

# First Quarter 2020 Results Update

**First Quarter 2020 Net Profit of S\$698 million**

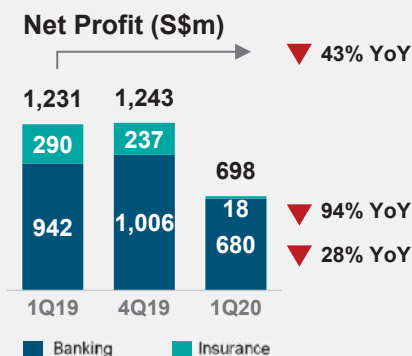
*Well-positioned for uncertainty and volatility during this unprecedented crisis  
Staying focused to deliver sustainable earnings through economic cycles*

“The COVID-19 pandemic and the effects on the global economy are unprecedented in its scale and impact. We expect the next few quarters will be very difficult for individuals and businesses and we are here to support them. Since the onset of the outbreak, we have focused on safeguarding our employees, providing undisrupted services and financial assistance to our customers, and doing our part as a member of the community. We have proactively reached out to our stakeholders to extend support and resources to help tide them over this difficult period.

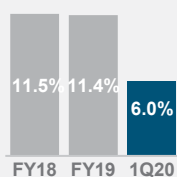
As we enter this period of a health crisis that has developed into a global economic crisis, the conservative stance we have always taken to preserve a strong capital, liquidity and funding foundation have served our customers and shareholders well. As you would have noted from our first quarter 2020 performance, the overall fundamentals of our diversified banking, wealth management and insurance businesses remain sound. We paid close watch on our credit portfolio against the market uncertainty, and significantly shored up our allowances on a forward-looking basis. I am confident that we will continue to maintain a strong balance sheet and achieve sustainable earnings as we execute our long-term corporate strategy of our diversified business model that focuses on the three business pillars.”

**Group CEO Samuel Tsien**  
8 May 2020

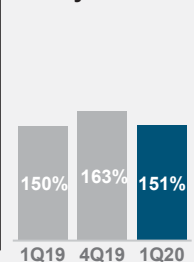
## Financial Highlights



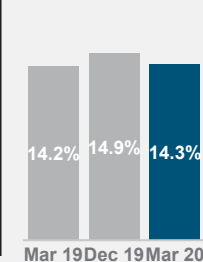
### Core Return on Equity



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## Year-on-Year Performance Overview

- 1Q20 Group net profit 43% lower
  - Banking Operations net profit down 28% as income growth was offset by increased allowances.
  - Insurance contributions down 94% as operating profit growth was offset by unrealised mark-to-market losses.
- Customer loans up 5% (excl FX impact up 3%), NIM stable at 1.76%.
- Customer deposits up 7%, CASA grew S\$22 billion, CASA ratio higher at 51%.
- Expenses tightly controlled, up 1%.
- NPL ratio at 1.52%; unsecured NPA coverage at 234%.
- Strong capital, funding and liquidity position.

