Oversea-Chinese Banking Corp

Driven by Wealth Management, Trading income, and Profits from life assurance

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OCBC SP | OCBC SI | OCBC SG
Industry: Regional Banks

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Phillip Securities Research Pte Ltd

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Report type: Quarterly Results

Company Overview

OCBC, together with its subsidiaries, provides a range of services including banking, life assurance, general insurance, private banking, and asset management. Its main operations are in Singapore and Malaysia, with representative offices in 15 countries and territories.

- 4Q12 core NPAT of S$663 million above both our and consensus's estimates on low quality beats.
- Maintain "Reduce" on current high share price, continued NIMs pressure, with new TP of S$8.84.

What is the news?

OCBC reported 4Q12 net profit of S$663 million. This beat both our and consensus's estimates. Similar to 3Q12, earnings surprise was largely due to higher Net trading income, and higher Profit from life assurance as previously reported by Great Eastern.

Income Statement (Extract) (S$'mn)	3Q12	4Q12	q-q (%)	Comments
NII	944	921	-2.4%	NIMs down, Loans up y-y
Fees & Comm	303	304	0.3%	Wealth Mgmt fees strong
Insurance	226	250	10.6%	Non-par funds surprise
Others	1,485	203	-86.3%	Previous one-off gains
Revenue	**2,958**	**1,678**	**-43.3%**	
Expenses	(685)	(724)	5.7%	Within expectations
Core Net Inc	**724**	**663**	**-8.4%**	**Beat on trading, Non-par funds**

Source: Company, PSR

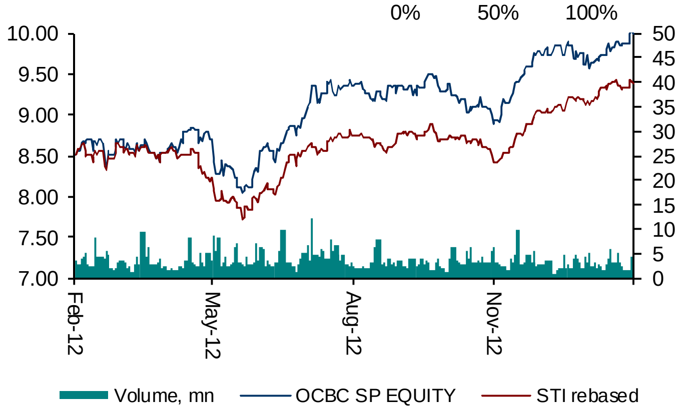
How do we view this?

NIMs were down 5bps, due to lower yielding interbank and securities balances. Management expects slight NIMs pressure ahead, and expects a US economic recovery to boost FY2013's performance, both in loans demand (Better NII) and investment needs (Higher Fees). Fees and commission from Wealth Management expected to continue strong growth, with contributions from Bancassurance, GEH, and Bank of Singapore driving this growth. On non-interest income (Non-II), our expectations of a strong equities market leads us to Non-II forecasts which are above normalized levels for FY2013. Geographically, growth in Indonesia and Greater China are expected to increase, as management allocates more resources to these key markets. Performance would depend on China's and US's economic improvements.

Investment Actions?

We factor in 4Q12 earnings, including continued NIMs pressure and higher expectations on Trading income and Profit from life assurance as we predict strong equity markets performance. Base on these adjustments, we roll over our forecast, and derive core FY2013 EPS of S$0.72, and BVPS of S$7.07. Based on an unchanged P/B multiple of 1.25X, we obtained a new target price of S$8.84. Base on current share price, we maintain our "Reduce" call.

Oversea-Chinese Banking Corp		
Rating	**4**	**Reduce**
- Previous Rating	*4*	*Reduce*
Target Price (SGD)	**8.8**	
- Previous Target Price (SGD)	*8.3*	
Closing Price (SGD)	9.99	
Expected Capital Gains (%)	-11.5%	
Expected Dividend Yield (%)	3.3%	
Expected Total Return (%)	**-8.2%**	
Raw Beta (Past 2yrs weekly data)	0.96	
Market Cap. (USD mn / SGD mn)	27738 / 34283	
3M Average Daily T/O (mn)	3.3	
52 week range (SGD)	8.14 - 10.05	
Closing Price in 52 week range	0% 50% 100%	



Major Shareholders	**(%)**
1. Selat Pte Ltd	11.5
2. Aberdeen Asset Management PLC	7.2
3. Singapore Investment Pte Ltd	3.7

Key Financial Summary

FYE	**12/11**	**12/12**	**12/13F**	**12/14F**
Revenue (SGD mn)	5,661	7,960	6,417	6,785
Net Profit, adj. (SGD mn)	2,312	3,993	2,622	2,802
EPS, adj. (SGD)	0.66	0.79	0.72	0.78
P/E (X),adj.	15.2	12.6	13.8	12.9
BVPS (SGD)	6.02	6.68	7.07	7.52
P/B (X)	1.7	1.5	1.4	1.3
DPS (SGD)	0.30	0.33	0.33	0.33
Div. Yield (%)	3.0%	3.3%	3.3%	3.3%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/B

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Fig 1. Y-Y and Q-Q comparison of 4Q12 results

