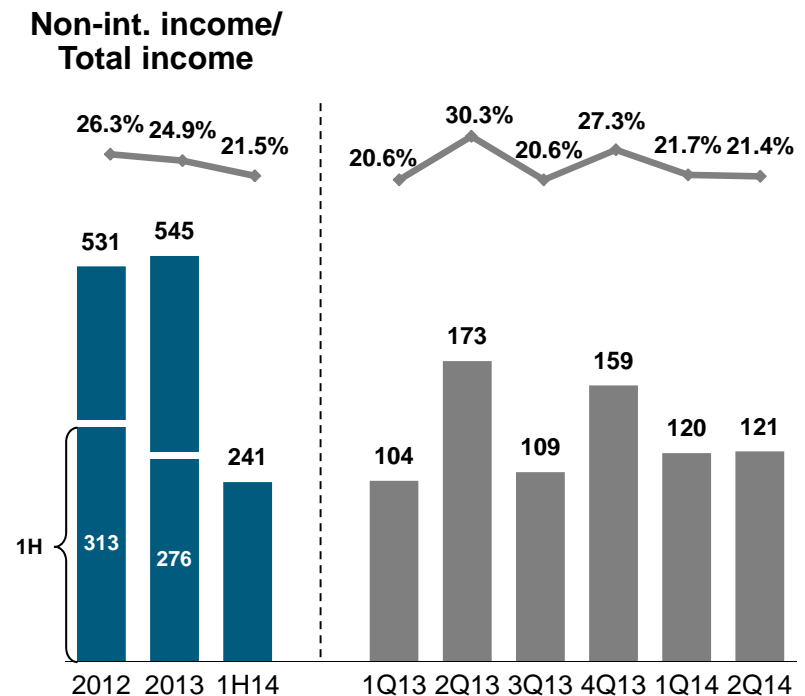
Note: For comparative reasons, NBEV figures for periods prior to 1Q14 have been restated using exchange rates as at 30 June 2014. Quarterly NBEV figures in 2013 have been restated to take into account revised actuarial assumptions implemented in 4Q13. Following completion of the sale of 25% stake in the Great Eastern's joint venture in China, NBEV of emerging markets from 1Q14 reflects reduced stake of 25%

OCBC Malaysia: Total net interest income and Islamic financing income up 12% YoY, non-interest income decreased 30% YoY

Net interest income and Islamic financing income (RM m)



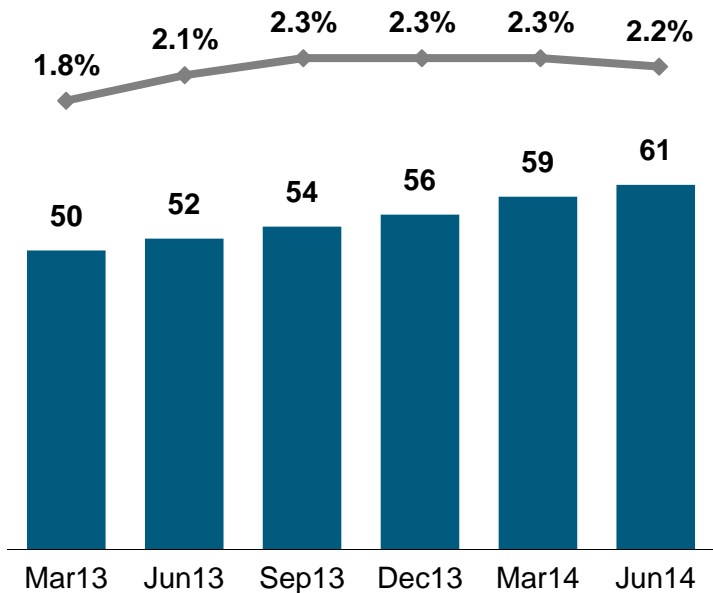
Non-interest income (RM m)



