

Media Release

OCBC Group Reported First Half 2020 Net Profit of S\$1.43 billion

Second quarter earnings rose 5% from the first quarter to S\$730 million

Singapore, 7 August 2020 – Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) reported its financial results for the first half of 2020 (“1H20”). Group net profit for 1H20 was S\$1.43 billion, 42% lower than a year ago, after prudently setting aside significantly higher allowances against expected credit losses on a forward-looking basis in the deteriorating economic environment brought about by the COVID-19 pandemic.

Net profit for the second quarter (“2Q20”) was S\$730 million, up 5% from the previous quarter (“1Q20”) and 40% lower compared to a year ago (“2Q19”).

First Half 2020 performance

S\$ million	1H20	1H19	YoY (%)
<u>Banking Operations</u>			
Total income	4,564	4,557	–
Operating expenses	(2,088)	(2,090)	–
Associates	336	326	3
Operating profit before allowances	2,812	2,793	1
Allowances	(1,404)	(359)	291
Net profit – Banking operations	1,160	2,028	(43)
Net profit – Insurance operations	268	426	(37)
Net profit – Group	1,428	2,454	(42)

Banking Operations Performance

- 1H20 operating profit before allowances was 1% higher from a year ago.
- Earnings in the first two months of 2020 were strong, but these were impacted from March onwards by increased business disruptions and slowdown in customer activities as countries implemented various measures to limit movements and interactions to curb virus transmissions. The half-year period also saw a severe contraction in the global economy, significant financial market volatility and aggressive policy support measures, including sizeable cuts in global interest rates and sharp increases in fiscal spending to drive growth and demand.

Towards the end of the second quarter, there was some pick-up in activity in our key markets as economies cautiously reopened, while financial markets also gradually recovered from their March lows. Despite the early signs of a very gradual recovery, the weak business and consumer sentiments continued to weigh on capital investments, as well as employment, trade and economic growth.

- Total income for 1H20 of S\$4.56 billion was unchanged YoY.
 - Net interest income of S\$3.05 billion was slightly below the S\$3.07 billion a year ago, as a 5% YoY increase in assets was offset by a sharp decline in net interest margin (“NIM”) particularly in 2Q20. Against the previous year, the Group’s NIM fell 10 basis points to 1.68% in 1H20, due to the compression of asset yields in a low interest rate environment which more than offset the drop in funding costs. The effect of a lower loans-to-deposits ratio (“LDR”) from strong deposit growth was a contributing factor as well.
 - Non-interest income rose 2% to S\$1.51 billion from S\$1.49 billion a year ago.

Net trading income was 13% higher YoY, led by increased customer-driven treasury activities, while net gains from the sale of investment securities rose by S\$65 million.

Net fee income was 4% lower YoY, as transactional and credit card fees were impacted by reduced customer activity during the enforced movement restriction period. These more than offset a rise in fees from wealth management earned especially in early 1Q20 and brokerage from higher online trading activities.

Assets under management at our private banking subsidiary Bank of Singapore grew 8% QoQ and 1% YoY to US\$113 billion (S\$157 billion) as at 30 June 2020.
- Operating expenses were well-managed and relatively unchanged YoY at S\$2.09 billion.
- Total allowances were substantially higher at S\$1.40 billion (*see further analysis below*).

Insurance Operations Performance

- Net profit contribution from insurance subsidiary Great Eastern Holdings (“GEH”) was 37% lower YoY at S\$268 million as compared to S\$426 million a year ago. This was largely attributable to unrealised mark-to-market losses in its investment portfolio arising from unfavourable market conditions, which more than offset a 57% rise in operating profit from its underlying insurance business.
- Total weighted new sales were 7% higher YoY at S\$585 million, while new business embedded value (“NBEV”) was S\$235 million, with the NBEV margin lower at 40.2% for 1H20 due to product mix.

Second Quarter 2020 Performance

S\$ million	2Q20	1Q20	QoQ (%)	2Q19	YoY (%)
Total income	2,625	2,490	5	2,618	–
Operating expenses	(1,107)	(1,109)	–	(1,151)	(4)
Associates	163	165	(2)	146	11
Operating profit before allowances	1,681	1,546	9	1,613	4
Allowances	(750)	(657)	14	(111)	582
Group net profit	730	698	5	1,223	(40)

Quarter-on-quarter Performance

- The Group's operating profit before allowances rose 9% from higher total income and flat expense growth.
- Total income rose 5% YoY to S\$2.63 billion.
 - Net interest income fell 9% to S\$1.48 billion, largely from a 16 basis points decline in NIM as asset pricing adjusted to the significant cuts in interest rates faster than the reduction in customer deposit funding costs.
 - Non-interest income rose 32% to S\$1.14 billion, as improved financial market conditions drove trading income and insurance profit higher QoQ. However, net fee income was 19% lower, attributable to a slowdown in customer activity and reduced branch traffic as tighter social distancing measures were implemented during the quarter.
- Operating expenses were unchanged QoQ at S\$1.11 billion, with the cost-to-income ratio lower at 42.2% as compared to 44.5% in 1Q20.
- Allowances of S\$750 million were higher as compared to S\$657 million in the previous quarter.

Year-on-year Performance

- Against the previous year, operating profit before allowances grew 4%, driven by increased associates' contributions and a reduction in operating expenses.
- Net interest income fell 7% as asset growth was more than offset by margin compression.
- Non-interest income rose 11% mainly attributable to increased trading and insurance income.
- Operating expenses fell 4% YoY, while allowances were significantly higher from a year ago.

Asset Quality and Allowances

S\$ million	Jun 2020	Jun 2019	Mar 2020
Non-performing assets (NPAs)	4,351	3,914	4,386
Non-performing loan (NPL) ratio	1.6%	1.5%	1.5%
Coverage - total NPAs	101%	78%	90%
Coverage - unsecured NPAs	284%	252%	234%
Credit costs (bps)	1H20	1H19	
Impaired loans	51	22	
Total loans	91	25	

As at 30 June 2020, total NPAs were S\$4.35 billion, 1% below the S\$4.39 billion a quarter ago from higher recoveries, upgrades and write-offs. Compared to the S\$3.91 billion a year ago, total NPAs were 11% higher, mainly attributable to downgrades of accounts in the transportation, manufacturing and general commerce sectors. New NPA formation in 2Q20 was S\$496 million, lower than the S\$623 million in the first quarter. As at 30 June 2020, the NPL ratio was 1.6%.

As at 30 June 2020, allowance coverage against total NPAs of 101% was well above the 78% a year ago. Coverage against unsecured NPAs of 284% was also higher as compared to 252% in the previous year.

The Group significantly raised its allowances in 1H20, with total allowances charged to the income statement of S\$1.41 billion substantially higher than the S\$360 million a year ago. The S\$1.05 billion YoY increase in allowances comprised:

- a S\$579 million increase in allowances for non-impaired assets (ECL stage 1 and 2) to S\$614 million. This included S\$197 million in macro-economic variable (“MEV”) adjustments, and S\$300 million in management overlays above the ECL model requirements, reflecting prudent steps taken to buffer the portfolio on a forward-looking basis, in view of the very uncertain market and economic outlook.
- a S\$468 million rise in allowances for impaired assets to S\$793 million. Allowances in 1H20 largely comprised allowances made for a Singapore-based corporate customer in the oil trading sector first recognised in the first quarter, and additional allowances made in the second quarter to conservatively write down the carrying value of the existing offshore support vessels (“OSV”) NPLs in view of the poor outlook for the sector. The decline in OSV employment was further aggravated by significantly reduced oil demand as a result of the prolonged COVID-19 pandemic.

Strong Funding, Liquidity and Capital Position

	Jun 2020	Jun 2019	Mar 2020
CASA ratio	56.7%	47.9%	51.0%
All-ccy LCR	139%	151%	151%
CET1 CAR	14.2%	14.4%	14.3%
Leverage ratio	7.4%	7.5%	7.4%

Customer loans rose 2% YoY to S\$268 billion as at 30 June 2020, but were 1% lower QoQ from a fall in consumer and trade-related credit demand as economic activity slowed in the second quarter. Customer deposits grew 4% to S\$310 billion and comprised 79% of the Group's funding base. The loans-to-deposits ratio was 85.4%, lower than the 87.6% a year ago. Current account and savings deposits ("CASA") increased 24% to a record S\$175 billion as at 30 June 2020, while the CASA ratio rose to a new high of 56.7%.

