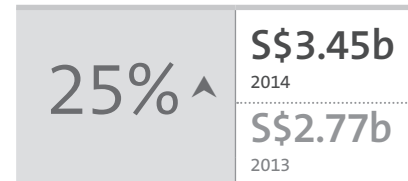


## > Letter to Shareholders

OCBC has delivered another solid performance in 2014. We have achieved record earnings, strengthened our balance sheet and maintained our strong credit ratings. We further advanced our strategic agenda of deepening our presence in key markets, particularly in Greater China, with the acquisition of Wing Hang Bank. This places OCBC on a firm footing for growth in the years ahead to deliver sustainable long-term value.

### Core Net Profit



**Left:**

Mr Samuel N. Tsien,  
Chief Executive Officer

**Right:**

Mr Ooi Sang Kuang,  
Chairman

Dear Fellow Shareholders

2014 was a significant year for OCBC. We made our largest acquisition to date when we acquired Hong Kong-listed Wing Hang Bank. We have also continued to benefit from our measured and targeted approach to growth in our key markets of Singapore, Malaysia, Indonesia and Greater China. This was clearly demonstrated by the strong performance achieved by our customer-related businesses – commercial banking, wealth management and insurance – which lifted our earnings to a new high.

Our strong and established franchise, with its sound risk management practices, has been instrumental in OCBC being named as the strongest bank in Southeast Asia and the fourth strongest bank globally by *Bloomberg Markets* in 2014. We were also ranked second in Asia and 13<sup>th</sup> overall in *Global Finance Magazine's* World's 50 Safest Banks awards. Our continued emphasis on robust corporate governance practices has also ensured that OCBC continues to be recognised, including being honoured as a winner of the Singapore Corporate Governance Award and Most Transparent Company

Award by the *Securities Investors Association (Singapore)* at its 15<sup>th</sup> Investors' Choice Awards.

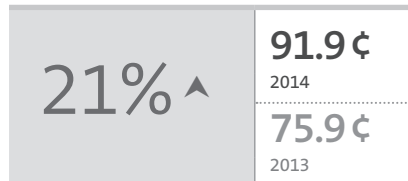
### PERFORMANCE REVIEW

We are delighted to report a record set of results for the financial year 2014. This was driven by the strong performance across the Group's customer-related businesses, which delivered healthy growth in net interest income, fees and commissions, trading income and profit from life assurance. Our results also included the consolidation of OCBC Wing Hang (formerly Wing Hang Bank) from July 2014.

The Group reported a net profit after tax of S\$3.84 billion, 39% higher as compared with S\$2.77 billion a year ago. Excluding the one-off gain mentioned below, our core net profit after tax rose 25% to S\$3.45 billion in 2014. Based on core earnings, our return on average equity improved from 11.6% to 13.2%, and earnings per share rose 21% to 91.9 cents.

Net interest income grew 22% to a new high of S\$4.74 billion, contributed by robust growth in interest-earning assets and improved net interest margin.

## Core Earnings Per Share



The Group's customer loans rose 24% (8%, excluding the consolidation of OCBC Wing Hang) to S\$210 billion as at 31 December 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. Net interest margin was 1.68%, up 4 basis points from 1.64% a year ago, reflecting higher loan spreads and better returns from money market activities.

Non-interest income rose 32% to S\$3.6 billion year-on-year. Excluding a one-off gain, core non-interest income increased 17% to S\$3.21 billion, propelled by higher fee income, trading income and insurance profits. Fees and commissions grew 10% to a record S\$1.5 billion, buoyed by robust growth in wealth management, loan and trade finance-related fees. Net trading income, primarily made up of treasury-related income from customer flows, rose 39% to S\$364 million. Profit from life assurance of S\$768 million was 28% higher, attributable to operating profit growth from Great Eastern Holdings' in-force business and mark-to-market investment gains in its Non-Participating Fund.