OCBC Malaysia: Loans expanded 16% YoY and 3% QoQ; NPL ratio improved to 2.2%

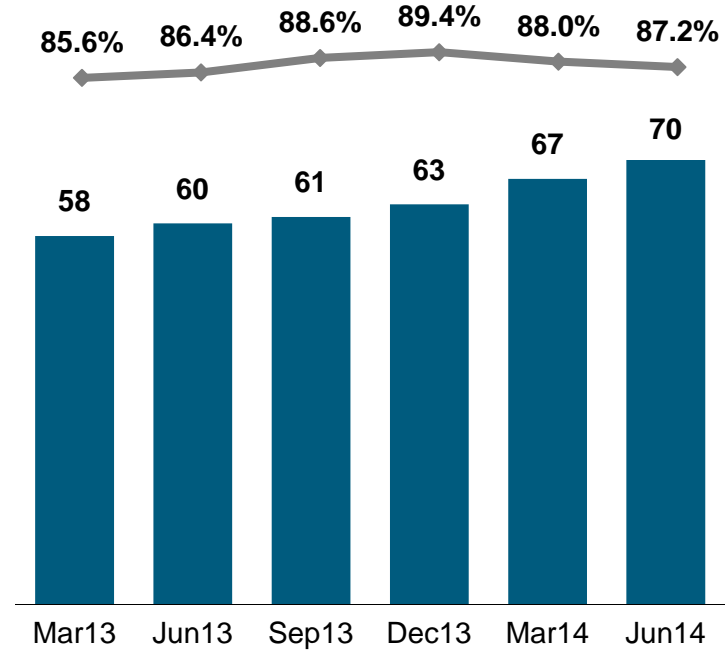
Gross Loans (RM b)

NPL Ratio



Deposits (RM b)

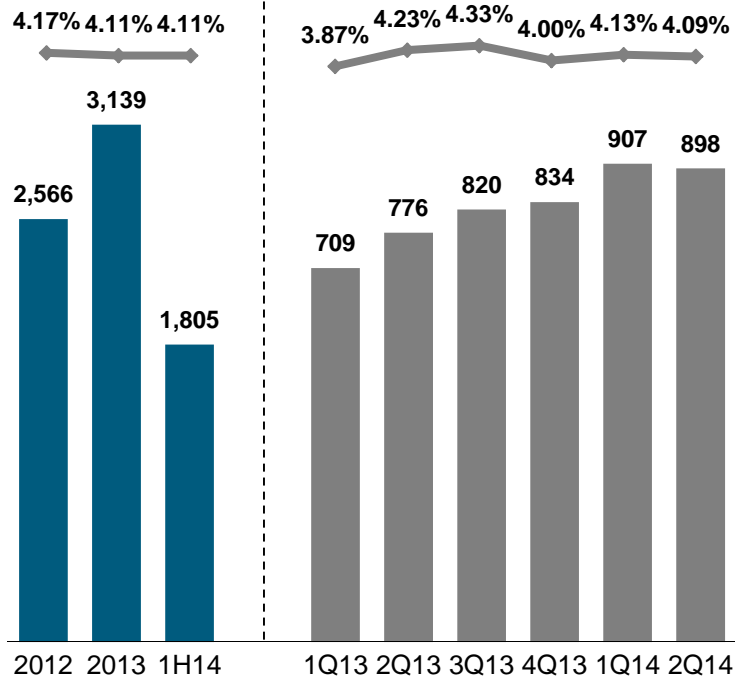
Loans / Deposits



OCBC NISP: Net interest income increased 16% YoY, non-interest income 11% lower YoY

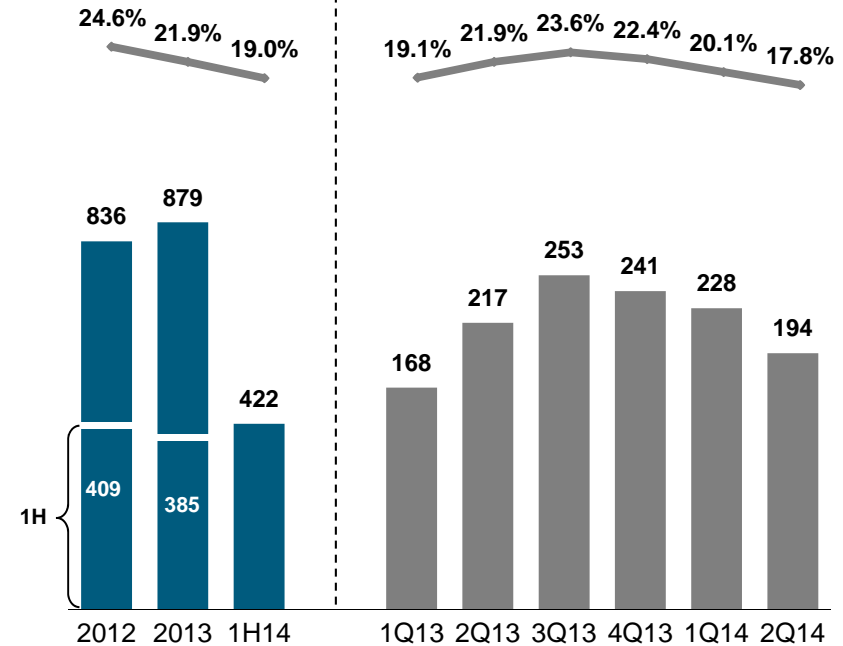
Net interest income (Rp b)

