

Media Release

OCBC Group Second Quarter 2015 Net Profit after Tax rose 14% to a Record S\$1.05 billion

Half year earnings at a new high of S\$2.04 billion

Singapore, 31 July 2015 - Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported a net profit after tax of S\$1.05 billion for the second quarter of 2015 (“2Q15”), which was 14% higher than S\$921 million a year ago (“2Q14”).

The robust second quarter performance was driven by new highs in both net interest income and non-interest income. The results further demonstrated the diversity of the Group’s earnings base, as reflected by increased pre-tax contributions from our key overseas markets of Greater China and Indonesia, which grew 102% and 21% respectively, from a year ago.

Net interest income increased 14% to S\$1.28 billion from S\$1.13 billion a year ago. Customer loans rose 18% from a year ago to S\$210 billion, contributed by broad-based growth across key customer segments and geographies. 2Q15 net interest margin of 1.67% increased 5 basis points quarter-on-quarter but narrowed 3 basis points from a year ago. The year-on-year decline in net interest margin was the result of a lower loan-to-deposit ratio and reduced money market gapping activities, which more than offset an improvement in customer loan spreads, mainly in Singapore.

Non-interest income rose 10% to S\$939 million from S\$850 million the previous year, underpinned by continued growth in the Group’s customer-related businesses. Fee and commission income increased 24% to a new high of S\$438 million, led by robust wealth management, brokerage and loan-related fee income. Treasury-related income from customer flows rose 25%, although net trading income declined to S\$70 million from S\$133 million in 2Q14. Net realised gains from the sale of investment securities were S\$166 million, higher as compared to S\$13 million in 2Q14, primarily attributable to the realisation of a S\$136 million gain from the sale of an investment in Great Eastern Holdings’ (“GEH”) equity portfolio (the Group’s share of net profit after tax and non-controlling interest was S\$105 million). Profit from life assurance was 40% lower year-on-year at S\$132 million, largely due to unrealised mark-to-market losses from equity and bond investments.

The Group’s share of results of associates and joint ventures climbed to S\$102 million from S\$18 million a year ago, mainly contributed by Bank of Ningbo, which became a 20%-owned associated company of the Group on 30 September 2014.

Operating expenses for the quarter rose 21% to S\$918 million from S\$760 million a year ago, reflecting the consolidation of OCBC Wing Hang. The Group's cost-to-income ratio was maintained at 41.3%. Excluding OCBC Wing Hang, operating expenses increased 7%, mainly from staff-related costs.

Allowances for loans and other assets were S\$80 million, up from S\$66 million a year ago. The Group's asset quality remained sound, with the non-performing loans ("NPL") ratio at 0.7%, similar to that in 2Q14.

Against the previous quarter ("1Q15"), the Group's net profit after tax grew 5%. Net interest income rose 3%, benefitting from a 5 basis points rise in net interest margin from improved customer loan spreads, as well as a 2% increase in customer loans in constant currency terms. The quarter-on-quarter performance was also supported by fee and commission income growth and increased investment gains. Operating expenses were 5% higher, largely associated with the impact of annual salary increments which took effect in April 2015. Net allowances for loans and other assets were higher than the previous quarter, mainly from increased portfolio allowances.

First Half Performance

Net profit after tax for the first half of 2015 ("1H15") was S\$2.04 billion and 12% above S\$1.82 billion recorded a year ago ("1H14").

Net interest income grew 14% to S\$2.53 billion, as compared with S\$2.21 billion a year ago, largely from an 18% rise in interest-earning assets. Non-interest income rose 9% from a year ago to S\$1.80 billion from S\$1.65 billion. Fee and commission income increased 18% to S\$833 million from broad-based fee growth. Net trading income was lower at S\$193 million as compared to S\$232 million in 1H14, despite a 9% increase in income from customer flows. Net gains from the sale of investment securities of S\$209 million were higher than S\$65 million a year ago, mainly from realised investment gains in GEH's equity portfolio. Profit from life assurance of S\$331 million was lower than S\$403 million the previous year.

