Media Release

OCBC Group Full Year 2012 Net Profit After Tax Up 73% to S$3.99 billion

Record 2012 core earnings driven by broad-based income growth

Singapore, 15 February 2013 - Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$3.99 billion for the financial year ended 31 December 2012 ("FY12"), an increase of 73% from S$2.31 billion in 2011 ("FY11"). Core net profit after tax, which excludes gains from the divestment of non-core assets, grew 24% to a record S$2.83 billion, as compared to S$2.28 billion a year ago. The results were driven by a combination of record net interest income, fee income and net trading income as well as significantly higher contributions from Great Eastern Holdings ("GEH").

Net interest income grew to a record S$3.75 billion, a 10% increase from S$3.41 billion in 2011, driven by strong asset growth which more than offset a reduction in net interest margin. Average balances of non-bank customer loans grew 15% year-on-year, across various industry sectors in Singapore and key overseas markets. Net interest margin, however, narrowed 9 basis points to 1.77%, due to the continued low interest rate environment, limited gapping opportunities and the re-pricing of mortgage loans in response to market competition. The ratio of current and savings deposits to total non-bank deposits increased further to 50.6%, up from 46.4% a year ago, while our loans-to-deposits ratio was maintained at 86.2%, a level comparable to a year ago. Non-interest income, excluding divestment gains, was 31% higher at S$2.90 billion as compared to S$2.21 billion a year ago. Fee and commission income reached a new high of S$1.20 billion, driven by the sustained growth of the Group's wealth management franchise, including Bank of Singapore, and supported by higher loan-related and trade-related fees. Net trading income increased to S$515 million from S$217 million in the previous year, largely from securities and derivatives trading. Life assurance profit from Great Eastern Holdings increased 81% to S$692 million, from S$383 million in 2011, led by continued underwriting income growth and improved investment performance. The Group's divestment gains of S$1.32 billion (S$1.17 billion post-tax) during the year were largely attributable to the sale of its stakes in Fraser and Neave, Limited ("F&N") and Asia Pacific Breweries Limited ("APB") in August 2012.

Compared with total core income, which grew 18% to S$6.65 billion, operating expenses rose 11% to S$2.70 billion, from S$2.43 billion a year ago. This generated a 24% increase in operating profit, to S$3.95 billion for the year. Staff costs grew 14% to S$1.65 billion, from S$1.45 billion in 2011, largely from headcount growth of 8% to support the Group's expansion in Singapore and overseas markets. The increase in staff costs was also attributable to salary increments, higher incentive compensation and sales commissions associated with stronger business volumes. The cost-to-income ratio of 40.6% improved from 43.2% in the previous year. Net allowances of S$271 million were 23% higher as compared to S$221 million in 2011, while the non-performing loans ("NPL") ratio improved to 0.8%, from 0.9% a year ago.

Return on equity, based on core earnings, of 12.5% was higher as compared to 11.1% in 2011. Core earnings per share rose 22% to 79.1 cents, from 64.8 cents a year ago.

The Group's revenue from various wealth management activities (comprising insurance, private banking, asset management, stockbroking and sales of other wealth management products), grew to S$1.84 billion for 2012, a 43% increase from S$1.29 billion a year ago. As a share of total revenue, wealth management contributed 28%, compared with 23% in 2011. OCBC's private banking business maintained its strong growth momentum, with assets under management increasing 35% to US$43 billion (S$52 billion) as at 31 December 2012, up from US$32 billion (S$41 billion) the previous year.

Fourth Quarter Performance

Net profit after tax for the fourth quarter of 2012 ("4Q12") was S$663 million, 12% higher from S$594 million a year ago ("4Q11"). Net interest income of S$921 million was relatively unchanged year-on-year. The positive impact arising from loan growth was reduced by a 15 basis point decline in net interest margin, attributed to pricing competition and limited interbank gapping opportunities in a flat yield curve environment. Non-interest income grew 32% to S$757 million from S$572 million in 4Q11. Fee income of S$304 million was 18% higher year-on-year, led by strong growth in wealth management income and loan-related fees. Net trading income declined 17% to S$136 million from S$163 million a year ago, while profit from life assurance more than quadrupled to S$210 million, boosted by strong underwriting profits and improved investment performance of GEH's Non-Participating Fund. Operating expenses of S$724 million increased 17% as compared to S$620 million the previous year, mainly from higher staff costs and other expenses linked to higher business volumes. Allowances of S$68 million were 14% lower than S$78 million a year ago, as decline in specific allowances was partly offset by higher portfolio allowances.

4Q12's core net profit was 8% lower than the previous quarter, as lower net interest income and higher expenses more than offset an increase in fee income and profit from life assurance.

