

First Quarter 2023 Results Press Release

OCBC Group First Quarter 2023 Net Profit Up 39% from the Previous Year to a Record S\$1.88 billion

Singapore, 10 May 2023 – Oversea-Chinese Banking Corporation Limited (“OCBC”) reported record net profit of S\$1.88 billion for the first quarter of 2023 (“1Q23”), 39% higher as compared to S\$1.36 billion a year ago (“1Q22”), and 44% above S\$1.31 billion in the previous quarter (“4Q22”).

The Group’s performance was supported by its diversified income streams across banking, wealth management and insurance. Credit costs in 1Q23 were an annualised 12 basis points and portfolio quality remained resilient, with non-performing loan (“NPL”) ratio improving to 1.1%. The Group’s liquidity and capital positions remained strong, supporting business growth while providing buffer for uncertainties. Return on equity (“ROE”) rose to 14.7% and earnings per share (“EPS”) improved to S\$1.68 on an annualised basis.

1Q23 Performance Highlights

	YoY	QoQ
Group Net Profit		
S\$1.88b		
+39% YoY		
+44% QoQ		
Total Income	+27%	+12%
S\$3.35b		
Net Interest Income	+56%	-2%
Non-Interest Income	-11%	+65%
Operating Expenses	+3%	-4%
S\$1.24b		
Net Interest Margin	+75bps	-1bp
2.30%		
Credit Costs	+6bps	-23bps
12bps		
Customer Loans	<i>unchanged</i>	<i>unchanged</i>
S\$294b	<i>(in constant currency terms)</i> +3%	+0.2%
Customer Deposits	+5%	+5%
S\$367b		
NPL Ratio	1.1%	-0.1ppt
	-0.3ppt	-0.1ppt
CET1 CAR	+0.7ppt	+0.7ppt
15.9%		
All-ccy LCR	+1ppt	-7ppt
152%		
EPS <i>(annualised)</i>		
S\$1.68		
+38% YoY		
+47% QoQ		
ROE <i>(annualised)</i>		
14.7%		
+4.1ppt YoY		
+4.7ppt QoQ		

First Quarter 2023 Performance

S\$ million	1Q23	1Q22	YoY (%)	4Q22	QoQ (%)
Net interest income	2,338	1,503	56	2,386	(2)
Non-interest income	1,012	1,140	(11)	615	65
<i>of which: Fees and commissions</i>	453	522	(13)	399	14
<i>Trading income</i>	251	225	12	148	69
<i>Profit from insurance^{1/}</i>	238	330	(28)	66	257
Total income	3,350	2,643	27	3,001	12
Operating expenses	(1,244)	(1,205)	3	(1,299)	(4)
Associates	260	254	2	223	17
Operating profit before allowances	2,366	1,692	40	1,925	23
Allowances	(110)	(44)	151	(314)	(65)
Amortisation, tax and NCI	(377)	(292)	29	(305)	24
Group net profit	1,879	1,356	39	1,306	44
Group ROE – annualised	14.7%	10.6%	+4.1ppt	10.0%	+4.7ppt

1Q23 Quarter-on-Quarter Performance

- Group net profit increased 44% to S\$1.88 billion to a new quarterly high, largely driven by rise in non-interest income and lower allowances.
- Net interest income of S\$2.34 billion was 2% lower against a record 4Q22, mainly due to a shorter quarter. Adjusted for the shorter-days effect, net interest income was largely unchanged. Net interest margin (“NIM”) of 2.30% was 1 basis point below 2.31% a quarter ago, as a rise in asset yields was offset by higher funding costs, as well as lower loans-to-deposits ratio as the increase in deposits outpaced that of loans.
- Non-interest income was S\$1.01 billion, up 65% from a quarter ago.
 - Net fee income rose 14% to S\$453 million, mainly driven by higher wealth management fees.
 - Net trading income was S\$251 million, a 69% increase from the last quarter. Net realised gains from the sale of investment securities were S\$24 million, as compared to a S\$67 million loss in the previous quarter.
 - Profit from insurance from subsidiary Great Eastern Holdings (“GEH”) was S\$238 million. The Group’s insurance results for this quarter were reported based on Singapore Financial Reporting Standard (International) (“SFRS(I)”) 17 *Insurance Contracts*, which GEH adopted on 1 January 2023. Total weighted new sales were S\$391 million and new business embedded value (“NBEV”) was S\$170 million, with NBEV margin at 43.4%.