The Group's 1H15 wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose to a new high of S\$1.28 billion, 11% above S\$1.15 billion a year ago. As a share of the Group's total income, wealth management contributed 29%, a level comparable with that of 1H14. OCBC's private banking business continued to expand, with assets under management as at 30 June 2015 growing 6% to US\$54 billion (S\$73 billion) from US\$51 billion (S\$64 billion) a year ago.

The Group's operating expenses were up 22% at S\$1.79 billion, partly attributable to the consolidation of OCBC Wing Hang. Excluding OCBC Wing Hang, operating expenses were 8% higher. Net allowances for loans and other assets were S\$144 million, a 36% increase (29% excluding OCBC Wing Hang) from S\$107 million a year ago.

Income from associates and joint ventures of S\$191 million was significantly higher than S\$35 million in 1H14, largely attributable to Bank of Ningbo's contribution as an associated company of the Group.

Annualised return on equity for 1H15 was 13.3%, lower than 14.9% a year ago, largely due to the dilutive impact arising from the rights issue in the third quarter of 2014. Annualised earnings per share amounted to 101.8 cents, as compared to 102.2 cents a year ago.

Allowances and Asset Quality

Net allowances for loans and other assets were S\$80 million in 2Q15, as compared to S\$66 million a year ago. Portfolio allowances amounted to S\$32 million for the quarter, while specific allowances for loans, net of recoveries and write-backs, were S\$47 million and represented an annualised 9 basis points of loans.

The Group's asset quality continued to be strong, with the NPL ratio of 0.7% stable year-on-year. Healthy coverage ratios were maintained and total cumulative allowances represented 153% of total non-performing assets ("NPAs") and 443% of unsecured NPAs. This was a higher coverage ratio as compared with 149% and 423%, respectively a year ago.

Funding and Capital Position

The Group's funding and capital position remained sound. Customer deposits rose 22% year-on-year to S\$246 billion from S\$201 billion, and the ratio of current and savings accounts to total customer deposits stood at 46.0%. The loan-to-deposit ratio as at 30 June 2015 was 84.3%, lower as compared to 87.2% a year ago. Excluding the consolidation of OCBC Wing Hang, the Group's customer loans and deposits grew by 3% and 5% respectively from 2Q14.

As at 30 June 2015, the Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang) were 241% and 109% respectively, higher as compared to the respective regulatory ratios of 100% and 60%. OCBC Wing Hang's liquidity coverage ratios will be incorporated into the overall Group position in due course.

The Group's Common Equity Tier 1 capital adequacy ratio ("CAR") as at 30 June 2015, was 14.1% and Tier 1 CAR and Total CAR were 14.1% and 16.1% respectively. Based on Basel III transitional arrangements, these ratios were well above the respective regulatory minima of 6.5%, 8% and 10%. The Group's leverage ratio of 7.4% was higher than the 3% minimum requirement as guided by the Basel Committee.

Interim Dividend

An interim dividend of 18 cents per share has been declared for the first half of 2015.

The Scrip Dividend Scheme will be applicable to the interim 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 of the daily volume weighted average prices during the price determination period from 12 August to 14 August 2015, both dates inclusive.

The interim dividend payout will amount to approximately S\$728 million, representing 36% of the Group's 1H15 net profit after tax.

CEO's Comments

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

"Our first half performance was driven by successive quarters of record earnings. Our results demonstrated the strength of our banking and wealth management franchise, as well as higher insurance contributions from portfolio investment gains. The results also reflected the success of our strategy of diversifying our income base, as we believe a wider geographic and business presence will better position us to benefit from Asia's continued long-term growth potential. We continue to be positive on the underlying prospects in our key markets. While watchful of the possibility of renewed volatility in the global financial markets, we remain focused on our strategy of deepening and growing the Group's network to support our customers."

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 94 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