

First Quarter 2021 Results Update

OCBC Group First Quarter 2021 Net Profit at a High of S\$1.50 billion

Singapore, 7 May 2021 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported its financial results for the first quarter of 2021 (“1Q21”). Group net profit for 1Q21 of S\$1.50 billion was significantly higher than the S\$698 million a year ago (“1Q20”) and grew 33% from S\$1.13 billion in the previous quarter (“4Q20”). The quarter’s earnings were driven by broad-based income growth and lower allowances.

First Quarter 2021 Performance

S\$ million	1Q21	4Q20	QoQ (%)	1Q20	YoY (%)
Net interest income	1,441	1,436	–	1,626	(11)
Non-interest income	1,473	1,049	40	864	70
<i>of which: Fees and commissions</i>	585	517	13	546	7
<i>Trading income</i>	316	264	20	18	nm
<i>Profit from life insurance</i>	422	145	192	106	299
Total income	2,914	2,485	17	2,490	17
Operating expenses	(1,149)	(1,125)	2	(1,109)	4
Associates	209	131	59	165	26
Operating profit before allowances	1,974	1,491	32	1,546	28
Allowances	(161)	(285)	(43)	(657)	(75)
Amortisation, tax and NCI	(312)	(75)	312	(191)	63
Group net profit	1,501	1,131	33	698	115
Annualised Group Return on Equity (“ROE”)	12.4%	9.3%		6.0%	

1Q21 Quarter-on-Quarter Performance

- Group net profit rose 33% to S\$1.50 billion.
- Total income was 17% higher at S\$2.91 billion as compared to the previous quarter.
 - Net interest income was little changed at S\$1.44 billion, while net interest margin was steady quarter-on-quarter at 1.56% from continued optimisation of the balance sheet.
 - Non-interest income was S\$1.47 billion, an increase of 40% from the previous quarter.

- Net fees and commissions grew 13% to a high of S\$585 million. This was driven by a 28% increase in wealth management fees, which were underpinned by increased customer and investment activities as market sentiments improved.
 - The Group's wealth management income, comprising income from insurance, premier and private banking, asset management and stockbroking, rose 40% to S\$1.21 billion. As a proportion of the Group's total income, wealth management income contributed 41%. Bank of Singapore's assets under management rose 1% quarter-on-quarter to US\$123 billion (S\$165 billion) as at 31 March 2021.
 - Profit from life insurance of S\$422 million from subsidiary Great Eastern Holdings ("GEH") was higher than the previous quarter, largely attributable to mark-to-market gains from favourable market conditions. Total weighted new sales and new business embedded value ("NBEV") were S\$384 million and S\$182 million respectively, while NBEV margin of 47.5% was higher than the 45.3% in 4Q20.
 - Net trading income increased 20% to S\$316 million led by higher customer flow income. Net gains from the sale of investment securities of S\$45 million were higher than the S\$13 million a quarter ago.
- Operating expenses were 2% higher quarter-on-quarter at S\$1.15 billion while the cost-to-income ratio improved to 39.4% from 45.3% in 4Q20.
 - The Group's share of results of associates in 1Q21 rose 59% to S\$209 million from S\$131 million in 4Q20, mainly from higher contribution by Bank of Ningbo.
 - Net allowances of S\$161 million were set aside in 1Q21, as compared to S\$285 million in the previous quarter.
 - With this quarter's exceptional performance, the Group's annualised ROE rose to 12.4% from 9.3% a quarter ago, while annualised earnings per share increased 36% to S\$1.35 from S\$0.99 in the preceding quarter.

1Q21 Year-on-Year Performance

- Against the previous year, net profit in 1Q21 was 115% higher.
- Total income rose 17% from a year ago.
 - Net interest income was 11% lower in 1Q21, as compared to S\$1.63 billion last year. This was mainly attributable to a 20 basis points compression in net interest margin in the sustained low interest rate environment.
 - Against the backdrop of an improving operating environment and favourable market conditions, non-interest income increased by 70% as compared to 1Q20 from higher fees, trading and insurance income.
- Operating expenses were 4% above the previous year, largely driven by a rise in staff costs associated with increased business activities.
- Allowances for the quarter were significantly lower as compared to S\$657 million in 1Q20.

Asset Quality and Allowances

S\$ million	Mar 2021	Dec 2020	Mar 2020	QoQ	YoY
Non-performing assets (NPAs)	4,027	4,005	4,386	+1%	-8%
Non-performing loan (NPL) ratio	1.5%	1.5%	1.5%	–	–
Total NPA coverage	118%	115%	90%	+3ppt	+28ppt
Allowances (S\$ million)	1Q21	4Q20	1Q20		
Allowances for loans and other assets	161	285	657		
<i>of which: Impaired</i>	152	237	275		
<i>Non-impaired</i>	9	48	382		
Credit costs (bps)	1Q21	4Q20	1Q20		
Total loans	22	39	86		
<i>of which: Impaired loans</i>	21	32	36		

Asset Quality and Allowances

- Total NPAs were S\$4.03 billion as at 31 March 2021, as compared to S\$4.01 billion in the previous quarter and S\$4.39 billion a year ago.
 - New NPA formation was S\$375 million in 1Q21, higher as compared to the S\$296 million in the previous quarter but below the S\$637 million last year.
 - Recoveries and upgrades were higher at S\$344 million for the quarter, up from S\$198 million in 4Q20 and S\$153 million in the previous year.
 - NPL ratio remained stable at 1.5%.
- The allowance coverage against total NPAs of 118% was above the 115% last quarter.
- Total allowances for 1Q21 of S\$161 million comprised S\$152 million in allowances for impaired assets, and S\$9 million in allowances for non-impaired assets.

