Media Release

OCBC Group Reports Record First Half Net Profit of S$1,480 million Up 23% Year-on-Year

Strong revenue growth, led by robust customer-related businesses

Singapore, 2 August 2012 - Oversea-Chinese Banking Corporation Limited ("OCBC Bank") achieved record net profit of S$1,480 million for the first half of 2012 ("1H12"), an increase of 23% from S$1,205 million a year ago ("1H11"). The record results were driven by robust net interest income growth, higher fee, trading and investment income, and healthy insurance revenue from Great Eastern Holdings ("GEH").

First half net interest income increased 17% to S$1,882 million on strong asset growth. Non-interest income was 16% higher at $1,442 million, as net trading income grew strongly to S$235 million and life assurance profits rose 14% to S$292 million. Fees and commissions reflected healthy contributions from wealth management and loan-related activities, growing by 3% from a year ago to S$591 million. Operating expenses of S$1,286 million were 7% higher than the previous year, while allowances for loans and other assets increased by 27% to S$134 million (on loans of S$138 billion), comprising portfolio allowances of S$74 million and specific allowances of S$56 million.

Core net profit for 1H12, which excluded the S$42 million gain from the divestment of non-core assets in the first quarter of 2012 ("1Q12"), was S$1,438 million, up 23% year-on-year. Annualised return on equity, based on core earnings, was 13.1% in 1H12, compared with 11.8% in 1H11, while annualised core earnings per share rose 20% year-on-year to 81.5 cents from 68.1 cents a year ago.

The Group's 1H12 revenue from various wealth management activities, comprising revenue from insurance, private banking, asset management, stockbroking and sales of other wealth management products, grew to S$860 million, up 18% from a year ago. As a share of total revenue, wealth management contributed 26%, unchanged year-on-year. OCBC's private banking business continued to expand, with assets under management growing 20% year-on-year to US$36 billion (S$45 billion) as at 30 June 2012.

Second Quarter Performance

The Group recorded a net profit of S$648 million for the second quarter of 2012 ("2Q12"), an increase of 12% from S$577 million a year ago ("2Q11"). Earnings growth was underpinned by higher net interest income, fees and commissions, trading revenues and lower allowances, but the growth was partly offset by lower profit from life insurance, as GEH's investment performance was impacted by less favourable market conditions.

Net interest income increased 13% year-on-year to S$931 million. The increase was driven by broad-based loan growth of 14% across all key sectors and geographies, which more than offset the compression in net interest margin. Increased liquidity was deployed into high quality but lower-yielding financial assets and interbank placements. Together with the flat interest rate curve, they contributed to the lower net interest margin.

Non-interest income grew 2% year-on-year to S$596 million, as higher fee and trading income were partially offset by lower contributions from insurance. Fees and commissions increased 6% to S$317 million, driven by higher wealth management income, loan-related and investment banking fees. Net trading income rose 84% to S$75 million on higher gains from securities and derivatives trading. GEH continued to deliver healthy growth in its underlying business; weighted new business premiums and new business embedded value both grew 4% year-on-year. However, profit from life assurance declined 33% to S$71 million due to weaker investment performance of the Non-Participating Fund, as widened credit spreads and decreases in equity prices resulted in mark-to-market losses. Operating expenses increased by 7% year-on-year to S$661 million, largely attributed to higher staff costs arising from headcount growth of 7% and annual salary increments.

Compared with 1Q12's record core net profit of S$790 million, 2Q12 core net profit was 18% lower. Net interest income declined marginally by 2%, as asset growth of 3% was more than offset by a decline in net interest margins, resulting mainly from increased interbank placements as mentioned above. Fees and commissions rose 16% quarter-on-quarter, driven by higher loan and trade-related income and investment banking fees. However, fee income growth was offset by a 54% reduction in trading income and a 68% decline in life assurance profit. Operating expenses increased by 6% from the previous quarter, mainly from higher staff costs. Net allowances were lower at S$38 million, compared with S$96 million in 1Q12.

Allowances and Asset Quality

The Group's asset quality remained healthy. The non-performing loans ("NPL") ratio was 0.9%, compared with 1.0% in 1Q12 and 0.8% in 2Q11, and total non-performing assets ("NPAs") of S$1,280 million were 15% lower quarter-on-quarter and 7% higher than a year ago. Allowances for loans and other assets were S$38 million, significantly lower than the S$96 million in 1Q12 and S$56 million a year ago. Total cumulative allowances increased to 125% of total NPAs and 373% of unsecured NPAs, from 106% and 353%, respectively in 1Q12.

Capital Ratios

OCBC Group continues to be strongly capitalised, with a Tier 1 ratio of 14.1%, and total capital adequacy ratio of 15.5% as at 30 June 2012. These ratios remain well above the regulatory minimums of 6% and 10%, respectively. The Core Tier 1 ratio, which excludes Tier 1 preference shares, was 11.1%. The Group is well positioned to meet MAS' capital requirements for Basel III.

Interim Dividend

An interim dividend of 16 cents per share has been declared for the first half-year of 2012. The Scrip Dividend Scheme will not be applicable to the interim dividend. The interim dividend payout will amount to approximately S$550 million, representing 38% of the Group's core net profit.

CEO's Comments

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

"We are pleased with the resilient set of results for the first half, which reflects the underlying strength of our customer businesses. Our asset quality also remains strong as a result of continued prudent risk management and active portfolio reviews. While the economic environment remains uncertain, we will continue to grow our customer franchise across all key markets with our strong capital and liquidity base."

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 500 branches and representative offices in 15 countries and territories, including about 400 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.

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