For 1H20, the average all-currency liquidity coverage ratio for the Group was 139%, while the net stable funding ratio was 119%.

The Group's Common Equity Tier 1 capital adequacy ratio was 14.2%, slightly below the 14.3% as at 31 March 2020. The leverage ratio was 7.4%, unchanged from the previous quarter.

These regulatory ratios were all above their respective regulatory requirements.

Dividend

Cents Per Share	2020	2019
Interim dividend	15.9	25.0
Final dividend		28.0

Given the uncertain economic climate, the MAS has called on all locally-incorporated banks headquartered in Singapore to cap the total dividend per share for FY20 at 60% of that of the prior year, and to offer shareholders the scrip dividend option. Under the guideline, the maximum dividend per share that OCBC can declare would be 31.8 cents for FY20 or 60% of FY19's 53 cents.

For the first half of 2020, an interim dividend of 15.9 cents per share has been declared. This represents half of the maximum 31.8 cents dividend per share that could be paid out in FY20. The estimated interim dividend payout will amount to S\$700 million, representing 49% of the Group's 1H2020 net profit.

The Scrip Dividend Scheme will be applicable to the interim dividend, giving shareholders the option to receive the dividend in the form of shares, with the issue price of the shares set at a 10% discount.

OCBC continues to be firmly committed to delivering long-term sustainable returns to shareholders, while ensuring that its customers, employees and the community are fully supported through this unprecedented crisis.

Message from Group CEO, *Samuel Tsien*

“With the ongoing pandemic and rising geo-political risks, the near-term market outlook is very uncertain. Despite the unprecedented size of government and central bank relief programmes extended across the world, business and consumer sentiments continued to be weak. The emergence of economies towards the road to recovery will be slow and challenging. During this time, we are committed to continuing our support to customers, employees and the community as we navigate this crisis together.

It is important for banks to defensively shore up their balance sheet and prepare for the slow recovery. This is exactly what we have done since the start of the pandemic crisis. We protected our customer franchise, managed our expenses in line with income expectations, increased our allowance coverage, preserved our capital and raised our capital efficiency to position for the future post-pandemic. We will continue to contain all discretionary expenditure, including management compensation.

Our first half performance reflects the underlying strength of OCBC’s diversified business model and franchise. Despite the very challenging macro-economic environment, our banking franchise achieved a year-on-year improvement in operating profit before allowances, while our insurance business delivered a rise in operating profit and weighted new sales. OCBC’s capital, liquidity and funding position remained strong and we are committed to delivering sustainable returns to shareholders.

Despite the turmoil since the start of the COVID-19 pandemic, we have stayed focused on our corporate strategy to drive long-term sustainable value. We must also look beyond this pandemic to capture opportunities presented by prevailing economic trends to emerge stronger and relevant in a post-pandemic world.

I am deeply grateful to OCBC’s employees – working from home or safely returning to the workplace – who continue to champion our core values by demonstrating steadfast dedication in serving our customers and the community through this unprecedented period. We are equally appreciative of the support of our customers during these challenging times”

About OCBC Bank

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore by The Asian Banker.

OCBC Bank and its subsidiaries offer a broad array of commercial banking, specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 500 branches and representative offices in 19 countries and regions. These include over 250 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 80 branches and offices in Mainland China, Hong Kong SAR and Macau SAR under OCBC Wing Hang.

OCBC Bank's private banking services are provided by its wholly-owned subsidiary Bank of Singapore, which operates on a unique open-architecture product platform to source for the best-in-class products to meet its clients' goals.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the oldest and most established life insurance group in Singapore and Malaysia. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia.

For more information, please visit www.ocbc.com.

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To Our Shareholders

The Board of Directors of Oversea-Chinese Banking Corporation Limited (“OCBC”) reports the following:

Unaudited Financial Results for the Half Year Ended 30 June 2020

For the half year ended 30 June 2020, the Group reported net profit after tax was S\$1.43 billion. Details of the financial results are in the accompanying Group Financial Report.

Ordinary Dividend

An interim tax exempt dividend of 15.9 cents per share (2019: 25 cents tax exempt) has been declared for the first half year 2020. The interim dividend payout will amount to an estimated S\$700 million (2019: S\$1.08 billion) or approximately 49% of the Group’s net profit after tax of S\$1.43 billion for 1H20.

Closure of Books

The record date is 24 August 2020. Please refer to the separate announcement titled “Notice of Books Closure and Application of Scrip Dividend Scheme to FY20 Interim Dividend” released by the Bank today.

Scrip Dividend Scheme

The Scrip Dividend Scheme will be applicable to the interim dividend. The issue price for the new shares, to be allotted to shareholders who have elected to receive scrip for the interim dividend, will be set at a 10% discount to the average of the daily volume weighted average prices of the shares for each of the market days during the price determination period between 21 August 2020 (the ex-dividend date) to 24 August 2020 (the record date), both dates inclusive. Further details can be found in a separate announcement titled “Application of Scrip Dividend Scheme to FY20 Interim Dividend” released by the Bank today.

Peter Yeoh
Secretary

Singapore, 7 August 2020

More details on the results are available on the Bank’s website at www.ocbc.com

Oversea-Chinese Banking Corporation Limited
Half Year 2020 Group Financial Report



Incorporated in Singapore
Company Registration Number: 193200032W

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Notes:

1. Certain comparative figures have been restated to conform with the current period's presentation.
2. Amounts less than S\$0.5 million are shown as "#".
3. "nm" denotes not meaningful.

FINANCIAL SUMMARY

OCBC Group prepares its financial statements in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) issued by Accounting Standards Council.

The following new/revised financial reporting standards and interpretations were applied with effect from 1 January 2020:

Various	<i>Amendments to References to the Conceptual Framework in SFRS(I) Standards</i>
SFRS(I) 3 (Amendments)	<i>Definition of a Business</i>
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	<i>Definition of Material</i>
SFRS(I) 16 (Amendments)	<i>Covid-19-Related Rent Concessions</i>

There are a number of new/revised financial reporting standards in issue but not yet effective. They are not expected to have a material impact on the Group’s financial statements when adopted except for SFRS(I) 17 *Insurance Contracts*. SFRS(I) 17 is effective from 1 January 2021. The effective date of IFRS 17 (equivalent of SFRS(I) 17) issued by the International Accounting Standards Board has been deferred to 1 January 2023.

Financial Results

The Group reported a net profit after tax of S\$1.43 billion for the first half of 2020 (“1H20”), 42% lower as compared to S\$2.45 billion a year ago (“1H19”), mainly from higher allowances set aside against expected credit losses in the deteriorating economic environment brought about by the COVID-19 pandemic.

Net interest income was stable at S\$3.11 billion. Non-interest income fell 8% to S\$2.01 billion from S\$2.17 billion a year ago. Net fees and commissions declined 3% to S\$986 million, from S\$1.02 billion in 1H19. Net trading income of S\$343 million was lower than the S\$478 million a year ago, while net gains from the sale of investment securities of S\$160 million were up from S\$82 million in 1H19. Income from life and general insurance was 5% lower at S\$439 million as compared to S\$464 million in 1H19, while the Group’s share of profits of associates rose 4% to S\$328 million, from S\$316 million a year ago.

Operating expenses decreased 1% year-on-year to S\$2.22 billion from S\$2.25 billion in 1H19. Net allowances for loans and other assets were higher at S\$1.41 billion, as compared to S\$360 million a year ago. The Group’s non-performing loans (“NPL”) ratio was 1.6% as at 30 June 2020, an increase from 1.5% in the previous year.

Annualised return on equity was 6.1% in 1H20, as compared to 11.7% a year ago. Annualised earnings per share of S\$0.64 was lower than the S\$1.15 in 1H19.