Net interest margin



Non-interest income (Rp b)

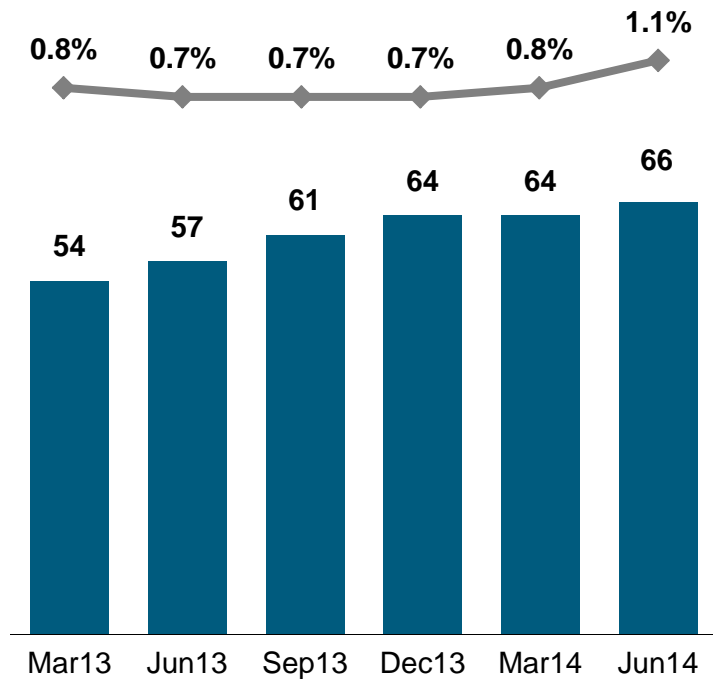
Non-int. income/ Total income



OCBC NISP: Loans grew 15% YoY; NPL ratio higher at 1.1%

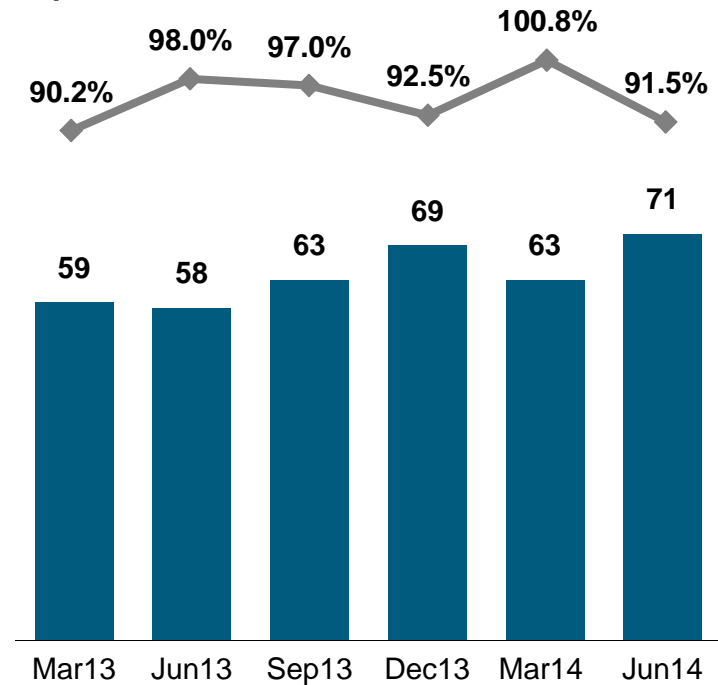
Gross Loans (Rp t)

NPL Ratio



Deposits (Rp t)

