The OCBC brand today stands for safety and strength. We are one of the best capitalised banks globally and are among the select few banks in the world to have maintained AA credit ratings. Bloomberg Markets magazine has also ranked us as the world's strongest bank for the second consecutive year. With the competitive advantages inherent in a strong brand, we enter the new year with confidence.

2012 was a challenging year for the industry, characterised by uncertain and volatile financial markets. The pace of recovery in the United States, the heightened concerns about a sovereign debt-crisis in Europe and slowing growth in emerging economies weighed heavily on the global economy, even as the regulatory environment for financial institutions became increasingly demanding.

Despite the difficult operating environment, we achieved record earnings through business growth and effective risk management. We took measured steps to strengthen our balance sheet, as reflected in strong capital ratios, a high level of liquidity and sound asset quality.

PERFORMANCE REVIEW

We are pleased to report record results for the financial year 2012, driven by a combination of record net interest income, fee income, net trading income as well as significantly higher insurance income contributions. Our Group net profit after tax grew by 73% to S$3.99 billion, compared to S$2.31 billion in 2011. Excluding the gains from the divestment of our non-core assets, our core net profit after tax rose 24% to S$2.83 billion. Based on core earnings, our return on equity improved to 12.5% from 11.1%, while our earnings per share rose 22% to 79.1 cents from 64.8 cents in 2011.

Net interest income grew 10% to S$3.75 billion, breaking the previous year's record of S$3.41 billion. This was the result of robust asset growth, partly reduced by a 9 basis-point decline in net interest margin due to the continued low interest rate environment, limited gapping opportunities and the re-pricing of mortgage loans in response to market competition. Our average balance of non-bank customer loans grew 15% year-on-year across various industry sectors in Singapore and key overseas markets.

Non-interest income, excluding divestment gains, rose 31% to S$2.90 billion, up from S$2.21 billion a year ago, underpinned by higher fees and commissions, strong trading gains and an increase in insurance income. Wealth management, loan-related and trade-related income growth produced record fees and commissions of S$1.20 billion. Net trading income increased to S$515 million, as compared to S$217 million in 2011, largely from securities and derivatives trading. Profit from life assurance enjoyed healthy gains, rising 81% to S$692 million from S$383 million a year ago, boosted by strong investment performance and higher underwriting profits. During the year, the Group reported divestment gains of S$1.32 billion (S$1.17 billion post-tax), primarily from the sale of its stakes in Fraser and Neave, Limited ("F&N") and Asia Pacific Breweries Limited ("APB").

Against total core income of S$6.65 billion, which grew 18%, our operating expenses rose 11% to S$2.70 billion from S$2.43 billion the previous year. Total staff cost increased 14% to S$1.65 billion, on account of higher base salaries and incentive compensation associated with strong business volumes. Staff strength grew 8% to support business growth, with over half of the increase coming from our overseas markets. Cost-to-income ratio (excluding divestment gains) improved to 40.6% from 43.2% a year ago, as core income growth outpaced the increase in expenses. Operating profit rose 24% to S$3.95 billion.

The Group's asset quality improved and coverage ratios remained strong. The non-performing loan ratio improved to 0.8% from 0.9%, with total cumulative allowances representing 142% of non-performing assets (which include assets other than loans), as compared to 107% a year ago. Net allowances of S$271 million were 23% higher against S$221 million in 2011.

We remain one of the best capitalised banks in the world, with Tier 1 and total adequacy ratios of 16.6% and 18.5% respectively, as of 31 December 2012. These ratios were higher than the levels in 2011 and well above the regulatory minima of 6% and 10% respectively. Our Core Tier 1 ratio, which excludes Tier 1 preference shares, rose to 12.8% from 11.4% the previous year.