^{1/} Singapore Financial Reporting Standard (International) (“SFRS(I)”) 17 *Insurance Contracts* replaces SFRS(I) 4 *Insurance Contracts* and is effective for annual periods beginning on or after 1 January 2023. Great Eastern Holdings has adopted SFRS(I) 17 on 1 January 2023. The Group’s insurance results for 1Q23 were prepared under SFRS(I) 17 basis, and comparatives for 4Q22 and 1Q22 were reported based on SFRS(I) 4 and not restated. More details on the impact of SFRS(I) 17 and the restated comparative information will be disclosed upon announcement of the 1H23 financial results.

- The Group's wealth management income, comprising consolidated income from insurance, private banking, premier private client, premier banking, asset management and stockbroking was S\$1.10 billion, 33% higher than the previous quarter, and contributed 33% to the Group's total income. As at 31 March 2023, Group wealth management AUM was higher at S\$270 billion compared to S\$258 billion a quarter ago, from sustained growth in net new money inflows and positive market valuation.
- Operating expenses were down 4% at S\$1.24 billion, largely due to the deduction of insurance-related expenses against insurance revenue, following the adoption of SFRS(I) 17 *Insurance Contracts* by GEH.
- Share of results of associates increased 17% from a quarter ago to S\$260 million.
- Total allowances decreased 65% to S\$110 million, from S\$314 million in the previous quarter.

1Q23 Year-on-Year Performance

- Group net profit of S\$1.88 billion was 39% higher than the same period last year, on the back of strong net interest income growth.
- Net interest income rose 56% to S\$2.34 billion, underpinned by 5% growth in average asset balances and NIM expansion of 75 basis points from the rapid increase of interest rates during 2022.
- Non-interest income of S\$1.01 billion was 11% below a year ago, led by a decrease in wealth management fees, which was partly compensated by a rise in trading income and net realised gains from the sale of investment securities.
- Operating expenses were up 3% to S\$1.24 billion. This was largely due to the rise in staff costs from salary increments and headcount growth to drive business expansion, and partly offset by a deduction in insurance-related expenses as noted above. Cost-to-income ratio was 37.1%, as compared to 45.6% a year ago.
- Share of results of associates of S\$260 million was 2% higher year-on-year.
- Total allowances of S\$110 million were higher as compared to S\$44 million for 1Q22, mainly due to higher allowances set aside for non-impaired assets.

Asset Quality and Allowances

S\$ million	Mar 2023	Mar 2022	Dec 2022	YoY	QoQ
Non-performing assets (NPAs)	3,329	4,307	3,486	-23%	-5%
Non-performing loan (NPL) ratio	1.1%	1.4%	1.2%	-0.3ppt	-0.1ppt
Total NPA coverage	121%	91%	114%	+30ppt	+7ppt
Allowances (S\$ million)	1Q23	1Q22	4Q22		
Allowances for loans and other assets	110	44	314		
<i>of which: Impaired</i>	56	31	101		
<i>Non-impaired</i>	54	13	213		
Credit costs (bps) ^{1/}	1Q23	1Q22	4Q22		
Total loans	12	6	35		
<i>of which: Impaired loans</i>	5	4	8		

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

Asset Quality

- Total NPAs as at 31 March 2023 were 5% lower as compared to the previous quarter, as higher recoveries and upgrades more than compensated for new NPA formation. Total NPAs declined across the Group's key markets of Singapore, Malaysia, Indonesia and Greater China.
 - New NPA formation for the quarter was S\$174 million, lower as compared to a quarter ago and the previous year, reflecting declines in both the corporate and consumer segments.
 - NPL ratio was lower at 1.1% and the allowance coverage for total NPAs for the quarter further improved to 121%.

Allowances

- Total allowances for 1Q23 were S\$110 million, comprising S\$56 million in allowances for impaired assets and S\$54 million in allowances for non-impaired assets. This was substantially lower than the S\$314 million in total allowances in 4Q22, mainly due to comparatively higher allowances for non-impaired assets set aside last quarter. Total credit costs of 12 basis points were lower as compared to a quarter ago.