Our earnings included a one-off gain of S\$391 million that arose from the Group's increased stake in Bank of Ningbo Co., Ltd ("Bank of Ningbo"), which became a 20%-owned associated company on 30 September 2014. As a result, the Group's initial available-for-sale 15.3% investment was deemed disposed of in accordance with accounting standards, and its related fair value reserve was recognised in the income statement as a one-off gain. The Group's share of results of associates and joint ventures in 2014 increased to S\$112 million, largely as a result of Bank of Ningbo's contributions.

Operating expenses rose 17% to S\$3.26 billion, reflecting the consolidation of OCBC Wing Hang. Excluding OCBC Wing Hang, our operating expenses were 10% higher from a year ago, principally from an increase in staff costs and headcount to support the Group's business growth. The Group's overall cost-to-income ratio was 41.0%, an improvement as compared with 42.0% in 2013.

Our disciplined risk management practices have ensured that the Group's asset quality and coverage ratios remained healthy. This was reflected by our non-performing loans ("NPL") ratio, which improved to 0.6% from 0.7% a year ago. Total cumulative allowances represented 171% of total non-performing assets ("NPAs") and 539% of unsecured NPAs. Both coverage ratios were higher as compared with 134% and 310% respectively the year before. Total net allowances for loans and other assets rose 34% to S\$357 million. Excluding the consolidation of OCBC Wing Hang, total allowances for loans and other assets increased 19%.

OCBC maintained its solid funding and capital position. The Group's customer deposits totalled S\$246 billion, 25% higher from a year ago. Excluding the consolidation of OCBC Wing Hang, customer deposits grew 8% year-on-year. The Group's loans-to-deposits ratio was 84.5% as compared with 85.7% in 2013.

In August 2014, we raised net proceeds of S\$3.3 billion from a renounceable underwritten rights issue that was 71.5% oversubscribed. We applied the Scrip Dividend Scheme to our 2014 interim dividend, which saw a participation rate of 84.1%, the highest since the inception of the Scrip Dividend Scheme. It is timely

Net Dividend Per Share  
(cents)Net Interest Income  
(S\$ billion)

## > Letter to Shareholders

here that we express our thanks to our shareholders for their strong support and affirmation to our strategy of prudent growth in our key markets. In addition, we successfully issued our first Basel III-compliant Tier 2 subordinated notes, comprising two tranches of US\$1 billion each. As at 31 December 2014, based on MAS' transitional Basel III rules, the Group's Common Equity Tier 1 capital adequacy ratio ("CAR") was 13.8%, with Tier 1 CAR and Total CAR at 13.8% and 15.9% respectively. These ratios were well above the respective regulatory minima of 5.5%, 7% and 10%.

Great Eastern Holdings reported a 30% year-on-year rise in net profit after tax of S\$879 million in 2014, backed by higher operating profit from in-force business growth and mark-to-market gains in its Non-Participating Fund. As a result, Great Eastern Holdings' net profit after tax contribution to the Group was 33% higher at S\$719 million, representing 21% of the Group's core net profit in 2014. Weighted new business premiums were S\$950 million in 2014, and the close collaboration with the Group helped OCBC retain its position as the bancassurance market leader for the 14<sup>th</sup> consecutive year. A positive shift in channel mix in Singapore during the year also lifted Great Eastern Holdings' new business embedded value margin from 40.5% to 41.5%.

OCBC Bank (Malaysia) Berhad recorded a 5% increase in full year operating profit before allowances, supported by higher net interest income and Islamic Banking income. However, net profit after tax of RM834 million (S\$323 million) was 12% lower, mainly due to an increase in allowances. Customer loans grew at a robust 13% year-on-year, and the NPL ratio improved from 2.3% to 2.0%.

Bank OCBC NISP achieved another year of record earnings. Net profit after tax in 2014 was IDR1,332 billion (S\$143 million), up 17% from IDR1,143 billion (S\$137 million) a year ago. Its results were underpinned 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, which was first consolidated into the Group's results from July 2014, contributed a net profit after tax of HK\$495 million (S\$81 million), after taking into account merger-related adjustments mainly in depreciation and provisions. Customer loans as at 31 December 2014 were HK\$157 billion (S\$27 billion) and the NPL ratio was 0.4%. After consolidating OCBC Wing Hang, Greater China's contribution to the Group's profit before tax increased to 12%, from 6% in 2013. Greater China customer loans more than doubled from S\$27 billion a year ago to S\$56 billion. The asset quality of the portfolio remained sound, with the Greater China NPL ratio improving to 0.3%, from 0.4% the previous year.

