

Third Quarter 2022 Results Press Release

OCBC Group Third Quarter 2022 Net Profit Up 31% from the Previous Year to a New High of S\$1.60 billion

Nine months 2022 net profit rose to a record S\$4.44 billion

Singapore, 4 November 2022 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported its financial results for the third quarter of 2022 (“3Q22”). Group net profit for 3Q22 rose 31% to S\$1.60 billion from S\$1.22 billion in the previous year (“3Q21”), and was up 8% from S\$1.48 billion a quarter ago (“2Q22”).

Third Quarter 2022 Performance

S\$ million	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)
Net interest income	2,099	1,461	44	1,700	23
Non-interest income	1,053	1,099	(4)	1,179	(11)
<i>of which: Fees and commissions</i>	453	569	(20)	477	(5)
<i>Trading income</i>	194	83	134	267	(27)
<i>Profit from life insurance</i>	318	262	21	372	(15)
Total income	3,152	2,560	23	2,879	9
Operating expenses	(1,269)	(1,188)	7	(1,253)	1
Associates	256	204	26	245	4
Operating profit before allowances	2,139	1,576	36	1,871	14
Allowances	(154)	(163)	(6)	(72)	112
Amortisation, tax and NCI	(380)	(189)	101	(318)	20
Group net profit	1,605	1,224	31	1,481	8
Group ROE - annualised	12.4%	9.5%	+2.9ppt	11.5%	+0.9ppt

3Q22 Year-on-Year Performance

- Group net profit of S\$1.60 billion was 31% higher as compared to S\$1.22 billion a year ago.
- Quarterly net interest income surpassed S\$2 billion for the first time, rising 44% to S\$2.10 billion on the back of 6% growth in average asset balances and net interest margin (“NIM”) expansion. Amid a rising interest rate environment, NIM rose 54 basis points from 3Q21 to 2.06%, with improved margins across our key markets as the increase in asset yields outpaced the rise in funding costs.

- Non-interest income of S\$1.05 billion was 4% below the previous year.
 - Net fee income fell 20% to S\$453 million, primarily due to a decline in wealth management fees as customer activities were subdued amid risk-off investment sentiments globally. The decline was partly offset by growth in other fee segments including credit card, and loan and trade-related fees.
 - Net trading income of S\$194 million, largely comprising customer flow treasury income, was higher as compared to S\$83 million a year ago.
 - Life insurance profit from Great Eastern Holdings of S\$318 million was 21% above the previous year, mostly attributable to the net mark-to-market impact of higher interest rates on the valuation of assets and liabilities in its insurance funds.
- The Group's wealth management income, comprising income from insurance, private banking, premier private client, premier banking, asset management and stockbroking, grew 21% to S\$1.12 billion and made up 35% of the Group's income in 3Q22. The Group's wealth management business saw positive inflows of net new money which was offset by a decline in market valuations, with wealth management assets under management at S\$250 billion as at 30 September 2022, 1% lower from a year ago.
- Operating expenses grew 7% to S\$1.27 billion, led by a rise in staff costs associated with headcount growth to support business expansion as well as from annual salary increments. The cost-to-income ratio improved 6.1 percentage points to 40.3% as income growth outpaced the increase in operating expenses.
- The Group's share of results of associates in 3Q22 increased 26% from the preceding year to S\$256 million.
- Total allowances were S\$154 million, lower by 6% as compared to the previous year.
- The Group's annualised ROE was 12.4%, up from 9.5% in 3Q21, while annualised earnings per share increased to S\$1.40 from S\$1.07 in the previous year.

3Q22 Quarter-on-Quarter Performance

- Group net profit rose 8% from a quarter ago.
- Total income was up 9% to S\$3.15 billion.
 - Net interest income grew 23% to S\$2.10 billion, underpinned by a 35 basis points uplift in NIM.
 - Non-interest income declined 11% to S\$1.05 billion, mainly attributable to lower fee and trading income, and life insurance profit.
- Operating expenses were up 1% from 2Q22, while the cost-to-income ratio improved from 43.5% to 40.3%.
- Share of results of associates rose 4% from the previous quarter.
- Total allowances were higher against the previous quarter from an increase in allowances set aside for impaired and non-impaired assets.