Strong Funding, Liquidity and Capital Position

S\$ billion	Mar 2021	Dec 2020	Mar 2020	QoQ	YoY
Loans	271	267	271	+1%	–
Deposits	316	315	314	–	–
<i>of which: CASA deposits</i>	195	190	160	+3%	+22%
CASA ratio	61.8%	60.3%	51.0%		
CET1 CAR	15.5%	15.2%	14.3%		
Leverage ratio	7.8%	7.7%	7.4%		

- Customer loans grew 1% from the previous quarter to S\$271 billion as at 31 March 2021. The quarter-on-quarter growth was mainly attributable to lending in Greater China, and to our network customers in the United Kingdom.
- As at 31 March 2021, customer deposits were S\$316 billion and comprised 79% of the Group's funding base. Current account and savings deposits ("CASA") increased 3% from the last quarter to S\$195 billion, while the CASA ratio rose to 61.8%.
- The loans-to-deposits ratio was 84.7%, slightly above the 83.7% in the previous quarter.
- The Group's CET1 CAR was 15.5% as at 31 March 2021.

Message from Group CEO, *Helen Wong*

“We are pleased to report a robust set of results for the first quarter, which was underscored by the strength and resilience of our banking, wealth management and insurance franchise. Earnings were up in our core markets and the momentum across our businesses is building up from renewed market optimism.

While we remain watchful of the prevailing risks in the operating environment, our strong balance sheet and capital position will enable us to capitalise on opportunities arising from improved economic conditions, particularly in ASEAN and Greater China. We will continue to invest in our franchise and capabilities to support our customers and drive long-term sustainable value for our stakeholders.”

FINANCIAL HIGHLIGHTS (unaudited)

S\$ million	1Q21	1Q20	+/(-) %	4Q20	+/(-) %
Selected Income Statement Items					
Net interest income	1,441	1,626	(11)	1,436	–
Non-interest income	1,003	707	42	853	17
Income from life and general insurance	470	157	199	196	140
Total income	2,914	2,490	17	2,485	17
Operating expenses	(1,149)	(1,109)	4	(1,125)	2
Operating profit before allowances and amortisation	1,765	1,381	28	1,360	30
Amortisation of intangible assets	(26)	(26)	(2)	(26)	–
Allowances for impaired assets	(152)	(275)	(45)	(237)	(36)
Allowances for non-impaired assets	(9)	(382)	(97)	(48)	(80)
Operating profit after allowances and amortisation	1,578	698	126	1,049	50
Share of results of associates, net of tax	209	165	26	131	59
Profit before income tax	1,787	863	107	1,180	51
Net profit attributable to equity holders	1,501	698	115	1,131	33
Cash basis net profit attributable to equity holders	1,527	724	111	1,157	32
Selected Balance Sheet Items					
Ordinary equity	49,678	46,434	7	48,422	3
Equity attributable to equity holders of the Bank	50,878	47,934	6	49,622	3
Total assets	516,968	512,138	1	521,395	(1)
Assets excluding life insurance fund investment securities and other assets	421,569	428,812	(2)	424,327	(1)
Net customer loans ^{1/}	267,280	267,622	–	263,538	1
Deposits of non-bank customers	315,647	314,210	–	314,907	–
Selected Changes in Equity Items					
Total comprehensive income, net of tax	1,216	779	56	1,368	(11)
Dividends and distributions	(23)	(30)	(22)	–	–
Key Financial Ratios (%)					
Return on equity	12.4	6.0		9.3	
Return on assets	1.44	0.67		1.07	
Net interest margin	1.56	1.76		1.56	
Non-interest income to total income	50.6	34.7		42.2	
Cost-to-income	39.4	44.5		45.3	
Loans-to-deposits	84.7	85.1		83.7	
NPL ratio	1.5	1.5		1.5	
Common Equity Tier 1 capital adequacy ratio	15.5	14.3		15.2	
Tier 1 capital adequacy ratio	16.0	14.9		15.8	
Total capital adequacy ratio	18.1	16.4		17.9	
Leverage ratio	7.8	7.4		7.7	
Singapore dollar liquidity coverage ratio	300	306		301	
All-currency liquidity coverage ratio	151	151		150	
Net stable funding ratio	125	108		125	
Earnings per share (S\$)					
Basic earnings	1.35	0.62		0.99	
Diluted earnings	1.35	0.62		0.99	
Net asset value per share (S\$)	11.10	10.56		10.82	

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. Comparatives have been reclassified to conform to current year's presentation.

Further Information

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OCBC Financial Results

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