Bank of Singapore continued to draw a strong inflow of net new money. Its assets under management rose 11% to US\$51 billion (S\$67 billion) from US\$46 billion (S\$58 billion) a year ago, while its earning asset base, which includes loans that are extended on a secured basis, increased 15% to US\$65 billion (S\$86 billion) from US\$57 billion (S\$71 billion) in 2013. Including Bank of Singapore, the Group's overall income from wealth management activities, which comprises income from insurance, private banking, asset management, stockbroking and other wealth management products, rose to a new high of S\$2.22 billion, an increase of 15% from S\$1.93 billion a year ago.

### DIVIDENDS

The Board has recommended a final tax-exempt dividend of 18 cents per share, bringing the full-year 2014 dividend to 36 cents per share, a 6% increase from the previous year's 34 cents. The Scrip Dividend Scheme will be applicable to

the final dividend, giving shareholders the option to receive the final dividend in the form of shares instead of cash. These will be issued at a 10% discount to the average daily volume-weighted average prices between 30 April 2015 (the ex-dividend date) to 5 May 2015 (the books closure date), both dates inclusive.

### GREATER IN GREATER CHINA

We have a long history of association with Greater China, having maintained a continuous presence in the region since 1925. Since then, we have progressively expanded our Greater China network through our wholly-owned subsidiary in China, our branch operations in Hong Kong and Taiwan, as well as our strategic partnerships with Bank of Ningbo and AVIC Trust. With our extensive knowledge of the local markets, we have benefited from the liberalisation of China's financial sector and the on-going initiatives to internationalise the Renminbi. We have also actively facilitated the growth of cross-border trade, capital, investment and wealth flows between North and Southeast Asia.

This year, our Greater China presence reached new heights as we embarked on the largest acquisition in our history when we acquired Hong Kong-listed Wing Hang Bank for S\$6.2 billion. In the Wing Hang franchise, we saw attractive opportunities to significantly grow our Greater China footprint to create long-term shareholder value. Founded in 1937, Wing Hang is a well-established and profitable bank helmed by a seasoned and competent management team. In addition to banking with a broad commercial and retail customer base, Wing Hang has a well-diversified SME customer franchise and an established niche in auto and equipment financing in Hong Kong and Macau. These represent

#### Fees & Commissions (S\$ billion)

FY14		1.50
FY13		1.36
FY12		1.20

#### Wealth Management Income (S\$ billion)

FY14		2.22
FY13		1.93
FY12		1.84

areas of expertise that will complement and enhance OCBC's existing banking capabilities in China, Hong Kong and Taiwan.

We first acquired a majority stake in Wing Hang in July 2014 and assumed full ownership in October 2014. Shortly thereafter, we delisted it from the Hong Kong Stock Exchange. In October 2014, we also rebranded the franchise in Hong Kong and Macau as OCBC Wing Hang. The rebranding exercise aligned and infused OCBC's corporate identity and capabilities into the Wing Hang franchise. It also reflected the broad range of new products and networks that Wing Hang's customers can now have access to as part of the enlarged OCBC Group. The rebranding, supported by a range of promotional activities, was very well received by its customers and the general public.

We further deepened our strategic partnership in Bank of Ningbo. We invested S\$362 million to increase our equity in Bank of Ningbo from 15.3% to 20%, which made it an associated company of OCBC. We will continue to work closely with Bank of Ningbo, leveraging on our respective strengths to grow our bilateral business in offshore financing, trade finance, private banking and wealth management, as well as fund management.

