Media Release

OCBC Group Reported Third Quarter 2017 Net Profit of S$1.06 billion

Third quarter earnings grew 12% year-on-year driven by broad-based growth across all key markets and businesses

Nine months net profit rose 16% to S$3.11 billion

Singapore, 26 October 2017 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$1.06 billion for the third quarter of 2017 ("3Q17"), 12% above S$943 million a year ago ("3Q16"). The strong performance was driven by sustained momentum across the Group's banking, wealth management and insurance businesses in its key markets of Singapore, Malaysia, Indonesia and Greater China.

Net interest income grew 12% to S$1.38 billion in 3Q17 from S$1.23 billion a year ago, underpinned by asset growth and higher net interest margin ("NIM"). Average customer loans rose 11%, driven by broad-based lending across industries and geographical segments. NIM for the quarter rose by 4 basis points to 1.66%, largely attributable to an increase in the average loans-to-deposits ratio ("LDR") and higher yields from money market placements.

Non-interest income was 1% higher at S$978 million as compared to S$970 million a year ago. Fees and commissions increased 14% to S$488 million, mainly from wealth management, fund management and trade-related income. Wealth management fee income grew 32% year-on-year, partly contributed by the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong ("Barclays WIM") which was acquired in November 2016. Net realised gains from the sale of investment securities increased 55% from a year ago to S$64 million, while net trading income was 27% lower at S$118 million. Profit from life assurance rose 23% to S$201 million as operating profit from Great Eastern Holdings' ("GEH") underlying insurance business grew year-on-year and its investment portfolio achieved positive performance as a result of favourable market conditions.

The Group's share of results of associates of S$127 million was 21% above S$105 million in 3Q16.

Operating expenses for the quarter rose 5% to S$1.00 billion from S$953 million a year ago, largely contributed by an increase in staff costs associated with the inclusion of Barclays WIM. The cost-to-income ratio of 42.4% was lower than 43.2% in 3Q16. Allowances for loans and other assets fell 6% to S$156 million as compared to S$166 million a year ago.

The Group's net profit after tax was 2% lower against the previous quarter ("2Q17"). Net interest income increased 3%, as average customer loans grew 2% and NIM improved by 1 basis point. Non-interest income fell 7% mainly from lower net trading income and profit from life assurance. Reflecting disciplined cost management, operating expenses grew a modest 1% against 2Q17. Net allowances for loans and other assets were 8% lower than the previous quarter.

Nine Months Performance

Net profit after tax for the first nine months of 2017 ("9M17") of S$3.11 billion was 16% higher than S$2.68 billion a year ago ("9M16").

Net interest income grew 5% to S$4.00 billion, led by an 8% increase in average asset volumes that more than offset a 4 basis points decline in NIM. Non-interest income of S$3.00 billion rose 20% from a year ago. Growth across key customer segments drove fee and commission income up 20% to S$1.46 billion. Net trading income was 2% higher at S$417 million, and net gains from the sale of investment securities were up 27% at S$182 million. Profit from life assurance of S$617 million was significantly above S$355 million a year ago, mainly attributable to higher operating profit and positive performance in the investment portfolio as a result of favourable market conditions.

The Group's wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, of S$2.25 billion grew 38% from S$1.63 billion a year ago. As a proportion of the Group's total income, wealth management contributed 32%, higher than 26% in 9M16. Assets under management at OCBC's private banking business rose to US$95 billion (S$129 billion) as at 30 September 2017, a 53% increase from US$62 billion (S$85 billion) a year ago, partially contributed by the acquisition of Barclays WIM.

Operating expenses rose 6% to S$2.97 billion, largely from higher staff-related costs following the acquisition of Barclays WIM. Net allowances for loans and other assets of S$493 million were 17% above S$421 million a year ago.

Income from associates of S$361 million in 9M17 grew 15% from S$314 million a year ago.

Annualised return on equity for 9M17 was 11.4%, higher than 10.5% a year ago. Annualised earnings per share amounted to 98.0 cents, an increase from 85.1 cents a year ago.

Allowances and Asset Quality

Total net allowances for loans and other assets for 3Q17 were S$156 million, comprising specific provisions for loans, net of recoveries and write-backs of S$138 million, portfolio allowances of S$3 million and allowances for other assets of S$15 million. This was lower than S$166 million a year ago and S$169 million in the previous quarter.

Specific allowances for loans for the quarter were higher against both prior periods, and represented an annualised 24 basis points of loans. An increased amount of specific allowances was prudently set aside, driven by a number of restructured accounts which, though continuing to service their repayment obligations, exhibited ongoing weakness and declining collateral valuations.

As at 30 September 2017, total non-performing assets ("NPAs") were S$2.98 billion. New NPA formation was lower quarter-on-quarter. The overall non-performing loans ("NPL") ratio had remained stable at 1.3% since 31 December 2016. Compared to S$2.59 billion a year ago, total NPAs were 15% higher, mainly led by the downgrade of corporate accounts in the oil and gas support services sector, which continued to be under stress. The Group maintained healthy coverage ratios, with total cumulative allowances representing 309% of unsecured NPAs and 101% of total NPAs as at 30 September 2017.

Funding and Capital Position

The Group maintained a strong funding and capital position as at 30 September 2017. Customer loans grew 11% to S$232 billion from S$209 billion a year ago. Current account and savings ("CASA") deposits rose 9% year-on-year and comprised 50.5% of total non-bank deposits. These contributed to the overall increase in customer deposits, which grew 8% to S$268 billion. The LDR was 85.3%, higher as compared to 83.1% in the previous year.

For 3Q17, the average Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang Hong Kong, OCBC Wing Hang Macau and OCBC Yangon which will be included in due course) were 269% and 147% respectively, well above the respective regulatory ratios of 100% and 80%.

The Group's Common Equity Tier 1 capital adequacy ratio ("CAR"), Tier 1 CAR and Total CAR as at 30 September 2017, were 13.1%, 14.0% and 16.2% 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 1.25% as at 1 January 2017, and will be increased by 0.625% each year to reach 2.5% on 1 January 2019. The Group's leverage ratio of 7.6% 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:

"Our strong third quarter earnings demonstrated the quality and continued momentum in each of our banking, wealth management and insurance franchises. Our key markets of Singapore, Malaysia, Indonesia and Greater China have all contributed to our broad-based income growth. Asset quality was stable and healthy coverage ratios were maintained.

Business activities and investments are generally picking up in tandem with regional economic trends and we are well-placed to serve our customers and capture opportunities as they arise. However, we will remain watchful of ongoing geo-political event risks and the continuing stress observed in the oil and gas industry."

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 Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore and the Asia Pacific by The Asian Banker.

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 more than 600 branches and representative offices in 18 countries and regions. These include over 330 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and more than 100 branches and offices in Hong Kong, China and Macao 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