Our key subsidiaries contributed positively to the Group's overall results. Great Eastern Holdings reported a net profit after tax for the year of S$1.19 billion, which included divestment gains of S$422 million from the sale of its stakes in F&N and APB. Excluding the divestment gains, net profit was a record S$768 million, considerably higher than 2011's S$386 million, thanks to robust growth in underwriting profit, higher net investment income and bigger mark-to-market gains. Great Eastern Holdings' underlying insurance business continued to register sound growth, with new

business weighted premiums increasing 5% from a year ago, led by increased demand for regular premium products. The Group's bancassurance channel also reported strong growth across our key markets, benefiting from our focus on close collaboration within the Group. Great Eastern Holdings' contribution to the Group's core net profit after tax, excluding divestment gains and after deducting amortisation of intangible assets and non-controlling interests, grew 109% to S$622 million, from S$297 million in 2011, representing 22% of the Group's full year core earnings.

OCBC Bank (Malaysia) Berhad reported a 4% increase in full year net profit to MYR811 million (S$328 million). Broad-based revenue growth was underpinned by a 2% increase in net interest income, robust Islamic Financing income growth of 34% and a 12% rise in non-interest income. Expenses grew 14% as compared to the previous year, and net allowances fell 13%. Loans grew 12% year-on-year, while the NPL ratio improved to 2.1% from 2.6% a year ago.

Bank OCBC NISP's net profit grew 22% to IDR915 billion (S$122 million) from IDR753 billion (S$108 million) a year ago. Net interest income rose 14% from 2011, underpinned by broad-based loan growth of 28%, while non-interest income was 28% higher year-on-year. Expenses increased 14% for the year, and net allowances were up 17%. Asset quality remained healthy, with the NPL ratio improving to 0.9% from 1.3% a year ago, and the coverage ratio in excess of 200%.

Bank of Singapore continued its strong growth momentum, with assets under management ("AUM") rising 35% to US$43 billion (S$52 billion), from US$32 billion (S$41 billion) in 2011. Its earnings assets base, which includes loans, increased 31% to US$52 billion (S$63 billion) as compared to US$40 billion (S$52 billion) a year ago. Broad-based asset growth was achieved across its major markets in Asia and the Indian subcontinent, and it was particularly successful in attracting substantial assets from new customers in Europe and the Middle East.

In addition to this year's financial performance, we are particularly proud to have been named as

- World's Strongest Bank: Bloomberg Markets
- One of the World's 50 Safest Banks: Global Finance
- Bank of the Year 2012, Singapore: The Banker
- Best Managed Board (Market Capitalisation of S$1 billion & above) – Gold Award: Singapore Corporate Awards

DIVIDENDS

The Board places strong emphasis on providing investors with a steady and predictable dividend stream, at the same time enhancing long-term returns to shareholders through re-investing divestment proceeds into core banking activities after capital requirements have been taken into account. Consistent with this approach, the Board has recommended a final tax-exempt dividend of 17 cents per share, bringing the full year 2012 dividend to 33 cents, an increase from the previous year's 30 cents. This translates to a 40% payout ratio.

BEYOND THE NEW HORIZON

The financial services industry has undergone significant transformation in the post-crisis years. As we position for future growth beyond the new horizon, we will stay focused on serving our customers. We strongly believe that our strategy of deepening customer relationships, expanding our regional presence in countries with higher growth economies, developing our people and deriving greater strategic value from the Group franchise and joint venture investments will reap higher sustainable returns for our shareholders.

Staying focused on customers

Serving our customers is at the heart of our business and we work hard to build strong and deep relationships with them. With the market becoming increasingly more sophisticated and as their financial needs evolve, we must listen and understand what matters most to them, and constantly explore better ways to deliver superior service and a differentiated experience.

We were the first bank in Singapore to offer full service Sunday Banking. With 20 Sunday Banking branches islandwide, we offer the widest weekend banking network in Singapore. We celebrated our sixth anniversary of Sunday Banking by improving the Sunday banking experience for our customers, which included branch makeovers and an expanded range of children's activities. Our award-winning "FRANK by OCBC" programme, launched in 2011 and designed for the Gen-Y customer segment – youths and young working adults – opened its fourth store this year. In Malaysia, as part of our efforts to achieve greater customer outreach, OCBC Al-Amin unveiled the country's first standalone seven-day-a-week Islamic banking branches offering extended evening operating hours. A pioneer of mobile phone banking and trading applications in Singapore, we continued to improve our online and mobile banking platforms in order to offer a better customer experience. We have also made significant strides in simplifying the way our documents are presented to customers.

