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## Media Release

### **OCBC Group Full Year 2014 Net Profit After Tax Up 39% to S\$3.84 billion**

#### ***Record core net profit underpinned by broad-based income growth***

Singapore, 11 February 2015 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported a net profit after tax of S\$3.84 billion for the financial year ended 31 December 2014 (“FY14”), an increase of 39% from S\$2.77 billion a year ago (“FY13”). Excluding a one-off gain of S\$391 million related to the Group’s increased ownership in Bank of Ningbo Co., Ltd (“Bank of Ningbo”) in 2014, core net profit after tax grew 25% year-on-year. The strong momentum across the Group’s customer-related businesses drove robust growth in net interest income, fees and commissions, trading income and profit from life assurance. OCBC Wing Hang Bank (formerly Wing Hang Bank) became a wholly-owned subsidiary of the Group in October 2014. The full year results included the progressive consolidation of OCBC Wing Hang from July 2014 when the Group first acquired a majority stake. Before the one-off gain and the consolidation of OCBC Wing Hang, the Group’s core net profit after tax grew 22% year-on-year.

Net interest income reached a new high of S\$4.74 billion, up 22% from S\$3.88 billion a year ago, mainly driven by strong asset growth and improved net interest margins. 2014 average balances of customer loans, excluding OCBC Wing Hang, grew 13% year-on-year, driven by broad-based contributions across all geographies and key customer segments. The Group’s customer loans were 24% higher from a year ago (8%, excluding OCBC Wing Hang) at S\$210 billion as at 31 December 2014. Net interest margin increased 4 basis points year-on-year to 1.68% from 1.64%, reflecting higher loan spreads and better returns from money market activities.

Core non-interest income increased 17% to S\$3.21 billion, from S\$2.74 billion in FY13. Fee and commission income climbed 10% to a new record of S\$1.50 billion, contributed by robust growth in wealth management, loan and trade fees. Net trading income, primarily made up of treasury-related income from customer flows, rose 39% to S\$364 million from S\$262 million a year ago. Life assurance profit from Great Eastern Holdings (“GEH”) of S\$768 million was 28% above the previous year, supported by better operating profit from in-force business growth and mark-to-market investment gains in GEH’s Non-Participating Fund.

Our full year earnings included the one-off gain of S\$391 million that arose from the Group’s increased stake in Bank of Ningbo, which became a 20%-owned associated company on 30 September 2014. In accordance with accounting standards, the Group’s initial available-for-sale 15.3% investment was deemed disposed of and hence, its related fair value reserve was recognised in the income statement as a one-off gain.

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The Group's share of results of associates and joint ventures in 2014 increased to S\$112 million, largely from Bank of Ningbo's contribution of S\$44 million as an associated company.

Operating expenses of S\$3.26 billion were 17% higher as compared with S\$2.78 billion a year ago, reflecting the consolidation of OCBC Wing Hang. Excluding OCBC Wing Hang, operating expenses increased 10%, mainly attributable to higher staff costs and headcount growth to support the Group's business expansion plans. The cost-to-income ratio improved to 41.0% from 42.0% a year ago. Net allowances for loans and other assets were S\$357 million as compared to S\$266 million in FY13, partly caused by the consolidation of OCBC Wing Hang. The non-performing loans ("NPL") ratio further improved to 0.6% from 0.7% a year ago.

Core return on equity was 13.2%, higher as compared with 11.6% a year ago. Core earnings per share rose 21% to 91.9 cents from 75.9 cents in FY13.

The Group's overall income from wealth management activities (comprising income from insurance, private banking, asset management, stockbroking and other wealth management products) rose 15% to a new record S\$2.22 billion. As a share of the Group's total income, wealth management activities contributed 28%, as compared with 29% in FY13. OCBC's private banking business continued to grow, with assets under management 11% higher at US\$51 billion (S\$67 billion) as at 31 December 2014, up from US\$46 billion (S\$58 billion) a year ago.

#### **Fourth Quarter Performance**

Net profit after tax for the fourth quarter of 2014 ("4Q14") was S\$791 million, an 11% increase from S\$715 million a year ago ("4Q13"). Net interest income rose 24% year-on-year to S\$1.28 billion, spurred by healthy asset growth and higher net interest margin. Non-interest income grew 12% to S\$762 million from S\$679 million in 4Q13, largely driven by a 12% increase in fee and commission income and a 16% rise in profit from life assurance. Operating expenses of S\$922 million were 29% higher than the previous year. Excluding OCBC Wing Hang, operating expenses rose 14% year-on-year mainly from higher staff costs and business promotion expenses. Net allowances for loans and other assets were S\$154 million as compared to S\$68 million in 4Q13, with the increase partly contributed by the consolidation of OCBC Wing Hang.

Compared to the previous quarter ("3Q14"), core net profit for 4Q14 was 6% lower, as higher net interest income and increased share of results of associates and joint ventures were more than offset by lower trading income and a rise in allowances.

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## **Allowances and Asset Quality**

The Group's asset quality and coverage ratios remained strong. The NPL ratio improved to 0.6% from 0.7% a year ago. Total cumulative allowances provided 171% coverage of total non-performing assets ("NPAs") and 539% of unsecured NPAs. Both coverage ratios were higher as compared with 134% and 310% respectively of the prior year. The higher coverage in 2014 was also partly a result of the consolidation of OCBC Wing Hang's cumulative allowances.

