

Third Quarter 2021 Results Update

OCBC Group Reported Third Quarter 2021 Net Profit of S\$1.22 billion

Nine months 2021 net profit rose 58% to S\$3.88 billion

Singapore, 3 November 2021 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported its financial results for the third quarter of 2021 (“3Q21”). Group net profit for 3Q21 rose 19% to S\$1.22 billion from S\$1.03 billion in the previous year (“3Q20”), and up 5% from S\$1.16 billion from a quarter ago (“2Q21”).

Third Quarter 2021 Performance

S\$ million	3Q21	3Q20	YoY (%)	2Q21	QoQ (%)
Net interest income	1,461	1,421	3	1,461	–
Non-interest income	1,099	1,118	(2)	1,111	(1)
of which: Fees and commissions	569	501	14	563	1
Trading income	83	255	(67)	212	(61)
Profit from life insurance	262	215	22	205	28
Total income	2,560	2,539	1	2,572	–
Operating expenses	(1,188)	(1,098)	8	(1,138)	4
Associates	204	153	33	213	(5)
Operating profit before allowances	1,576	1,594	(1)	1,647	(4)
Allowances	(163)	(350)	(54)	(232)	(30)
Amortisation, tax and NCI	(189)	(216)	(13)	(255)	(26)
Group net profit	1,224	1,028	19	1,160	5
Group ROE - annualised	9.5%	8.7%	+0.8ppt	9.3%	+0.2ppt

3Q21 Year-on-Year Performance

- Group net profit rose 19% to S\$1.22 billion, driven by resilient business growth and lower allowances as the credit outlook continued to improve.
- Total income rose to S\$2.56 billion.
 - Net interest income (“NII”) grew 3%, underpinned by a 4% increase in average loan volumes, partly offset by a 2 basis points decline in net interest margin (“NIM”).

- Non-interest income was 2% lower.
 - Net fees and commissions rose 14% to S\$569 million, driven by broad-based fee growth associated with the rise in customer transactions and business activities.
 - The Group's wealth management income – comprising income from insurance, premier and private banking, asset management and stockbroking – was S\$897 million and made up 35% of the Group's income in 3Q21. As at 30 September 2021, Bank of Singapore's assets under management ("AUM") expanded 6% from a year ago to US\$123 billion (S\$167 billion), driven by continued inflows of net new money and positive market valuations.
 - Net trading income was S\$83 million as compared to S\$255 million in 3Q20, largely attributable to unrealised mark-to-market ("MTM") losses in Great Eastern Holdings' ("GEH") investment portfolio, while customer flow treasury income of S\$164 million was slightly below the S\$173 million a year ago.
 - Profit from life insurance rose 22% to S\$262 million, while total weighted new sales ("TWNS") and new business embedded value ("NBEV") grew strongly by 29% and 3% respectively.
- Operating expenses rose 8%, largely attributed to a rise in headcount to support business growth, compensation associated with increased business volumes, as well as lower government job support grants as compared to a year ago.
- The Group's share of results of associates was 33% higher at S\$204 million for the quarter.
- Total allowances were 54% lower at S\$163 million as the credit environment improved.
- The Group's annualised ROE rose to 9.5% from 8.7% a year ago, while annualised earnings per share improved 17% to S\$1.07 from S\$0.92 in the previous year.

3Q21 Quarter-on-Quarter Performance

- Net profit grew 5% quarter-on-quarter.
- Total income held steady from the previous quarter's levels.
 - Net interest income was stable at S\$1.46 billion, as average loan growth of 3% for the quarter mitigated lower NIM. NIM contracted 6 basis points to 1.52% from a decline in asset yields, interest reversals from downgrades of customer accounts and lower gapping income.
 - Fee income and life insurance profit were higher quarter-on-quarter. However, trading income was lower as a result of unrealised MTM losses in GEH's investment portfolio. Net gains from sale of investment securities of S\$38 million more than doubled from the S\$15 million a quarter ago.
- Operating expenses increased 4% mainly due to higher staff costs associated with a rise in business activities and lower government job support grants.
- Allowances for loans and other assets for the quarter were 30% lower than the previous quarter.

