Media Release

OCBC Group Reports First Quarter 2013 Net Profit After Tax of S$696 million

Core net profit 12% lower from a year ago, and 5% higher quarter-on-quarter

Singapore, 30 April 2013 - Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$696 million for the first quarter of 2013 ("1Q13"), 16% lower than S$832 million a year ago ("1Q12"), and 5% higher than S$663 million the previous quarter ("4Q12"). Year-on-year, core net profit after tax, excluding gains from the divestment of non-core assets, was 12% lower as compared to S$790 million in 1Q12, which included significantly higher trading income and mark-to-market investment gains from the insurance business.

Net interest income of S$912 million declined 4% from S$951 million a year ago, as revenue from asset growth was offset by the impact of lower net interest margin. Non-bank customer loans grew 10% from a year ago, with broad-based growth across consumer, corporate and SME segments in most key markets. Net interest margin fell 22 basis points from 1.86% to 1.64%, attributed to the persistently low interest rate environment, much reduced gapping opportunities in the interbank market, and re-pricing of existing housing loans in Singapore in response to market competition. The ratio of current and savings deposits to total non-bank deposits increased for the fourth successive quarter, rising to 51.1% from 45.6% a year ago.

Fee and commission income rose 15% to S$316 million, from S$274 million a year ago, boosted by growth in wealth management, loan-related and fund management income. Trading income was lower as compared to the strong 1Q12 performance, declining 65% to S$56 million. Great Eastern Holdings' ("GEH") continued to record sound business growth, as reflected by a 17% rise in new business sales, driven by growth across its key markets, as well as from higher underwriting profits. Life assurance profit, however, declined 19% to S$178 million, from S$221 million a year ago, as mark-to-market investment gains in GEH's Non-Participating Fund were lower as compared to 1Q12. As a result, core non-interest income, excluding divestment gains in 1Q12, was 14% lower at S$676 million as compared to S$790 million the previous year.

Operating expenses rose 8% to S$672 million, from S$625 million a year ago. Staff-related costs increased 10% from S$382 million in 1Q12 to S$421 million. The year-on-year increase was largely attributed to a 7% growth in staff strength to support the expansion of the Group's regional franchise, increases in base salaries and variable compensation, as well as higher business volume-driven costs. Total allowances for loans and other assets were S$21 million, lower compared with S$96 million a year ago as asset quality further improved. The Group's non-performing loans ("NPL") ratio was 0.7%, down from 1.0% a year ago.

Compared with the previous quarter's net profit of S$663 million, net profit for 1Q13 rose 5%. Net interest income was relatively unchanged quarter-on-quarter. Non-interest income fell 11%, primarily from lower trading income and profit contribution from life assurance, moderated by higher fee and investment income. Operating expenses declined 7%, contributed by lower staff costs, property-related and other expenses, while allowances for loans and other assets were 70% lower.

Annualised return on equity, based on core earnings, was 11.7%, compared to 14.7% in 1Q12 and 11.2% the previous quarter. Annualised core earnings per share was 79.1 cents, lower than 89.8 cents a year ago, but higher than 73.1 cents in 4Q12.

The Group's 1Q13 revenue from overall wealth management activities (comprising insurance, private banking, asset management, stockbroking and sales of other wealth management products), was stable year-on-year at S$520 million. As a share of total revenue, wealth management contributed 33%. OCBC's private banking business continued to expand, with assets under management increasing 27% to US$44 billion (S$55 billion) as at 31 March 2013, up from US$35 billion (S$44 billion) the previous year.

Allowances and Asset Quality

Effective credit portfolio management kept net allowances low at S$21 million, a 79% decline from S$96 million a year ago. Specific allowances for loans, net of recoveries and write-backs were S$2 million, a significant reduction from S$43 million the previous year. Specific allowances represented an annualised 1 basis point of loans for the quarter. Portfolio allowances were 61% lower at S$17 million, down from S$45 million in 1Q12.

The Group's asset quality and coverage ratios remained strong. As at 31 March 2013, total non-performing assets ("NPAs") fell 26% year-on-year and 5% quarter-on-quarter to S$1.12 billion. The NPL ratio as at 31 March 2013 was 0.7%, an improvement as compared to 0.8% in 4Q12 and 1.0% a year ago. Total cumulative allowances represented 149% of total NPAs and 350% of unsecured NPAs, a higher coverage ratio as compared with 142% and 333% respectively as at 31 December 2012.

Capital Position

The Group is subject to MAS' Basel III capital adequacy requirements which came into effect on 1 January 2013, and are being progressively phased in between 1 January 2013 and 1 January 2019. As at 31 March 2013, based on MAS' transitional Basel III rules for 2013, the Group's Common Equity Tier 1 ("CET1") capital adequacy ratio ("CAR") was 16.2%, with Tier 1 and total CAR of 16.2% and 18.1% respectively. These ratios were well above the regulatory minima of 4.5%, 6% and 10%, respectively, for 2013.

The Group's transitional Basel III Tier 1 and total CAR as at 31 March 2013 were lower than the 31 December 2012 Tier 1 and total CAR of 16.6% and 18.5% respectively, which were computed on a Basel II basis. This was largely attributable to higher risk weights for exposures to financial institutions, equities and over-the-counter derivatives, partly offset by an increase in Tier 1 and total eligible capital from the full recognition of revaluation surplus on all available-for-sale securities as CET1 capital, and lower regulatory adjustments.

CEO's Comments

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

"We are pleased with the continued underlying strength of our customer franchise in both banking and insurance, as demonstrated during the first quarter. Business momentum is strong, and asset quality remains sound. With our solid capital and stable funding base, we will devote additional resources to strengthen the Group's regional franchise to tap on the higher economic growth potential in our key overseas markets."

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 470 branches and representative offices in 15 countries and territories, including about 350 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" by Private Banker International.

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