Nine Months 2022 Performance

S\$ million	9M22	9M21	YoY (%)
Net interest income	5,302	4,363	22
Non-interest income	3,372	3,683	(8)
<i>of which: Fees and commissions</i>	1,453	1,718	(15)
<i>Trading income</i>	685	611	12
<i>Profit from life insurance</i>	967	889	9
Total income	8,674	8,046	8
Operating expenses	(3,727)	(3,476)	7
Associates	755	626	21
Operating profit before allowances	5,702	5,196	10
Allowances	(270)	(555)	(51)
Amortisation, tax and NCI	(990)	(756)	31
Group net profit	4,442	3,885	14
Group ROE - annualised	11.5%	10.4%	+1.1ppt

9M22 Year-on-Year Performance

- Group net profit was S\$4.44 billion for the first nine months of 2022 ("9M22"), 14% higher as compared to the previous year ("9M21"), largely driven by net interest income growth and a decline in allowances.
- Net interest income rose 22% to S\$5.30 billion on the back of asset growth and a 23 basis points improvement in NIM.
- Non-interest income decreased 8% to S\$3.37 billion, as the drop in fee and investment income more than offset higher trading income and life insurance profit.
- Operating expenses of S\$3.73 billion were 7% above 9M21, as the Group continued to invest for business growth, with the cost-to-income ratio at 43.0%.
- The Group's share of results of associates was S\$755 million, 21% higher against last year.
- Total allowances were 51% lower at S\$270 million, mainly attributable to a decline in allowances for impaired assets.
- The Group's annualised ROE improved to 11.5% from 10.4% in 9M21, while annualised earnings per share grew by 14% to S\$1.31.

Asset Quality and Allowances

S\$ million	Sep 2022	Sep 2021	Jun 2022	YoY	QoQ
Non-performing assets (NPAs)	3,688	4,243	3,969	-13%	-7%
Non-performing loan (NPL) ratio	1.2%	1.5%	1.3%	-0.3ppt	-0.1ppt
Allowances (S\$ million)	3Q22	3Q21	2Q22	9M22	9M21
Allowances charge/(write-back) for loans and other assets	154	163	72	270	555
<i>of which: Impaired</i>	78	185	6	115	467
<i>Non-impaired</i>	76	(22)	66	155	88
Credit costs (bps) ^{1/}	3Q22	3Q21	2Q22	9M22	9M21
Total loans	14	21	8	9	25
<i>of which: Impaired loans</i>	4	24	0	3	21

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

- As at 30 September 2022, total NPAs were S\$3.69 billion, down 13% from a year ago and 7% from the previous quarter.
 - NPAs were lower as compared to the last quarter, mainly attributable to higher recoveries and upgrades from both corporate and consumer segments in Malaysia and Indonesia, which more than offset new NPA formation during the quarter.
 - NPL ratio was lower at 1.2%, while the NPA coverage ratio increased to 108%.
- Total allowances for 3Q22 were S\$154 million, comprising S\$78 million in allowances for impaired assets and S\$76 million in allowances for non-impaired assets, while total credit costs amounted to 14 basis points on an annualised basis.

Strong Funding, Liquidity and Capital Position

S\$ billion	Sep 2022	Sep 2021	Jun 2022	YoY	QoQ
Loans	303	285	298	+6%	+2%
Deposits	353	333	349	+6%	+1%
of which: CASA deposits	198	206	212	-4%	-7%
CASA ratio	56.1%	62.0%	60.9%	-5.9ppt	-4.8ppt
CET1 CAR	14.4%	15.5%	14.9%	-1.1ppt	-0.5ppt
Leverage ratio	6.8%	7.8%	7.1%	-1.0ppt	-0.3ppt

- Customer loans grew 6% from the previous year to S\$303 billion as at 30 September 2022. By geography, the main contributors to loan growth were Singapore, Indonesia, Greater China, USA, Australia and UK. By industry, the increase in loans was mostly driven by higher lending to the building and construction sector, financial institutions, investment and holding companies, and consumer segment. Against the last quarter, customer loans rose 2%.
- Green and sustainable financing to customers was S\$28 billion as at 30 September 2022, up 45% from a year ago and 8% from the previous quarter. These made up 9% of the Group's loans.
- Customer deposits were S\$353 billion as at 30 September 2022, increasing 6% from last year and up 1% from the prior quarter mainly due to growth in fixed deposits. The Group's funding composition remained stable with customer deposits comprising around 80% of total funding.
- Loans-to-deposits ratio was 85.0%, higher as compared to the 84.5% in the previous year and 84.4% last quarter.
- The Group's CET1 CAR was 14.4%, while the leverage ratio was 6.8% as at 30 September 2022.