Allowances and Asset Quality

The Group's asset quality and coverage ratios remained strong. As at 31 December 2012, total non-performing assets ("NPAs") declined 18% year-on-year and 7% quarter-on-quarter to S$1.17 billion. The NPL ratio as at 31 December 2012 was 0.8%, an improvement from 0.9% a year ago, and stable quarter-on-quarter.

Net allowances increased 23% to S$271 million, higher as compared to S$221 million in 2011. Specific allowances for loans, net of recoveries and write-backs amounted to S$115 million, 46% higher than S$79 million a year ago. Specific allowances remained at a low level of 8 basis points of loans for the full year. Portfolio allowances grew 16% to S$148 million, from S$127 million in 2011, in line with strong loan growth. Total cumulative allowances represented 142% of total NPAs and 333% of unsecured NPAs, a higher coverage ratio as compared with 107% and 326% respectively of the prior year-end, 31 December 2011.

Subsidiaries' Results

GEH reported a net profit after tax for the year of S$1.19 billion, which included divestment gains of S$422 million from the sale of its stakes in F&N and APB. Excluding the divestment gains, net profit reached a record of S$768 million for the year, as compared to S$386 million in 2011. This was underpinned by double-digit growth in underwriting profit, increased net investment income and higher mark-to-market gains. GEH's underlying insurance business continued to register sound growth, with new business weighted premiums increasing 5% year-on-year, driven by increased demand for regular premium products. In particular, the Group's bancassurance channel reported strong growth across our key markets, reflecting the increased collaboration efforts within the Group.

GEH's contribution to the Group's core net profit after tax, excluding divestment gains and after deducting amortisation of intangible assets and non-controlling interests, increased 109% to S$622 million, from S$297 million the previous year, contributing 22% of the Group's core earnings in 2012.

OCBC Bank (Malaysia) Berhad reported a 4% increase in full year net profit to MYR811 million (S$328 million). Broad-based revenue growth was driven by a 2% rise in net interest income, healthy Islamic Financing income growth of 34% and an increase in non-interest income of 12%. Expenses increased 14% as compared to the previous year, and net allowances fell 13%. Loans grew 12% year-on-year, while the NPL ratio improved to 2.1%, from 2.6% a year ago.

Bank OCBC NISP's net profit rose 22% to IDR915 billion (S$122 million) from IDR753 billion (S$108 million) a year ago. Net interest income increased 14% from 2011, underpinned by broad-based loan growth of 28%, and non-interest income was 28% higher year-on-year. Expenses grew 14% for the year; while net allowances increased 17%. Asset quality remained healthy, with the NPL ratio improving to 0.9% from 1.3% a year ago, while the coverage ratio was in excess of 200%.

Capital Position

OCBC Group continues to be strongly capitalised, with a Tier 1 capital adequacy ratio ("CAR") of 16.6% and total CAR of 18.5% as at 31 December 2012. These ratios were well above the regulatory minimum of 6% and 10%, respectively. The Group's core Tier 1 ratio, which excludes Tier 1 preference shares, was 12.8% as at 31 December 2012, compared with 11.4% in December 2011. The ratios were higher than the previous year, largely as a result of higher earnings and retention of the realised gains from the divestment of the Group's shareholdings in F&N and APB, and from the issuance of preference shares and subordinated notes during the year. With the increase in capital, the Group is comfortably positioned to meet MAS' capital requirements under Basel III.

Final Dividend

The Board has proposed a final tax-exempt dividend of 17 cents per share, bringing the FY12 total dividend to 33 cents per share, an increase from 30 cents in FY11. The estimated total net dividend of S$1.13 billion for 2012 represents 40% of the Group's core net profit after tax of S$2.83 billion.

CEO's Comments

Commenting on the Group's performance and outlook, CEO Samuel Tsien said:
"Despite 2012 being a challenging year which saw lower GDP growth in Singapore and continued structural weaknesses in major economies, the consistent execution of our focused strategy has served us well. We achieved record earnings, grew our businesses across all customer sectors and further strengthened our financial position with strong capital ratios, a high level of liquidity and sound asset quality. Although the market outlook remains uncertain, we expect the global economy to post low-to-moderate growth in the year ahead. We are well-positioned to continue to drive sustainable growth in our key geographies and businesses, and are well-placed to pursue new opportunities."

About OCBC Bank

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. It is ranked by Bloomberg Markets as the world's strongest bank in 2011 and 2012.

OCBC Bank and its subsidiaries offer a broad array of specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of over 470 branches and representative offices in 15 countries and territories, including about 350 branches and offices in Indonesia that are operated by its subsidiary, Bank OCBC NISP.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia by assets. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia. Private banking services are provided by subsidiary Bank of Singapore, which continued to gain industry recognition in 2011 including being voted the "Outstanding Private Bank in Asia Pacific" by Private Banker International.

For more information, please visit www.ocbc.com