Media Release

OCBC Group First Quarter 2017 Net Profit of S$973 million

First quarter earnings climbed 14% year-on-year and 23% from the previous quarter

Singapore, 9 May 2017 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$973 million for the first quarter of 2017 ("1Q17"). This was 14% above S$856 million a year ago ("1Q16"), and 23% higher than S$789 million in the previous quarter ("4Q16"). The robust year-on-year performance was largely driven by sustained growth in wealth management income, higher profit from insurance operations as well as increased earnings in local currency terms from all of the Group's overseas banking subsidiaries, particularly from Indonesia.

Net interest income of S$1.27 billion for the first quarter was 3% lower as compared to S$1.31 billion a year ago, as higher asset growth was offset by net interest margin compression. Average customer loans grew 5% year-on-year led by broad-based growth across most industry segments and key markets. Net interest margin contracted 13 basis points from 1.75% a year ago to 1.62%, largely attributable to reduced customer loan yields and excess liquidity placed in high quality but lower yielding interbank placements.

The Group's non-interest income rose 30% to S$977 million from S$753 million a year ago. Fee and commission income climbed 29% to S$481 million, led by a 70% rise in wealth management fee income, partly contributed by the acquisition of the former wealth and investment management business of Barclays PLC in Singapore and Hong Kong ("Barclays WIM") in November 2016. Net trading income of S$158 million, predominantly treasury-related income from customer flows, grew 30% from S$122 million last year, while net realised gains from the sale of investment securities rose 10% to S$65 million. Profit from life assurance more than doubled from S$83 million in the preceding year to S$176 million, largely from positive performance in Great Eastern Holdings' ("GEH") investment portfolio as a result of favourable market conditions. GEH continued to deliver strong underlying insurance business growth, with total weighted new sales and new business embedded value increasing 29% and 24% year-on-year respectively.

Overall wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, grew 50% to S$724 million, from S$482 million a year ago. As a proportion of the Group's total income, wealth management contributed 32%, as compared with 23% in 1Q16. OCBC's private banking business continued to grow, as reflected by a significant increase in assets under management to US$85 billion (S$119 billion) as at 31 March 2017, up 49% from US$57 billion (S$77 billion) the previous year, partly contributed by the acquisition of Barclays WIM.

Operating expenses for the quarter rose 5% to S$973 million from S$923 million a year ago, driven by an increase in staff costs partly associated with the consolidation of Barclays WIM. (Excluding the consolidation of Barclays WIM, operating expenses were 3% higher against the previous year). The cost-to-income ratio was 43.3% for the quarter, as compared to 44.8% in 1Q16. Allowances for loans and other assets were unchanged from the prior year at S$168 million.

The Group's annualised return on equity improved to 10.8% from 10.1% in 1Q16, while annualised earnings per share rose to 92.9 cents from 82.2 cents the previous year.

Against the previous quarter ("4Q16"), the Group's net profit after tax rose 23%. Net interest income grew 2% quarter-on-quarter driven by asset growth. As compared with 4Q16, net interest margin declined 1 basis point to 1.62% mainly due to a larger amount of interest income not being recognised on non-performing loans ("NPLs"). Excluding this, net interest margin for the quarter would have been higher by 2 basis points, mainly attributable to better returns from money market placements of our excess funding. Non-interest income rose 5% against the preceding quarter mainly from higher fee income, insurance and trading income. Operating expenses fell 1% against 4Q16 while net allowances for loans and other assets declined 45% against the previous quarter.

Allowances and Asset Quality

Total net allowances for loans and other assets for 1Q17 were S$168 million, as compared to S$167 million a year ago. Specific allowances for loans, net of recoveries and write-backs were S$108 million, as compared with S$99 million a year ago and significantly lower than S$235 million in the preceding quarter. Net specific allowances represented an annualised 20 basis points of loans for the quarter. Additional portfolio allowances of S$39 million were set aside this quarter, while allowances for other assets, mainly investments, were S$21 million.

As at 31 March 2017, total non-performing assets ("NPAs") of S$2.87 billion were slightly lower than S$2.89 billion in 4Q16 but were higher than S$2.22 billion a year ago, mainly from the downgrade of corporate accounts in the oil and gas support services sector, which continued to be under stress as oil prices remained depressed. The overall NPL ratio was 1.3%, unchanged from the previous quarter. Coverage ratios remained healthy and total cumulative allowances covered 297% of unsecured NPAs and 101% of total NPAs at the end of 1Q17.

Funding and Capital Position

The Group's funding and capital position continued to be strong as at 31 March 2017. Customer loans rose 8% to S$225 billion while customer deposits increased 9% to S$265 billion. The growth in customer deposits was driven by an 11% rise in current account and savings ("CASA") deposits to S$132 billion, and the ratio of CASA to total non-bank deposits improved to 49.9% from 49.3% a year ago. The loans-to-deposits ratio was 83.6% compared to 84.7% the previous year. In March 2017, OCBC Bank launched its inaugural EUR 500 million 5-year covered bond offering under the US$10 billion Global Covered Bond Programme, which further broadened the Group's funding base.

For 1Q17, the average Singapore dollar and all-currency liquidity coverage ratios for the Group (excluding OCBC Wing Hang which will be included in due course) were 267% and 143% respectively, higher as compared to 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 31 March 2017, were 13.3%, 14.2% and 16.5% 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 7.7% 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:

"We are pleased to report a rise in first quarter earnings. Our results reflect the underlying strength and diversity of our banking, wealth management and insurance franchise. We achieved broad-based loan growth, grew our private banking AUM, and reported significantly higher fee income. Our Hong Kong, Malaysian and Indonesian banking subsidiaries saw higher year-on-year earnings growth in local currency terms and Great Eastern continued to deliver robust underlying total weighted new sales and new business embedded value growth.

The overall quality of the loan portfolio remained stable. Although the stress in the oil & gas support services sector is continuing, sufficient provisions have been made. We have a strong capital and liquidity position, and launched our maiden Covered Bond Programme which further diversified our funding base.

While we see some sectorial strength in the domestic economy, this is not yet broad-based, and we remain watchful to the persistent headwinds in the operating environment. Our core businesses are resilient, we remain prudent and focused on our strategic priorities, and are well-placed to capture opportunities as they arise".

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 610 branches and representative offices in 18 countries and regions. These include the 340 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 100 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