The Group cemented its number one position in bancassurance market share in Singapore, as we continued our highly successful collaboration with our insurance subsidiary, Great Eastern Holdings. We unveiled the Mortgage Protector Advantage plan, unique in Singapore as the only mortgage insurance plan with a refundable premium feature. Another innovative product introduced was the *CashFlo* credit card, the first automated instalment payment card in Singapore. We continued to deepen our successful partnership with the National Trades Union Congress ("NTUC"). In collaboration with NTUC Link and NTUC Fairprice, the largest supermarket chain in Singapore, we re-launched our highly successful and popular *Plus!* credit cards and opened more than 100,000 new accounts during the year. Further complementing the broad range of financial services and products offered to NTUC union members and the wider community was the opening of our second *Plus!* Lite branch within the FairPrice Xtra hypermarket at Changi Business Park. For corporate customers, we launched our Community Banking proposition, offering enterprises in Singapore a unique set of banking services tailored to their stage of growth. As a leading provider of cash management services in Singapore and Malaysia, we continue to deliver new products and services to our customers.

In Singapore, we introduced several innovative products such as integrated renminbi trade solutions, while in Malaysia we rolled out *OCBC SME Access*, a current account bundled with cash management solutions that offers small and medium enterprises attractive rates as well as the convenience of 24-hour account access.

Growing and strengthening the Group's reach and capability

The unique strength of our Group's franchise has been a defining feature of OCBC's ongoing success that differentiates us from the competition. We will continue to deepen our presence and capability in Malaysia, Indonesia and Greater China, while pursuing opportunities in other markets.

OCBC Malaysia has maintained its position as one of the country's leading foreign banks by assets, loans and deposits. We have one of the largest networks among the foreign banks and we continue to expand our reach to provide greater convenience to our customers. During the year, we opened 4 branches, including 3 OCBC Al-Amin Bank *Xpres* branches, which were the first standalone Islamic banking branches in Malaysia to operate till 10pm daily, seven days a week.

Indonesia performed strongly as we widened our capabilities in wholesale corporate banking, grew the emerging business segment, and drove branch network performance to a higher level of efficiency. To meet the growing financial needs of customers, we are also leveraging our network to expand the wealth management platform; towards this end, we have developed a wide suite of bancassurance products in partnership with Great Eastern Holdings. During the year, we acquired an 80% stake in PT Transasia Securities, a securities brokerage business, to create an added platform for our expanding wealth management franchise in Indonesia.

In China, we are now represented in 8 cities, with a network of 16 branches and sub-branches, well-placed to bridge the increasing business opportunities between China and the region. We established a China Business Office in Singapore to support our Chinese customers as they venture into Singapore and the region, facilitating their cross-border trade, treasury and capital flows, and investment banking activities. Within Greater China (including Hong Kong and Taiwan), we have significantly expanded our corporate and wealth management customer base. As renminbi internationalisation continues, we expanded the scope of our banking solutions to meet customer demands. We will take full advantage of our strategic partnerships with Bank of Ningbo and Avic Trust in areas such as new product development and cross-border collaboration. Greater China is a major focus for us as we extend our reach in higher growth economies. Our earnings from Greater China grew 35% from a year ago and we expect to record an increasingly higher proportion of overseas earnings from our Greater China customers.

Elsewhere in ASEAN, we are actively reviewing emerging opportunities within the broader Indo-China region. We are particularly positive on the economic potential of Myanmar. Given the growing economic and trade links between Singapore and Myanmar, we are well-positioned to offer a range of banking services as our customers' needs evolve.

