

First Quarter 2022 Results Press Release

OCBC Group First Quarter 2022 Net Profit rose 39% from the previous quarter to S\$1.36 billion

Singapore, 29 April 2022 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported its financial results for the first quarter of 2022 (“1Q22”). Group net profit for 1Q22 of S\$1.36 billion was 39% higher as compared to S\$973 million in the preceding quarter (“4Q21”), and down 10% from S\$1.50 billion a year ago (“1Q21”).

First Quarter 2022 Performance

S\$ million	1Q22	1Q21	YoY (%)	4Q21	QoQ (%)
Net interest income	1,503	1,441	4	1,492	1
Non-interest income	1,140	1,473	(23)	1,058	8
<i>of which: Fees and commissions</i>	522	585	(11)	528	(1)
<i>Trading income</i>	225	316	(29)	152	48
<i>Profit from life insurance</i>	277	422	(34)	248	12
Total income	2,643	2,914	(9)	2,550	4
Operating expenses	(1,205)	(1,149)	5	(1,289)	(7)
Associates	254	209	22	198	29
Operating profit before allowances	1,692	1,974	(14)	1,459	16
Allowances	(44)	(161)	(73)	(317)	(86)
Amortisation, tax and NCI	(292)	(312)	(6)	(169)	73
Group net profit	1,356	1,501	(10)	973	39
Group ROE - annualised	10.6%	12.4%	-1.8ppt	7.5%	+3.1ppt

1Q22 Quarter-on-Quarter Performance

- Group net profit of S\$1.36 billion increased 39%, largely driven by a rise in operating profit and lower allowances.
- Net interest income grew 1% to S\$1.50 billion, underpinned by asset growth and a 3 basis points expansion in net interest margin (“NIM”) to 1.55%. The rise in NIM was driven by an increase in loan yields, which outpaced deposit costs.

- Non-interest income was S\$1.14 billion, up 8% from the previous quarter mainly from growth in trading income and insurance income.
 - Net fee income declined 1% to S\$522 million, led by a fall in credit card, loan and trade-related fees which offset a rise in wealth management and brokerage fees.
 - The Group's wealth management income, comprising income from insurance, private banking, premier private client, premier banking, asset management and stockbroking, grew 1% to S\$911 million and made up 34% of the Group's income in 1Q22.
 - Net trading income rose 48% from S\$152 million in 4Q21 to S\$225 million, driven by an increase in customer and non-customer flow treasury income.
 - Profit from life insurance from subsidiary Great Eastern Holdings ("GEH") of S\$277 million was higher than the S\$248 million reported last quarter, mainly due to a rise in operating profit and mark-to-market gains from a decline in insurance contract liabilities due to a higher discount rate to value these liabilities, in line with rising interest rates.
- Operating expenses decreased 7% to S\$1.20 billion, largely attributable to lower discretionary spending and the absence of operational charges made in the last quarter, partly offset by a rise in staff costs.
- The Group's share of results of associates in 1Q22 was S\$254 million, an increase of 29% from S\$198 million in 4Q21.
- Total allowances were down 86% to S\$44 million, largely due to a drop in allowances for impaired assets.
- The Group's annualised ROE was 10.6% for the quarter, higher than the 7.5% in 4Q21 while annualised earnings per share increased to S\$1.21 from S\$0.85 in the previous quarter.

1Q22 Year-on-Year Performance

- Against a strong 1Q21 performance, net profit was 10% lower.
- Total income declined 9% to S\$2.64 billion.
 - Net interest income was up 4% to S\$1.50 billion, driven by asset growth of 5%, partly offset by 1 basis point drop in NIM to 1.55%.
 - Non-interest income of S\$1.14 billion was 23% lower as compared to S\$1.47 billion a year ago, as a result of lower wealth management fees, trading income and life insurance profit. The prior year's non-interest income was underpinned by robust customer and investment activities arising from favourable market conditions.
- Operating expenses increased 5% mainly due to higher staff costs associated with headcount growth, and a rise in IT-related costs.
- Allowances for loans and other assets for the quarter were 73% lower than a year ago.

Asset Quality and Allowances

S\$ million	Mar 2022	Mar 2021	Dec 2021	YoY	QoQ
Non-performing assets (NPAs)	4,307	4,027	4,338	+7%	-1%
Non-performing loan (NPL) ratio	1.4%	1.5%	1.5%	-0.1ppt	-0.1ppt
Allowances (S\$ million)	1Q22	1Q21	4Q21		
Allowances charge/(write-back) for loans and other assets	44	161	317		
<i>of which: Impaired</i>	31	152	387		
<i>Non-impaired</i>	13	9	(70)		
Credit costs (bps) ^{1/}	1Q22	1Q21	4Q21		
Total loans	6	22	41		
<i>of which: Impaired loans</i>	4	21	50		

1/ Credit costs refer to allowances for loans as a percentage of average loans, on annualised basis.

- Total NPAs were S\$4.31 billion as at 31 March 2022, down 1% from S\$4.34 billion a quarter ago.
 - New NPA formation for the quarter was S\$296 million, below the S\$375 million a year ago and S\$1.06 billion in the previous quarter.
 - In 1Q22, net recoveries and upgrades were S\$240 million while write-offs amounted to S\$57 million.
 - The NPL ratio of 1.4% was lower than the 1.5% in the previous quarter, and the allowance coverage against total NPAs for the quarter was 91%.
- Total allowances for 1Q22 of S\$44 million comprised S\$31 million in allowances for impaired assets and S\$13 million in allowances for non-impaired assets. This was significantly lower as compared to the S\$317 million in total allowances set aside in 4Q21, which were largely driven by syndicated project financing loans due to delays in a few projects affected by Covid-19 supply chain disruption in Greater China and international markets.

