Media Release

OCBC Group First Quarter 2016 Net Profit of S$856 million

Lower by 14% year-on-year attributed to lower insurance income and increase in allowances

Operating earnings from banking operations rose 3% year-on-year

Singapore, 29 April 2016 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$856 million for the first quarter of 2016 ("1Q16"), a fall of 14% from S$993 million a year ago ("1Q15"), reflecting lower insurance income and an increase in allowances. Operating earnings from the Group's banking operations, however, were up 3% year-on-year, underpinned by higher net interest income and disciplined cost management.

Net interest income grew 5% to S$1.31 billion from S$1.25 billion a year ago. As at 31 March 2016, customer loans grew 1% in constant currency terms, driven by growth in corporate and consumer loans which more than offset a decline in trade-related loans. Net interest margin climbed 13 basis points to 1.75% from 1.62% in 1Q15, largely driven by improved customer loan yields in Singapore and Indonesia.

Non-interest income decreased 12% to S$753 million from S$859 million from a year ago. Fee and commission income fell 5% to S$374 million, mainly from lower wealth management, trade-related and investment banking fees. The increase in income from private banking was more than offset by lower fees and commissions from other wealth management activities as a result of weak investment appetite of customers during the first half of the quarter. Net trading income, primarily treasury-related income from customer flows, was stable at S$122 million, while net gains of S$59 million from the sale of investment securities were 37% higher from a year ago.

Profit from life assurance decreased S$116 million or 58% year-on-year, to S$83 million, largely due to unrealised mark-to-market losses from Great Eastern Holdings' ("GEH") bond and equity investment portfolio under its Non-participating Fund. Its underlying business growth continued to be healthy as reflected by a 9% increase in total weighted new sales driven by higher sales in both Singapore and Malaysia, while its new business embedded value was stable year-on-year.

The Group's share of results of associates in 1Q16 was S$106 million, up from S$89 million a year ago, largely from increased contributions by associated company Bank of Ningbo.

The Group's overall 1Q16 wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, was down 17% to S$482 million, from S$583 million a year ago. The decline in insurance contributions more than offset growth in private banking income. As a proportion of the Group's total income, wealth management contributed 23%, as compared with 28% a year ago.

Operating expenses of S$923 million were 6% higher from S$873 million a year ago, mainly from a rise in staff costs associated with higher base salaries and a small increase in headcount. The cost-to-income ratio was 44.8% for the quarter. Net allowances for loans and other assets increased year-on-year to S$167 million from S$64 million in 1Q15.

Annualised return on equity for 1Q16 was 10.1%, lower than 13.2% in 1Q15, while annualised earnings per share decreased to 82.2 cents from 99.7 cents the previous year.

Against the previous quarter ("4Q15"), the Group's net profit after tax was 11% lower, as a result of the decline in profit contribution from life assurance. Excluding GEH, net profit from banking operations was flat against the prior quarter.

Allowances and Asset Quality

The Group's non-performing loans ("NPL") increased from a year ago, reflecting weakening economic conditions and the significant decline in commodity prices which particularly contributed to the stress in the oil and gas support services portfolio. As at 31 March 2016, the absolute amount of NPLs was S$2.15 billion, up from S$1.97 billion in the prior quarter and S$1.35 billion a year ago. Most of the year-on-year increase in NPLs was from the downgrades of a number of large corporate accounts in the oil and gas support services sector which required their loan repayment terms to be restructured. The overall NPL ratio was 1.0%, as compared with 0.9% of the previous quarter and 0.6% in 1Q15. Additional portfolio allowances were also made to maintain our allowance coverage ratios at comfortable levels, and specific provisions created based on the discounted cashflow of the stressed credits based on current market conditions. Total cumulative allowances covered 384% of unsecured non-performing assets ("NPAs") and 113% of total NPAs at the end of 1Q16.

Net allowances for loans and other assets for 1Q16 were S$167 million, significantly higher than S$64 million a year ago as the Group maintained its conservative stance on loan impairment. It was lower than S$193 million in the previous quarter. Specific allowances for loans, net of recoveries and write-backs was S$99 million, rising from S$45 million in 1Q15. Net specific allowances represented 19 basis points of loans on an annualised basis. Higher portfolio allowances were also set aside this quarter as a prudent step to bolster the balance sheet, and these amounted to S$56 million as compared to S$20 million a year ago. Allowances for other assets, mainly investments, were S$12 million for the quarter.

Funding and Capital Position

The Group's funding and capital position remained sound. As at 31 March 2016, customer loans and deposits were S$208 billion and S$242 billion respectively, with the loans-to-deposits ratio at 84.7%.

The current and savings deposits to total non-bank deposits ratio increased to 49.3% from 45.5% a year ago.

For 1Q16, the average Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang and OCBC Yangon branch which will be included in due course) were 259% and 122% respectively, higher as compared to the respective regulatory ratios of 100% and 70%.

The Group's Common Equity Tier 1 capital adequacy ratio ("CAR"), Tier 1 CAR and Total CAR as at 31 March 2016, were 14.6%, 15.1% and 17.3% respectively. Based on Basel III transitional arrangements, these ratios were well above the respective regulatory minima of 6.5%, 8% and 10%. In addition to these minimum capital requirements, a capital conservation buffer ("CCB") of 2.5% and countercyclical buffer of up to 2.5% will be phased in from 2016 to 2019. The CCB was 0.625% as at 1 January 2016, and will be increased by 0.625% each year to reach 2.5% on 1 January 2019. The Group's leverage ratio of 8.2% was better than the 3% minimum requirement as guided by the Basel Committee.

CEO's Comments

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

"The Group's banking operations in the first quarter of 2016 achieved total income growth of 4% year-on-year, and saw operating profit growth of 3%. Given the weak economic environment and further stresses noted especially in the oil & gas support services sector, we continued to adopt a conservative approach and this was reflected in the increased level of provisions set aside for the quarter. Meanwhile, financial market volatility in the first quarter resulted in unrealised mark-to-market losses in Great Eastern's investment portfolios which impacted its reported earnings, despite the strong underlying business growth evidenced by an increase in total weighted new sales. Importantly too, the Group continued to maintain its strong capital position, as reflected by a further improvement in our fully-loaded CET 1 ratio.

Looking forward, near term economic visibility continues to be low. We will remain focused on conservative growth in our core businesses and markets, while supporting our customers and staying vigilant in the midst of the current uncertain macroeconomic outlook."

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 has been ranked Asean's strongest bank and among the world's five strongest banks by Bloomberg Markets for five consecutive years since the ranking's inception in 2011.

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 620 branches and representative offices in 18 countries and regions. These include the more than 330 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and more than 90 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