FINANCIAL SUMMARY *(continued)*

The Group's unrealised valuation surplus as at 30 June 2020 amounted to S\$5.73 billion. The unrealised valuation surplus largely represents the difference between the carrying amounts and market values of its properties, investments in associates and quoted subsidiaries.

S\$ million	1H20	1H19	+ / (-) %
Selected Income Statement Items			
Net interest income	3,109	3,122	–
Non-interest income	2,006	2,172	(8)
Total income	5,115	5,294	(3)
Operating expenses	(2,216)	(2,246)	(1)
Operating profit before allowances and amortisation	2,899	3,048	(5)
Amortisation of intangible assets	(53)	(51)	3
Allowances for loans and other assets	(1,407)	(360)	292
Operating profit after allowances and amortisation	1,439	2,637	(45)
Share of results of associates, net of tax	328	316	4
Profit before income tax	1,767	2,953	(40)
Net profit attributable to shareholders	1,428	2,454	(42)
Cash basis net profit attributable to shareholders ^{1/}	1,481	2,505	(41)

Selected Balance Sheet Items

Ordinary equity	46,384	43,357	7
Equity attributable to equity holders of the Bank	47,884	44,857	7
Total assets	510,002	479,767	6
Assets excluding life insurance fund investment assets	419,264	397,716	5
Net customer loans ^{2/}	264,391	260,363	2
Deposits of non-bank customers	309,731	296,806	4

Notes:

1. Excludes amortisation of intangible assets.
2. Comparative figures have been restated to conform with current period's presentation.

FINANCIAL SUMMARY (continued)

	1H20	1H19
Key Financial Ratios (%)		
Performance ratios		
Return on equity ^{1/ 2/}	6.1	11.7
Return on assets ^{3/}	0.68	1.27
Revenue mix/efficiency ratios		
Net interest margin	1.68	1.78
Non-interest income to total income	39.2	41.0
Cost-to-income	43.3	42.4
Loans-to-deposits	85.4	87.6
NPL ratio	1.6	1.5
Capital adequacy ratios ^{8/}		
Common Equity Tier 1	14.2	14.4
Tier 1	14.9	15.1
Total	16.4	16.8
Leverage ratio ^{5/ 8/}		
	7.4	7.5
Liquidity coverage ratios ^{6/ 8/}		
Singapore dollar	295	258
All-currency	139	151
Net stable funding ratio ^{7/ 8/}		
	119	109
Earnings per share (S\$) ^{2/}		
Basic earnings	0.64	1.15
Diluted earnings	0.64	1.15
Net asset value per share (S\$)		
	10.53	10.05

Notes:

- Other equity instruments and non-controlling interests are not included in the computation for return on equity.
- Calculated based on net profit less distributions on other equity instruments paid and estimated to be due at the end of the financial period.
- Computation of return on assets excludes life insurance fund investment assets.
- Return on equity, return on assets, net interest margin and earnings per share are computed on an annualised basis.
- The Group's Leverage ratio is computed based on MAS Notice 637.
- The Group's Liquidity coverage ratios ("LCR") are computed based on MAS Notice 649 and reported based on the average LCR for the respective periods.
- The Group's Net stable funding ratio is computed based on MAS Notice 652.
- Public disclosures required under MAS Notice 637, MAS Notice 651 and MAS Notice 653 can be found in the Capital and Regulatory Disclosures section of the Bank's Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

NET INTEREST INCOME

Average Balance Sheet

S\$ million	1H20			1H19		
	Average Balance	Interest	Average Rate ^{2/} %	Average Balance	Interest	Average Rate ^{2/} %
Interest earning assets						
Loans and advances to non-bank customers	265,719	3,980	3.01	254,037	4,569	3.63
Placements with and loans to banks	49,959	547	2.20	48,397	774	3.23
Other interest earning assets	56,262	702	2.51	52,184	750	2.90
	371,940	5,229	2.83	354,618	6,093	3.46
Interest bearing liabilities						
Deposits of non-bank customers	311,147	1,807	1.17	293,221	2,448	1.68
Deposits and balances of banks	11,510	60	1.04	10,549	97	1.85
Other borrowings	25,646	253	1.98	27,976	426	3.07
	348,303	2,120	1.22	331,746	2,971	1.81
Net interest income/margin ^{1/}		3,109	1.68		3,122	1.78

Notes:

1. Net interest margin is net interest income as a percentage of interest earning assets.
2. Average rates are computed on an annualised basis.

Net interest income was stable year-on-year at S\$3.11 billion, as a 5% year-on-year increase in assets was offset by a sharp decline in net interest margin (“NIM”). 1H20 NIM fell 10 basis points to 1.68% from a year ago, mainly attributable to reduced asset yields in a low interest rate environment which outpaced a decline in funding costs, and the effect of a lower loans-to-deposits ratio from strong deposit growth.

Volume and Rate Analysis

1H20 vs 1H19			
Increase/(decrease) due to change in: S\$ million	Volume	Rate	Net change
Interest income			
Loans and advances to non-bank customers	211	(825)	(614)
Placements with and loans to banks	25	(257)	(232)
Other interest earning assets	59	(111)	(52)
	295	(1,193)	(898)
Interest expense			
Deposits of non-bank customers	151	(805)	(654)
Deposits and balances of banks	9	(47)	(38)
Other borrowings	(36)	(140)	(176)
	124	(992)	(868)
Impact on net interest income	171	(201)	(30)
Due to change in number of days			17
Net interest income			(13)

NON-INTEREST INCOME

S\$ million	1H20	1H19	+ / (-) %
Gross fee and commission income			
Brokerage	70	41	70
Wealth management	555	500	11
Fund management	59	56	6
Credit card	131	165	(21)
Loan-related	81	145	(45)
Trade-related and remittances	123	119	4
Guarantees	7	9	(20)
Investment banking	46	52	(11)
Service charges	43	45	(5)
Others	23	21	6
	1,138	1,153	(1)
Fee and commission expense	(152)	(136)	12
Fees and commissions (net)	986	1,017	(3)
Dividends	30	32	(9)
Net trading income	343	478	(28)
Income from life and general insurance			
Profit from life insurance	338	375	(10)
Premium income from general insurance	101	89	13
Sub-total	439	464	(5)
Other income			
Net gain from investment securities	160	82	95
Net gain from disposal of a subsidiary	–	1	(100)
Net gain from disposal of properties	14	41	(66)
Rental income	27	39	(31)
Others	7	18	(60)
Sub-total	208	181	14
Total non-interest income	2,006	2,172	(8)

Non-interest income was S\$2.01 billion for 1H20, and was 8% lower as compared to S\$2.17 billion a year ago.

Net fees and commissions decreased 3% to S\$986 million, as transactional and credit card fees were impacted by reduced customer activity during the movement restriction period. These more than offset higher fees from brokerage as a result of a rise in online trading activities and wealth management fees. Net trading income of S\$343 million was lower than the S\$478 million in 1H19, as higher customer flow income was more than offset by unrealised mark-to-market losses in Great Eastern Holdings' ("GEH") investment portfolio. Net gains from the sale of investment securities were S\$160 million in 1H20, up from S\$82 million a year ago. Income from life and general insurance was 5% lower at S\$439 million as compared to S\$464 million in the previous year, mainly attributable to weak investment performance arising from unfavourable market conditions which more than offset an increase in operating profit from GEH's insurance business.

OPERATING EXPENSES

S\$ million	1H20	1H19	+/(-) %
Staff costs	1,403	1,390	1
Property and equipment			
Depreciation	211	193	9
Maintenance	66	64	4
Rental expenses	6	15	(61)
Others	141	143	(2)
	424	415	2
Other operating expenses	389	441	(12)
Total operating expenses	2,216	2,246	(1)
Group staff strength			
Period end	30,605	30,255	1
Average	30,450	30,019	1

Operating expenses were well-controlled and fell 1% to S\$2.22 billion in 1H20, from S\$2.25 billion a year ago. The decline was mainly attributable to lower business promotion costs and travelling expenses, partly offset by a small increase in staff costs.