Nine Months 2021 Performance

S\$ million	9M21	9M20	YoY (%)
Net interest income	4,363	4,530	(4)
Non-interest income	3,683	3,124	18
<i>of which: Fees and commissions</i>	1,718	1,487	16
<i>Trading income</i>	611	598	2
<i>Profit from life insurance</i>	889	553	61
Total income	8,046	7,654	5
Operating expenses	(3,476)	(3,314)	5
Associates	626	481	30
Operating profit before allowances	5,196	4,821	8
Allowances	(555)	(1,758)	(68)
Amortisation, tax and NCI	(756)	(608)	24
Group net profit	3,885	2,455	58
Group ROE - annualised	10.4%	7.0%	+3.4ppt

9M21 Year-on-Year Performance

- Net profit for 9M21 rose 58% to S\$3.88 billion from the build-up in business momentum, in line with the continued improvement in the economic outlook.
- Total income grew 5% to S\$8.05 billion from a year ago. Net interest income was 4% lower at S\$4.36 billion, as an 8 basis points decline in NIM offset 2% asset growth. Non-interest income rose 18%, buoyed by broad-based income growth, with fee, trading and life insurance income up 16%, 2% and 61% respectively.
- Operating expenses increased 5% largely from higher staff costs to support business growth and a decline in government job support grants.
- The Group's share of results of associates was 30% higher at S\$626 million.
- Total allowances were significantly lower at S\$555 million as compared to S\$1.76 billion in 9M20.
- The Group's annualised ROE increased to 10.4% from 7.0% in the previous year, while annualised earnings per share improved 57% to S\$1.15 from S\$0.73 in 9M20.

Asset Quality and Allowances

S\$ million	Sep 2021	Jun 2021	Sep 2020	YoY	QoQ
Non-performing assets (NPAs)	4,243	4,082	4,255	–	+4%
Non-performing loan (NPL) ratio	1.5%	1.5%	1.6%	-0.1ppt	–
Total NPA coverage	97%	104%	109%	-12ppt	-7ppt
Allowances (S\$ million)	3Q21	2Q21	3Q20	9M21	9M20
Allowances charge/(write-back) for loans and other assets	163	232	350	555	1,758
<i>of which: Impaired</i>	185	131	148	467	942
<i>Non-impaired</i>	(22)	101	202	88	816
Credit costs (bps) ^{1/}	3Q21	2Q21	3Q20	9M21	9M20
Total	21	30	47	25	77
Impaired	24	18	20	21	41

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

- Total NPAs of S\$4.24 billion as at 30 September 2021 were below the previous year, and 4% higher than a quarter ago. The quarter-on-quarter increase was largely due to a rise in new NPA formation which more than offset higher recoveries, upgrades and write-offs.
 - New NPA formation was S\$804 million, higher than the S\$662 million in the previous quarter. The increase was largely from the downgrades of secured consumer loans in Malaysia.
 - Recoveries and upgrades of S\$359 million were mainly from several corporate accounts in the oil and gas support vessels and services sector. This was higher than the S\$252 million a quarter ago.
 - The NPL ratio was stable for the past four quarters at 1.5% and the allowance coverage against total NPAs was 97%.
- Total allowances for 3Q21 were S\$163 million.
 - Allowances for impaired assets (“ECL 3 allowances”) of S\$185 million were mainly set aside for corporate and consumer accounts in Malaysia and Indonesia.
 - The S\$22 million write-back in allowances for non-impaired assets were mainly due to the transfer to ECL 3 allowances as a result of account downgrades.

Strong Funding, Liquidity and Capital Position

S\$ billion	Sep 2021	Jun 2021	Sep 2020	YoY	QoQ
Loans	285	275	269	+6%	+4%
Deposits	333	317	307	+8%	+5%
of which: CASA deposits	206	198	182	+13%	+4%
CASA ratio	62.0%	62.5%	59.2%	+2.8ppt	-0.5ppt
CET1 CAR	15.5%	16.1%	14.4%	+1.1ppt	-0.6ppt
Leverage ratio	7.8%	8.1%	7.6%	+0.2ppt	-0.3ppt

- Customer loans grew 6% to S\$285 billion from S\$269 billion a year ago, up 4% from S\$275 billion in the previous quarter. The quarter-on-quarter increase was driven by both consumer and corporate lending, and was broad-based across geographies.
- Customer deposits rose to S\$333 billion and made up 80% of the Group's funding base. Current account and savings deposits ("CASA") rose 13% year-on-year to S\$206 billion. CASA ratio was 62.0% as at 30 September 2021.
- The loans-to-deposits ratio was 84.5%, lower than the 85.6% in the previous quarter.
- The Group's CET1 CAR was 15.5% as at 30 September 2021.