Strong Funding, Liquidity and Capital Position

S\$ billion	Mar 2022	Mar 2021	Dec 2021	YoY	QoQ
Loans	294	271	290	+8%	+1%
Deposits	348	316	342	+10%	+2%
of which: CASA deposits	218	195	217	+12%	+1%
CASA ratio	62.7%	61.8%	63.3%	+0.9ppt	-0.6ppt
CET1 CAR	15.2%	15.5%	15.5%	-0.3ppt	-0.3ppt
Leverage ratio	7.2%	7.8%	7.7%	-0.6ppt	-0.5ppt

- As at 31 March 2022, customer loans grew 8% from the previous year and 1% from a quarter ago to S\$294 billion. The quarter-on-quarter increase was driven by loan growth in Singapore, United Kingdom, Australia and United States of America.
- The Group committed S\$35.2 billion in sustainable financing to customers as at 31 March 2022, up 54% from a year ago and 4% from the previous quarter.
- Customer deposits rose to S\$348 billion and made up around 80% of the Group's funding base. Current account and savings deposits ("CASA") rose 12% year-on-year and 1% from the preceding quarter to S\$218 billion, with CASA ratio at 62.7%.
- Loans-to-deposits ratio was 83.3%, relatively unchanged from the 83.6% in the previous quarter.
- The Group's CET1 CAR was 15.2% as at 31 March 2022.

Message from Group CEO, *Helen Wong*

“Our results for the first quarter underscored the competitive strength of our diversified business franchise. Balanced performance across our banking, wealth management and insurance businesses has continued to allow us to deliver resilient earnings amid the current operating environment. OCBC has also maintained its healthy capital, funding and liquidity positions, and the overall loan portfolio remained sound.

Asia’s growth is expected to remain resilient as the world transits into an endemic Covid-19 environment. The gradual re-opening of economies and borders in Southeast Asia will drive a further rise in economic activities and we continue to closely monitor the evolving pandemic situation in Greater China. Looking ahead, we will be vigilant to risks arising from geopolitical tensions, rising inflation and the pace of policy normalisation. We will continue to be disciplined and prudent in pursuing our strategy to excel for sustainable growth.”

FINANCIAL HIGHLIGHTS (unaudited)

S\$ million	1Q22	1Q21	+/(-) %	4Q21	+/(-) %
Selected Income Statement Items					
Net interest income	1,503	1,441	4	1,492	1
Non-interest income	1,140	1,473	(23)	1,058	8
Total income	2,643	2,914	(9)	2,550	4
Operating expenses	(1,205)	(1,149)	5	(1,289)	(7)
Operating profit before allowances and amortisation	1,438	1,765	(19)	1,261	14
Amortisation of intangible assets	(25)	(26)	1	(26)	–
Allowances for impaired assets	(31)	(152)	(79)	(387)	(92)
Allowances (charge)/write-back for non-impaired assets	(13)	(9)	28	70	118
Operating profit after allowances and amortisation	1,369	1,578	(13)	918	49
Share of results of associates, net of tax	254	209	22	198	29
Profit before income tax	1,623	1,787	(9)	1,116	45
Net profit attributable to equity holders	1,356	1,501	(10)	973	39
Cash basis net profit attributable to equity holders ^{1/}	1,381	1,527	(9)	999	38
Selected Balance Sheet Items					
Ordinary equity	51,894	49,678	4	51,463	1
Equity attributable to equity holders of the Bank	53,094	50,878	4	52,663	1
Total assets	552,787	516,968	7	542,187	2
Assets excluding life insurance fund investment securities and other assets	452,747	421,569	7	442,091	2
Net loans to customers	290,278	267,280	9	286,281	1
Deposits of non-bank customers	348,265	315,647	10	342,395	2
Selected Changes in Equity Items					
Total comprehensive income, net of tax	369	1,216	(70)	807	(54)
Dividends and distributions	(23)	(23)	–	–	–
Key Financial Ratios (%)					
Return on equity	10.6	12.4		7.5	
Return on assets	1.23	1.44		0.88	
Net interest margin	1.55	1.56		1.52	
Non-interest income to total income	43.1	50.6		41.5	
Cost-to-income	45.6	39.4		50.5	
Loans-to-deposits	83.3	84.7		83.6	
NPL ratio	1.4	1.5		1.5	
Common Equity Tier 1 capital adequacy ratio	15.2	15.5		15.5	
Tier 1 capital adequacy ratio	15.7	16.0		16.0	
Total capital adequacy ratio	17.2	18.1		17.6	
Leverage ratio	7.2	7.8		7.7	
Singapore dollar liquidity coverage ratio	304	300		324	
All-currency liquidity coverage ratio	151	151		159	
Net stable funding ratio	118	125		121	
Earnings per share (S\$)					
Basic earnings	1.21	1.35		0.85	
Diluted earnings	1.21	1.35		0.85	
Net asset value per share (S\$)	11.55	11.10		11.46	

For notes on the computation of the above ratios, information can be found in the Financial Highlights disclosed on a half-yearly basis.

1. Excludes amortisation of intangible assets.

Further Information

For more information, please visit www.ocbc.com or contact:

Koh Ching Ching

Head

Group Brand and Communications

Tel: (65) 6530 1531

Fax: (65) 6535 7477

Collins Chin

Head

Investor Relations

Tel: (65) 6679 5008

Fax: (65) 6532 6001



OCBC Financial Results

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