The cost-to-income ratio was higher at 43.3% in 1H20, as compared to 42.4% a year ago.

ALLOWANCES FOR LOANS AND OTHER ASSETS

S\$ million	1H20	1H19	+/(-) %
Allowances/(write-back):			
Impaired loans			
Singapore	508	91	462
Malaysia	44	49	(11)
Indonesia	117	117	–
Greater China	25	72	(65)
Others	72	(5)	nm
	766	324	137
Impaired other assets	27	1	nm
Non-impaired loans	607	38	nm
Non-impaired other assets	7	(3)	340
Allowances for loans and other assets	1,407	360	292

Allowances for loans and other assets were significantly higher at S\$1.41 billion in 1H20, as compared to S\$360 million a year ago. The year-on-year increase in allowances for non-impaired assets included S\$197 million in macro-economic variable adjustments, and S\$300 million in management overlays above the expected credit loss model requirements, reflecting prudent steps taken to buffer the portfolio on a forward-looking basis. Allowances for impaired assets were also higher at S\$793 million from S\$325 million a year ago, which largely comprised allowances made for a Singapore-based corporate customer in the oil trading sector and additional allowances made to conservatively write down the carrying value of the existing offshore support vessels (“OSV”) NPLs in view of the poor outlook for the sector. The decline in OSV employment was further aggravated by significantly reduced oil demand as a result of the prolonged Covid-19 pandemic.

CUSTOMER LOANS

S\$ million	30 Jun 2020	31 Dec 2019	30 Jun 2019
Loans to customers	261,889	257,292	254,082
Bills receivable	5,985	7,481	8,626
Gross customer loans	267,874	264,773	262,708
Allowances			
Impaired loans	(1,840)	(1,395)	(1,320)
Non-impaired loans	(1,643)	(1,030)	(1,025)
Net customer loans	264,391	262,348	260,363
By Maturity			
Within 1 year	102,289	105,909	109,560
1 to 3 years	49,465	42,735	41,938
Over 3 years	116,120	116,129	111,210
	267,874	264,773	262,708
By Industry			
Agriculture, mining and quarrying	9,807	8,963	10,134
Manufacturing	18,304	17,074	17,524
Building and construction	69,023	64,686	59,447
Housing loans	61,395	62,069	62,435
General commerce	30,483	31,823	34,236
Transport, storage and communication	15,081	13,311	12,877
Financial institutions, investment and holding companies	21,896	24,542	23,754
Professionals and individuals	28,895	30,322	30,248
Others	12,990	11,983	12,053
	267,874	264,773	262,708
By Currency			
Singapore Dollar	94,732	93,559	93,238
United States Dollar	66,102	65,163	67,122
Malaysian Ringgit	20,400	20,878	20,986
Indonesian Rupiah	8,851	9,222	9,207
Hong Kong Dollar	34,214	34,355	35,287
Chinese Renminbi	5,722	4,933	4,582
Others	37,853	36,663	32,286
	267,874	264,773	262,708
By Geography ^{1/}			
Singapore	109,290	108,981	109,314
Malaysia	28,468	28,585	29,270
Indonesia	19,623	19,680	20,289
Greater China	67,342	65,358	63,467
Other Asia Pacific	17,595	15,674	15,793
Rest of the World	25,556	26,495	24,575
	267,874	264,773	262,708

Notes:

- Loans by geography are based on where the credit risks reside, which may be different from the borrower's country of residence or the booking location of the loans.

Gross loans to customers were S\$268 billion as at 30 June 2020, and were 2% higher than a year ago. By industry, the year-on-year loan growth was led by higher loans to the building and construction sector. In constant currency terms, customer loans grew 1% from the previous year.

NON-PERFORMING ASSETS

S\$ million	Total NPAs ^{1/}	Substandard	Doubtful	Loss	Secured NPAs/ Total NPAs %	NPLs ^{2/}	NPL Ratio ^{2/} %
Singapore							
30 Jun 2020	1,935	1,439	322	174	76.9	1,864	1.7
31 Dec 2019	1,717	1,309	237	171	79.2	1,685	1.5
30 Jun 2019	1,393	978	223	192	74.8	1,344	1.2
Malaysia							
30 Jun 2020	845	439	352	54	60.6	817	2.9
31 Dec 2019	738	372	321	45	60.1	726	2.5
30 Jun 2019	787	388	354	45	68.9	785	2.7
Indonesia							
30 Jun 2020	723	311	213	199	51.9	723	3.7
31 Dec 2019	678	289	222	167	49.7	677	3.4
30 Jun 2019	821	578	95	148	74.2	818	4.0
Greater China							
30 Jun 2020	312	103	161	48	44.5	295	0.4
31 Dec 2019	230	54	133	43	51.7	230	0.4
30 Jun 2019	282	65	173	44	42.5	282	0.4
Other Asia Pacific							
30 Jun 2020	104	72	31	1	56.3	104	0.6
31 Dec 2019	101	77	23	1	58.8	101	0.6
30 Jun 2019	121	104	17	#	48.1	121	0.8
Rest of the World							
30 Jun 2020	432	219	206	7	54.5	426	1.7
31 Dec 2019	419	229	183	7	56.4	419	1.6
30 Jun 2019	510	332	178	#	65.2	510	2.1
Group							
30 Jun 2020	4,351	2,583	1,285	483	64.5	4,229	1.6
31 Dec 2019	3,883	2,330	1,119	434	65.8	3,838	1.5
30 Jun 2019	3,914	2,445	1,040	429	69.1	3,860	1.5

Notes:

1. Comprise non-bank loans, debt securities and contingent liabilities.
2. Exclude debt securities and contingent liabilities.

NON-PERFORMING ASSETS (continued)

Non-performing assets (“NPAs”) were S\$4.35 billion as at 30 June 2020, an increase of 11% from S\$3.91 billion a year ago, mainly attributable to downgrades of accounts in the transportation, manufacturing and general commerce sectors.

The Group’s NPL ratio was 1.6%, higher as compared to 1.5% a year ago. Of the total NPAs, 59% were in the substandard category and 65% were secured by collateral.

	30 Jun 2020		31 Dec 2019		30 Jun 2019	
	S\$ million	% of loans	S\$ million	% of loans	S\$ million	% of loans
NPLs by Industry						
Loans and advances						
Agriculture, mining and quarrying	456	4.6	468	5.2	654	6.4
Manufacturing	597	3.3	468	2.7	417	2.4
Building and construction	173	0.3	155	0.2	144	0.2
Housing loans	436	0.7	435	0.7	432	0.7
General commerce	638	2.1	555	1.7	605	1.8
Transport, storage and communication	1,722	11.4	1,563	11.7	1,341	10.4
Financial institutions, investment and holding companies	29	0.1	25	0.1	30	0.1
Professionals and individuals	133	0.5	123	0.4	127	0.4
Others	45	0.4	46	0.4	110	0.9
Total NPLs	4,229	1.6	3,838	1.5	3,860	1.5
Classified debt securities	8		2		2	
Classified contingent liabilities	114		43		52	
Total NPAs	4,351		3,883		3,914	

	30 Jun 2020		31 Dec 2019		30 Jun 2019	
	S\$ million	%	S\$ million	%	S\$ million	%
NPAs by Period Overdue						
Over 180 days	2,227	51	1,770	46	2,023	52
Over 90 to 180 days	201	5	173	4	331	8
30 to 90 days	212	5	530	14	296	8
Less than 30 days	719	16	474	12	291	7
Not overdue	992	23	936	24	973	25
	4,351	100	3,883	100	3,914	100

S\$ million	30 Jun 2020		31 Dec 2019		30 Jun 2019	
	Loan	Allowance	Loan	Allowance	Loan	Allowance
Restructured Loans						
Substandard	1,418	1,010	1,099	498	1,233	458
Doubtful	565	331	515	279	328	102
Loss	81	44	44	18	35	13
	2,064	1,385	1,658	795	1,596	573