$m	4Q12	4Q11	%y-y ch	3Q12	%q-q ch
NII	921	925	-0.4%	944	-2.4%
Fees & Comm	304	257	18.3%	303	0.3%
Profits from insurance	250	85	194.1%	226	10.6%
Other non-interest inc	203	230	-11.7%	1,485	-86.3%
Total Reveue	1,678	1,497	12.1%	2,958	-43.3%
Expenses	(724)	(620)	16.8%	(685)	5.7%
Core Net Profit	663	594	11.6%	724	-8.4%

Conso' ending	Profits (SGM)	EPS (SG)	DPS (SG)	BV (SG)	ROE (%)	P/E (X)	Yield (%)	P/BV (X)
12/09 A	2,254	0.66	0.30	5.66	12.5%	13.77	3.3%	1.61
12/10 A	2,280	0.66	0.30	6.02	11.5%	13.88	3.3%	1.51
12/12 A	2,825	0.79	0.33	6.68	13.0%	11.45	3.6%	1.36
12/13 E	2,622	0.72	0.33	7.07	11.1%	12.57	3.6%	1.29
12/14 E	2,802	0.78	0.33	7.52	10.9%	11.72	3.6%	1.21

Source: Company, PSR

NIMs decline 5bps q-q, continued pressure expected

NIMs declined 5bps q-q, which was more than our and management's previous expectations. While interest rates on customer loans and deposits were positive this quarter, placements with and loans to banks (4Q12: 1.83%, 3Q12: 2.21%), and other interest earning assets (4Q12: 2.38%, 3Q12: 2.51%), were lower yielding. Interest expense on other borrowings also increased, from 1.60% to 2.13% q-q. Fixed deposits continue to decrease, while CASA deposits grew, thus leading to a lower cost of fund and reducing NIMs pressure.

Management guides the decrease in securities NIMs to be due to the low interest rate environment reducing gapping opportunities, while Basel III requirements previously resulted in some portfolio movement.

For FY2013, management expects NIMs pressure to continue, albeit at a slower rate of compression. This is in line with management's observation of recent slowing in the speed of NIMs narrowing. NIMs pressure is expected to come from 1) Higher cost of funds as banks compete for long term liquidity, to be compliant with Basel III requirements. 2) Pricing power on loans may also be reduced with higher competition, as management sees limited demand for loans and investments. This, however, is expected to pick up in 2H13, as management expects a potential recovery in the USA to drive economic growth, and a higher demand for loans and investments. 3) Continued lower yields from the refinancing of mortgage loans.

Geographically, NIMs in OCBC Malaysia improved q-q from 2.03% to 2.28%, due to higher loan yields and lower cost of funds. OCBC NISP (Indonesia)'s NIMs declined from 4.32% to 3.98% q-q, due to lower yields and higher cost of funds. Management continues to expect NIMs pressure in Indonesia, due to higher competition since the upgrade of the country by rating agencies to investment grade.

The lower NIMs led lower than expected Net interest income, which declined 2.44% q-q.

FY2012 Loans growth 6.6%, mgmt maintains guidance

Gross customer loans grew 3.07% q-q to S$144.0 billion. Y-y, FY2012 registered loans growth of 6.6%. For the year, loans growth was largely from Housing loans (17.9% y-y), loans to Financial Institutions (48.2% y-y) and Building and Construction loans (9.9% y-y). Geographically, loans growth from China increased 7.65% in 4Q12, after three consecutive q-q declines.

For FY2013, Management guides for high single digit loans growth. Housing loans are expected to grow in the mid teens from drawdown of loans approved in FY2011 and FY2012. By industry, we also expect loans growth in FY2013 from Building and Construction, Professional and private individuals, and General commerce loans. By Geography, Indonesia and Greater China loans growth is also expected to accelerate in line with the increasing focus by OCBC in these markets.

CASA deposits surprise with strong q-q growth

While OCBC's Fixed Deposits continue to decline 4.7% q-q, CASA deposits surprised on the upside with a 12.3% q-q increase. We view the ability to grow sustained higher CASA deposits favorably, as it reduces OCBC's cost of fund as it replaces the costlier Fixed Deposits.

Management guides for this increase to be sticky. The USD deposits, representing an estimated 65% of new CASA deposits, were guided to be from large corporations allowing OCBC to manage some of their operating accounts. The other CASA deposits came from SMEs. This was attributed to successful building of relationships with its existing clients.

Fees and Commission – Wealth Mgmt continues to grow

Fee and commissions beat our forecast on higher market-related activities, including stronger Wealth Management and Loan-related fees. Management expects Wealth Management to continue its strong performance. Wealth Management revenue, including contributions from GE, its Bancassurance business, and Bank of Singapore, grew 42.9% y-y in FY2012. Bank of Singapore's Asset Under Management grew 35% y-y, similar to previous years, while net new money also continues to increase. Together with the continued strong performances in GE and Bancassurance, likely from OCBC's cross selling capabilities, we expect Wealth Management fees and revenue to continue its strong growth.

Trading income, Profit from insurance earnings surprise

Similar to third quarter's results, Net trading income and Profit from insurance earnings continue to surprise on the upside. While these earnings are volatile, management highlighted the strong underlying contributions to these earnings. On trading income, management guided that half of the increase in earnings were from customer flows. On GE's profit from insurance, management highlighted the growth of weighted new business premiums, indicating GE's strong performance.