Message from Group CEO, *Helen Wong*

“Our third quarter results were resilient, despite the challenging conditions associated with the Delta virus variant. This quarter, the momentum across our banking, wealth management and insurance business has continued to grow, as reflected by loan, net new money, fee and insurance sales growth. We continue to enhance our capabilities through investing in our people, accelerating digitalisation and expanding our regional presence. Asset quality is stabilising as the economic situation improves and we remain committed to supporting our customers to tide over this difficult period.

We remain positive on the long-term outlook but are watchful of the near-term headwinds from the pandemic. Together with our strong business franchise and established global network, we are well-positioned to tap on the rising opportunities in the region to drive sustained long-term growth for the Group.”

FINANCIAL HIGHLIGHTS (unaudited)

S\$ million	9M21	9M20	+ / (-)	3Q21	3Q20	+ / (-)	2Q21	+ / (-)
			%			%		%
Selected Income Statement Items								
Net interest income	4,363	4,530	(4)	1,461	1,421	3	1,461	–
Non-interest income	3,683	3,124	18	1,099	1,118	(2)	1,111	(1)
Total income	8,046	7,654	5	2,560	2,539	1	2,572	–
Operating expenses	(3,476)	(3,314)	5	(1,188)	(1,098)	8	(1,138)	4
Operating profit before allowances and amortisation	4,570	4,340	5	1,372	1,441	(5)	1,434	(4)
Amortisation of intangible assets	(77)	(78)	(2)	(26)	(26)	(1)	(25)	1
Allowances for impaired assets	(467)	(942)	(50)	(185)	(148)	24	(131)	41
Allowances (charge)/write-back for non-impaired assets	(88)	(816)	(89)	22	(202)	(111)	(101)	(122)
Operating profit after allowances and amortisation	3,938	2,504	57	1,183	1,065	11	1,177	–
Share of results of associates, net of tax	626	481	30	204	153	33	213	(5)
Profit before income tax	4,564	2,985	53	1,387	1,218	14	1,390	–
Net profit attributable to equity holders	3,885	2,455	58	1,224	1,028	19	1,160	5
Cash basis net profit attributable to equity holders ^{1/}	3,962	2,533	56	1,250	1,054	19	1,185	5
Selected Balance Sheet Items								
Ordinary equity	50,745	47,049	8	50,745	47,049	8	50,573	–
Equity attributable to equity holders of the Bank	51,945	48,249	8	51,945	48,249	8	51,773	–
Total assets	538,539	508,940	6	538,539	508,940	6	521,131	3
Assets excluding life insurance fund investment securities and other assets	436,345	416,651	5	436,345	416,651	5	420,349	4
Net loans to customers	281,278	264,881	6	281,278	264,881	6	271,027	4
Deposits of non-bank customers	332,807	307,407	8	332,807	307,407	8	316,776	5
Selected Changes in Equity Items								
Total comprehensive income, net of tax	3,928	2,832	39	1,383	858	61	1,329	4
Dividends and distributions	(1,886)	(1,993)	(5)	(1,150)	(730)	58	(712)	62
Key Financial Ratios (%)								
Return on equity	10.4	7.0		9.5	8.7		9.3	
Return on assets	1.22	0.78		1.13	0.98		1.11	
Net interest margin	1.55	1.63		1.52	1.54		1.58	
Non-interest income to total income	45.8	40.8		42.9	44.0		43.2	
Cost-to-income	43.2	43.3		46.4	43.2		44.3	
Loans-to-deposits	84.5	86.2		84.5	86.2		85.6	
NPL ratio	1.5	1.6		1.5	1.6		1.5	
Common Equity Tier 1 capital adequacy ratio	15.5	14.4		15.5	14.4		16.1	
Tier 1 capital adequacy ratio	16.1	15.0		16.1	15.0		16.6	
Total capital adequacy ratio	17.8	17.1		17.8	17.1		18.4	
Leverage ratio	7.8	7.6		7.8	7.6		8.1	
Singapore dollar liquidity coverage ratio	303	287		319	271		290	
All-currency liquidity coverage ratio	148	136		150	128		145	
Net stable funding ratio	125	122		125	122		126	
Earnings per share (S\$)								
Basic earnings	1.15	0.73		1.07	0.92		1.03	
Diluted earnings	1.15	0.73		1.07	0.92		1.03	
Net asset value per share (S\$)	11.28	10.52		11.28	10.52		11.23	

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

1. Excludes amortisation of intangible assets.

Further Information

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OCBC Financial Results

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