CUMULATIVE ALLOWANCES FOR ASSETS ^{1/}

S\$ million	Total cumulative allowances	Allowances for impaired assets	Allowances for non-impaired assets	Allowances for impaired assets as % of total NPAs	Cumulative allowances as % of total NPAs
				%	%
Singapore					
30 Jun 2020	2,024	937	1,087	48.5	104.6
31 Dec 2019	1,476	679	797	39.6	86.0
30 Jun 2019	1,203	453	750	32.5	86.3
Malaysia					
30 Jun 2020	691	323	368	38.3	81.8
31 Dec 2019	597	308	289	41.7	80.8
30 Jun 2019	616	353	263	44.8	78.2
Indonesia					
30 Jun 2020	671	323	348	44.6	92.8
31 Dec 2019	571	237	334	34.9	84.1
30 Jun 2019	547	306	241	37.3	66.6
Greater China					
30 Jun 2020	534	57	477	18.1	171.2
31 Dec 2019	382	47	335	20.5	166.5
30 Jun 2019	395	73	322	25.8	139.9
Other Asia Pacific					
30 Jun 2020	124	43	81	41.0	118.6
31 Dec 2019	94	32	62	31.2	92.5
30 Jun 2019	58	2	56	1.5	48.3
Rest of the World					
30 Jun 2020	340	159	181	36.9	78.7
31 Dec 2019	201	94	107	22.5	48.0
30 Jun 2019	227	135	92	26.6	44.7
Group					
30 Jun 2020	4,384	1,842	2,542	42.3	100.8
31 Dec 2019	3,321	1,397	1,924	36.0	85.5
30 Jun 2019	3,046	1,322	1,724	33.8	77.8

Note:

1. Included regulatory loss allowance reserve.

As at 30 June 2020, the Group's total cumulative allowances for assets were S\$4.38 billion. This comprised S\$1.84 billion in allowances for impaired assets and S\$2.54 billion in allowances for non-impaired assets. Cumulative allowances represented 284% of unsecured NPAs and 101% of total NPAs.

DEPOSITS

S\$ million	30 Jun 2020	31 Dec 2019	30 Jun 2019
Deposits of non-bank customers	309,731	302,851	296,806
Deposits and balances of banks	12,460	8,250	11,269
	322,191	311,101	308,075
Total Deposits By Maturity			
Within 1 year	319,527	307,522	303,710
1 to 3 years	1,497	1,792	1,801
Over 3 years	1,167	1,787	2,564
	322,191	311,101	308,075
Non-Bank Deposits By Product			
Fixed deposits	107,648	128,989	131,346
Savings deposits	65,040	57,465	55,055
Current account	110,450	89,024	86,998
Others	26,593	27,373	23,407
	309,731	302,851	296,806
Non-Bank Deposits By Currency			
Singapore Dollar	113,805	107,278	110,085
United States Dollar	103,251	102,800	88,471
Malaysian Ringgit	23,106	22,827	23,704
Indonesian Rupiah	9,893	10,221	9,996
Hong Kong Dollar	24,490	25,905	27,998
Chinese Renminbi	6,937	6,679	6,202
Others	28,249	27,141	30,350
	309,731	302,851	296,806

Non-bank customer deposits as at 30 June 2020 were S\$310 billion, up 4% from S\$297 billion a year ago. The year-on-year growth was mainly attributable to a 24% increase in current account and savings deposits ("CASA"), and the ratio of CASA to total non-bank deposits was higher at 56.7%, as compared to 47.9% a year ago. The Group's loans-to-deposits ratio was 85.4% as at 30 June 2020.

DEBT ISSUED

S\$ million	30 Jun 2020	31 Dec 2019	30 Jun 2019
Unsecured			
Subordinated debt	1,923	1,797	3,155
Fixed and floating rate notes	4,039	4,502	4,122
Commercial papers	12,003	17,872	15,892
Structured notes	2,035	1,742	1,691
Secured			
Covered bonds	3,596	3,475	3,546
	23,596	29,388	28,406
Debt Issued By Maturity			
Within one year	15,250	19,813	18,464
Over one year	8,346	9,575	9,942
	23,596	29,388	28,406

As at 30 June 2020, the Group had S\$12.00 billion of commercial papers outstanding, lower from a year ago. The commercial papers form part of the Group's diversified funding sources.

The covered bonds were issued by the Bank under its USD10 billion Global Covered Bond Programme. The Covered Bond Guarantor, Red Sail Pte. Ltd., guarantees the payments of interest and principal. The guarantee is secured by a portfolio of Singapore home loans transferred from OCBC Bank to Red Sail Pte. Ltd..

CAPITAL ADEQUACY RATIOS ^{1/}

S\$ million	30 Jun 2020	31 Dec 2019	30 Jun 2019
Ordinary shares	17,296	17,261	16,423
Disclosed reserves/others	22,204	21,452	20,596
Regulatory adjustments	(7,624)	(6,913)	(6,843)
Common Equity Tier 1 Capital	31,876	31,800	30,176
Additional Tier 1 capital	1,530	1,531	1,530
Regulatory adjustments	–	–	–
Tier 1 Capital	33,406	33,331	31,706
Tier 2 capital	3,320	2,661	3,635
Regulatory adjustments	–	–	–
Total Eligible Capital	36,726	35,992	35,341
Risk Weighted Assets	223,867	213,356	209,203
Capital Adequacy Ratios			
Common Equity Tier 1	14.2%	14.9%	14.4%
Tier 1	14.9%	15.6%	15.1%
Total	16.4%	16.8%	16.8%

The Group remained strongly capitalised, with a Common Equity Tier 1 (“CET1”) capital adequacy ratio (“CAR”) of 14.2%, and Tier 1 and Total CAR of 14.9% and 16.4% respectively. These ratios were well above the regulatory minima of 6.5%, 8% and 10%, respectively, for 2020 ^{2/}. Compared with 30 June 2019, the Group’s Total CAR was lower largely due to an increase in risk weighted assets.

Notes:

- Public disclosures required under MAS Notice 637 can be found in the Capital and Regulatory Disclosures section of the Bank’s Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).
- In addition to these minimum capital requirements, the Group is required to meet Capital Conservation Buffer (“CCB”) of 2.5% and Countercyclical Buffer (“CCyB”) of up to 2.5%. The CCyB is not an on-going requirement and the applicable magnitude will be the weighted average of the country-specific CCyB requirements that are being applied by national authorities in jurisdictions to which the Bank has private sector credit exposures.

PERFORMANCE BY BUSINESS SEGMENT

OCBC Group's businesses are presented in the following customer segments and business activities: Global Consumer/Private Banking, Global Wholesale Banking, Global Treasury and Markets, OCBC Wing Hang and Insurance.

Operating Profit After Allowances and Amortisation by Business Segment

S\$ million	1H20	1H19	+/(-) %
Global Consumer/Private Banking	604	723	(17)
Global Wholesale Banking	30	877	(97)
Global Treasury and Markets	378	259	46
OCBC Wing Hang	283	195	46
Insurance	395	557	(29)
Others	(251)	26	nm
Operating profit after allowances and amortisation	1,439	2,637	(45)

Global Consumer/Private Banking

Global Consumer/Private Banking provides a full range of products and services to individual customers. At Global Consumer Banking, the products and services offered include deposit products (checking accounts, savings and fixed deposits), consumer loans (housing loans and other personal loans), credit cards, wealth management products (unit trusts, bancassurance products and structured deposits) and brokerage services. Private Banking caters to the specialised banking needs of high net worth individuals, offering wealth management expertise, including investment advice and portfolio management services, estate and trust planning, and wealth structuring.

Global Consumer/Private Banking's operating profit after allowances fell 17% to S\$604 million in 1H20, mainly attributable to lower net interest income, and an increase in allowances and expenses, which more than offset higher wealth management fee income.

Global Wholesale Banking

Global Wholesale Banking serves institutional customers ranging from large corporates and the public sector to small and medium enterprises. The business provides a full range of financing solutions including long-term project financing, short-term credit, working capital and trade financing, as well as customised and structured equity-linked financing. It also provides customers with a broad range of products and services such as cash management and custodian services, capital market solutions, corporate finance services and advisory banking, and treasury products.