Our Greater China network – comprising OCBC China, OCBC Wing Hang, Bank of Singapore, Great Eastern Holdings and OCBC Bank's branches in Hong Kong and Taiwan – now encompasses 120 branches and offices. These include OCBC Wing Hang's strategically located network spanning 95 branches and offices in Hong Kong, Macau and China. During the year, OCBC China opened a new branch in Suzhou and relocated a sub-branch to the new China (Shanghai) Pilot Free Trade Zone. Our larger combined presence in Greater China gives us a sizeable platform to tap into the increasing trade links between North and Southeast Asia, secure onshore and offshore business opportunities associated with the growing internationalisation of the Renminbi and partner more Chinese companies that are investing offshore. We have also secured a stronger deposit franchise in

the region and our access to the US dollar and Renminbi has been significantly enhanced, enabling us to better support our customers' cross-border requirements. To further ride on the internationalisation of the Renminbi, OCBC China received approval as a direct market maker for Renminbi/Singapore dollar direct trading in China's interbank market in October 2014. OCBC China was also named The Best Foreign Bank in 2014 and The Best Wealth Management Bank in 2014 jointly by *National Business Daily* and *Chengdu Business Daily*.

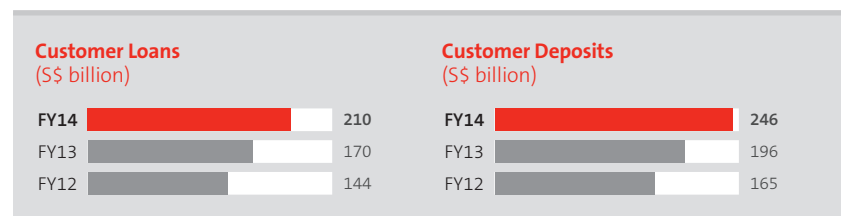
### DOMINANT IN SOUTHEAST ASIA

In our most important market of Singapore, we continued to be at the forefront of new service innovations and product offerings, particularly in digital banking. Our first paperless and environmentally friendly branch was opened at Kallang Wave, featuring a digital self-service kiosk that offers common branch services. We introduced OCBC Open Account, the first mobile application in the market to offer deposit account openings through smart phones. At the same time, we launched OCBC Pay Anyone, the first micro-payment service that facilitates fund transfers using either a Facebook account, e-mail address or mobile number. We are the largest and pioneer managing agent for the Child Development Account ("CDA") under the Baby Bonus scheme which had 90% of Singaporean parents opening their children's CDAs with us. We are privileged to be re-appointed by the Ministry of Social and Family Development as a managing agent till 2020. In partnership with Great Eastern Holdings, OCBC remained market leader in bancassurance for the 14<sup>th</sup> consecutive year. In commercial banking, to holistically support the needs of young businesses,

we launched both the OCBC Business First Loan that provides collateral-free loans, and the OCBC Business First Account which comes with a suite of value-added services. Meanwhile our business Internet banking platform – Velocity@ocbc – was upgraded to deliver a better customer experience. OCBC achieved the distinction as the first retail bank to be awarded the Singapore Quality Award for Business Excellence in 2014. We are also proud to be awarded Asia's Best Bank by *Financial Insights Innovation Awards 2014* and ASEAN SME Bank of the Year in the *Asian Banking & Finance Retail Banking Awards 2014* for the fourth consecutive year.

We are among the largest foreign banks in Malaysia by loans, assets, deposits and branch network. We expanded our Penang and Ampang Premier Banking Centres and strengthened our position as a premier mortgage provider for our customers seeking overseas property financing. In Islamic banking, we collaborated with the Credit Guarantee Corporation Malaysia Berhad to offer the country's first SME wholesale guarantee scheme. Recognition for our efforts in supporting our customers included OCBC Malaysia winning the Best SME Bank in Malaysia award from both *Asian Banking & Finance* and *Global Banking & Finance Review*, while our Islamic banking subsidiary OCBC Al-Amin was named the Islamic Bank of the Year (Malaysia) 2014, by London-based *The Banker*.