For FY2013, we expect these earnings to continue being a wildcard. Our views of a more positive equity market performance lead us to be more positive on these earnings. While we expect y-y declines from a higher base, we forecast earnings above normalized levels. Trading income is expected to remain strong from customer flows and positive equity market performances, while mark-to-market higher valuations of equities of GE's non-participating funds are expected to contribute to higher non-interest income.

Credit quality expected to remain healthy

NPL ratio remained low, decreasing by 5bps to 0.79%. An increase in NPL under the "Rest of the World" category pertains to a loan belonging to a company that is wholly owned and fully guaranteed by its parent company, which is geographically located in one of OCBC's home country. Management expects credit quality to remain healthy.

Overseas Branches

Management has identified Indonesia and Greater China as markets that they would be more aggressively growing in. This is due to the higher rates of economic growth, and business opportunities that it sees in these markets. Management intends to commit resources, in the form of capital, management time, and transfer of knowledge to these markets. An increasing sales force would help front growth on these markets.

Indonesia – While OCBC has a stronger presence in the mass segment, Management reiterated its strategy to grow the SME and Corporate banking segments. OCBC now has 350 branches in Indonesia, up from 200 previously. It is now focused on enhancing revenue stream from these branches, while slowing down the opening of more branches. While Cost to Income ratio remains higher than those of the Group, this is expected to improve moving forward as it optimizes its operations. While NIMs pressure is expected to continue as competition stays intense, yields continue to be very attractive, at levels higher than those of the Group.

Greater China – OCBC's current strength is in the high end corporations. OCBC is looking towards expanding in the other areas, leveraging on its ASEAN exposure. While competition with domestic banks would be hard, its capabilities in helping companies expand overseas, especially in countries where OCBC has a presence in, gives it an edge over the domestic banks. OCBC is therefore focused only on major cities, seeking companies looking to expand overseas, and therefore establishing onshore and offshore banking relationships.

Other areas

Dividends

OCBC announced Final dividend of S$0.17 per cent. This brings FY2012's total dividend to S$0.33 per share, up from S$0.30 for FY2011. As previously indicated, management did not declare a special dividend, although OCBC realized substantial gains from the sale of its investments in APB and FNN. Management guides that it intends to use non-core earnings in growing its core business. By retaining these gains, OCBC would be better able to position itself. OCBC may also invest inorganically in the Indonesian and Greater China markets, or grow organically from existing business opportunities. We note that OCBC's current dividend yield continues to be lower than that of DBS.

FY2012's performance overview, FY2013 outlook

OCBC registered record-high core net profits of S$2.83 billion for FY2012, an increase of 23.9% y-y. This was due to higher contributions from 1) GEH's Profit from life assurance (FY2012: S$692m, FY2011: S$383m) due to the higher unrealized valuations of securities relating to its non-participating, and 2) higher Net trading income (FY2012: S$515m, FY2011: S$217m).

For the purpose of comparison, excluding the effects of these two volatile items, OCBC's core Net profit before tax (FY2012: S$2,437m, FY2011: S$2,317m). increased 5.2% y-y, which **remains healthy** but lower than those of DBS's unadjusted core NPBT growth of 11.4%. This rough comparison however do not take into consideration 1) the expenses incurred in generating these revenue, 2) the recurring net trading income from higher customer flow in FY2012, and 3) the difference in effective tax rates resulting in different NPAT.

This healthy growth is attributable to 1) higher Net interest income as the full effect of the strong FY2011 loans growth is registered in FY2012, 2) strong Wealth Management growth, and continued high credit quality of loans.

For FY2013, Net interest income would be flatter due to lower loans growth in FY2012 and potentially in FY2013, while NIMs pressure continues. Growth would be dependant on positive direct impact and spillovers from the economic recovery in China and US. This would drive loan demands and investment needs, while benefiting the equities market. Should the economic recovery be slower than expected, we would still expect improved performance in OCBC's more resilient domestic Indonesian operations. However, we forecast for FY2013's core net profits to decline y-y from a high base.

Valuation

We factor in 4Q12 earnings, including continued NIMs pressure and higher expectations on Trading income and Profit from life assurance as we predict strong equity markets performance. Base on these adjustments, we roll over our forecast, and derive core FY2013 EPS of S$0.72, and BVPS of S$7.07. Based on an unchanged P/B multiple of 1.25X, we obtained a new target price of S$8.84. Base on current share price, we maintain our "Reduce" call.