## Financial Summary

OCBC Group	1Q20 S\$m	1Q19 S\$m	YoY +/(-)%	4Q19 S\$m	QoQ +/(-)%
Net interest income	1,626	1,534	6	1,610	1
Non-interest income	864	1,142	(24)	1,312	(34)
<b>Total income</b>	<b>2,490</b>	<b>2,676</b>	<b>(7)</b>	<b>2,922</b>	<b>(15)</b>
Operating expenses	(1,109)	(1,095)	1	(1,266)	(12)
<b>Operating profit</b>	<b>1,381</b>	<b>1,581</b>	<b>(13)</b>	<b>1,656</b>	<b>(17)</b>
Associates	165	170	(3)	94	74
<b>Operating profit before allowances</b>	<b>1,546</b>	<b>1,751</b>	<b>(12)</b>	<b>1,750</b>	<b>(12)</b>
Allowances for impaired assets	(275)	(232)	19	(271)	2
Allowances for non-impaired assets	(382)	(17)	nm	64	707
Amortisation, tax and NCI	(191)	(271)	(29)	(300)	(36)
<b>Net profit</b>	<b>698</b>	<b>1,231</b>	<b>(43)</b>	<b>1,243</b>	<b>(44)</b>
Banking Operations	1Q20 S\$m	1Q19 S\$m	YoY +/(-)%	4Q19 S\$m	QoQ +/(-)%
Net interest income	1,595	1,510	6	1,580	1
Non-interest income	778	699	11	903	(14)
<b>Total income</b>	<b>2,373</b>	<b>2,208</b>	<b>7</b>	<b>2,482</b>	<b>(4)</b>
Operating expenses	(1,061)	(1,015)	5	(1,145)	(7)
<b>Operating profit</b>	<b>1,312</b>	<b>1,193</b>	<b>10</b>	<b>1,338</b>	<b>(2)</b>
Associates	165	176	(6)	99	67
<b>Operating profit before allowances</b>	<b>1,477</b>	<b>1,369</b>	<b>8</b>	<b>1,437</b>	<b>3</b>
Allowances for impaired assets	(276)	(231)	19	(271)	2
Allowances for non-impaired assets	(382)	(17)	nm	63	703
Amortisation, tax and NCI	(139)	(179)	(22)	(223)	(38)
<b>Net profit from banking operations</b>	<b>680</b>	<b>942</b>	<b>(28)</b>	<b>1,006</b>	<b>(32)</b>
Insurance Operations	1Q20 S\$m	1Q19 S\$m	YoY +/(-)%	4Q19 S\$m	QoQ +/(-)%
<b>Net profit from insurance operations</b>	<b>18</b>	<b>290</b>	<b>(94)</b>	<b>237</b>	<b>(92)</b>

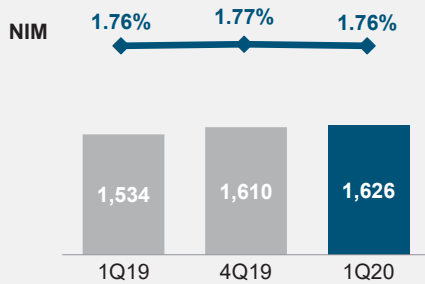
## Operating Performance

1Q20 Group operating profit before allowances down 12% YoY to S\$1.55 billion.

Banking Operations operating profit before allowances grew 8%.

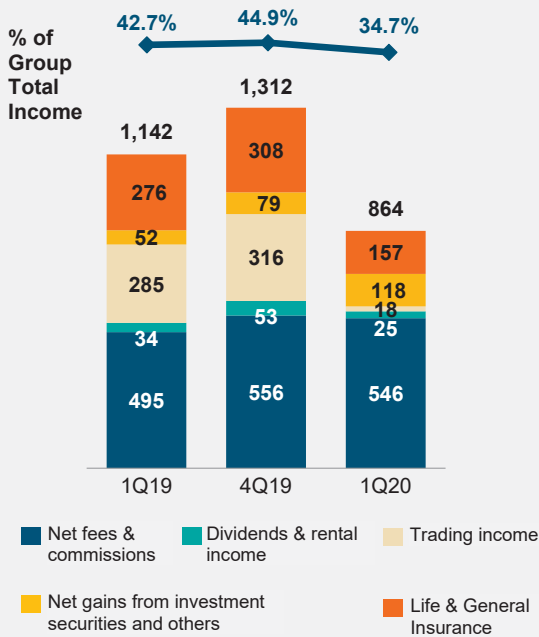
Group net profit impacted by higher allowances and lower Insurance profit as a result of unfavourable market conditions.

### Net Interest Income (NII) (S\$m)



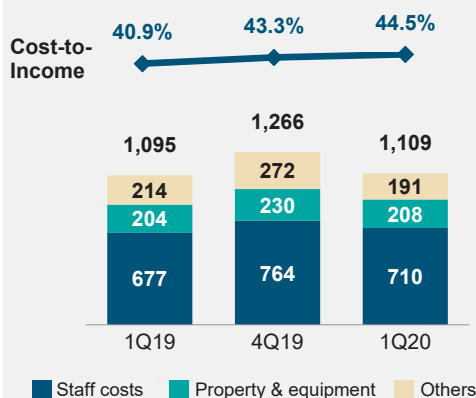
- NII driven by growth in customer loans.
- NIM at 1.76%; focus on CASA deposit gathering and shift to longer tenure loans mitigated low interest rate environment.