Loans / Deposits



CASA Ratio 47.3% 44.8% 44.8% 38.9% 36.1% 37.3%



Note: NPL ratio and LDR calculation based on Bank Indonesia's guidelines



Agenda

Results Overview

2Q14 Performance Trends

Appendix: Financial Highlights of
Malaysian and Indonesian Subsidiaries

OCBC Malaysia: 2Q14 net profit 10% lower YoY

OCBC Malaysia	2Q14 RM m	2Q13 RM m	YoY +/(-)%	1Q14 RM m	QoQ +/(-)%
Net interest income	335	307	9	328	2
Islamic Financing Income	109	89	22	106	3
Non-interest income	121	173	(30)	120	1
Total income	565	569	(1)	554	2
Operating expenses	(232)	(219)	6	(216)	7
Operating profit	333	350	(5)	338	(1)
Allowances	(51)	(30)	70	(51)	-
Tax	(65)	(80)	(19)	(71)	(8)
Net profit	217	240	(10)	216	-

Key ratios (%)

Cost / Income	41.1	38.5		38.9
ROE	15.4	18.3		15.5
CAR				
- Common Equity Tier 1	12.4	11.6		11.3
- Tier 1	14.0	13.4		12.9
- Total CAR	16.6	16.4		15.5



Note: Capital ratios for OCBC Malaysia Group are computed in accordance with the Capital Adequacy Framework issued by Bank Negara Malaysia

OCBC Malaysia: 1H14 net profit declined 9% YoY

OCBC Malaysia	1H14 RM m	1H13 RM m	YoY +/(-)%	2H13 RM m	HoH +/(-)%
Net interest income	663	626	6	647	2
Islamic Financing Income	215	172	25	197	9
Non-interest income	241	276	(13)	269	(10)
Total income	1,119	1,074	4	1,113	1
Operating expenses	(448)	(419)	7	(458)	(2)
Operating profit	671	655	2	655	2
Allowances	(102)	(23)	343	(37)	177
Tax	(136)	(157)	(13)	(147)	(8)
Net profit	433	475	(9)	471	(8)

Key ratios (%)

Cost / Income	40.0	39.0		41.1
ROE	15.4	18.0		17.3
CAR				
- Common Equity Tier 1	12.4	11.6		11.6
- Tier 1	14.0	13.4		13.5
- Total CAR	16.6	16.4		16.5



Note: Capital ratios for OCBC Malaysia Group are computed in accordance with the Capital Adequacy Framework issued by Bank Negara Malaysia

OCBC NISP: 2Q14 net profit increased 1% YoY

OCBC NISP	2Q14 RP b	2Q13 RP b	YoY +/(-)%	1Q14 RP b	QoQ +/(-)%
Net interest income	898	776	16	907	(1)
Non-interest income	194	217	(11)	228	(15)
Total income	1,092	993	10	1,135	(4)
Operating expenses	(643)	(547)	18	(613)	5
Operating profit	449	446	1	522	(14)
Allowances	(62)	(60)	4	(66)	(7)
Non Op Income / (Expenses)	1	(1)	-	(1)	-
Tax	(97)	(96)	-	(114)	(15)
Net profit	291	289	1	341	(15)

Key ratios (%)

Cost / Income	58.8	55.1		54.0
ROE	8.5	12.9		10.1
CAR				
- Tier 1	17.9	13.5		18.1
- Total CAR	19.7	15.7		19.9



Note: Capital ratios are computed based on the standardised approach under the Basel II framework

OCBC NISP: 1H14 net profit up 18% YoY

OCBC NISP	1H14 RP b	1H13 RP b	YoY +/(-)%	2H13 RP b	HoH +/(-)%
Net interest income	1,805	1,485	22	1,654	9
Non-interest income	422	385	10	494	(15)
Total income	2,227	1,870	19	2,148	4
Operating expenses	(1,256)	(1,068)	18	(1,147)	9
Operating profit	971	802	21	1,001	(3)
Allowances	(128)	(86)	49	(173)	(26)
Non Op Income / (Expenses)	-	(1)	(100)	(13)	(100)
Tax	(211)	(179)	18	(208)	1
Net profit	632	536	18	607	4

Key ratios (%)

Cost / Income	56.4	57.1		53.4
ROE	9.3	12.1		11.7
CAR				
- Tier 1	17.9	13.5		17.4
- Total CAR	19.7	15.7		19.3



Note: Capital ratios are computed based on the standardised approach under the Basel II framework

■ Second Quarter 2014 Results
Thank You