Global Wholesale Banking's 1H20 operating profit after allowances was S\$30 million, down 97% from S\$877 million a year ago, attributable to a substantial rise in allowances.

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

Global Treasury and Markets

Global Treasury and Markets is responsible for the management of the Group's asset and liability interest rate positions, engages in foreign exchange activities, money market operations, fixed income and derivatives trading, and offers structured treasury products and financial solutions to meet customers' investment and hedging needs. Income from treasury products and services offered to customers of other business segments, such as Global Consumer/Private Banking and Global Wholesale Banking, is reflected in the respective business segments.

Global Treasury's operating profit after allowances rose 46% year-on-year to S\$378 million in 1H20, driven by higher net trading income, net interest income and realised gains from its fixed income portfolio, partly offset by an increase in expenses.

OCBC Wing Hang

OCBC Wing Hang offers a comprehensive range of commercial banking and related financial services such as consumer financing, share brokerage and insurance.

OCBC Wing Hang's operating profit after allowances was 46% higher at S\$283 million in 1H20, led by increase in net interest income, net trading income and gains from the sale of investment securities.

Insurance

The Group's insurance business, including its fund management activities, is undertaken by 87.9%-owned subsidiary GEH and its subsidiaries, which provide both life and general insurance products to its customers mainly in Singapore and Malaysia.

GEH operating profit after allowances fell 29% to S\$395 million in 1H20. The year-on-year decline in operating profit was mainly attributable to unrealised mark-to-market losses in its investment portfolio as a result of falling interest rates and widening credit spreads, partly offset by lower expenses.

After tax and non-controlling interests, GEH's contribution to the Group's net profit was S\$268 million in 1H20, lower than the S\$426 million a year ago.

Others

Others comprise mainly property holding, investment holding and items not attributable to the business segments described above.

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Wholesale Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
1H20							
Net interest income	952	1,297	343	447	58	12	3,109
Non-interest income	853	341	193	174	493	(48)	2,006
Total income	1,805	1,638	536	621	551	(36)	5,115
Operating profit before allowances and amortisation	684	1,048	378	336	423	30	2,899
Amortisation of intangible assets	(8)	–	–	(21)	(24)	–	(53)
Allowances for loans and other assets	(72)	(1,018)	(#)	(32)	(4)	(281)	(1,407)
Operating profit after allowances and amortisation	604	30	378	283	395	(251)	1,439
Other information:							
Capital expenditure	26	14	#	16	42	93	191
Depreciation	48	5	1	40	4	113	211
1H19							
Net interest income	1,007	1,400	291	412	52	(40)	3,122
Non-interest income	792	371	104	126	685	94	2,172
Total income	1,799	1,771	395	538	737	54	5,294
Operating profit before allowances and amortisation	730	1,199	257	247	580	35	3,048
Amortisation of intangible assets	(7)	–	–	(21)	(23)	–	(51)
Allowances for loans and other assets	#	(322)	2	(31)	(#)	(9)	(360)
Operating profit after allowances and amortisation	723	877	259	195	557	26	2,637
Other information:							
Capital expenditure	44	5	#	6	86	88	229
Depreciation	40	5	1	38	4	105	193

PERFORMANCE BY BUSINESS SEGMENT *(continued)*

S\$ million	Global Consumer/ Private Banking	Global Wholesale Banking	Global Treasury And Markets	OCBC Wing Hang	Insurance	Others	Group
At 30 June 2020							
Segment assets	115,141	153,715	92,923	57,674	101,214	18,160	538,827
Unallocated assets							2,102
Elimination							(30,927)
Total assets							510,002
Segment liabilities	147,172	114,680	71,063	48,190	89,910	17,691	488,706
Unallocated liabilities							2,881
Elimination							(30,927)
Total liabilities							460,660
Other information:							
Gross non-bank loans	89,621	147,560	1,246	34,795	3	(5,351)	267,874
NPAs	560	3,666	-	195	2	(72)	4,351
At 31 December 2019							
Segment assets	112,959	148,221	82,198	52,406	97,158	18,368	511,310
Unallocated assets							1,727
Elimination							(21,346)
Total assets							491,691
Segment liabilities	136,805	115,343	57,095	43,552	85,703	22,853	461,351
Unallocated liabilities							3,083
Elimination							(21,346)
Total liabilities							443,088
Other information:							
Gross non-bank loans	93,268	141,613	1,258	33,050	9	(4,425)	264,773
NPAs	548	3,258	-	133	2	(58)	3,883
At 30 June 2019							
Segment assets	111,135	149,078	78,140	55,540	91,933	19,063	504,889
Unallocated assets							1,450
Elimination							(26,572)
Total assets							479,767
Segment liabilities	133,865	113,065	59,029	46,863	81,138	23,375	457,335
Unallocated liabilities							2,786
Elimination							(26,572)
Total liabilities							433,549
Other information:							
Gross non-bank loans	92,548	140,382	1,014	33,233	14	(4,483)	262,708
NPAs	561	3,286	-	153	2	(88)	3,914

PERFORMANCE BY GEOGRAPHICAL SEGMENT

	1H20		1H19			
	S\$ million	%	S\$ million	%		
Total income						
Singapore	2,711	53	3,223	61		
Malaysia	838	16	708	13		
Indonesia	457	9	405	8		
Greater China	850	17	722	14		
Other Asia Pacific	116	2	105	2		
Rest of the World	143	3	131	2		
	5,115	100	5,294	100		
Operating profit before allowances and amortisation						
Singapore	1,442	50	1,902	62		
Malaysia	573	20	449	15		
Indonesia	248	8	207	7		
Greater China	469	16	337	11		
Other Asia Pacific	86	3	78	3		
Rest of the World	81	3	75	2		
	2,899	100	3,048	100		
Profit before income tax						
Singapore	268	15	1,691	57		
Malaysia	459	26	381	13		
Indonesia	166	9	160	5		
Greater China	732	42	571	19		
Other Asia Pacific	76	4	77	3		
Rest of the World	66	4	73	3		
	1,767	100	2,953	100		
	30 Jun 2020		31 Dec 2019		30 Jun 2019	
	S\$ million	%	S\$ million	%	S\$ million	%
Total assets						
Singapore	298,538	59	287,129	58	281,071	59
Malaysia	66,106	13	65,584	13	65,650	14
Indonesia	17,943	3	17,900	4	17,426	4
Greater China	86,093	17	81,684	17	79,245	16
Other Asia Pacific	18,400	4	16,264	3	16,616	3
Rest of the World	22,922	4	23,130	5	19,759	4
	510,002	100	491,691	100	479,767	100

The geographical segment analysis is based on the location where assets or transactions are booked. For 1H20, Singapore accounted for 53% of total income and 15% of pre-tax profit, while Malaysia contributed 16% of total income and 26% of pre-tax profit. Indonesia accounted for 9% of total income and 9% of pre-tax profit. Greater China made up for 17% of total income and 42% of pre-tax profit.

