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## Media Release

### **OCBC Group Full Year 2015 Net Profit at S\$3.90 billion**

*Full Year core earnings increased 13% to a new record*

*Fourth Quarter net profit up 21% from a year ago and 6% from the previous quarter*

Singapore, 17 February 2016 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported a net profit after tax of S\$3.90 billion for the financial year ended 31 December 2015 (“FY15”). Excluding a one-off gain of S\$391 million in FY14, core net profit after tax rose 13% to a new record, underpinned by higher net interest income, fee and commission income growth, as well as improved trading and investment income. The Group’s results also included the full year earnings contribution of OCBC Wing Hang, which became a subsidiary in the third quarter of 2014.

Net interest income grew 10% to a new high of S\$5.19 billion, from S\$4.74 billion a year ago, largely driven by an 11% increase in average balances of customer loans, which included the full year consolidation of OCBC Wing Hang. Net interest margin was higher for the quarter and was stable at 1.67% for FY15 as compared with a year ago, reflecting improved customer loan yields, particularly in Singapore, which were offset by reduced returns from money market gapping activities.

Non-interest income, before one-off gains, grew 10% to S\$3.53 billion from S\$3.21 billion in FY14. Fee and commission income climbed 10% to a new record of S\$1.64 billion, mainly from growth in wealth management, brokerage and fund management fees. Net trading income, primarily treasury-related income from customer flows, rose 52% to S\$552 million, while net gains of S\$204 million from the sale of investment securities were 53% higher than the previous year. Life assurance profit from Great Eastern Holdings (“GEH”) of S\$630 million was 18% below the previous year, largely as a result of unrealised mark-to-market losses in its bond investment portfolio. The Group’s share of results of associates and joint ventures in 2015 was S\$353 million, up from S\$112 million a year ago, largely attributable to the full year consolidation of income contribution from Bank of Ningbo as an associated company of the Group.

Reflected in the previous year’s earnings was a 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 its related fair value reserve was recognised in the income statement as a one-off gain.

Operating expenses of S\$3.66 billion were 12% higher from S\$3.26 billion a year ago, after taking into account the full year impact of consolidating OCBC Wing Hang. Excluding OCBC Wing Hang, operating expenses rose 5%, primarily from an increase in staff costs commensurate with business volume growth. The cost-to-income ratio was 42.0% in FY15 as compared with 41.0% the previous year. Net allowances for loans and other assets amounted to S\$488 million and were higher than S\$357 million in FY14.

Full year core return on equity was 12.3% as compared with 13.2% a year ago. The year-on-year decline was attributable to the rights issue in September 2014 which resulted in an enlarged share base. Core earnings per share, on the other hand, increased to 95.2 cents from 91.9 cents in FY14.

#### **Fourth Quarter Performance**

Net profit after tax for the fourth quarter of 2015 (“4Q15”) of S\$960 million was 21% higher than S\$791 million a year ago (“4Q14”).

Net interest income was up 5% at S\$1.34 billion, reflecting interest earning assets growth and a 7 basis point rise in net interest margin to 1.74%, which was lifted by higher loan yields. Non-interest income climbed 26% to S\$960 million, driven by a 5% rise in fee and commission income, a 24% increase in profit from life assurance and significantly higher net trading income. Operating expenses rose 6% to S\$974 million, largely from higher staff and premises costs. Net allowances for loans and other assets for the quarter of S\$193 million were up 25% from S\$154 million in 4Q14.

Against the previous quarter (“3Q15”), core net profit for 4Q15 rose 6%, largely attributable to higher net interest income and non-interest income, primarily from an increase in life assurance profit.

#### **Allowances and Asset Quality**

Net allowances for loans and other assets for FY15 were S\$488 million, higher than S\$357 million a year ago. Specific allowances for loans, net of recoveries and write-backs, of S\$232 million were up from S\$196 million in FY14. Net specific allowances represented 11 basis points of loans as compared with 10 basis points a year ago. Portfolio allowances were S\$177 million as compared with S\$163 million the previous year. Allowances for other assets, mainly investments, were S\$79 million for the year.

The non-performing loan (“NPL”) ratio was 0.9% as at 31 December 2015, the same level as compared with the previous quarter but was higher than 0.6% a year ago. Absolute amount of NPLs of S\$1.97 billion in FY15 were up from S\$1.28 billion the previous year, largely arising from the classification of a few large corporate accounts associated with the oil and gas services sector. The overall quality of the Group’s loan portfolio remained sound and comfortable allowance coverage ratios were maintained, with total cumulative allowances covering 417% of unsecured non-performing assets (“NPAs”) and 120% of total NPAs.