### Non-interest Income (S\$m)



- Fee income climbed 10% YoY, led by wealth management and brokerage income.
- Net trading income fell almost S\$300 million YoY to S\$18 million. Increase in treasury-related customer flow income more than offset by unrealised MTM losses in GEH's investment portfolio.
- Net investment gains higher YoY at S\$118 million, driven by sale of debt securities.
- Insurance income down 43% YoY, driven by weak investment performance; however, underlying insurance business grew YoY with TWNS up 21%, NBEV 15% higher.

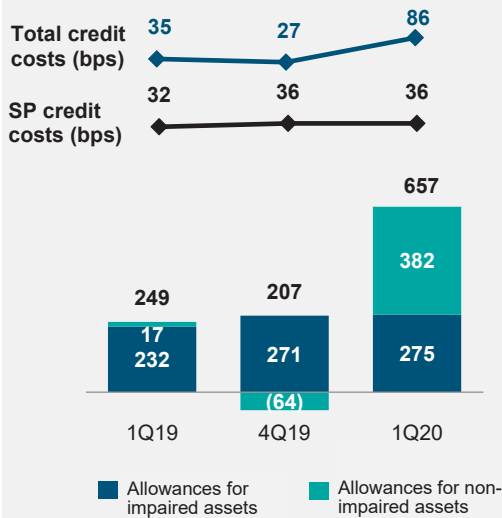
### Operating Expenses (S\$m)



- Costs well-managed, up 1% YoY and down 12% QoQ.
- Headcount little changed QoQ.

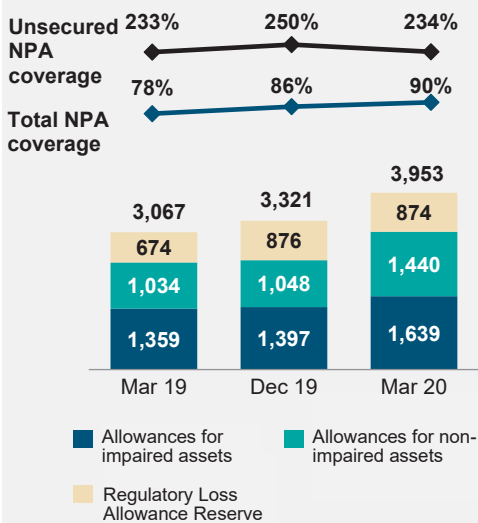
## Allowances and Asset Quality

### Allowances (\$m)



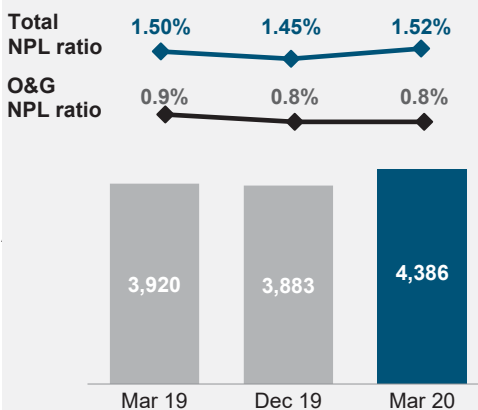
- Higher specific allowances in 1Q20 largely made for a Singapore based corporate customer in the oil trading sector.
- Significantly increased general allowances including forward-looking macro-economic variable (“MEV”) adjustments to buffer for stresses expected against the recessionary market outlook.

### Cumulative Allowances (\$m)



- Total cumulative allowances increased by S\$632 million QoQ to cushion for near-term impact on portfolio from economic weakness and uncertainty.
- Total NPA coverage higher at 90%; 234% on an unsecured basis.

