

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

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OCBC Financial Results

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