

---

## Media Release

### **OCBC Group Reported 12% Year-on-Year Increase in Third Quarter 2018 Net Profit to a Record S\$1.25 billion**

*Third quarter earnings driven by a 23% rise in profit from banking operations  
Nine months net profit rose 18% to S\$3.57 billion*

Singapore, 1 November 2018 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported a net profit after tax of S\$1.25 billion for the third quarter of 2018 (“3Q18”), an increase of 12% from S\$1.11 billion a year ago (“3Q17”), and up 3% from S\$1.21 billion in the previous quarter (“2Q18”). Annualised return on equity in the third quarter rose to 12.6% from 11.9% a year ago.

Net interest income in the third quarter grew 9% to S\$1.51 billion from S\$1.38 billion a year ago. This was led by broad-based growth in customer loans of 10% and a 6 basis points rise in net interest margin (“NIM”) to 1.72%. The increase in NIM was driven by improved margins in Singapore, Malaysia and Greater China, and a higher average loans-to-deposits ratio.

Non-interest income for 3Q18 was S\$1.04 billion, relatively unchanged from a year ago. Fee and commission income grew 3% to S\$502 million, underpinned by higher wealth management, loan and trade-related fees. Net trading income, mainly comprising treasury-related income from customer flows, rose 80% to S\$213 million, while net realised gains from the sale of investment securities of S\$4 million were below S\$64 million reported in the previous year. Profit from life assurance of S\$184 million was lower than S\$253 million reported in 3Q17 as the prior year’s results included higher mark-to-market gains from a more favourable market condition a year ago. Great Eastern Holdings’ (“GEH”) total weighted new sales rose 14% year-on-year to S\$347 million, mainly driven by a higher proportion of sales in single premium products in Singapore. New business embedded value (“NBEV”) was lower at S\$121 million as compared to S\$125 million in the previous year, as single premium products typically carry a lower NBEV margin.

Operating expenses of S\$1.07 billion were 7% higher than S\$1.00 billion in 3Q17, mainly from an increase in staff costs associated with annual base salary increments and a rise in expenses linked to business volume growth. Allowances for loans and other assets were lower at S\$49 million as compared to S\$156 million a year ago.

The Group’s share of results of associates increased 6% to S\$134 million.

Against the previous quarter, the Group's net profit after tax rose 3%. Net interest income grew 4% from 2Q18, driven by customer loan growth and a 5 basis points increase in NIM as higher asset yields outpaced the rise in funding costs. Non-interest income rose 1% quarter-on-quarter, largely from an increase in net trading income while fees and commissions and insurance income were lower as compared to 2Q18. Wealth management fee income of S\$217 million in 3Q18 was slightly below S\$223 million in the previous quarter, as weak market sentiment impacted customer investment activities. Despite the subdued market conditions, our private banking unit continued to record higher net new money inflows year-on-year and quarter-on-quarter. As a result, private banking assets under management ("AUM") increased to a record high of US\$105 billion. Expenses rose 3% from a quarter ago, while the cost-to-income ratio ("CIR") remained stable at 42.0%. Allowances of S\$49 million were higher than the low base of S\$21 million in 2Q18.

### **Nine Months Performance**

The Group reported a net profit after tax for the first nine months of 2018 ("9M18") of S\$3.57 billion, an increase of 18% from S\$3.01 billion a year ago ("9M17").

Net interest income rose 9% to S\$4.37 billion from S\$4.00 billion in 9M17, driven by a 10% increase in average loans and a 5 basis points rise in NIM. Non-interest income grew 3% to S\$2.98 billion from S\$2.89 billion a year ago. Fee and commission income increased 7% to S\$1.56 billion, led by growth in wealth management, fund management, credit card, loan and trade-related fees. Net trading income was up 20% at S\$499 million, while net gains from the sale of investment securities were S\$14 million, lower than S\$182 million reported in the previous year. Profit from life assurance increased 9% year-on-year to S\$540 million.

The Group's overall wealth management-related income, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose 5% year-on-year to S\$2.24 billion, as compared to S\$2.13 billion a year ago. Wealth management contributed 30% of the Group's total income. AUM at Bank of Singapore as at 30 September 2018 increased 11% to US\$105 billion (S\$144 billion) from US\$95 billion (S\$129 billion) a year ago and rose 3% from US\$102 billion (S\$139 billion) in the previous quarter, driven by sustained net new money inflows.

Operating expenses were 6% higher at S\$3.14 billion, while the Group's CIR improved to 42.7% from 43.1% in 9M17. Net allowances for loans and other assets were S\$83 million, significantly lower than the S\$493 million that was set aside in the previous year largely for corporate accounts in the oil and gas support vessels and services sector.

The share of profits from associates was S\$371 million in 9M18, an increase of 3% from S\$361 million a year ago.

Annualised return on equity for 9M18 was 12.3%, higher as compared to 11.0% a year ago. Annualised earnings per share rose to S\$1.13 from S\$0.95 in 9M17.

---

### **Allowances and Asset Quality**

3Q18 total allowances for loans and other assets of S\$49 million were higher than the low base of S\$21 million in the previous quarter. This was substantially lower as compared to S\$156 million in 3Q17, which was mainly related to corporate accounts in the oil and gas support vessels and services sector.

The overall asset quality of the loan portfolio remained sound. Total non-performing assets were S\$3.59 billion as at 30 September 2018 as compared to S\$3.51 billion in the previous quarter, and the non-performing loans ratio was flat quarter-on-quarter at 1.4%.

### **Funding and Capital Position**

The Group's funding and capital position continued to be strong. As at 30 September 2018, customer loans were S\$257 billion, 10% higher than the previous year, while customer deposits rose 7% year-on-year to S\$287 billion. Current account and savings ("CASA") deposits represented 47.5% of total non-bank deposits and were slightly below 47.7% in 2Q18 as there was some migration of CASA balances to fixed deposits and structured products including single premium products offered by GEH during the quarter. Loans-to-deposits ratio was higher at 88.5% as compared to 85.3% a year ago.

For 3Q18, the average Singapore dollar and all-currency liquidity coverage ratios for the Group were 232% and 130% respectively, while the net stable funding ratio was 108%.

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 30 September 2018 were 13.6%, 14.4% and 16.1% respectively. The Group's leverage ratio was 7.1% as at 30 September 2018.

These regulatory ratios were all above their respective regulatory requirements.

## **CEO's Comments**

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

“Our performance underscored the competitive strength and quality of our banking, wealth management and insurance franchise in the region. Record quarterly and year to date net profit were achieved through improved NIM, continued loan growth, higher non-interest income, and continued cost management discipline. Profit contributions from our key markets of Singapore, Malaysia, Indonesia and Greater China were higher than the prior year. Our technology and digital investments have strongly contributed to our franchise expansion, the deepening of relationships and the increase in customer loyalty. Despite the weakened regional market sentiments as a result of global trade tensions, the growth in our wealth management franchise continued, with sustained net new money inflows that drove our assets under management to an all-time high. The overall quality of the loan portfolio remained stable and sound, while our capital ratios were further strengthened.

As we remain alert to developments in the global economy and financial markets, our strong liquidity and capital base will position us well for prudent and sustainable growth.”

## 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 more than 570 branches and representative offices in 18 countries and regions. These include over 310 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](http://www.ocbc.com).