Pre-tax profit for Singapore was lower at S\$268 million in 1H20, as compared to S\$1.69 billion a year ago, mainly attributable to higher allowances. Malaysia's pre-tax profit was S\$459 million, up 20% from S\$381 million in 1H19, led by higher insurance income which more than offset a rise in allowances. Indonesia's pre-tax profit rose 4% to S\$166 million, from S\$160 million a year ago, underpinned by higher insurance and trading income, partly offset by increase in allowances. Pre-tax profit for Greater China rose 28% to S\$732 million from S\$571 million in 1H19, largely from income growth.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

S\$ million	1H20	1H19	+/(-) %
Interest income	5,229	6,093	(14)
Interest expense	(2,120)	(2,971)	(29)
Net interest income	3,109	3,122	-
Premium income	6,077	5,039	21
Investment income	1,379	4,193	(67)
Net claims, surrenders and annuities	(3,417)	(2,970)	15
Net change in life insurance fund contract liabilities	(3,195)	(4,835)	(34)
Commission and others	(506)	(1,052)	(52)
Profit from life insurance	338	375	(10)
Premium income from general insurance	101	89	13
Fees and commissions (net)	986	1,017	(3)
Dividends	30	32	(9)
Net trading income	343	478	(28)
Other income	208	181	14
Non-interest income	2,006	2,172	(8)
Total income	5,115	5,294	(3)
Staff costs	(1,403)	(1,390)	1
Other operating expenses	(813)	(856)	(5)
Total operating expenses	(2,216)	(2,246)	(1)
Operating profit before allowances and amortisation	2,899	3,048	(5)
Amortisation of intangible assets	(53)	(51)	3
Allowances for loans and other assets	(1,407)	(360)	292
Operating profit after allowances and amortisation	1,439	2,637	(45)
Share of results of associates, net of tax	328	316	4
Profit before income tax	1,767	2,953	(40)
Income tax expense	(281)	(419)	(33)
Profit for the period	1,486	2,534	(41)
Profit attributable to:			
Equity holders of the Bank	1,428	2,454	(42)
Non-controlling interests	58	80	(27)
	1,486	2,534	(41)
Earnings per share ^{1/} (for the period – S\$)			
Basic	0.32	0.57	
Diluted	0.32	0.57	

Note:

1. Earnings mean profit attributable to ordinary equity holders of the bank.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

S\$ million	1H20	1H19	+/(-) %
Profit for the period	1,486	2,534	(41)
Other comprehensive income:			
Items that may be reclassified subsequently to income statement:			
Financial assets, at FVOCI ^{1/}			
Fair value gains for the period	587	639	(8)
Reclassification of (gains)/losses to income statement			
– on disposal	(399)	(112)	(257)
– on impairment	10	(2)	488
Tax on net movements	(7)	(73)	91
Cash flow hedges	2	(3)	148
Currency translation on foreign operations	437	(34)	nm
Other comprehensive income of associates	93	(4)	nm
Items that will not be reclassified subsequently to income statement:			
Financial assets, at FVOCI ^{1/} , net change in fair value	(193)	257	(175)
Defined benefit plans remeasurements	#	#	4
Own credit	1	1	(45)
Total other comprehensive income, net of tax	531	669	(21)
Total comprehensive income for the period, net of tax	2,017	3,203	(37)
Total comprehensive income attributable to:			
Equity holders of the Bank	1,975	3,070	(36)
Non-controlling interests	42	133	(68)
	2,017	3,203	(37)

Note:

1. Fair value through other comprehensive income.

BALANCE SHEETS (UNAUDITED)

S\$ million	GROUP			BANK		
	30 Jun 2020 [@]	31 Dec 2019	30 Jun 2019 [@]	30 Jun 2020 [@]	31 Dec 2019	30 Jun 2019 [@]
EQUITY						
Attributable to equity holders of the Bank						
Share capital	17,296	17,261	16,423	17,296	17,261	16,423
Other equity instruments	1,497	1,497	1,497	1,497	1,497	1,497
Capital reserves	1,224	1,253	1,055	991	986	788
Fair value reserves	993	919	698	269	114	79
Revenue reserves	26,874	26,232	25,184	14,274	14,142	13,881
	47,884	47,162	44,857	34,327	34,000	32,668
Non-controlling interests	1,458	1,441	1,361	–	–	–
Total equity	49,342	48,603	46,218	34,327	34,000	32,668
LIABILITIES						
Deposits of non-bank customers	309,731	302,851	296,806	192,058	189,420	182,366
Deposits and balances of banks	12,460	8,250	11,269	10,285	5,938	8,464
Due to subsidiaries	–	–	–	28,112	21,435	24,526
Due to associates	422	347	363	157	138	137
Trading portfolio liabilities	425	92	317	425	92	317
Derivative payables	14,129	7,687	7,079	12,696	6,743	6,028
Other liabilities	8,122	6,945	6,503	1,962	2,086	1,969
Current tax payables	1,357	1,189	1,034	478	435	397
Deferred tax liabilities	1,524	1,893	1,752	183	238	197
Debt issued	23,596	29,388	28,406	22,511	28,226	27,140
	371,766	358,642	353,529	268,867	254,751	251,541
Life insurance fund liabilities	88,894	84,446	80,020	–	–	–
Total liabilities	460,660	443,088	433,549	268,867	254,751	251,541
Total equity and liabilities	510,002	491,691	479,767	303,194	288,751	284,209
ASSETS						
Cash and placements with central banks	19,698	23,201	18,705	15,249	17,824	14,230
Singapore government treasury bills and securities	11,117	11,042	10,427	10,148	9,892	9,366
Other government treasury bills and securities ^{2/}	20,998	17,712	18,199	8,670	7,661	7,903
Placements with and loans to banks ^{2/}	36,158	35,864	37,334	27,243	28,100	28,906
Loans to customers ^{2/}	264,391	262,348	260,363	168,447	164,564	162,077
Debt and equity securities ^{2/}	32,213	29,253	28,355	17,200	14,271	13,790
Assets held for sale	21	3	6	2	2	6
Derivative receivables	14,135	7,349	7,021	12,597	6,324	6,029
Other assets	6,716	4,409	4,500	3,525	2,442	2,407
Deferred tax assets	157	87	46	31	21	20
Associates	4,190	3,638	3,330	1,708	1,460	1,387
Subsidiaries	–	–	–	35,349	33,159	35,077
Property, plant and equipment	3,628	3,628	3,556	679	684	648
Investment property	829	839	845	479	480	496
Goodwill and intangible assets	5,013	4,980	5,029	1,867	1,867	1,867
	419,264	404,353	397,716	303,194	288,751	284,209
Life insurance fund investment assets	90,738	87,338	82,051	–	–	–
Total assets	510,002	491,691	479,767	303,194	288,751	284,209
Net asset value (before valuation surplus) per ordinary share – S\$[@]	10.53	10.38	10.05	7.45	7.38	7.22
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	12,131	13,944	11,529	8,807	10,440	8,225
Commitments	169,706	156,293	148,551	101,331	95,338	87,804
Derivative financial instruments	1,098,039	984,036	1,032,253	865,595	780,979	845,879

Notes:

1. “@” represents unaudited.
2. Comparative figures have been restated to conform with current period's presentation.

STATEMENT OF CHANGES IN EQUITY – GROUP (UNAUDITED)

For the half year ended 30 June 2020

S\$ million	Attributable to equity holders of the Bank						Non-controlling interests	Total equity
	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total			
Balance at 1 January 2020	18,758	1,253	919	26,232	47,162	1,441	48,603	
Total comprehensive income for the period	–	–	74	1,901	1,975	42	2,017	
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Transfers	–	(1)	–	1	–	–	–	
Buy-back of shares held as treasury shares	(63)	–	–	–	(63)	–	(63)	
Dividends and distributions	–	–	–	(1,263)	(1,263)	(29)	(1,292)	
DSP reserve from dividends on unvested shares	–	–	–	3	3	–	3	
Share-based payments for staff costs	–	5	–	–	5	–	5	
Shares issued to non-executive directors	1	–	–	–	1	–	1	
Shares transferred to DSP Trust	–	(6)	–	–	(6)	–	(6)	
Shares vested under DSP Scheme	–	63	–	–	63	–	63	
Treasury shares transferred/sold	97	(90)	–	–	7	–	7	
Total contributions by and distributions to owners	35	(29)	–	(1,259)	(1,253)	(29)	(1,282)	
Changes in interests in a subsidiary that do not result in loss of control								
	–	–	–	–	–	4	4	
Total changes in interests in a subsidiary	–	–	–	–	–	4	4	
Balance at 30 June 2020	18,793	1,224	993	26,874	47,884	1,458	49,342	
Included in the balances:								
Share of reserves of associates	–	–	115	1,839	1,954	–	1,954	
Balance at 1 January 2019	17,247	930	(66)	24,026	42,137	1,255	43,392	
Total comprehensive income for the period	–	–	764	2,306	3,070	133	3,203	
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Transfers	–	140	–	(140)	–	–	–	
Acquisition of a subsidiary	–	–	–	–	–	2	2	
Buy-back of shares held as treasury shares	(133)	–	–	–	(133)	–	(133)	
Dividends and distributions	–	–	–	(319)	(319)	(29)	(348)	
Share-based payments for staff costs	–	10	–	–	10	–	10	
Shares issued in lieu of ordinary dividends	689	–	–	(689)	–	–	–	
Shares issued to non-executive directors	1	–	–	–	1	–	1	
Shares transferred to DSP Trust	–	(4)	–	–	(4)	–	(4)	
Shares vested under DSP Scheme	–	70	–	–	70	–	70	
Treasury shares transferred/sold	116	(91)	–	–	25	–	25	
Total contributions by and distributions to owners	673	125	–	(1,148)	(350)	(27)	(377)	
Balance at 30 June 2019	17,920	1,055	698	25,184	44,857	1,361	46,218	
Included in the balances:								
Share of reserves of associates	–	–	57	1,361	1,418	–	1,418	