### Non-Performing Assets (\$m)

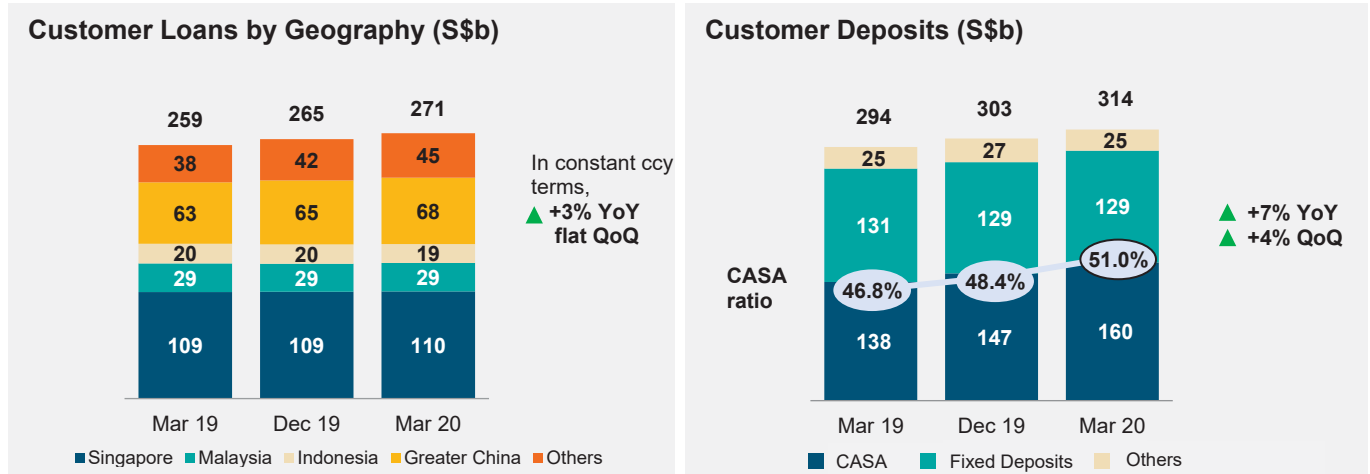


- Increase in NPA QoQ mainly due to downgrade of a Singapore customer in the oil trading sector.
- NPL ratio increased 7 bps to 1.52%.

## Loans and Deposits

Customer loans well-diversified across geographies.

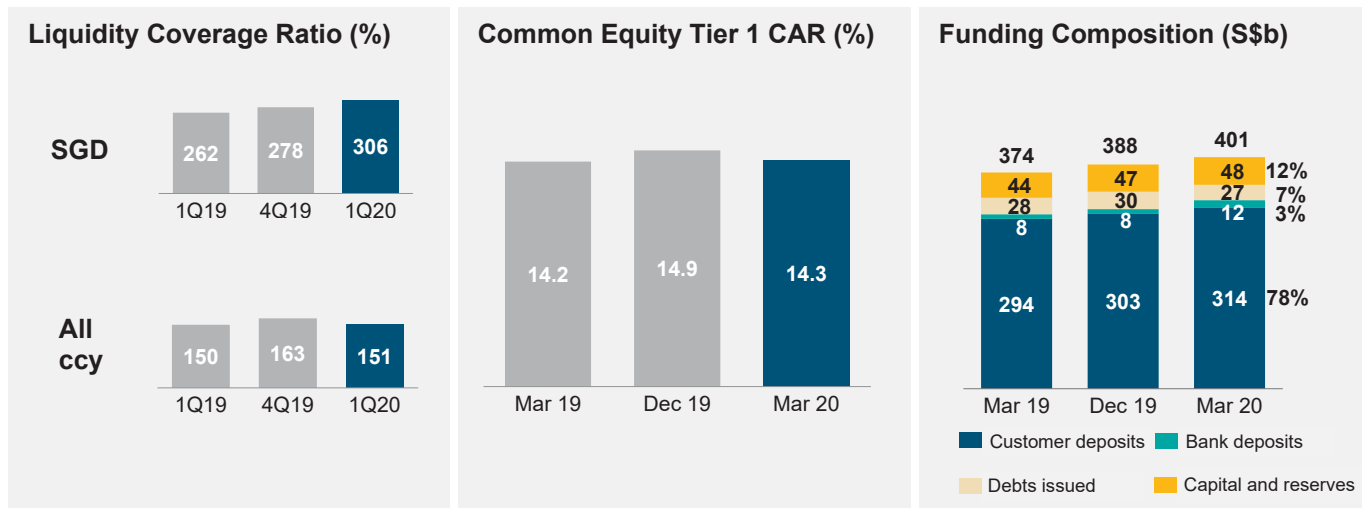
CASA deposits rose S\$22 billion or 16% YoY; CASA ratio improved to 51%.



