Media Release

OCBC Group Half Year 2019 Net Profit Rose 6% Year-on-Year to a Record S$2.45 billion

Second quarter profit from banking operations up 7% from a year ago to a new high

Singapore, 2 August 2019 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") reported a 6% rise in net profit after tax to a new high of S$2.45 billion for the first half of 2019 ("1H19"), driven by earnings growth across the Group's banking and insurance business.

For the second quarter ended 30 June 2019 ("2Q19"), net profit increased 1% to S$1.22 billion from S$1.21 billion reported a year ago ("2Q18"). This was attributed to record earnings from the Group's banking franchise which more than offset lower income contributions from the Group's insurance subsidiary Great Eastern Holdings ("GEH"). Net interest income for 2Q19 grew 10% year-on-year to a new high of S$1.59 billion, largely driven by a 4% increase in customer loans and a rise in net interest margin ("NIM") of 12 basis points to 1.79%, attributed to increased asset yields in Singapore, Hong Kong and China.

Non-interest income for the quarter of S$1.03 billion was 1% above S$1.02 billion a year ago, despite a 26% decrease in life insurance profit from GEH attributed to a decline in the discount rate used to value long-term insurance contract liabilities, which was partly offset by better investment performance. Wealth management fees rose 8% to their highest level in five quarters and drove the Group's net fees and commissions to S$522 million. Net trading income of S$193 million, comprising primarily of treasury-related income from customer flows, was slightly above S$192 million a year ago. Net realised gains from the sale of investment securities were S$48 million, higher than S$2 million in 2Q18.

Operating expenses from the Group's banking operations rose 7% to S$1.08 billion, mainly from higher staff-related costs associated with annual salary increments and a rise in headcount to support business needs. For the Group, operating expenses were up 11% at S$1.15 billion from S$1.04 billion in 2Q18, which included an expense accrual reversal a year ago. The cost-to-income ratio ("CIR") for the quarter was 44.0%. Net allowances for loans and other assets were S$111 million in 2Q19.

The Group's share of results of associates grew 30% to S$146 million from S$112 million in 2Q18.

Against the previous quarter ("1Q19"), the Group's net profit was relatively unchanged but profit from banking operations increased over 15%. Net interest income rose 4% quarter-on-quarter, driven by loan growth and a 3 basis points increase in NIM. Non-interest income fell 10% despite a 5% rise in fee income, attributed to a decrease in life insurance profit as a result of a decline in the discount rate used to value long-term insurance contract liabilities. Operating expenses were up 5% quarter-on-quarter, largely due to higher staff costs. Net allowances for loans and other assets fell 56% to S$111 million from S$249 million in 1Q19.

First Half Performance

The Group delivered a record net profit after tax for 1H19 of S$2.45 billion, an increase of 6% over S$2.32 billion a year ago ("1H18").

Net interest income rose 9% to S$3.12 billion from S$2.87 billion in 1H18, led by loan growth and an 11 basis points increase in NIM as higher asset yields outpaced the rise in funding costs. Non-interest income grew 12% year-on-year to S$2.17 billion from both banking and insurance operations. Net fee and commission income fell 4% to S$1.02 billion, while net trading income of S$478 million was significantly above S$286 million in 1H18. Net gains from the sale of investment securities were higher year-on-year at S$82 million and insurance income increased 6% to S$464 million.

The Group's overall income from wealth management activities, comprising income from insurance, private banking, asset management, stockbroking and other wealth management products, rose 12% to S$1.67 billion, from S$1.49 billion a year ago. The wealth management franchise contributed 32% to the Group's total income as compared with 31% in 1H18. Assets under management ("AUM") at Bank of Singapore increased 9% year-on-year, underpinned by continued net new money inflows, to a new high of US$111 billion (S$151 billion) as at 30 June 2019.

CIR of 42.4% improved from 43.0% in the previous year. Operating expenses of S$2.25 billion were 9% higher than a year ago mainly attributed to higher staff costs.

Share of profits from associates grew 33% to S$316 million from S$237 million a year ago.

Annualised return on equity was 11.7% for 1H19, as compared to 11.5% for the full year of 2018 ("FY18"). Annualised earnings per share rose to S$1.15, higher than S$1.06 for FY18.

Allowances and Asset Quality

The overall asset quality of the Group's loan portfolio continued to be sound. As at 30 June 2019, total non-performing assets decreased slightly to S$3.91 billion from S$3.92 billion in the previous quarter. The non-performing loans ratio remained stable quarter-on-quarter at 1.5%.

Net allowances for loans and other assets declined 56% from the previous quarter to S$111 million in 2Q19. These mainly comprised allowances for impaired loans of S$93 million, which were lower than S$231 million in 1Q19, as well as allowances for non-impaired loans of S$18 million.

Total loan allowances for the quarter were 15 basis points of loans on an annualised basis, down from 35 basis points in 1Q19.

Funding and Capital Position

The Group's funding and capital position remained strong. Customer loans grew 4% year-on-year to S$263 billion as at 30 June 2019. Customer deposits increased 2% to S$297 billion, led by a 3% rise in current account and savings deposits which represented 47.9% of total non-bank deposits. The Group's loans-to-deposits ratio was higher at 87.6% as compared to 85.9% a year ago.

The average Singapore dollar and all-currency liquidity coverage ratios for the Group in 2Q19 were 255% and 151% respectively, while the net stable funding ratio was 109%.

As at 30 June 2019, the Group's Common Equity Tier 1 capital adequacy ratio ("CAR"), Tier 1 CAR and Total CAR were 14.4%, 15.1% and 16.8% respectively, higher than the corresponding ratios of 13.2%, 14.3% and 15.9% from a year ago. The Group's leverage ratio was 7.5%.

These regulatory ratios were all above their respective regulatory requirements.

Interim Dividend

An interim dividend of 25 cents per share has been declared for the first half of 2019, 25% or 5 cents higher than the 20 cents interim dividend declared a year ago. The interim dividend payout will amount to approximately S$1.08 billion, representing 44% of the Group's 1H19 net profit after tax.

The Scrip Dividend Scheme will be applicable to the interim dividend, giving shareholders the option to receive the dividend in the form of shares. The issue price of the shares will be set at a 10% discount to the average of the daily volume weighted average prices during the price determination period from 15 August to 16 August 2019, both dates inclusive.

CEO's Comments

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

"We are pleased to report another strong quarterly performance. Loan growth was sustained and NIM continued to improve. Fee income rose quarter-on-quarter, led by higher wealth management fees, with our private banking AUM climbing to new levels. While economic growth in our key markets is slowing, our healthy capital, funding and liquidity position will allow us to comfortably navigate the challenging operating environment and pursue our long-term growth strategy. This also gives us the flexibility to capitalise on market expansion opportunities as they arise.

We are also pleased to declare an increase in the interim dividend to reflect continued confidence in our business and reward our shareholders for their loyal support, while providing them the opportunity to participate in the continued growth of OCBC via the Scrip Dividend Scheme."

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 19 countries and regions. These include about 300 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 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.