STATEMENT OF CHANGES IN EQUITY – BANK (UNAUDITED)

For the half year ended 30 June 2020

S\$ million	Share capital and other equity	Capital reserves	Fair value reserves	Revenue reserves	Total equity
Balance at 1 January 2020	18,758	986	114	14,142	34,000
Total comprehensive income for the period	–	–	155	1,392	1,547
Buy-back of shares held as treasury shares	(63)	–	–	–	(63)
Dividends and distribution	–	–	–	(1,263)	(1,263)
DSP reserve from dividends on unvested shares	–	–	–	3	3
Share-based payments for staff costs	–	5	–	–	5
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	97	–	–	–	97
Balance at 30 June 2020	18,793	991	269	14,274	34,327
Balance at 1 January 2019	17,247	639	(81)	13,491	31,296
Total comprehensive income for the period	–	–	160	1,537	1,697
Transfers	–	139	–	(139)	–
Buy-back of shares held as treasury shares	(133)	–	–	–	(133)
Dividends and distribution	–	–	–	(319)	(319)
Share-based payments for staff costs	–	10	–	–	10
Shares issued in lieu of ordinary dividends	689	–	–	(689)	–
Shares issued to non-executive directors	1	–	–	–	1
Treasury shares transferred/sold	116	–	–	–	116
Balance at 30 June 2019	17,920	788	79	13,881	32,668

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the half year ended 30 June 2020

S\$ million	1H20	1H19
Cash flows from operating activities		
Profit before income tax	1,767	2,953
Adjustments for non-cash items:		
Allowances for loans and other assets	1,407	360
Amortisation of intangible assets	53	51
Change in hedging transactions, fair value through profit or loss securities and debt issued	148	(117)
Depreciation of property and equipment and interest expense on lease liabilities	214	196
Net gain on disposal of government, debt and equity securities	(160)	(82)
Net gain on disposal of property and equipment	(14)	(41)
Net gain on disposal of a subsidiary	–	(1)
Share-based costs	38	35
Share of results of associates, net of tax	(328)	(316)
Items relating to life insurance fund		
Surplus before income tax	340	416
Surplus transferred from life insurance fund	(338)	(375)
Operating profit before change in operating assets and liabilities	3,127	3,079
Change in operating assets and liabilities:		
Deposits of non-bank customers	6,954	1,391
Deposits and balances of banks	4,210	3,692
Derivative payables and other liabilities	8,604	273
Trading portfolio liabilities	333	103
Government securities and treasury bills	(2,944)	(709)
Restricted balances with central banks	669	115
Fair value through profit or loss securities	(1,394)	(622)
Placements with and loans to banks	(295)	1,825
Loans to customers	(3,398)	(5,220)
Derivative receivables and other assets	(9,589)	(674)
Net change in investment assets and liabilities of life insurance fund	431	525
Cash provided by operating activities	6,708	3,778
Income tax paid	(271)	(459)
Net cash provided by operating activities	6,437	3,319
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	–	15
Dividends from associates	72	9
Investment in an associate	(322)	–
Purchases of debt and equity securities	(7,957)	(8,486)
Purchases of property and equipment	(159)	(140)
Proceeds from disposal of debt and equity securities	6,900	7,707
Proceeds from disposal of property and equipment	16	61
Net cash used in investing activities	(1,450)	(834)
Cash flows from financing activities		
Buy-back of shares held as treasury shares	(63)	(133)
Changes in non-controlling interests	4	–
Dividends and distributions paid	(1,292)	(348)
Net redemption of other debt issued	(6,846)	(1,728)
Payment of lease liabilities	(49)	(36)
Proceeds from treasury shares transferred/sold under the Bank's employee share schemes	7	25
Redemption of subordinated debt issued	–	(131)
Net cash used in financing activities	(8,239)	(2,351)
Net currency translation adjustments	418	(63)
Net change in cash and cash equivalents	(2,834)	71
Cash and cash equivalents at beginning of period	18,060	13,386
Cash and cash equivalents at end of period	15,226	13,457

SHARE CAPITAL AND OPTIONS ON SHARES IN THE BANK

The following table shows movements in the issued ordinary shares of the Bank:

Number of Shares	Half year ended 30 June	
	2020	2019
Issued ordinary shares		
Balance at beginning of period	4,408,594,395	4,256,770,207
Shares issued to non-executive directors	55,512	54,000
Shares issued pursuant to Scrip Dividend Scheme	–	65,356,842
Balance at end of period	4,408,649,907	4,322,181,049
Treasury shares		
Balance at beginning of period	(7,583,685)	(6,738,940)
Share buyback	(6,895,800)	(11,830,000)
Shares sold/transferred to employees pursuant to OCBC Share Option Scheme	854,061	2,157,218
Shares sold/transferred to employees pursuant to OCBC Employee Share Purchase Plan	9,542	700,327
Shares transferred to DSP Trust pursuant to OCBC Deferred Share Plan	10,207,579	7,497,197
Balance at end of period	(3,408,303)	(8,214,198)
Total	4,405,241,604	4,313,966,851

Pursuant to the share purchase mandate approved at the annual general meeting held on 18 May 2020, the Bank purchased a total of 6,895,800 ordinary shares in the half year ended 30 June 2020. The ordinary shares were purchased by way of open market acquisitions at prices ranging from S\$7.82 to S\$11.08 per share and the total consideration paid was S\$62,889,547 (including transaction costs).

From 1 January 2020 to 30 June 2020 (both dates inclusive), the Bank utilised 854,061 treasury shares upon the exercise of options by employees of the Group pursuant to the OCBC Share Option Scheme 2001 (“SOS 2001”). As at 30 June 2020, the number of options outstanding under the OCBC SOS 2001 was 34,206,629 (30 June 2019: 36,268,528).

From 1 January 2020 to 30 June 2020 (both dates inclusive), the Bank utilised 9,542 treasury shares upon the exercise of acquisition rights by employees of the Group pursuant to OCBC Employee Share Purchase Plan (“ESPP”). As at 30 June 2020, the number of acquisition rights outstanding under the OCBC ESPP was 11,582,885 (30 June 2019: 11,792,700).

From 1 January 2020 to 30 June 2020 (both dates inclusive), the Bank transferred 10,207,579 treasury shares to the Trust administering the OCBC Deferred Share Plan following the Bank’s award of deferred shares to employees of the Group.

No new preference shares were allotted and issued by the Bank in the half year ended 30 June 2020.

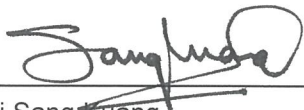
OTHER MATTERS

1. The Bank has not obtained a general mandate from shareholders for Interested Person Transactions pursuant to Rule 920(1) of the Listing Manual.
2. The Bank has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual pursuant to Rule 720(1) of the Listing Manual.

CONFIRMATION BY THE BOARD

We, Ooi Sang Kuang and Samuel N. Tsien, being directors of Oversea-Chinese Banking Corporation Limited ("the Bank"), do hereby confirm on behalf of the Board of Directors of the Bank, that to the best of our knowledge, nothing has come to our attention which may render the unaudited financial results of the Bank and of the Group for the half year ended 30 June 2020 to be false or misleading.

On behalf of the Board of Directors



Ooi Sang Kuang
Chairman



Samuel N. Tsien
Chief Executive Officer / Director

6 August 2020