To capture the growing movement of wealth, trade and capital flows at home and abroad, we will continue to put to best use our network and full range of universal banking services. As our customers expand globally, we align ourselves internally to serve them as a single relationship across markets. There has been a substantial increase in business as a result. We are also expanding the scale and capabilities of our corporate finance and capital markets teams to offer a better product proposition.

It is useful to stress the utmost importance we place on extracting value that comes from collaboration within the Group. Synergies from closer collaboration between various parts of the Group will continue to bring benefits to both the Group and customers. In addition, our relentless efforts in streamlining processes and investing in new technology have continued to generate significant productivity and efficiency gains. During the year, we completed the deployment of a new core banking system in Malaysia, which moved us closer towards our objective of having a common banking platform across Singapore and Malaysia. This is scheduled for implementation in the third quarter of 2013. We have also introduced a common risk management platform in China and Hong Kong, enhanced security measures for credit cards and online banking transactions, and introduced an automated credit and debit card approval system that reduced approval times by as much as 85%. On top of the productivity and efficiency gains, these efforts have further enhanced the customer experience in banking with us.

Investing in our people

We recognise that it is our people who contribute to the Group's success; after all, banking is all about people. We are united by our core values, which foster a culture of collaboration across the Group's geographies and businesses. Our high levels of employee engagement scores exceed benchmarks, a proof of our commitment to making OCBC an employer of choice where people can realise their full potential. A key area of focus is the identification and development of talent. We expanded our talent management programmes, focusing on aligning leadership development with business needs. Our learning and development programme will be given a significant boost with the opening of the OCBC Campus in the first half of 2013. This city campus, a first for a Singapore financial institution, will centralise our Group-wide learning facilities, serving also as a platform for our employees to learn and exchange ideas. As part of our ongoing work-life balance initiatives, we introduced the Primary School Leaving Examination Leave Accommodation and Career Break schemes, the first bank in Singapore to do so. Similar schemes will be introduced to other Group entities over time.

Corporate Social Responsibility

We have expanded our staff volunteer programme to allow our people to reach out further into the community. In addition to supporting under-privileged children, the programme has been extended to cover families, education, the environment and humanitarian efforts. Employees are now able to take one working day off a year to participate in volunteer activities. With these changes, our employees' community work participation rates in Singapore have risen. This year 1,600 employees volunteered in community work programmes with a combined total of 8,000 work hours recorded. This participation rate was much higher than 2011, when 600 employees put in 1,300 hours of volunteer community work.

LOOKING AHEAD WITH CONFIDENCE

Entering 2013, we expect the global economy to post low-to-moderate growth. While the US economy is showing mixed signals of a mild recovery, the deep-seated problems in Europe are unlikely to be resolved in the near-term. China has recently shown signs of steady growth resuming at the 8% level. South East Asia, including Singapore, Malaysia and Indonesia, is expected to see slightly higher growth this year from more resilient domestic demand and satisfactory economic fundamentals. Interest rates are expected to remain low, with major central banks anticipated to maintain liberal monetary policies. Regulatory requirements, particularly in the areas relating to capital, funding and liquidity, will increase, and the financial sector will consequently face higher regulatory and compliance costs.

While the outlook continues to be challenging, our financial strength and diversified business give us the flexibility and clear competitive advantage to gain market share and pursue new opportunities. In all our efforts, we will be mindful to keep a sound balance between organic and inorganic growth – whether geographic or business-driven – and maintain a prudent approach to risk, while ensuring that our infrastructure, particularly the robustness of our technology platforms, are able to fully support growth.

We are confident that we are well-placed to deliver superior value to our customers, shareholders and employees in the year ahead.

ACKNOWLEDGEMENTS

In closing, we would like to thank our Board members for their advice and guidance during the year. Our heartfelt thanks also go to our dedicated staff and management for their untiring efforts in serving our customers. Most of all, we wish to express our deep appreciation to all our customers and shareholders for their loyalty, trust and support.

CHEONG CHOONG KONG
Chairman

15 February 2013

SAMUEL N. TSIEN
Group Chief Executive Officer