Media Release

OCBC Group First Quarter 2018 Net Profit up 29% to S$1.11 billion

Return on equity higher at 11.8% compared to 9.6% a year ago

Singapore, 7 May 2018 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a net profit after tax of S$1.11 billion for the first quarter of 2018 ("1Q18"), an increase of 29% from S$861 million a year ago ("1Q17"). The robust year-on-year performance was underpinned by strong net interest income growth, higher wealth management income, lower allowances and increased contributions from the Group's overseas banking subsidiaries.

Net interest income for the first quarter grew 11% to S$1.42 billion from S$1.27 billion a year ago, underscored by strong asset growth and increased net interest margin. Average customer loans grew 10% year-on-year, driven by broad-based growth across key industries and geographical segments. Net interest margin rose 5 basis points to 1.67% from 1.62% a year ago, attributable to improved customer loan yields, higher gapping income from money market placements and a rise in the average loans-to-deposits ratio.

Non-interest income was 8% higher at S$918 million as compared to S$850 million a year ago. Fee and commission income increased 11% to S$536 million, led by a 19% rise in wealth management fee income. Higher income from brokerage, fund management and loan-related activities also contributed to the strong fee income growth. Net trading income of S$94 million declined from S$158 million a year ago, attributed to lower treasury income whereas income from customer-related flows increased. Net realised gains from the sale of investment securities was lower at S$8 million for the quarter. Profit from life assurance was significantly higher at S$166 million from S$49 million in the prior year. Great Eastern Holdings' ("GEH") total weighted new sales and new business embedded value were S$231 million and S$101 million respectively, and new business embedded value margin rose to 43.6% from 39.6% a year ago.

The Group's overall wealth management income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, grew 22% to S$727 million, from S$597 million a year ago. Bank of Singapore's assets under management increased 19% to US$102 billion (S$133 billion) as at 31 March 2018, from US$85 billion (S$119 billion) of the previous year. As a proportion of the Group's total income, wealth management income which included income from insurance operations, contributed 31%, up from 28% a year ago.

Operating expenses for the quarter rose 6% to S$1.03 billion from S$973 million a year ago, largely driven by a rise in staff costs. The Group's cost-to-income ratio fell from 45.9% to 44.2%, as a result of strong income growth and effective cost management. With year-on-year income growth of 10% exceeding the 6% increase in expenses, operating profit before allowances rose 13% to S$1.30 billion. Allowances for loans and other assets were S$12 million, below S$168 million the prior year.

The Group's share of results of associates was S$125 million, up 9% from S$114 million in 1Q17.

Against the previous quarter ("4Q17"), the Group's net profit after tax rose 8%.

The Group's annualised return on equity increased to 11.8% from 9.6% in 1Q17, and annualised earnings per share likewise increased to 107.3 cents from 82.1 cents a year ago.

Allowances and Asset Quality

Total allowances for loans and other assets for 1Q18 were S$12 million, significantly lower as compared to S$178 million in the preceding quarter and S$168 million a year ago, as the prior periods included allowances set aside for corporate accounts in the offshore support services and vessels sector.

The Group's asset quality remained healthy. As at 31 March 2018, total non-performing assets of S$3.45 billion were slightly below S$3.47 billion of the quarter before. The non-performing loans ratio fell to 1.4% from 1.5% as at 31 December 2017.

Funding and Capital Position

The Group continued to maintain a strong funding and capital position. As at 31 March 2018, customer loans rose 10% to S$247 billion while customer deposits increased 9% to S$289 billion from a year ago. Current account and savings ("CASA") deposits rose 3% year-on-year to S$136 billion and represented 47.1% of total non-bank deposits. The loans-to-deposits ratio stood at 84.4% as at 31 March 2018, compared to 83.6% the previous year.

For 1Q18, the average Singapore dollar and all-currency liquidity coverage ratios for the Group were 230% and 149% respectively, well above the respective regulatory ratios of 100% and 80%. The net stable funding ratio of 106% was higher than the minimum regulatory requirement of 100%.

Based on Basel III rules which came into full effect on 1 January 2018, the Group's Common Equity Tier 1 capital adequacy ratio ("CAR"), Tier 1 CAR and Total CAR as at 31 March 2018, were 13.1%, 14.2% and 15.8% respectively. 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% have been phased in from 2016 and will be fully implemented in 2019. The CCB was 1.875% as at 1 January 2018, and will be increased by 0.625% to reach 2.5% on 1 January 2019. The Group's leverage ratio of 7.0% was better than the 3% minimum requirement as guided by the Basel Committee.

Impact of Major Accounting Changes

With effect from 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange are required to apply a new financial reporting framework, Singapore Financial Reporting Standards (International) (“SFRS(I)”), to achieve full convergence with the International Financial Reporting Standards (“IFRS”).

The major accounting standards impacting OCBC are SFRS(I) 1 *First-time Adoption of Financial Reporting Standards (International)* and SFRS(I) 9 *Financial Instruments*.

The Group adopted the new financial reporting framework and applied all SFRS(I) with 1 January 2017 as the date of transition, and SFRS(I) 9, with 1 January 2018 as the date of transition.

The Group elected the optional exemption to reset its cumulative foreign currency translation reserves (“FCTR”) for all foreign operations to nil at the date of transition on 1 January 2017, as permitted under SFRS(I).

SFRS(I) 9 requires banks to measure credit loss allowances for financial assets according to a three-stage expected credit loss (“ECL”) impairment model. The change in ECL balances between periods would be recognised in profit or loss. Credit loss allowances for loans classified under Stages 1 and 2 are recognised as ‘allowances for non-impaired loans’, similar in concept to ‘portfolio allowances’ previously. For loans classified under Stage 3, credit loss allowances are reflected as ‘allowances for impaired loans’, similar in concept to what was previously classified as ‘specific allowances’. Under the revised MAS 612 requirement, the Group is required to maintain a minimum regulatory loss allowance (“MRLA”) of 1% on non-credit impaired non-bank exposures net of eligible collaterals. Where Stage 1 and 2 ECL balances are below the MRLA, the Group will maintain the difference in a regulatory loss allowance reserve (“RLAR”) account through the appropriation of Revenue Reserves.

For comparability to industry practices, GEH has changed its basis for the preparation of the financial statements from fund accounting basis to enterprise wide accounting basis, and aligned its income recognition policy with SFRS(I). 2017 comparatives were required to be restated for this accounting policy change.

More details on the impact of adopting the new accounting policies can be found in the accompanying Group Financial Report.

CEO's Comments

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

"We are pleased to report a robust set of results for the first quarter, underscored by the strong momentum of our well-diversified franchise of banking, wealth management and insurance. The Group's income growth was broad-based, loan growth was sustained, assets under management growth continued and allowances were much lower. Our Hong Kong, Malaysian and Indonesian banking subsidiaries also reported higher year-on-year earnings.

The overall quality of the loan portfolio was sound, with the NPL ratio improved from the previous quarter. The Group continued to maintain its strong liquidity and capital position.

Business sentiments have been positive, but we remain vigilant to geo-political events including increased global trade tensions and the effects of higher interest rates on investment activities and the overall economy. We will remain focused on our strategy of deepening and growing the Group's key markets and network to support our customers."

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 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 590 branches and representative offices in 18 countries and regions. These include over 320 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.