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Table 1. Growth in revenue

SGD mn	4Q12	4Q11	%y-y ch	3Q12	%q-q ch
Net interest income	921	925	-0.4%	944	-2.4%
Net fee and comm inc	304	257	18.3%	303	0.3%
Profits from insurance	250	85	194.1%	226	10.6%
Other non-interest inc	203	230	-11.7%	1,485	-86.3%
Total	**1,678**	**1,497**	**12.1%**	**2,958**	**-43.3%**

Table 2. Fee and commission income

SGD mn	4Q12	4Q11	%y-y ch	3Q12	%q-q ch
Brokerage	14	13	7.7%	16	-12.5%
Wealth management	89	56	58.9%	82	8.5%
Fund management	23	24	-4.2%	21	9.5%
Credit card	14	13	7.7%	13	7.7%
Loan-related	70	57	22.8%	64	9.4%
Trade and remittances	50	49	2.0%	55	-9.1%
Guarantees	5	5	0.0%	5	0.0%
Investment Banking	14	12	16.7%	21	-33.3%
Service charges	19	18	5.6%	18	5.6%
Others	6	10	-40.0%	8	-25.0%
Total Fee and Comm	**304**	**257**	**18.3%**	**303**	**0.3%**

Table 3. Other non-interest income

SGD mn	4Q12	4Q11	%y-y ch	3Q12	%q-q ch
Net trading income	136	163	-16.6%	144	-5.6%
Net gain on Invt securities	13	22	-40.9%	13	0.0%
Disposal of properties	6	2	N.M	18	-66.7%
Others	24	17	41.2%	18	33.3%
Total other non int Inc	**179**	**204**	**-12.3%**	**193**	**-7.3%**

Table 4. Loans by Industries

SGD mn	4Q12	4Q11	%y-y ch	3Q12	%q-q ch
Agri, mining & quarrying	4,863	4,042	20.3%	4,704	3.4%
Manufacturing	8,197	8,424	-2.7%	8,546	-4.1%
Building and construction	22,388	20,365	9.9%	21,254	5.3%
Housing loans	37,809	32,076	17.9%	36,243	4.3%
General commerce	17,502	20,347	-14.0%	17,401	0.6%
Tpt, storage & comms	9,106	9,208	-1.1%	9,351	-2.6%
FIs, invt & holding co	22,456	15,150	48.2%	20,823	7.8%
Professionals & Pri inv	14,272	13,952	2.3%	13,869	2.9%
Others	7,437	11,568	-35.7%	7,553	-1.5%
Total loans	144,030	135,132	6.6%	139,744	3.1%

Table 5. Loans by currencies

SGD mn	4Q12	4Q11	%y-y ch	3Q12	%q-q ch
Singapore dollar	70,141	61,198	14.6%	66,952	4.8%
US dollar	31,680	35,716	-11.3%	30,807	2.8%
Malaysian ringgit	18,404	16,724	10.0%	18,010	2.2%
Indonesian rupiah	4,989	4,465	11.7%	4,760	4.8%
Others	18,816	17,029	10.5%	19,215	-2.1%
Total loans	144,030	135,132	6.6%	139,744	3.1%

Table 6. Operating profit by Business segments

SGD mn	4Q12	4Q11	%y-y ch	3Q12	%q-q ch
Global Consumer/ Private Banking	149	109	36.7%	156	-4.5%
Global Corporate/ Investment Banking	418	320	30.6%	422	-0.9%
Global Treasury and Markets	127	231	-45.0%	178	-28.7%
Insurance	243	85	185.9%	213	14.1%
Others	(66)	43	-253.5%	(41)	61.0%
Total Profit	**871**	**788**	**10.5%**	**928**	**-6.1%**

Table 7. Profit before tax by Geographical segments

SGD mn	4Q12	4Q11	%y-y ch	3Q12	%q-q ch
Singapore	547	479	14.2%	595	-8.1%
Malaysia	203	204	-0.5%	186	9.1%
Rest of SEA	43	26	65.4%	43	0.0%
Greater China	47	47	0.0%	69	-31.9%
Other Asia Pacific	24	20	20.0%	28	-14.3%
Rest of the World	12	(19)	-163.2%	11	9.1%
Total NPBT	**876**	**757**	**15.7%**	**932**	**-6.0%**