## Funding, Liquidity and Capital

Robust balance sheet fundamentals, supported by strong levels of capital, funding and liquidity.

All regulatory ratios were healthily above the respective regulatory requirements.



**FINANCIAL HIGHLIGHTS (unaudited)**

<b>S\$ million</b>	<b>1Q20</b>	<b>1Q19</b>	<b>+/(-) %</b>	<b>4Q19</b>	<b>+/(-) %</b>
<b>Selected Income Statement Items</b>					
Net interest income	1,626	1,534	6	1,610	1
Non-interest income	707	866	(18)	1,004	(30)
Income from life and general insurance	157	276	(43)	308	(49)
Total income	2,490	2,676	(7)	2,922	(15)
Operating expenses	(1,109)	(1,095)	1	(1,266)	(12)
Operating profit before allowances and amortisation	1,381	1,581	(13)	1,656	(17)
Amortisation of intangible assets	(26)	(25)	3	(26)	2
Allowances for impaired assets	(275)	(232)	19	(271)	2
Allowances for non-impaired assets	(382)	(17)	nm	64	707
Operating profit after allowances and amortisation	698	1,307	(47)	1,423	(51)
Share of results of associates, net of tax	165	170	(3)	94	74
Profit before income tax	863	1,477	(42)	1,517	(43)
<b>Net profit attributable to shareholders</b>	<b>698</b>	<b>1,231</b>	<b>(43)</b>	<b>1,243</b>	<b>(44)</b>
<b>Cash basis net profit attributable to shareholders</b>	<b>724</b>	<b>1,256</b>	<b>(42)</b>	<b>1,269</b>	<b>(43)</b>
<b>Selected Balance Sheet Items</b>					
Ordinary equity	46,434	42,327	10	45,662	2
Equity attributable to equity holders of the Bank	47,934	43,827	9	47,162	2
Total assets	512,138	469,513	9	491,691	4
Assets excluding life insurance fund investment assets	428,812	389,708	10	404,353	6
Net customer loans	267,297	256,066	4	262,045	2
Deposits of non-bank customers	314,210	294,111	7	302,851	4
<b>Selected Changes in Equity items</b>					
Total comprehensive income, net of tax	779	1,694	(54)	1,297	(40)
Distributions	(30)	(30)	-	-	-
<b>Key Financial Ratios (%)</b>					
Return on equity	6.0	12.0		10.9	
Return on assets	0.67	1.29		1.23	
Net interest margin	1.76	1.76		1.77	
Non-interest income to total income	34.7	42.7		44.9	
Cost-to-income	44.5	40.9		43.3	
Loans-to-deposits	85.1	87.1		86.5	
NPL ratio	1.5	1.5		1.5	
Common Equity Tier 1 capital adequacy ratio	14.3	14.2		14.9	
Tier 1 capital adequacy ratio	14.9	14.9		15.6	
Total capital adequacy ratio	16.4	16.7		16.8	
Leverage ratio	7.4	7.4		7.7	
Singapore dollar liquidity coverage ratio	306	262		278	
All-currency liquidity coverage ratio	151	150		163	
Net stable funding ratio	108	110		111	
<b>Earnings per share (S\$)</b>					
Basic earnings	0.62	1.16		1.11	
Diluted earnings	0.62	1.16		1.11	
<b>Net asset value per share (S\$)</b>	<b>10.56</b>	<b>9.97</b>		<b>10.38</b>	

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

## For Further Information

For more information, please visit [www.ocbc.com](http://www.ocbc.com) or contact:

**Koh Ching Ching**

Head

**Group Brand and Communications**

Tel: (65) 6530 1531

Fax: (65) 6535 7477

**Collins Chin**

Head

**Investor Relations**

Tel: (65) 6679 5008

Fax: (65) 6532 6001



**OCBC** Financial Results

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