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## Subsidiaries' Results

Great Eastern Holdings underlying insurance business continued to grow, with total weighted new sales up 8% from a year ago and new business embedded value growth of 3%. As a result of the close partnership with Great Eastern Holdings, OCBC remained the bancassurance market leader in Singapore for the 15th consecutive year. For FY15, Great Eastern Holdings reported a net profit after tax of S\$785 million which was 11% lower from a year ago, mainly as a result of unrealised mark-to-market losses in its bond investment portfolio. Its net profit after tax contribution to the Group was S\$639 million, which represented 16% of the Group's 2015 earnings.

OCBC Bank (Malaysia) Berhad reported a 6% rise in FY15 net profit after tax of RM883 million (S\$311 million), driven by 10% growth in Islamic Financing income and a 26% increase in non-interest income, mainly fee and commission income and net trading income. Customer loans grew 9% from a year ago and the NPL ratio was 2.1% as at 31 December 2015.

Bank OCBC NISP achieved a record net profit after tax of IDR1,501 billion (S\$153 million), 13% higher from IDR1,332 billion (S\$143 million) a year ago. Its full year performance was driven by broad-based income growth, with net interest income up 18% and non-interest income 15% higher than the previous year. Total customer loans grew 26% and the NPL ratio of 1.3% was unchanged from a year ago. Customer deposits increased 20% and the CASA ratio improved to 41.4% from 34.7% in FY14.

2015 marks the first full year since our acquisition of OCBC Wing Hang. The integration of OCBC Wing Hang is progressing well and according to plan. OCBC Wing Hang has leveraged on the strength and expertise of the OCBC Group to deliver positive synergistic value. OCBC Wing Hang's full year earnings contribution to the Group of HK\$1.73 billion (S\$307 million) accounted for 8% of the Group's net profit after tax. As at 31 December 2015, customer loans were HK\$154 billion (S\$28 billion) and customer deposits totaled HK\$188 billion (S\$34 billion). Including OCBC Wing Hang Bank, Greater China's contribution to the Group's profit before tax increased to 20%, from 12% in 2014. Greater China customer loans were S\$56 billion as at 31 December 2015 and the asset quality of the portfolio remained sound, with the NPL ratio at a low 0.4%.

Bank of Singapore's assets under management increased 7% to US\$55 billion (S\$77 billion) from US\$51 billion (S\$67 billion) a year ago. Its earnings asset base, which includes loans that are extended on a secured basis, rose 5% to US\$68 billion (S\$96 billion) from US\$65 billion (S\$86 billion) in 2014. The Group's FY15 wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose 6% to a new high of S\$2.35 billion, an increase from S\$2.22 billion a year ago. As a proportion of the Group's total income, wealth management contributed 27%, as compared with 28% in FY14.

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## **Funding and Capital Position**

The Group's funding and capital position remained sound. As at the end of 31 December 2015, non-bank customer loans amounted to S\$211 billion, with customer deposits at S\$246 billion. The Group's loans-to-deposits ratio for FY15 was 84.5% and comparable to the previous year. The ratio of current and savings deposits to total non-bank deposits rose to 48.9%, up from 44.6% a year ago.

For 4Q15, the average Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang) were 253% and 124% 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 31 December 2015, was 14.8% and Tier 1 CAR and Total CAR were 14.8% and 16.8% 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 8.0% was higher than the 3% minimum requirement as guided by the Basel Committee.

## **Final Dividend**

The Board has proposed a final tax exempt dividend of 18 cents per share, bringing the FY15 total dividend to 36 cents per share, unchanged from FY14. 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 26 April 2016 (the ex-dividend date) and 28 April 2016 (the books closure date), both dates inclusive.

## **CEO's Comments**

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

"The past year has been a challenging one for most industries. The ongoing economic transformation and slowdown in China have created contractionary pressure on regional economies. Global economic growth was slow and was dampened further by a series of geo-political events. Interest rates remained low for most of 2015 and its recent rise has prompted renewed volatilities in the capital and financial markets. Regulatory expectations have increased and banks are facing higher requirements for capital, liquidity and regulatory compliance.

Despite this backdrop, our well-positioned and diversified banking and insurance franchise has enabled us to continue to achieve sustained growth. We delivered record earnings and further strengthened our financial position with strong capital ratios, ample liquidity and comfortable allowance coverage ratios.

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Looking ahead, we are positive on OCBC's continued ability to deliver sustainable growth, and will be conservative, prudent and focused on our long-term strategic priorities in the context of the current operating environment."

## 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 its wholly-owned subsidiary Bank of Singapore, which operates on a unique open-architecture product platform to source for the best-in-class products to meet its clients' goals.

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)