Source (tables 1-7): Company, Phillip Securities Research

Fig 1: Net interest margin

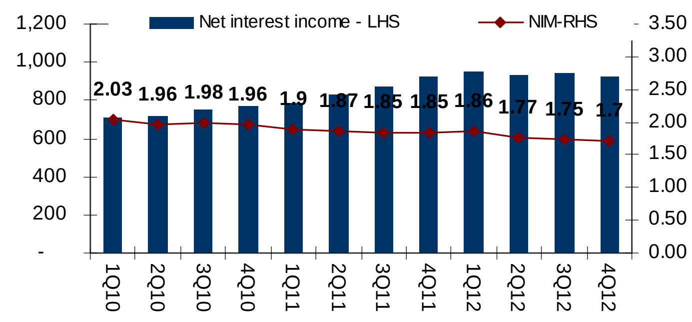


Fig 2: NonII/Total revenue

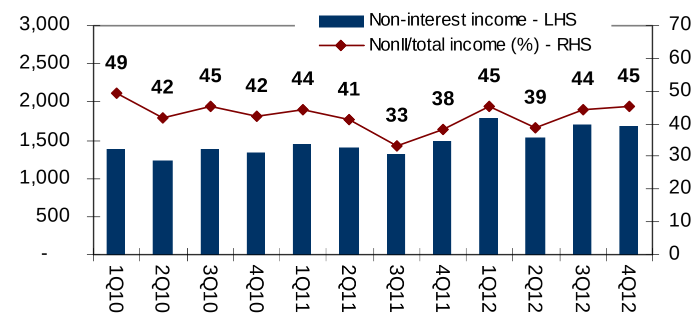


Fig 3: Efficiency ratio

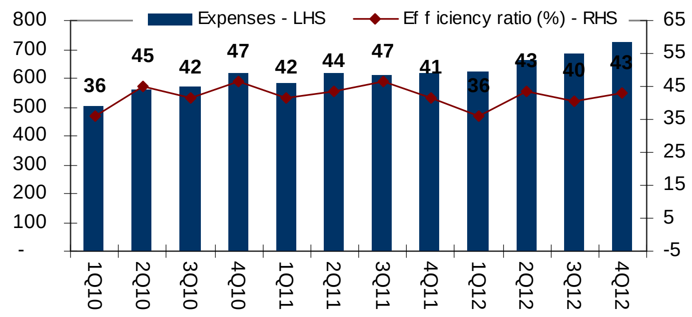


Fig 4: Net profit margin

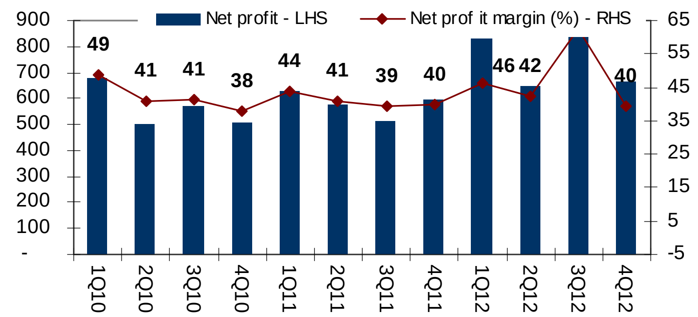


Fig 5: Deposits, Loans, LDR

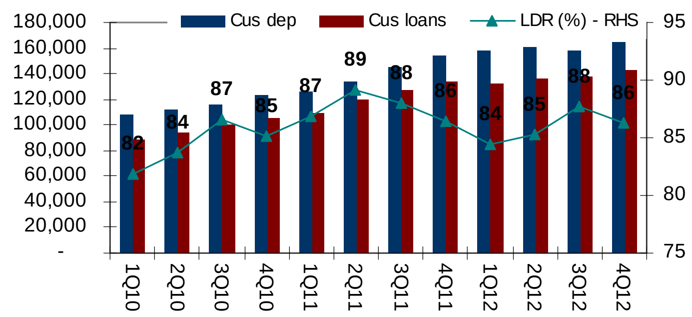


Fig 6: NPA, NPL

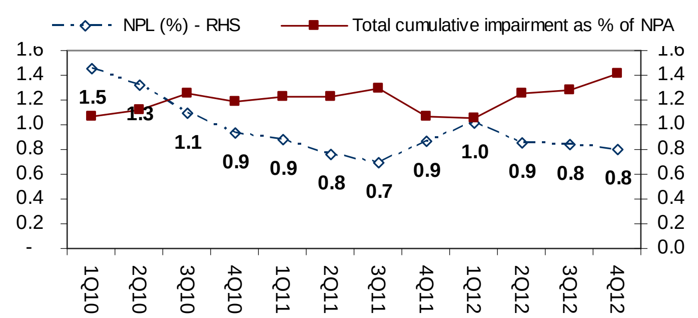


Fig 7: Growth in selected asset items

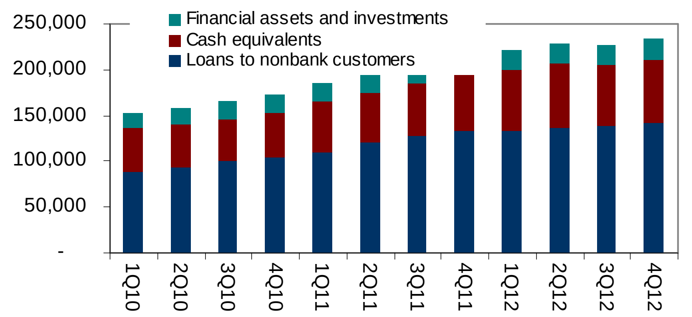


Fig 8: CAR

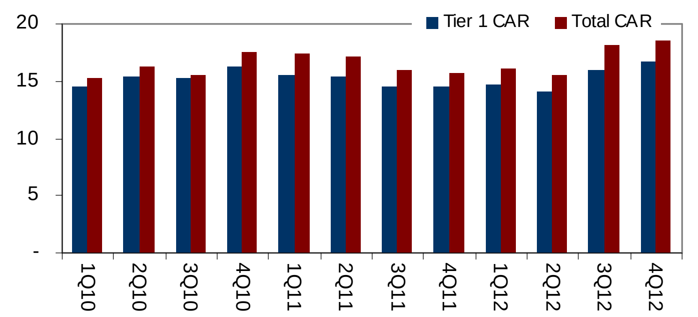


Fig 9: ROE and ROA