Allowances for loans and other assets of S\$357 million were 34% higher than FY13. Excluding the consolidation of OCBC Wing Hang, allowances for loans and other assets rose 19% to S\$317 million, mainly comprising net specific allowances of S\$167 million and portfolio allowances of S\$152 million.

## **Subsidiaries' Results**

GEH achieved a 30% increase in net profit after tax of S\$879 million in FY14, contributed by higher operating profit from in-force business growth and mark-to-market gains in its Non-Participating Fund. The close collaboration between OCBC and GEH helped OCBC retain its position as the bancassurance market leader for the 14<sup>th</sup> consecutive year. Weighted new business premiums were S\$950 million and a positive shift in channel mix during the year lifted its new business embedded value margin from 40.5% to 41.5% in FY14. GEH's net profit after tax contribution to the Group rose 33% to S\$719 million, contributing 21% to the Group's core net profit in 2014.

OCBC Bank (Malaysia) Berhad's full year operating profit before allowances rose 5%, supported by higher net interest income and Islamic Banking income. However, net profit after tax declined 12% to MYR834 million (S\$323 million), mainly from an increase in allowances. Customer loans rose 13% year-on-year, and the NPL ratio improved to 2.0% from 2.3% in FY13.

Bank OCBC NISP reported a consecutive year of record earnings. Net profit after tax in 2014 was IDR1,332 billion (S\$143 million), an increase of 17% from IDR1,143 billion (S\$137 million) a year ago. Its results were backed by a 19% rise in net interest income, boosted by loan growth and improved net interest margin, as well as lower allowances.

OCBC Wing Hang, progressively consolidated from July 2014, contributed a net profit after tax of HK\$495 million (S\$81 million) to the Group after accounting for merger-related adjustments mainly in depreciation and provisions. As at 31 December 2014, customer loans were HK\$157 billion (S\$27 billion) and the NPL ratio was 0.4%.

After consolidating OCBC Wing Hang, profit before tax contribution to the Group from the Greater China region increased to 12%, from 6% in 2013. Greater China customer loans more than doubled to S\$56 billion from S\$27 billion a year ago. The asset quality of the portfolio remained healthy, with the Greater China NPL ratio improving to 0.3% from 0.4% the previous year.

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## **Funding and Capital Position**

The Group maintained its strong funding and capital position. As at 31 December 2014, customer deposits were S\$246 billion, up 25% from a year ago. Excluding OCBC Wing Hang's customer deposits of S\$34 billion, customer deposits increased 8% year-on-year. The Group's overall loans-to-deposits ratio was 84.5% as compared with 85.7% in 2013.

As at 31 December 2014, the Common Equity Tier 1 capital adequacy ratio ("CAR") was 13.8% and Tier 1 CAR and Total CAR were 13.8% and 15.9% respectively. Based on Basel III transitional arrangements, these ratios were well above the respective regulatory minima of 5.5%, 7% and 10%.

## **Final Dividend**

The Board has proposed a final tax-exempt dividend of 18 cents per share, bringing the FY14 total dividend to 36 cents per share, an increase from 34 cents in FY13. The Scrip Dividend Scheme will be applicable to the final dividend, giving shareholders the option to receive the dividend in the form of shares. The issue price of the shares will be set at a 10% discount to the average daily volume-weighted average prices between 30 April 2015 (the ex-dividend date) and 5 May 2015 (the books closure date), both dates inclusive. The extension of the Scrip Dividend Scheme follows the positive response from shareholders to the Scrip Dividend Scheme for the Group's FY14 interim dividend that saw an overwhelming 84.1% participation rate, the highest since the scheme started.

## **CEO's Comments**

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

"We are very pleased with our full year performance. Our results demonstrated the diversity and resilience of our core businesses in commercial banking, wealth management and insurance which lifted earnings to a new high. We will continue with our strategy of prudent growth, focusing on our key markets of Singapore, Malaysia, Indonesia and Greater China. The scale and depth of these markets give us a diversified customer franchise and sustainable earnings base, which will allow us to further grow and deepen our presence. Together with our strong balance sheet and robust risk management practices, we are well-positioned for continued long-term growth, while also being alert to potential headwinds to the global economy in the year ahead."

## 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. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the world's strongest and safest banks by leading market research firms and publications.

OCBC Bank and its subsidiaries offer a broad array of commercial banking, 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 over 630 branches and representative offices in 18 countries and territories. These include the more than 330 branches and offices in Indonesia operated by subsidiary Bank OCBC NISP, and 95 branches and offices in Hong Kong, China and Macau under OCBC Wing Hang.

OCBC Bank's private banking services are provided by subsidiary Bank of Singapore, which has received increasing industry recognition as Asia's Global Private Bank, and was voted Outstanding Private Bank in Southeast Asia in 2014 by Private Banker International.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the oldest and most established life insurance group in Singapore and Malaysia. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia.

For more information, please visit [www.ocbc.com](http://www.ocbc.com)