In Indonesia, Bank OCBC NISP was ranked as Indonesia's eighth-largest private sector national bank by assets. It serves customers across Indonesia with a network of 337 branches and offices and 759 ATMs. Its efforts to promote



Internet and mobile banking services to its customers led to a significant rise in transactions undertaken through these channels. Bank OCBC NISP further increased its range of bancassurance products in partnership with Great Eastern Holdings and closely collaborated with the OCBC Group to support cross-border customers. It received many prestigious awards including Indonesia's SME Bank of the Year 2014 and Indonesia Domestic Foreign Exchange Bank of the Year 2014 by *Asian Banking & Finance*. Bank OCBC NISP's high standards of corporate governance also saw it honoured as Indonesia's Most Trusted Company as part of the Corporate Governance Perception Index Award 2014, which was organised by *The Indonesian Institute for Corporate Governance* in collaboration with *SWA Magazine*. It also won the Best Corporate Governance Responsibility of The Boards award from the *Indonesian Institute for Corporate Directorship*.

In October 2014, we were one of nine foreign banks to have been granted a provisional foreign bank licence in Myanmar. Prior to this, OCBC operated a branch in the country for 40 years from 1923 to 1963, before returning in 1994 with the presence of a representative office. With a new OCBC branch in Yangon set to open soon in 2015, we will be able to offer a full range of banking products and services to foreign companies and joint ventures, as well as domestic banks in Myanmar.

### CONNECTIVITY AND COLLABORATION

The close connectivity of our businesses has ensured that our network customers are provided with a seamless customer experience across the OCBC Group. The culture of close collaboration across the network has substantially contributed to the growth of OCBC and this is now more important than ever as we integrate and harness the synergies between OCBC Wing Hang and the OCBC Group franchise, especially in Asia. OCBC Wing Hang will benefit from access to the Group's leading

regional platforms, giving its customers greater access to a wide range of products and services. Similarly, OCBC will be able to leverage on OCBC Wing Hang's customer base to expand its trade finance business and offer new treasury products and services. With OCBC's comprehensive wealth management expertise, there will be substantial opportunities to cross-sell wealth and bancassurance products and services to OCBC Wing Hang's affluent customers. These initiatives will further differentiate us from our competitors and create significant value for our shareholders.

### NEW CHAIRMAN OF THE BOARD

In August 2014, Dr Cheong Choong Kong retired as Chairman of OCBC and was succeeded by Mr Ooi Sang Kuang. Over his illustrious 11-year tenure as Chairman, Dr Cheong was instrumental in many of the strategic initiatives that have significantly contributed to the growth and success of the OCBC Group, especially in people management, succession planning and executive development. We thank Dr Cheong for his leadership and vision and are indeed glad that he remains a member of the Board where we can continue to draw on his broad experience and wise counsel.

Mr Ooi was first appointed to the Board on 21 February 2012 and was appointed Chairman on 1 September 2014. Mr Ooi brings a wealth of experience in a career spanning more than four decades in finance and economics, having held many senior appointments in the financial services sector. He also enjoyed a distinguished career in public service, where he was Deputy Governor and a member of the Board of Directors of Bank Negara Malaysia ("BNM") from 2002 to 2010 as well as Special Advisor to BNM from 2010 until his retirement in 2011. Mr Ooi is also Chairman of OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad, as well as Cagamas Holdings Berhad (the national mortgage corporation of Malaysia) and its subsidiaries. He is a Fellow of the Asian Institute of Chartered Bankers.

### PEOPLE AND COMMUNITY

A cornerstone of our success today has been our ability to attract and retain talent, offer employees meaningful careers and embed a pro-family environment for our more than 29,000 employees. Leveraging on a host of new programmes, we maintained an average of 7.9 man-days of training per employee, exceeding our annual target of five days for the ninth consecutive year. Our popular work-life integration initiatives saw us recognised as one of the Best Companies for Mums by the *National Trade Union Congress*. We also contributed the S\$3 million we received from the Singapore government under the Wage Credit Scheme to 1,500 eligible employees. Our strong commitment to making OCBC an employer of choice was reflected in our annual Hewitt Employee Engagement Survey, where we enjoyed a 99% participation rate. Our engagement scores continued to be above Hewitt's Global Financial Norm, placing us comfortably within Hewitt's Best Employer category.

