Media Release

OCBC Group Reports Record Quarterly Net Profit After Tax of S$899 million

Broad-based income growth and cost discipline lift earnings up 29% year-on-year and 26% over the previous quarter

Singapore, 30 April 2014 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$899 million for the first quarter of 2014 ("1Q14"), an increase of 29% from S$696 million a year ago ("1Q13"). Sustained momentum across all customer-related businesses contributed to record total income, which rose 19% to S$1.89 billion. Costs were also well-managed, with operating expenses rising 5% year-on-year to S$706 million.

Net interest income surged 19% from S$912 million a year ago to reach a quarterly high of S$1.09 billion, driven by robust, broad-based asset growth and a 6 basis point widening of net interest margin to 1.70%. Customer loans increased 18% year-on-year to S$175 billion, spread across all customer segments and key markets. The improvement in net interest margin from 1.64% a year ago to 1.70% was mainly attributable to higher loan spreads as well as increased income from money market activities and gapping opportunities.

The Group's non-interest income rose to S$800 million in 1Q14, 18% higher than S$676 million a year ago. Fee and commission income grew 12% to a record S$353 million from S$316 million in 1Q13, attributed to increased contributions from wealth management, loan-related and trade-related activities. Net trading income, primarily treasury income from customer flows, at S$99 million was higher than S$56 million reported a year ago. Net gains from the sale of investment securities increased 10% to S$52 million. The Group also recorded a one-off gain of S$32 million from the partial disposal of Great Eastern Holdings' stake in its China joint venture. Profit from life assurance was S$183 million, a 2% rise from S$178 million the previous year. Great Eastern Holdings' underlying insurance business achieved strong year-on-year performance, as reflected by 12% growth in new business weighted premiums and an 11% increase in new business embedded value.

The Group's overall income from wealth management activities (comprising income from insurance, private banking, asset management, stockbroking and sales of other wealth management products) rose to a quarterly record of S$572 million, a 10% increase from S$520 million of the previous year. As a share of the Group's total income, income from wealth management activities contributed 30%. OCBC's private banking business continued to record steady growth, reporting an 11% increase in assets under management to US$49 billion (S$62 billion) as at 31 March 2014, up from US$44 billion (S$55 billion) a year ago.

Operating expenses rose 5% to S$706 million from S$672 million a year ago, mainly attributable to higher staff costs. The cost-to-income ratio improved from 42.3% in 1Q13 to 37.4%. Net allowances for loans and other assets were higher at S$41 million as compared to S$21 million the previous year, which included higher recoveries. The Group's non-performing loans ("NPL") ratio of 0.7% was unchanged year-on-year.

Annualised return on equity was 14.9% in 1Q14, higher than 11.7% a year ago. Annualised earnings per share was 104.5 cents, which represented a 32% increase from 79.1 cents in 1Q13.

The Group's 1Q14 net profit after tax was 26% above the previous quarter. Total income rose 10% while operating expenses declined by 1% due to seasonally higher expenses in the fourth quarter. Net interest income increased 5% as customer loans grew 3% and net interest margin improved 6 basis points. Non-interest income rose 18%, led by higher fee, trading, investment and insurance income as well as gains from the partial disposal of a joint venture of S$32 million. Net allowances for loans and other assets were 40% lower as compared to 4Q13.

Allowances and Asset Quality

Net allowances for loans and other assets were S$41 million for the quarter, up from S$21 million a year ago. Specific allowances for loans, net of recoveries and writebacks, of S$23 million were higher as compared to S$2 million a year ago, mainly as a result of higher recoveries in 1Q13. Specific allowances remained low at 5 basis points of loans on an annualised basis. Portfolio allowances of S$17 million were unchanged from the previous year.

The Group's asset quality and coverage ratios remained at healthy levels. As at 31 March 2014, total non-performing assets ("NPAs") of S$1.23 billion were 10% higher from a year ago but 6% lower quarter-on-quarter. The NPL ratio as at 31 March 2014 of 0.7% was stable year-on-year and against the previous quarter. The Group's total cumulative allowances were 145% of total NPAs and 396% of total unsecured NPAs, a higher coverage ratio as compared with 134% and 310% respectively as at 31 December 2013.

Funding and Capital Position

The Group's funding and capital position remained strong. Customer deposits stood at S$199 billion as at 31 March 2014 and were 18% higher as compared to S$169 billion a year ago. The loans-to-deposits ratio was 87.0% for both 31 March 2014 and the year ago period.

As at 31 March 2014, the Common Equity Tier 1 capital adequacy ratio ("CAR") was 14.4% and Tier 1 CAR and Total CAR were 14.4% and 15.6% respectively. Based on Basel III transitional arrangements, these ratios were well above the respective regulatory minima of 5.5%, 7% and 10%.

CEO's Comments

Commenting on the Group's performance and outlook, CEO Samuel Tsien said:

"We are pleased to report significant growth in the first quarter. The momentum across our customer franchise is strong and sustaining. Our operating profit from all our key markets increased, our asset quality is sound and our capital, funding and liquidity base remains robust.

On 1 April 2014, we announced a pre-conditional voluntary general cash offer to acquire 100% of Wing Hang Bank, Limited. In line with our strategic objective to build a more entrenched presence in North Asia, particularly in Greater China, we believe that this potential acquisition, which brings two complementary franchises together, will provide us with an expanded platform to deepen and broaden our foothold in the region. In addition to strengthening our local market presence including access to offshore RMB, the acquisition will also allow us to capture the growing trade, investment, capital and wealth flows between Greater China and our other key markets. We are well-placed to further establish OCBC's position as a leading, well-diversified Asian financial services group with a broad geographic footprint in North & South East Asia."

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 was 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 460 branches and representative offices in 17 countries and territories, including more than 330 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 including being voted "Outstanding Private Bank in Asia Pacific" in 2013 by Private Banker International.

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