Media Release

OCBC Group Reported First Quarter 2019 Net Profit of S$1.23 billion

Earnings rose by 11% year-on-year and 33% quarter-on-quarter

Singapore, 10 May 2019 – Oversea-Chinese Banking Corporation Limited ("OCBC Bank") achieved a net profit after tax of S$1.23 billion for the first quarter ended 31 March 2019 ("1Q19"), 11% above S$1.11 billion reported a year ago ("1Q18") and up 33% from S$926 million in the previous quarter ("4Q18"). This was driven by record operating profit before allowances, which was underpinned by strong income growth across the Group's banking, wealth management and insurance franchise.

Total income for 1Q19 rose 15% year-on-year to a record S$2.68 billion from S$2.33 billion in the previous year.

Net interest income grew to a new high of S$1.53 billion, an 8% increase from S$1.42 billion last year, lifted by healthy asset growth and a rise in net interest margin ("NIM"). Customer loans climbed 5% to S$259 billion, from S$247 billion a year ago, driven by broad-based growth across key markets. NIM rose 9 basis points to 1.76%, mainly from higher asset yields in a rising interest rate environment and an increase in gapping income from money market placements.

Non-interest income grew 24% to S$1.14 billion, from S$918 million in 1Q18. Net trading income rose to S$285 million in the first quarter, from S$94 million in the previous year, largely from an increase in customer flow income as well as improved financial market conditions. Profit from life insurance of S$233 million was 40% above S$166 million a year ago, mainly attributable to favourable financial markets. Net realised gains from the sale of investment securities were higher at S$34 million, as compared to S$8 million a year ago. Net fees and commissions of S$495 million were higher quarter-on-quarter but below S$536 million in 1Q18, as increases in credit card, investment banking, loan and trade-related fees were offset by lower wealth management fees, as new fund launches in the previous year contributed to record wealth fees in 1Q18. As compared to the previous quarter, wealth management fees were 15% higher.

The Group's overall wealth management-related income – comprising income from insurance, private banking, asset management, stockbroking and other wealth management products – rose 27% from a year ago to S$921 million and represented 34% of the Group's total income. As at 31 March 2019, sustained net new money inflows and improved asset valuations drove Bank of Singapore's assets under management ("AUM") to a new high of US$108 billion (S$146 billion) from US$102 billion (S$133 billion) a year ago.

Against total income growth of 15%, operating expenses for 1Q19 rose 6% year-on-year to S$1.10 billion, largely due to higher staff costs and other expenses linked to a rise in business activities. The cost-to-income ratio was lower at 40.9% as compared to 44.2% a year ago. Allowances for loans and other assets were S$249 million for the quarter.

The Group's share of results of associates rose 36% to S$170 million, from S$125 million a year ago.

Compared to the previous quarter ("4Q18"), net profit was 33% higher, driven by strong income growth, cost discipline and increased contributions from associates. Net interest income grew 1% quarter-on-quarter as a result of asset growth and a 4 basis points increase in NIM, driven largely by loan repricing in Singapore. Non-interest income was up 38%, lifted by higher fees and commissions, net trading income and profit from life insurance. Operating expenses were well-controlled and rose 2% from a quarter ago, while allowances for loans and other assets were 22% higher.

The Group's annualised return on equity for 1Q19 improved to 12.0%, as compared to 11.8% in 1Q18 and 11.5% for the full year of 2018. Annualised earnings per share increased 8.4% to S$1.16 from S$1.07 in a year ago, and 9.4% from S$1.06 for the full year of 2018.

Allowances and Asset Quality

The Group's asset quality continued to be healthy. New non-performing loan ("NPL") formation for 1Q19 was S$298 million, significantly lower than S$881 million in 4Q18, and largely offset by net recoveries and upgrades of S$223 million during the quarter. As at 31 March 2019, total non-performing assets ("NPA") fell slightly to S$3.92 billion, from S$3.94 billion a quarter ago, while the NPL ratio of 1.5% was unchanged from the previous quarter.

Net allowances for loans and other assets for 1Q19 were S$249 million, mainly comprising allowances for impaired loans of S$231 million and allowances for non-impaired loans and other assets of S$17 million.

Allowances for impaired loans of S$231 million were lower than S$250 million in 4Q18, but were significantly higher year-on-year from 1Q18, which reported only S$13 million in allowances. The majority of the allowances this quarter were provided for loans to the existing oil and gas support vessels and services ("OSV") sector which were already classified as NPLs. Despite the recovery in fuel oil prices, the OSV sector did not see a corresponding increase in vessel employment or rise in charter rates. Given the structural changes taking place in the offshore oil industry and continued absence of visible recovery in this sector, a prudent decision was made to substantially reduce collateral valuations further, to the extent of writing down vessels pending employment to scrap value.

Funding and Capital Position

The Group continued to maintain a strong funding and capital position. As at 31 March 2019, customer loans expanded 5% year-on-year to S$259 billion while customer deposits grew 2% to S$294 billion. The loans-to-deposits ratio was 87.1%, as compared to 84.4% a year ago. Current account and savings (“CASA”) deposits rose 1% from the previous year and represented 46.8% of total non-bank deposits.

The average Singapore dollar and all-currency liquidity coverage ratios for the Group in 1Q19 were 262% and 150% respectively, while the net stable funding ratio was 110%.

The Group’s Common Equity Tier 1 capital adequacy ratio (“CAR”), Tier 1 CAR and Total CAR as at 31 March 2019 were 14.2%, 14.9% and 16.7% respectively and were higher than the corresponding ratios of 13.1%, 14.2% and 15.8% from a year ago. The Group’s leverage ratio was 7.4% as at 31 March 2019.

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 strong first quarter 2019 results demonstrated the underlying strength of the Group’s banking, wealth management and insurance franchise which drove our operating profit to a new high. Record net interest income was boosted by asset growth and higher NIM. Market-related income has benefitted from favourable financial market conditions, contributing to higher non-interest income. Our wealth management business continued to perform well, as fee income strongly rebounded from the previous quarter and private banking AUM climbed to new highs, driven by sustained net new money inflows in Bank of Singapore.

While asset quality remained sound and NPAs dipped from the previous quarter, we decided to prudently set aside additional allowances for the NPLs in the OSV sector through further write downs to substantially reduce the value of vessel collateral to reflect the prolonged malaise in the industry.

We will continue to stay watchful of the progress of trade negotiations between the United States and China, developments in financial markets and conclusion of a number of elections in the region. In sustainable financing, we made significant strides to grow the financing of renewable energy projects and pledged to stop new coal-fired power plant financing. With our strong funding and capital position, we are very well-placed to ride on new opportunities as they are presented and will continue to deepen our presence in our core businesses and markets.”

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 560 branches and representative offices in 19 countries and regions. These include over 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.