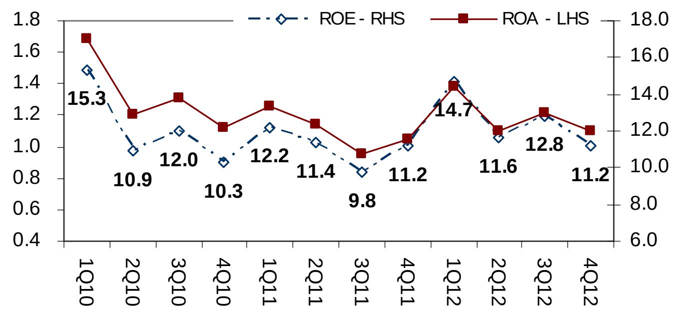


Fig 10: EPS and NBV

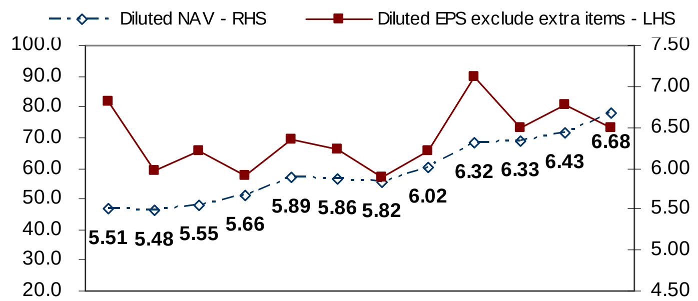


Fig 11: Profit before tax by geographical segment

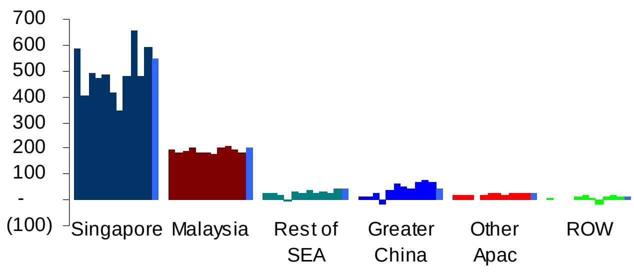


Fig 12: Geo segment breakdown

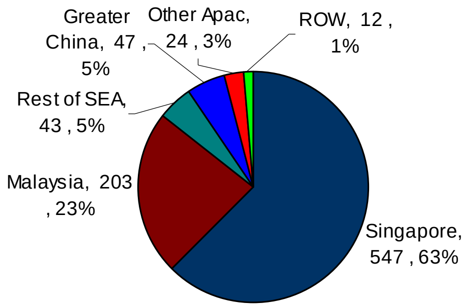
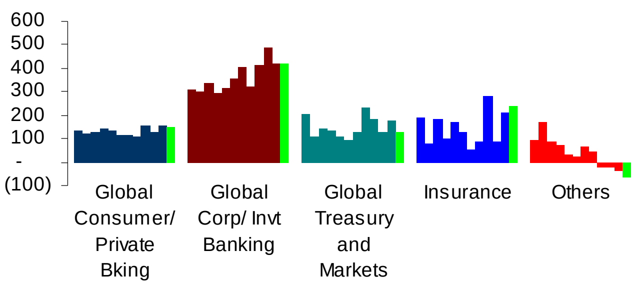


Fig 13: Operating profit by Business segment



Growth trend

Fig 14: Net interest income trend

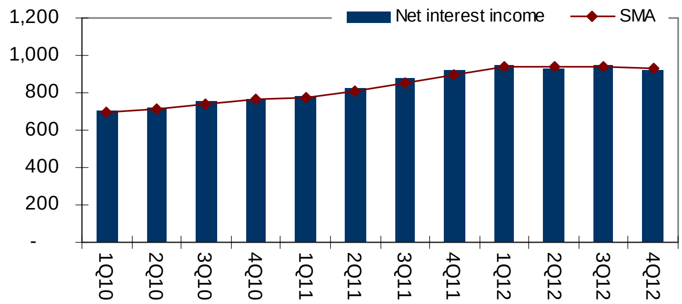


Fig 15: Fee and Commission trend

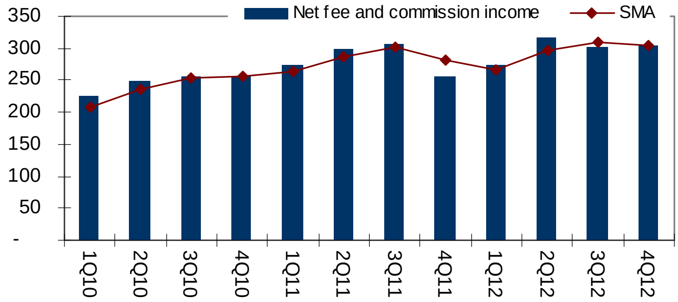


Fig 16: Other noninterest income trend

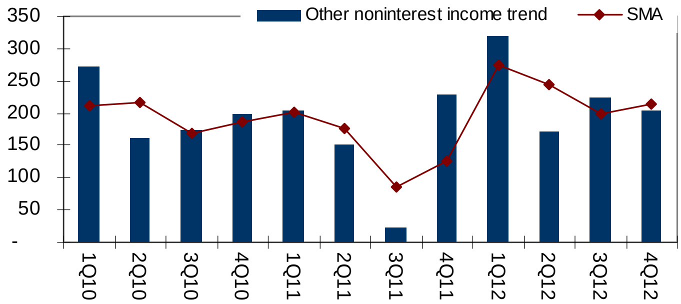
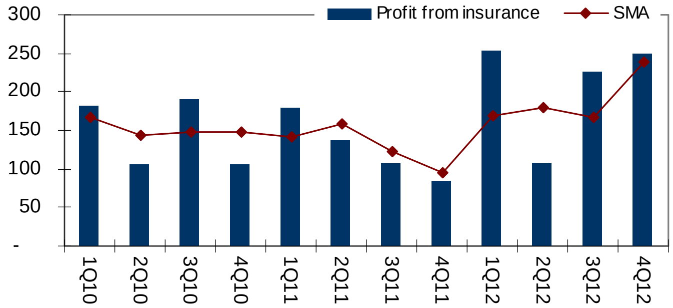