Message from Group CEO, *Helen Wong*

“We are pleased to have delivered a strong set of quarterly results. Net interest income grew on higher net interest margin and loan growth was sustained. While subdued customer investment activity impacted wealth fees, we continued to attract net new money inflows into our wealth management franchise. Our portfolio quality remained resilient; and our investments to drive franchise growth, raise productivity and deliver operational efficiencies continue to yield positive results.

Looking ahead, the global economic outlook is expected to be increasingly challenging. Backed by our strong balance sheet, we are well-positioned to support our customers and capture opportunities as they arise.”

FINANCIAL HIGHLIGHTS (unaudited)

\$ million	9M22	9M21	+ / (-) %	3Q22	3Q21	+ / (-) %	2Q22	+ / (-) %
Selected Income Statement Items								
Net interest income	5,302	4,363	22	2,099	1,461	44	1,700	23
Non-interest income	3,372	3,683	(8)	1,053	1,099	(4)	1,179	(11)
Total income	8,674	8,046	8	3,152	2,560	23	2,879	9
Operating expenses	(3,727)	(3,476)	7	(1,269)	(1,188)	7	(1,253)	1
Operating profit before allowances and amortisation	4,947	4,570	8	1,883	1,372	37	1,626	16
Amortisation of intangible assets	(78)	(77)	1	(26)	(26)	2	(27)	1
Allowances for impaired assets	(115)	(467)	(76)	(78)	(185)	(58)	(6)	nm
Allowances (charge)/write-back for non-impaired assets	(155)	(88)	76	(76)	22	447	(66)	14
Operating profit after allowances and amortisation	4,599	3,938	17	1,703	1,183	44	1,527	11
Share of results of associates, net of tax	755	626	21	256	204	26	245	4
Profit before income tax	5,354	4,564	17	1,959	1,387	41	1,772	11
Net profit attributable to equity holders	4,442	3,885	14	1,605	1,224	31	1,481	8
Cash basis net profit attributable to equity holders ^{1/}	4,520	3,962	14	1,631	1,250	31	1,508	8
Selected Balance Sheet Items								
Ordinary equity	50,748	50,745	–	50,748	50,745	–	51,121	(1)
Equity attributable to equity holders of the Bank	52,448	51,945	1	52,448	51,945	1	52,821	(1)
Total assets	571,244	538,539	6	571,244	538,539	6	554,862	3
Assets excluding life insurance fund investment securities and other assets	475,089	436,345	9	475,089	436,345	9	457,351	4
Net loans to customers	299,831	281,278	7	299,831	281,278	7	294,480	2
Deposits of non-bank customers	352,728	332,807	6	352,728	332,807	6	348,821	1
Selected Changes in Equity Items								
Total comprehensive income, net of tax	1,858	3,928	(53)	940	1,383	(32)	549	71
Dividends and distributions	(2,566)	(1,886)	36	(1,283)	(1,150)	12	(1,260)	2
Key Financial Ratios (%)								
Return on equity	11.5	10.4		12.4	9.5		11.5	
Return on assets	1.30	1.22		1.37	1.13		1.31	
Net interest margin	1.78	1.55		2.06	1.52		1.71	
Non-interest income to total income	38.9	45.8		33.4	42.9		40.9	
Cost-to-income	43.0	43.2		40.3	46.4		43.5	
Loans-to-deposits	85.0	84.5		85.0	84.5		84.4	
NPL ratio	1.2	1.5		1.2	1.5		1.3	
Common Equity Tier 1 capital adequacy ratio	14.4	15.5		14.4	15.5		14.9	
Tier 1 capital adequacy ratio	15.1	16.1		15.1	16.1		15.7	
Total capital adequacy ratio	16.9	17.8		16.9	17.8		17.5	
Leverage ratio	6.8	7.8		6.8	7.8		7.1	
Singapore dollar liquidity coverage ratio	330	303		360	319		326	
All-currency liquidity coverage ratio	150	148		153	150		146	
Net stable funding ratio	115	125		115	125		117	
Earnings per share (\$)								
Basic earnings	1.31	1.15		1.40	1.07		1.31	
Diluted earnings	1.31	1.15		1.40	1.07		1.31	
Net asset value per share (\$)	11.29	11.28		11.29	11.28		11.37	

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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