Strong Funding, Liquidity and Capital Position

S\$ billion	Mar 2023	Mar 2022	Dec 2022	YoY	QoQ
Loans	294	294	295	<i>unchanged</i>	<i>unchanged</i>
% Δ in constant currency terms				+3%	+0.2%
Deposits	367	348	350	+5%	+5%
of which: CASA deposits	173	218	181	-21%	-5%
CASA ratio	47.1%	62.7%	51.8%	-15.6ppt	-4.7ppt
CET1 CAR	15.9%	15.2%	15.2%	+0.7ppt	+0.7ppt
Leverage ratio	7.3%	7.2%	7.2%	+0.1ppt	+0.1ppt

- Customer loans were S\$294 billion as at 31 March 2023. On constant currency basis, loans rose 0.2% from the previous quarter and 3% from a year ago.
- Sustainable financing commitments were up 34% from a year ago and 7% from the previous quarter to S\$47 billion, reflecting strong progress towards achieving the Group's target of S\$50 billion by 2025.
- Customer deposits grew by 5% from both the previous quarter and a year ago to S\$367 billion, underpinned by strong growth in fixed deposits. As at 31 March 2023, the Group's diversified customer deposit base made up more than 80% of funding composition.
- As deposit growth was higher than that of loans, loans-to-deposits ratio decreased to 79.2% from 83.3% a quarter ago.
- The Group continues to maintain strong funding, liquidity and capital positions, with all regulatory ratios well above requirements.

Message from Group CEO, *Helen Wong*

“We are pleased to achieve a record quarter on the back of a strong operating performance. Total income reached a new high and expenses were well controlled, while we maintained prudent levels of allowances. Our loan portfolio was resilient and our wealth management business continued to attract net new money inflows. These reflected the strength of our diversified franchise and contributed to a strong uplift in our return on equity.

Looking ahead, we are watchful of tighter financial conditions which may slow global economic growth and elevate overall risks. We remain confident of the long-term prospects of our key markets in Asia. Our capital position is strong and our liquidity positions are healthy. These provide ample buffer for uncertainties and allows us to pursue growth opportunities as they arise.”

FINANCIAL HIGHLIGHTS (unaudited)

S\$ million	1Q23	1Q22 ^{1/}	+/(-) %	4Q22 ^{1/}	+/(-) %
Selected Income Statement Items					
Net interest income	2,338	1,503	56	2,386	(2)
Non-interest income	1,012	1,140	(11)	615	65
Total income	3,350	2,643	27	3,001	12
Operating expenses	(1,244)	(1,205)	3	(1,299)	(4)
Operating profit before allowances and amortisation	2,106	1,438	46	1,702	24
Amortisation of intangible assets	(25)	(25)	(1)	(26)	(2)
Allowances for impaired assets	(56)	(31)	77	(101)	(45)
Allowances for non-impaired assets	(54)	(13)	335	(213)	(74)
Operating profit after allowances and amortisation	1,971	1,369	44	1,362	45
Share of results of associates, net of tax	260	254	2	223	17
Profit before income tax	2,231	1,623	37	1,585	41
Net profit attributable to equity holders	1,879	1,356	39	1,306	44
Cash basis net profit attributable to equity holders ^{2/}	1,904	1,381	38	1,332	43
Selected Balance Sheet Items					
Ordinary equity	52,027	51,894	–	51,387	1
Equity attributable to equity holders of the Bank	53,727	53,094	1	53,087	1
Total assets	565,808	552,787	2	559,956	1
Assets excluding life insurance fund investment securities and other assets	472,056	452,747	4	461,961	2
Net loans to customers	290,471	290,278	–	291,467	–
Deposits of non-bank customers	366,850	348,265	5	350,081	5
Selected Changes in Equity Items					
Total comprehensive income, net of tax	1,302	369	253	632	106
Dividends and distributions	(23)	(23)	–	–	–
Key Financial Ratios (%)					
Return on equity	14.7	10.6		10.0	
Return on assets	1.63	1.23		1.11	
Net interest margin	2.30	1.55		2.31	
Non-interest income to total income	30.2	43.1		20.5	
Cost-to-income	37.1	45.6		43.3	
Loans-to-deposits	79.2	83.3		83.3	
NPL ratio	1.1	1.4		1.2	
Common Equity Tier 1 capital adequacy ratio	15.9	15.2		15.2	
Tier 1 capital adequacy ratio	16.7	15.7		15.9	
Total capital adequacy ratio	18.4	17.2		17.7	
Leverage ratio	7.3	7.2		7.2	
Singapore dollar liquidity coverage ratio	390	304		308	
All-currency liquidity coverage ratio	152	151		159	
Net stable funding ratio	120	118		117	
Earnings per share (S\$)					
Basic earnings	1.68	1.21		1.14	
Diluted earnings	1.68	1.21		1.14	
Net asset value per share (S\$)	11.58	11.55		11.43	

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

1. The Group's insurance results for comparative periods are presented under SFRS(I) 4 basis.
2. Excludes amortisation of intangible assets.

Further Information

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OCBC Financial Results

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