Fig 17: Profit from insurance



Income Statement (Extract)	4Q12 F	4Q12 A	Diff	Diff (%)	Comments
Int Income	1,503	1,466	(37)	-2%	Lower yields on interbank assets
Int Expense	576	545	(31)	-5%	Lower cost of deposits
Net Int Inc	926	921	(5)	-1%	
Fees & Comm	284	304	20	7%	Higher market-related fees
Profit from life assurance	84	210	126	150%	Higher Non-par fund contribution
Premium income	36	40	4	11%	
Other Int inc	129	203	74	57%	Higher net trading income
Non Int inc	533	757	224	42%	
Revenue	**1,460**	**1,678**	**218**	**15%**	
Expenses	692	724	32	5%	Within expectations
Amor/Imp chg	59	68	9	14%	Within expectations
Tax	108	156	48	45%	Higher PBT
Net income	**538**	**663**	**125**	**23%**	Beat on trading, Non-par funds

FYE Dec	FY10	FY11	FY12	FY13F	FY14F
Valuation Ratios					
P/E (X), adj.	13.8	13.9	11.4	12.6	11.7
P/B (X)	1.6	1.5	1.4	1.3	1.2
Dividend Yield (%)	3.3%	3.3%	3.6%	3.6%	3.6%
Per share data (SGD)					
EPS, reported	0.66	0.66	1.13	0.72	0.78
EPS, adj.	0.66	0.66	0.79	0.72	0.78
DPS	0.30	0.30	0.33	0.33	0.33
BVPS	5.66	6.02	6.68	7.07	7.52
Growth & Margins (%)					
Growth					
Net interest income	4.3%	15.7%	9.9%	-0.2%	4.8%
Non interest income	19.5%	-5.3%	87.2%	-36.5%	7.0%
Pre provision operating profit	10.6%	6.3%	40.6%	-19.4%	5.7%
Operating income	13.3%	2.3%	67.3%	-32.8%	6.9%
Net income, reported	14.9%	2.6%	72.7%	-34.3%	6.9%
Net income, adj	14.9%	1.2%	23.9%	-7.2%	6.9%
Margins					
Net interest margin	1.98%	1.87%	1.77%	1.68%	1.68%
Key Ratios (%)					
ROE	12.5%	11.5%	13.0%	11.1%	10.9%
ROA (exclude life assurance fund invt)	1.30%	1.07%	1.16%	1.01%	1.02%
RORWA	2.2%	2.0%	2.2%	2.0%	2.1%
Non-interest/total income ratio	44.7%	39.8%	52.9%	41.7%	42.2%
Cost/income ratio	42.3%	42.9%	33.9%	43.6%	43.3%
Loan/deposit ratio	85.1%	86.4%	86.2%	87.2%	86.9%
NPL ratio	0.93	0.87	0.79	0.86	0.91
Income Statement (SGD mn)					
Net Interest Income	2,947	3,410	3,747	3,740	3,920
Fees and Commission	987	1,137	1,198	1,270	1,333
Other Non interest income	1,391	1,114	3,015	1,408	1,532
Total operating income	**5,325**	**5,661**	**7,960**	**6,417**	**6,785**
Operating expenses	2,254	2,430	2,695	2,795	2,936
Provisions	189	283	332	309	309
Operating profit	**2,882**	**2,948**	**4,933**	**3,313**	**3,541**
Associates & JVs	(2)	8	27	8	8
Profit Before Tax	**2,880**	**2,956**	**4,960**	**3,321**	**3,549**
Taxation	433	478	698	531	568
Profit After Tax	**2,447**	**2,478**	**4,262**	**2,790**	**2,981**
Non-controlling Interest	193	166	269	167	179
Net Income, reported	**2,254**	**2,312**	**3,993**	**2,622**	**2,802**
Net Income, adj.	**2,254**	**2,280**	**2,825**	**2,622**	**2,802**