We are also gratified that our employees continue to dedicate themselves in supporting charitable causes. In 2014, one in four OCBC employees was involved in volunteer work and on average, each volunteer spent more than five hours in community engagement work. In June 2014, we launched the inaugural OCBC Community Day where OCBC organised customised programmes to host more than 1,600 beneficiaries at the new Singapore Sports Hub. Giving back to society is and always will be an integral part of our corporate culture and we will continue to engage and contribute significantly to the community.

### OUTLOOK

The operating environment in 2015 is expected to be more challenging. Global economic growth is likely to be subdued. The divergent growth prospects of the major economies and the opposing stance of monetary policy between the US Federal Reserve and other central banks are expected to give rise to significant differences in global financial conditions among the major economies and emerging

markets. Active intervention by central banks coupled with adverse changes to the balance of payments among the oil exporters will shift the perception of risk, as well as movements of capital and exchange rates. These developments can lead to frequent recalibration of risk-return balance and repositioning of capital flows.

While the US economic recovery is gaining momentum and becoming more entrenched, the outlook for the other major economies is comparatively less secure. In the Eurozone, member economies are facing strong disinflationary pressures and struggling to revive growth. For Japan, uncertainties remain on whether the long-running battle with stagnation and deflation can be won. China's growth has also moderated as it restructures its economy for more sustainable growth. Slower global growth together with the collapse of oil and commodity prices can be expected to impart strong deflationary influences across the world. These contrasting developments have given rise to greater disparity in policy responses with overwhelming reliance on monetary policy. The US Federal Reserve is moving towards monetary policy normalisation, with potential rate hikes in the second-half of 2015. On the other hand, the ECB has launched a larger than expected new round of quantitative easing ("QE") programme to prevent deflation from setting in. Despite multiple rounds of monetary easing, Japan's ability to revive growth and arrest deflation remains uncertain. China has also introduced a broader range of measures to ease liquidity in its banking system. Other Asian countries have also loosened financial conditions and adopted greater exchange rate flexibility to cushion the impact of the reduction in global demand on their economies.

The implications of contrasting growth paths, the heavy reliance on monetary stimulus to manage

economic and financial challenges, the on-going geopolitical tensions in Eastern Europe and Middle East, and the need to build stronger consensus in the Eurozone may lead to higher market volatilities across different asset classes as these uncertainties are manifested in the financial markets.

While we remain watchful of potential global headwinds and vigilant to emerging risks, we will continue to allocate resources to build deep and lasting relationships with our customers, business partners and communities. We have the resilience and capacity to support all our stakeholders for the long run. Importantly, while we position ourselves for prudent growth, we remain firmly committed in investing in our people and technology, maintaining a diversified funding base and having a disciplined risk management framework. We will uphold a rigorous focus on our control environment, enhance our monitoring capabilities and further strengthen our systems and processes. Our capabilities in the areas of market research, experience design and customer service will be further enhanced to ensure that OCBC continues to deliver a superior and differentiated client experience.

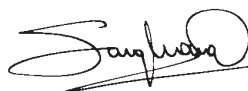
We have made great progress in executing our growth strategy in 2014.

OCBC's hallmark has always been its strong balance sheet; diversified, stable and sustainable earnings, and prudent risk management. We will continue to strengthen our customer franchise and deepen our market penetration in our key North and Southeast Asia markets. As we integrate OCBC Wing Hang into our network, our position as a leading regional financial services institution will be further solidified. As such, we enter 2015 with confidence.

### ACKNOWLEDGEMENTS

Mr David Philbrick Conner stepped down as a member of the Board on 31 August 2014, having served on the Board of Directors for 12 years. He was also Chief Executive Officer of OCBC between April 2002 and April 2012. On behalf of the Board, we would like to thank him for his invaluable contributions during his term of office.

We also express our gratitude to our fellow Board members for their valuable advice and guidance. And to our new colleagues from OCBC Wing Hang, we extend our warm welcome. Our heartfelt thanks also go to all management and staff of OCBC for helping make 2014 an outstanding year. To all our customers and shareholders, thank you for your unwavering support.



**OOI SANG KUANG**  
CHAIRMAN



**SAMUEL N. TSIENT**  
CHIEF EXECUTIVE OFFICER

11 February 2015