Source: PSR

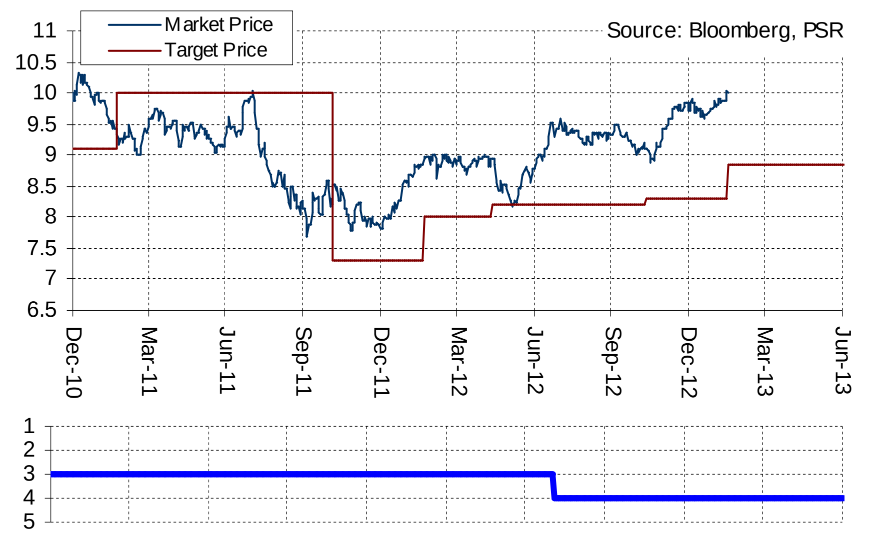
FYE Dec	FY10	FY11	FY12	FY13F	FY14F
Balance Sheet (SGD mn)					
Cash, balances and placements w ith central b	11,493	12,897	16,397	14,363	16,923
Singapore Government treasury bills and secu	11,156	13,250	13,141	13,433	13,551
Other government treasury bills and securities	5,944	7,397	9,157	9,803	9,888
Placements and balances w ith banks	18,569	28,615	29,811	30,481	31,014
Debt and equity securities	14,255	15,081	14,932	13,070	13,185
Assets pledged	746	1,839	2,056	2,056	2,056
Assets held for sale	4	6	5	5	5
Derivative receivables	4,837	5,899	5,155	5,615	5,713
Other assets	3,116	3,191	3,845	4,011	4,081
Loans and bills receivable	104,989	133,557	142,376	151,831	158,994
Deferred tax	79	44	43	43	43
Associates and JV	255	361	355	355	355
PPE	1,625	1,664	1,703	1,762	1,841
Investment property	733	922	878	949	991
Goodw ill and intangible assets	3,996	3,947	3,818	3,772	3,726
Life assurance fund investment assets	47,486	49,088	52,271	53,839	55,454
Total Assets	**229,283**	**277,758**	**295,943**	**305,387**	**317,819**
Deposits of non-bank customers	123,300	154,555	165,139	174,110	182,906
Deposits and balances of banks	16,508	21,653	25,656	23,034	23,336
Due to associates	139	178	161	161	161
Trading Portfolio liabilities	1,734	1,655	1,083	1,083	1,083
Derivative payables	4,563	6,113	5,001	5,001	5,001
Other liabilities	3,187	4,024	4,324	4,324	4,324
Current tax	745	800	897	897	897
Deferred tax	1,127	1,123	1,170	1,170	1,170
Debts issued	6,854	13,063	11,424	11,424	11,424
Life assurance fund liabilites	47,481	49,204	52,387	53,959	55,577
Total liabilities	**205,638**	**252,368**	**267,242**	**275,162**	**285,879**
Share Capital	6,315	7,127	7,057	7,057	7,057
Preference shares	1,896	1,896	2,896	2,896	2,896
Retained earnings	10,592	12,144	14,580	15,936	17,473
Capital reserves	613	279	376	376	376
FV reserves	1,374	1,125	895	895	895
Shareholder's equity	**20,790**	**22,571**	**25,804**	**27,160**	**28,697**
Non-controlling interest	2,855	2,819	2,897	3,064	3,243
Total Equity	**23,645**	**25,390**	**28,701**	**30,225**	**31,940**

Cashflow Statements (SGD mn)					
CFO					
PBT	2,880	2,956	4,960	3,321	742
Adjustments	353	507	(714)	490	106
Cash from ops before WC changes	3,233	3,463	4,246	3,811	848
WC changes	54	(5,639)	1,172	(3,723)	(4,158)
Cash generated from ops	3,287	(2,176)	5,418	88	(3,310)
Taxes paid, net	(420)	(409)	(639)	(531)	(193)
Cashflow from ops	**2,867**	**(2,585)**	**4,779**	**(443)**	**(3,503)**
Cashflow from investments	**(4,523)**	**(1,895)**	**863**	**(325)**	**(261)**
Cashflow from financing	**(44)**	**5,883**	**(1,944)**	**(1,266)**	**1,310**
Net change in cash	**(1,679)**	**1,404**	**3,500**	**(2,034)**	**(2,515)**
CCE, end	**11,494**	**12,898**	**16,398**	**14,364**	**11,161**

Supplementary items					
Risk-w eighted assets (SGD mn)	105,062	128,507	129,647	131,344	130,663
Tier 1 capital (SGD mn)	17,148	18,612	21,591	22,947	24,484
Total capital (SGD mn)	18,508	20,186	24,110	25,466	27,003
Core Tier 1 CAR (%)	12.6%	11.4%	12.8%	13.7%	14.9%
Tier 1 CAR (%)	16.3%	14.5%	16.7%	17.5%	18.7%
Total CAR (%)	17.6%	15.7%	18.6%	19.4%	20.7%

Source: PSR

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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